



May 13, 2026

Becky Jolly
Land Quality Bureau
Iowa Department of Natural Resources
6200 Park Avenue
Suite 200
Des Moines, IA 50321

Dear Becky:

Enclosed in this package are the documents required for the 2026 Financial Assurance filing for Cedar Falls Utilities' Leverage Road Ash Disposal Facility, Permit #07-SDP-11-89P. They are the Coal Combustion Residue Monofill Financial Assurance Form, the December 01, 2025, closure/post-closure cost estimate from Stanley Consultants, a copy of the Eide Bailly Auditor's report for 2025, and the updated permit for the Leverage Road ash landfill reflecting the three-year extension. Due to this extension, the financial assurance form reflects the required four years of funds and the projected deposit.

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

Sincerely,

David Ames

David Ames
Environmental Coordinator
Cedar Falls Utilities
319-268-5300
ed.olthoff@cfunet.net



Coal Combustion Residue Monofill Financial Assurance Report Form

SECTION 1: FACILITY INFORMATION

(please print or type)

Information Requested

Facility Name: Leversee Road Ash Disposal Facility

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

Permitted Agency/Entity: Cedar Falls Utilities

SECTION 2: CLOSURE/POSTCLOSURE OR CORRECTIVE ACTION COST ESTIMATES

Information Requested	Cost Estimate	Date of Cost Estimate
Updated Closure Cost Estimate	\$	
Updated Postclosure Cost Estimate	\$ 121,652	12/01/2025
Initial or Updated Corrective Action Cost Estimate	\$	

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

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

SECTION 3: FACILITY WASTE TONNAGE INFORMATION

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

SECTION 4: PROOF OF COMPLIANCE

Publicly Owned Coal Combustion Residue Monofills

(ATTACH AUDIT REPORT)

Owner's Most Recent Annual Audit Report

Prepared by: Eide Bailey

For fiscal year ending: 12/31/2025

Privately Owned Coal Combustion Residue Monofills

(ATTACH AFFIDAVIT)

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

SECTION 5: FINANCIAL ASSURANCE INSTRUMENT

Type and Value of Financial Assurance Instrument(s)	<i>(ATTACH INSTRUMENT(S))</i>
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Assurance Instrument	Establishment Date	Mechanism Covers	Instrument Value*
Trust Fund 567 IAC 103.3(6)“a”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Surety Bond 567 IAC 103.3(6)“b”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Letter of Credit 567 IAC 103.3(6)“c”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Insurance 567 IAC 103.3(6)“d”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Corporate Financial Test 567 IAC 103.3(6)“e”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Local Gov’t. Financial Test 567 IAC 103.3(6)“f”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Corporate Guarantee 567 IAC 103.3(6)“g”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Local Gov’t Guarantee 567 IAC 103.3(6)“h”		Closure <input type="checkbox"/> Postclosure <input type="checkbox"/> Corrective Action <input type="checkbox"/>	\$
Local Gov’t. Dedicated Fund 567 IAC 103.3(6)“i”	01/01/1996	Closure <input type="checkbox"/> Postclosure <input checked="" type="checkbox"/> Corrective Action <input type="checkbox"/>	\$ 68,740

SECTION 6: FUND PAYMENTS

(only if using dedicated or trust fund)

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

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

Information Requested	Beginning Balance	Ending Balance	Projected Deposit
Dedicated Fund Balance <i>(see formula below)</i>	\$ 93,150	\$ 68,740	\$ 52,912
Trust Fund Balance <i>(see formula below)</i>	\$	\$	\$

Formula for Projected Deposits

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

Postclosure estimate: \$30,413/yr X 4 yrs left = \$121,652

\$121,652 > \$68,740, therefore a deposit of \$52,912 is required.

SECTION 7: PERMIT HOLDER ENDORSEMENT

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

Name of Official: Bill Skubal Title: Director of Energy Resources


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: 5-8-26

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



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, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Municipal Electric Utility has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* for the year ended December 31, 2025. Accordingly, a reclassification has been made to the financial statements for the year ended December 31, 2024. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Utility's Proportionate Share of the Net Pension Liability, Schedule of Utility's Contributions, and Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 27, 2026, 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, 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 black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
April 27, 2026

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, 2025 and 2024
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, 2025 and 2024. 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 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 Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events.

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.

The Utility adopted GASB 102 effective January 1, 2025. Statement No. 102, *Certain Risk Disclosures*, provides users with disclosures regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

The Utility adopted GASB 103 effective January 1, 2025. Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model. The purpose of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues identified through pre-agenda research conducted by GASB.

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Utility Financial Analysis

Fuel and Purchased Power Expenses

Fuel and purchased power expenses along with Sales for Resale are traditionally the main drivers of year-to-year changes for the Electric Utility. 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.

	2025	2024	2025 <i>Change</i>	2023	2024 <i>Change</i>
Purchased Power Expense					
Recovered via Cost Recovery	\$ 28,163,505	\$ 17,904,922	<i>10,258,583</i>	\$ 18,068,911	<i>(163,989)</i>
Reduction to WURSA Giveback	N/A	1,872	<i>(1,872)</i>	378,152	<i>(376,280)</i>
Recovered via Base Rates	1,362,640	1,233,797	<i>128,843</i>	1,182,715	<i>51,082</i>
	<u>29,526,145</u>	<u>19,140,591</u>	<u><i>10,385,554</i></u>	<u>19,629,778</u>	<u><i>(489,187)</i></u>
Fuel Expense					
Recovered via Cost Recovery	5,401,053	4,403,838	<i>997,215</i>	3,864,845	<i>538,993</i>
Recovered via Base Rates	-	-	-	-	-
	<u>5,401,053</u>	<u>4,403,838</u>	<u><i>997,215</i></u>	<u>3,864,845</u>	<u><i>538,993</i></u>
Recovered via Cost Recovery	<u>\$ 33,564,558</u>	<u>\$ 22,308,760</u>	<u><i>11,255,798</i></u>	<u>\$ 21,933,756</u>	<u><i>375,004</i></u>

In 2025, the Utility adjusted how the ECA was calculated. In 2023 & 2024, the ECA was a mix of revenue and expenses. In 2025, the Utility transitioned to a Revenue Giveback Adjustment (RGA), which is discussed more in the Sales for Resale section of the MD&A. Revenue previously included in the ECA was moved to the RGA, and expenses previously included in the Western Unit Revenue Sharing Adjustment (WURSA) were moved to the ECA. This change had no impact on customer bills, as the Net ECA passed to customers did not change; however, it resulted in the ECA calculation being impacted only by expenses and the giveback calculation being impacted only by revenues.

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 more detail is in the MD&A section of CFU Municipal Gas Utility report.

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Sales for Resale

Another driver of year-to-year changes is traditionally Sales for Resale. Revenue from Sales for Resale–CFU and Sales for Resale–Western Units will vary due to the energy each unit generates and sells into the MISO market, as well as the local market price (LMP) of energy.

2025 saw a significant increase in the cost of natural gas, as well as electricity prices resulting in higher Sales for Resales and corresponding higher givebacks (RGA) of those revenues. The following table compares Sales for Resale with the corresponding givebacks.

	2025 RGA	2024 WURSA	2025 Change	2023 WURSA	2024 Change
Sales for Resale - ARR/FTR	\$ 1,591,916	\$ 2,039,967	<i>(448,051)</i>	\$ 2,021,232	<i>18,735</i>
Sales for Resale - CFU	1,227,746	611,699	<i>616,047</i>	2,164,671	<i>(1,552,972)</i>
Sales for Resale - Western Units	9,912,160	5,707,100	<i>4,205,060</i>	5,636,621	<i>70,479</i>
Sales for Resale - No Giveback Impact	2,070,297	433,058	<i>1,637,239</i>	177,732	<i>255,326</i>
Sales for Resale	14,802,119	8,791,824	<i>6,010,295</i>	10,000,256	<i>(1,208,432)</i>
Giveback %s					
Sales for Resale - ARR/FTR	100%	100%		100%	
Sales for Resale - CFU	100%	100%		100%	
Sales for Resale - Western Units	50%	50%		50%	
Sales for Resale - ARR/FTR	(1,591,916)	N/A		N/A	
Sales for Resale - CFU	(1,227,746)	N/A		N/A	
Sales for Resale - Western Units	(4,956,080)	(2,853,550)		(2,818,311)	
Purchased Power Expense from the Western Units	N/A	1,872		378,152	
Giveback Based On %s	(7,775,742)	(2,851,678)	<i>(4,924,064)</i>	(2,440,159)	<i>(411,519)</i>
Giveback	(7,761,006)	(2,792,654)	<i>(4,968,352)</i>	(2,698,335)	<i>(94,319)</i>
Difference	\$ (14,736)	\$ (59,024)	<i>44,288</i>	\$ 258,176	<i>(317,200)</i>

Note: Due to several factors including projecting future billings and rounding the giveback may not be the exact same as the giveback based on %s

In 2025, the Utility adjusted how the Sales for Resale revenues were passed to the customer via the Net ECA. In 2023 & 2024, the Western Unit Revenue Sharing Adjustment (WURSA) was in place. The WURSA was a mix of revenue and expenses from the Western Units. In 2025, the Utility transitioned to a Revenue Giveback Adjustment (RGA). Expenses previously included in the WURSA were moved to the ECA, and revenue previously included in the ECA was moved to the RGA. This redesign of rate riders had no impact on customer bills, as the Net ECA (ECA + RGA) passed to customers did not change; however, it resulted in the ECA calculation using only specific expenses and the RGA calculation only using specific revenues based on a formula. These formulas are found in the Electric Utility rate schedules.

The Western Units are coal-fired power plants (see Note 1), when natural gas costs are higher it is more economical for these plants to generate electricity.

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Cost Recovery Expenses and Giveback Impacts on Sales of Electricity

Base Revenue: Factors that impact the 2025 change include a budgeted 7.0% base rate increase from 2024 and a 15.8% increase in retail sales from 2024.

	2025	2024	2025 <i>Change</i>	2023	2024 <i>Change</i>
Sales of Electricity					
Base Revenue	\$ 37,894,396	\$ 33,362,129	4,532,267	\$ 29,289,711	4,072,418
Cost Recovery Revenue	33,649,981	19,740,704	13,909,277	17,807,485	1,933,219
Giveback	(7,761,006)	(2,792,654)	(4,968,352)	(2,698,335)	(94,319)
Sales for Resale	14,802,119	8,791,824	6,010,295	10,000,256	(1,208,432)
Total Sales of Electricity	\$ 78,585,490	\$ 59,102,003	19,483,487	\$ 54,399,117	4,702,886

Comparison of Cost Recovery Expenses and Cost Recovery Revenue under prior year formulas

	2025	2024	2025 <i>Change</i>	2023	2024 <i>Change</i>
Cost Recovery Expenses	\$ 33,564,558	\$ 22,308,760	11,255,798	\$ 21,933,756	375,004
Sales for Resale - ECA Reduction	N/A	(2,651,666)	2,651,666	(4,186,463)	1,534,797
Net Costs to Recover	33,564,558	19,657,094	13,907,464	17,747,293	1,909,801
Revenue from Cost Recovery	33,649,981	19,740,704	13,909,277	17,807,485	1,933,219
Difference	\$ 85,423	\$ 83,610	1,813	\$ 60,192	23,418

Note: Due to several factors including projecting future billings and rounding the revenue may not be the exact same as the net costs to recover.

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Condensed Statement of Net Position

	2025	2024	2025 <i>Change</i>	2023	2024 <i>Change</i>
Net Capital Assets	\$ 174,566,739	\$ 161,695,532	<i>12,871,207</i>	\$ 163,707,863	<i>(2,012,331)</i>
Noncurrent Assets	8,348,340	8,706,016	<i>(357,676)</i>	9,423,881	<i>(717,865)</i>
Current Assets	108,998,003	85,758,576	<i>23,239,427</i>	71,697,571	<i>14,061,005</i>
Deferred Outflows of Resources	1,053,873	1,129,521	<i>(75,648)</i>	1,574,357	<i>(444,836)</i>
Total Assets and Deferred Outflows of Resources	\$ 292,966,955	\$ 257,289,645	<i>35,677,310</i>	\$ 246,403,672	<i>10,885,973</i>
Current Liabilities	12,755,666	8,377,083	<i>4,378,583</i>	10,967,818	<i>(2,590,735)</i>
Noncurrent Liabilities	19,686,018	8,809,905	<i>10,876,113</i>	11,759,959	<i>(2,950,054)</i>
Deferred Inflows of Resources	9,026,764	9,158,036	<i>(131,272)</i>	9,539,973	<i>(381,937)</i>
Total Liabilities and Deferred Inflows of Resources	41,468,448	26,345,024	<i>15,123,424</i>	32,267,750	<i>(5,922,726)</i>
Total Net Position	251,498,507	230,944,621	<i>20,553,886</i>	214,135,922	<i>16,808,699</i>
Total Liabilities, Deferred Inflows and Net Position	\$ 292,966,955	\$ 257,289,645	<i>35,677,310</i>	\$ 246,403,672	<i>10,885,973</i>

Net Capital Assets

At December 31, 2025, the Utility had \$174.6 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 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 net capital assets activity for the year ended December 31, 2025 (rounded) follows:

	Increases	Decreases	Change
Capital assets, not being depreciated			
Land	\$ 252,000	\$ -	\$ 252,000
Construction work in progress	19,849,000	(8,623,000)	11,226,000
Capital assets, being depreciated/amortized			
Generation	3,295,000	(318,000)	2,977,000
Transmission	300,000	(24,000)	276,000
Distribution	4,294,000	(729,000)	3,565,000
General	1,821,000	(1,846,000)	(25,000)
Western Unit Related - Not Yet Classified	(1,087,000)	-	(1,087,000)
Right to Use Related	191,000	-	191,000
Total accumulated depreciation/amortization	(7,601,000)	3,096,000	(4,505,000)
Net capital assets	\$ 21,314,000	\$ (8,444,000)	\$ 12,870,000

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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.

The majority of the construction work in progress increase can be attributed to the Viking Energy Center. A new facility that will generate electricity using natural gas-fired reciprocating engines.

Utility Debt Activity

At the end of 2025, the Series 2015 Refunding Capital Loan Notes had an outstanding principal balance of \$1.3 million. The outstanding balance at year ending 2024 was \$2.6 million. These notes were an advance refunding of outstanding Series 2005 and Series 2007 Revenue Bonds. This series will mature in 2026.

In 2025, the Utility entered into a loan agreement with the CFU Municipal Communications Utility totaling \$15.0 million. These funds will be used for the Electric Utility capital improvement plans including those for the construction costs of the new Viking Energy Center.

Debt related changes impact on the Statement of Net Position:

	2025	2024	2025 <i>Change</i>	2023	2024 <i>Change</i>
Current Assets					
Cash from 2025 Loan from Communications	\$ 15,000,000	\$ -	15,000,000	\$ -	-
Current Liabilities					
Series 2015 Capital Loan Note	\$ 1,335,000	\$ 1,290,000	45,000	\$ 3,195,000	(1,905,000)
2025 Loan from Communications	1,500,000	-	1,500,000	-	-
	<u>\$ 2,835,000</u>	<u>\$ 1,290,000</u>	<u>1,545,000</u>	<u>\$ 3,195,000</u>	<u>(1,905,000)</u>
Noncurrent Liabilities					
Series 2015 Capital Loan Note	\$ -	\$ 1,335,000	(1,335,000)	\$ 2,625,000	(1,290,000)
2025 Loan from Communications	13,500,000	-	13,500,000	-	-
	<u>\$ 13,500,000</u>	<u>\$ 1,335,000</u>	<u>12,165,000</u>	<u>\$ 2,625,000</u>	<u>(1,290,000)</u>

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

Other Statement of Net Position Highlights

Current Assets

Total cash and current investments increased \$23.2 million. As discussed in the Utility Debt Activity section part of this increase was the year end \$15 million loan from the Communication Utility. Other factors that impacted the increase include a budgeted 7.0% base rate increase from 2024 and a 15.8% increase in retail sales from 2024

Current Liabilities

Accounts payable increased \$1.8 million for 2025. A large part of this change can be attributed to projects such as the repair of Streeter Station Unit #6 turbine and the upgrade of Streeter Station DCS control system.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Statement of Revenues, Expenses and Changes in Net Position with a Cost Recovery Emphasis

	2025	2024	2025	2023	2024
		(Reclassified)	Change	(Reclassified)	Change
Sales of Electricity					
Base Revenue	\$ 37,894,396	\$ 33,362,129	4,532,267	\$ 29,289,711	4,072,418
Cost Recovery Revenue	33,649,981	19,740,704	13,909,277	17,807,485	1,933,219
Giveback	(7,761,006)	(2,792,654)	(4,968,352)	(2,698,335)	(94,319)
Sales for Resale	14,802,119	8,791,824	6,010,295	10,000,256	(1,208,432)
Total Sales of Electricity	78,585,490	59,102,003	19,483,487	54,399,117	4,702,886
Other	5,093,001	5,757,569	(664,568)	6,650,958	(893,389)
Total Operating Revenues	83,678,491	64,859,572	18,818,919	61,050,075	3,809,497
Fuel & Purchased Power					
Recovered via Cost Recovery	33,564,558	22,308,760	11,255,798	21,933,756	375,004
Non-Cost Recovery Expenses	1,362,640	1,235,669	126,971	1,560,867	(325,198)
Total Fuel & Purchased Power	34,927,198	23,544,429	11,382,769	23,494,623	49,806
Other Production and Generation	6,549,888	4,693,899	1,855,989	5,055,557	(361,658)
Transmission & Distribution	8,618,518	7,763,457	855,061	6,409,275	1,354,182
Depreciation & Amortization	7,140,868	7,356,454	(215,586)	8,021,733	(665,279)
Services & Administrative	8,627,647	8,975,716	(348,069)	8,488,939	486,777
Total Operating Expenses	65,864,119	52,333,955	13,530,164	51,470,127	863,828
Total Noncapital Subsidies	(1,939,400)	(1,536,800)	(402,600)	(2,346,200)	809,400
Total Non-Operating Revenues (Expenses)	4,678,914	5,274,482	(595,568)	3,414,222	1,860,260
Unusual or Infrequent Item	-	545,400	(545,400)	-	545,400
Change in Net Position	20,553,886	16,808,699	3,745,187	10,647,970	6,160,729
Net Position, Beginning of Year	230,944,621	214,135,922	16,808,699	203,487,952	10,647,970
Net Position, End of Year	\$ 251,498,507	\$ 230,944,621	20,553,886	\$ 214,135,922	16,808,699

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Currently Known Facts, Decisions, or Conditions

Effective January 1, 2026, the Board of Trustees approved a 5.1% base rate increase. Based on average usage, the rate increase is estimated to improve net position by \$1.5 million.

Costs related to the construction of the Viking Energy Center are budgeted through 2028 and the 2026 Budget projected expenditures as follows:

Fiscal Year	
Ended	Amount
2026	\$ 7,510,000
2027	53,205,000
2028	13,497,000
	<u>\$ 74,212,000</u>

The 2026 Budget also projected the utility taking on additional debt in 2027 to fund the project.

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Capital assets:		
Capital assets, in service	\$ 290,947,022	\$ 284,797,379
Less accumulated depreciation & amortization	130,035,648	125,531,262
Net capital assets in service	160,911,374	159,266,117
Construction work in progress	13,655,365	2,429,415
Net capital assets	<u>174,566,739</u>	<u>161,695,532</u>
Noncurrent assets:		
Other	8,190,032	8,524,324
Lease receivable	48,851	72,235
Prepayments and other	109,457	109,457
Total noncurrent assets	<u>8,348,340</u>	<u>8,706,016</u>
Current assets:		
Cash and cash equivalents - unrestricted	82,398,737	46,268,808
Cash and cash equivalents - restricted	2,497,477	2,707,439
Investments - unrestricted	7,800,000	20,500,000
Investments - restricted	2,639,500	2,639,500
Receivables:		
Customer accounts, less allowance for doubtful accounts of \$44,400 in 2025 and \$38,600 in 2024	7,091,056	6,198,893
Trade	1,259,774	908,332
Lease receivable	67,484	45,434
Interest	234,590	630,340
Inventories:		
Fuel	1,462,977	2,429,167
Material and supplies	2,878,356	2,743,151
Prepayments and other	668,052	687,512
Total current assets	<u>108,998,003</u>	<u>85,758,576</u>
Total assets	291,913,082	256,160,124
Deferred outflows of resources		
Pension related deferred outflows	857,951	830,731
OPEB related deferred outflows	171,027	224,107
Unamortized loss on reacquired debt	24,895	74,683
Total deferred outflows of resources	<u>1,053,873</u>	<u>1,129,521</u>
Total assets and deferred outflows of resources	<u>\$ 292,966,955</u>	<u>\$ 257,289,645</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 5,203,208	\$ 3,350,225
Reserve for surplus declaration	1,939,400	1,536,800
Current installments of capital loan notes	1,335,000	1,290,000
Current installments of associated company loans	1,500,000	-
Accrued wages and compensated absences	1,378,510	1,167,596
Accrued interest	93,370	107,554
Lease and subscription agreements	118,625	82,710
Other accrued expenses	1,187,553	842,198
Total current liabilities	<u>12,755,666</u>	<u>8,377,083</u>
Noncurrent liabilities:		
Customer advances for construction	393,900	369,000
Capital loan notes, less current installments	156,443	1,642,613
Associated company loans, less current installments	13,500,000	-
Lease and subscription agreements	144,447	128,314
Net pension liability	2,136,663	3,311,046
Other liabilities	3,354,565	3,358,932
Total noncurrent liabilities	<u>19,686,018</u>	<u>8,809,905</u>
Total liabilities	<u>32,441,684</u>	<u>17,186,988</u>
Deferred inflows of resources		
Lease related	153,523	154,263
OPEB related	366,081	395,232
Pension related	317,128	84,217
TIF related	8,190,032	8,524,324
Total deferred inflows of resources	<u>9,026,764</u>	<u>9,158,036</u>
Total liabilities and deferred inflows of resources	41,468,448	26,345,024
Net Position		
Net investment in capital assets	172,837,118	158,626,578
Restricted	4,795,237	5,062,899
Unrestricted	73,866,152	67,255,144
Total net position	<u>251,498,507</u>	<u>230,944,621</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 292,966,955</u>	<u>\$ 257,289,645</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, 2025 and 2024

	<u>2025</u>	<u>2024</u> (Reclassified)
Operating revenues:		
Sales of electricity:		
Residential	\$ 20,566,869	\$ 17,475,739
Commercial	33,844,307	24,661,500
Industrial	5,021,442	4,409,777
Governmental	4,108,066	3,539,348
Interdepartmental	242,687	223,815
Sales for resale	14,802,119	8,791,824
Total sales of electricity	<u>78,585,490</u>	<u>59,102,003</u>
Other operating revenues	5,093,001	5,757,569
Total operating revenues	<u>83,678,491</u>	<u>64,859,572</u>
Operating expenses:		
Production and generation:		
Purchased power	29,526,145	19,140,591
Fuel	5,401,053	4,403,838
Other	6,549,888	4,693,899
Transmission	6,298,558	5,512,155
Distribution	2,319,960	2,251,302
Administrative and general	6,043,720	6,472,463
Customer service and informational expenses	799,220	687,985
Customer accounts	774,712	786,474
Sales	62,535	56,638
Depreciation and amortization	7,140,868	7,356,454
Taxes other than income taxes	929,279	920,794
Other	18,181	51,362
Total operating expenses	<u>65,864,119</u>	<u>52,333,955</u>
Operating income	<u>17,814,372</u>	<u>12,525,617</u>
Noncapital subsidies:		
Payment in lieu of taxes to the City of Cedar Falls	(1,939,400)	(1,536,800)
Operating income and noncapital subsidies	<u>15,874,972</u>	<u>10,988,817</u>
Other nonoperating revenues (expenses):		
AFUDC	174,138	115,101
Contributed capital	1,126,112	1,514,202
Interest expense on long-term debt	(126,875)	(205,624)
Interest income	3,313,574	3,230,468
Miscellaneous revenue, net	191,965	620,335
Total other nonoperating revenues (expenses)	<u>4,678,914</u>	<u>5,274,482</u>
Unusual or Infrequent Item	-	545,400
Change in net position	<u>20,553,886</u>	<u>16,808,699</u>
Net position, beginning of year	<u>230,944,621</u>	<u>214,135,922</u>
Net position, end of year	<u>\$ 251,498,507</u>	<u>\$ 230,944,621</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, 2025 and 2024

	<u>2025</u>	<u>2024</u> (Reclassified)
Cash flows from operating activities:		
Cash received from customers	\$ 82,461,214	\$ 63,831,018
Cash paid to suppliers	(51,842,031)	(39,874,448)
Cash paid to employees	(5,414,342)	(5,033,091)
Property tax paid	(366,033)	(367,857)
Interest paid on customer deposits	<u>(10,591)</u>	<u>(11,052)</u>
Net cash provided by operating activities	<u>24,828,217</u>	<u>18,544,570</u>
Cash flows from noncapital financing activities:		
Payment in lieu of taxes to the City of Cedar Falls	<u>(1,536,800)</u>	<u>(2,346,200)</u>
Net cash used in noncapital financing activities	<u>(1,536,800)</u>	<u>(2,346,200)</u>
Cash flows from capital and related financing activities:		
Principal payments on capital loan notes	(1,290,000)	(3,195,000)
Loan from communication utility	15,000,000	-
Interest paid	(78,750)	(158,625)
Proceeds from customer advances for construction	149,500	161,000
Refunds of customer advances for construction	(111,100)	(61,200)
Acquisition, construction and removal cost of capital assets	(18,838,694)	(8,719,970)
Proceeds from sale of capital assets	262,158	3,484,356
Reimbursement of utility construction costs	<u>1,126,112</u>	<u>1,514,202</u>
Net cash used in capital and related financing activities	<u>(3,780,774)</u>	<u>(6,975,237)</u>
Cash flows from investing activities:		
Proceeds from maturities of investment securities	25,779,000	23,045,000
Purchase of investment securities	(13,079,000)	(23,139,500)
Interest received	<u>3,709,324</u>	<u>2,964,909</u>
Net cash provided by investing activities	<u>16,409,324</u>	<u>2,870,409</u>
Net increase in cash and cash equivalents	35,919,967	12,093,542
Cash and cash equivalents, beginning of year	<u>48,976,247</u>	<u>36,882,705</u>
Cash and cash equivalents, end of year	<u>\$ 84,896,214</u>	<u>\$ 48,976,247</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, 2025 and 2024

	<u>2025</u>	<u>2024</u> (Reclassified)
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 17,814,372	\$ 12,525,617
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization of capital assets	7,140,868	7,356,454
Other income (expense), net	25,734	242,059
(Increase) decrease in accounts receivable	(1,243,011)	(1,458,293)
(Increase) decrease in lease receivable	-	10,086
(Increase) decrease in inventories	892,076	(1,543)
(Increase) decrease in prepayments and other	19,460	(48,666)
Increase (decrease) in accounts payable	584,942	385,606
Increase (decrease) in accrued wages and vacation	210,914	(239,957)
Increase (decrease) in other accrued expenses	(572,113)	77,852
Increase (decrease) in other liabilities	<u>(45,025)</u>	<u>(304,645)</u>
Net cash provided by operating activities	<u>\$ 24,828,217</u>	<u>\$ 18,544,570</u>
Schedule of noncash investing, capital and financing activities:		
Acquisition and modification of right-to-use asset leases	183,148	17,417
AFUDC	174,138	115,101
Contributions from contractors in aid of construction	251,790	-
Expiration of customer advances for construction	13,500	-
Reconciliation of cash and cash equivalents to statement of net position accounts:		
Cash and cash equivalents - unrestricted	82,398,737	46,268,808
Cash - restricted	<u>2,497,477</u>	<u>2,707,439</u>
Cash and cash equivalents	<u>\$ 84,896,214</u>	<u>\$ 48,976,247</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, 2025 and 2024

(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 2025.

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 4.58% in 2025 and 3.85% in 2024. 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 2.5% of depreciable assets for 2025 and 2.6% for 2024.

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 expenses 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 non-cancellable 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, 2025 and 2024

(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 non-cancellable 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, 2025 and 2024 were \$5,265,704 and \$5,059,572, 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, 2025 and 2024

(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, 2025 and 2024

(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, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Restricted for/by		
Bond Ordinance	\$ 3,831,900	\$ 3,817,686
Health and Dental Insurance	963,337	1,245,213
Total	<u>\$ 4,795,237</u>	<u>\$ 5,062,899</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 subsidies received and provided, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses.

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, 2025 and 2024, were \$2,730,593 and \$2,295,507, 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 2025 and 2024, 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, 2025 and 2024

(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, 2025 and 2024, the accrued liability was \$648,794 and \$624,384, 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.

Unusual or Infrequent Items

Unusual or Infrequent Items are significant transactions or other events that are either:

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

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

Judgment is required to determine which items should be considered Unusual or Infrequent and segregated within the financial statements.

Implementation of GASB Statement No. 102

As of January 1, 2025, the Utility adopted GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The implementation of this Statement had no impact to the Utility's 2025 statements.

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Notes to Financial Statements
December 31, 2025 and 2024

(1) Summary of Significant Accounting Policies, continued

Implementation of GASB Statement No. 103

As of January 1, 2025, the Utility adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

(2) Restricted Assets

The composition of restricted assets as of December 31, 2025 and 2024 was as follows:

2025	Cash	Investments	Total
Current Assets - Restricted			
Bond and Interest	\$ 195,737	\$ -	\$ 195,737
Bond Reserve	-	2,639,500	2,639,500
Improvement and Extension	1,000,000	-	1,000,000
Self Insured Dental	32,253	-	32,253
Self Insured Medical	1,200,747	-	1,200,747
Streeter Landfill	68,740	-	68,740
Total Current Assets - Restricted	<u>2,497,477</u>	<u>2,639,500</u>	<u>5,136,977</u>
Total Restricted Assets	<u>\$ 2,497,477</u>	<u>\$ 2,639,500</u>	<u>\$ 5,136,977</u>
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>

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.

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Notes to Financial Statements

December 31, 2025 and 2024

(3) Cash and Investments

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

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

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

Interest Rate Risk

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

Credit Risk

The Utility's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The Utility did not invest in any commercial paper or other corporate debt during 2025 or 2024. 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 2025 or 2024.

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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Notes to Financial Statements
December 31, 2025 and 2024

(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:

	2025	2024
Petty cash	\$ 295	\$ 295
Checking & Sweep	70,806,632	35,908,794
Money markets	8,008,444	6,701,062
Carrying amount of IPAIT	5,265,704	5,059,572
Other cash equivalents	815,139	1,306,524
Certificates of deposits	10,439,500	23,139,500
Total	\$ 95,335,714	\$ 72,115,747
Current Assets		
Cash and cash equivalents - unrestricted	\$ 82,398,737	\$ 46,268,808
Investments - unrestricted	7,800,000	20,500,000
Current assets unrestricted total	90,198,737	66,768,808
Cash and cash equivalents - restricted	2,497,477	2,707,439
Investments - restricted	2,639,500	2,639,500
Current assets restricted total	5,136,977	5,346,939
Total per statement of net position	\$ 95,335,714	\$ 72,115,747

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

	2025	2024
Unrestricted Cash and Investments		
Board Designated		
Generation & Transmission Acquisition	\$ 15,835,864	\$ 15,050,489
Western Units Landfill	550,012	531,463
Payments in Lieu of Taxes	1,939,400	1,536,800
Security Deposits	423,812	396,907
Operating	71,449,649	49,253,149
Total Unrestricted Cash and Investments	\$ 90,198,737	\$ 66,768,808

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

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December 31, 2025 and 2024

(4) Capital Assets

A summary of capital assets activity for the years ended December 31, 2025 and 2024 follows:

2025	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,440,582	\$ 251,790	\$ -	\$ 1,692,372
Construction work in progress	2,429,415	19,849,427	(8,623,477)	13,655,365
Total capital assets, not being depreciated	3,869,997	20,101,217	(8,623,477)	15,347,737
Capital assets, being depreciated/amortized:				
Land Rights	692,556	-	-	692,556
Infrastructure	222,811,737	6,312,688	(981,040)	228,143,385
Buildings and improvements	38,949,484	499,128	(79,865)	39,368,747
Equipment	20,254,051	1,811,661	(1,855,784)	20,209,928
Right-to-use leased assets	51,571	29,513	-	81,084
Right-to-use subscription assets	597,398	161,552	-	758,950
Total capital assets, being depreciated/amortized	283,356,797	8,814,542	(2,916,689)	289,254,650
Less accumulated depreciation/amortization for:				
Land Rights	(38,856)	(11,813)	-	(50,669)
Infrastructure	(97,878,233)	(5,626,776)	1,158,919	(102,346,090)
Buildings and improvements	(15,952,417)	(745,427)	80,710	(16,617,134)
Equipment	(11,303,108)	(1,080,101)	1,856,715	(10,526,494)
Right-to-use leased assets	(39,891)	(12,582)	-	(52,473)
Right-to-use subscription assets	(318,757)	(124,031)	-	(442,788)
Total accumulated depreciation/amortization	(125,531,262)	(7,600,730)	3,096,344	(130,035,648)
Total capital assets being depreciated/amortized, net	157,825,535	1,213,812	179,655	159,219,002
Net capital assets	\$ 161,695,532	\$ 21,315,029	\$ (8,443,822)	\$ 174,566,739

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(4) Capital Assets, continued

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

(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 2027 – 2028. During the years ended December 31, 2025 and 2024, the Utility recognized revenue related to these agreements totaling \$58,427 and \$48,934, 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, 2025 and 2024, the Utility recognized revenue related to this agreement totaling \$8,464 and \$8,464, respectively.

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

Notes to Financial Statements

December 31, 2025 and 2024

(5) Lease Receivable, continued

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

	Fiscal Year Ended	Amount
2026	\$	67,484
2027		30,983
2028		8,934
2029		8,934
Total	\$	116,335

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the years ended December 31, 2025 and 2024 is as follows:

2025	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Capital Loan Notes:					
Series 2015	\$ 2,625,000	\$ -	\$ 1,290,000	\$ 1,335,000	\$ 1,335,000
Associated Company Loan:					
Payable to Communication Utility	-	15,000,000	-	15,000,000	1,500,000
Unamortized premium	310,790	-	152,731	158,059	
Unamortized discount	(3,177)	-	(1,561)	(1,616)	
Long-term debt total	2,932,613	15,000,000	1,441,170	16,491,443	2,835,000
Customer advances for construction	369,000	149,500	124,600	393,900	
Landfill closure:					
Streeter post-closure	89,100	-	28,274	60,826	
Western Units Asset Retirement Obligation	531,463	18,549	-	550,012	
Net pension liability	3,311,046	732,749	1,907,132	2,136,663	
Accrued severance	624,384	24,410	-	648,794	
OPEB	706,959	58,474	45,929	719,504	
Lease agreements	11,366	29,218	12,641	27,943	9,204
Subscription liability	199,658	157,235	121,764	235,129	109,421
Compensated absences *	1,538,264	274,880	-	1,813,144	1,245,739
Other liabilities	941,380	4,352	137,708	808,024	
Total	\$ 11,255,233	\$ 16,449,367	\$ 3,819,218	\$ 23,885,382	\$ 4,199,364

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

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements

December 31, 2025 and 2024

(6) Long-Term Liabilities, continued

2024	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	\$ 16,117,435	\$ 1,180,063	\$ 6,042,265	\$ 11,255,233	\$ 2,445,328

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

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Notes to Financial Statements

December 31, 2025 and 2024

(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 Refunding Capital Loan Notes		
December 1		3.00%
Principal		Interest
Year	Amount	Amount
2026	\$ 1,335,000	\$ 40,050
	\$ 1,335,000	\$ 40,050

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 2025 and 2024 were \$1,368,750 and \$3,353,625, respectively. Total sales of electricity gross revenues as defined for the same periods were \$78,585,490 and \$59,102,003. Annual principal and interest payments are expected to require 1.75% of gross revenues on average.

On December 10, 2025, the Board of Trustees of the Municipal Communications Utility authorized a loan in the amount of \$15,000,000 to be extended to the Utility under Resolutions No. 6729 to assist with capital improvement plans which include the costs of the Viking Energy Center project. The loan is to be repaid over a maximum of 10 years and has a variable interest rate. The interest rate is based on the one-year U.S. Treasury's constant maturities rate for December 31 plus 0.50%.

The loan requires annual principal payments, due December 31, and semiannual interest payments, due June 30, and December 31. Payments of principal and interest at the interest rate established on December 31, 2025 are estimated as follows:

2025 Loan From Communications Utility		
December 31		3.98%
Principal		Interest
Year	Amount	Amount
2026	\$ 1,500,000	\$ 597,000
2027	1,500,000	537,300
2028	1,500,000	477,600
2029	1,500,000	417,900
2030	1,500,000	358,200
2031-2035	7,500,000	895,500
	<u>\$ 15,000,000</u>	<u>\$ 3,283,500</u>

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Notes to Financial Statements
December 31, 2025 and 2024

(6) Long-Term Liabilities, continued

Landfill Closure

Iowa Administrative Code requires the Utility to place a final cover on its ash landfill site for its Streeeter 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, 2025 are estimated to be \$60,826. This represents the cumulative estimated amount to perform all post-closure care after 2025. Currently, the Utility has \$68,740 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 \$550,012 (see note 3).

Western Units Asset Retirement Obligation (ARO) and the Utility's minority share as of the years ended December 31, 2025 and 2024 are as follows:

2025	Walter Scott Energy Center - Unit 3 Dry Landfill	Walter Scott Energy Center - Unit 3 Wet Landfill	George Neal Generating Station - Unit 4 Dry Landfill	Total
Total Asset Retirement Obligation	\$ 15,543,922	\$ -	\$ 2,726,006	\$ 18,269,928
Utility's ownership percentage	3.10%	3.10%	2.50%	
Utility's share of total ARO	\$ 481,862	\$ -	\$ 68,150	\$ 550,012
2024				
Total Asset Retirement Obligation	\$ 15,016,923	\$ -	\$ 2,637,520	\$ 17,654,443
Utility's ownership percentage	3.10%	3.10%	2.50%	
Utility's share of total ARO	\$ 465,525	\$ -	\$ 65,938	\$ 531,463

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 2025 and 2024 the noncurrent portion of this liability was \$808,024 and \$941,380, respectively.

MUNICIPAL ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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Notes to Financial Statements
December 31, 2025 and 2024

(6) Long-Term Liabilities, continued

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
2026	\$	9,204
2027		5,766
2028		5,766
2029		5,766
2030		1,441
	\$	<u>27,943</u>

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
2026	\$	109,421
2027		109,421
2028		8,143
2029		8,144
	\$	<u>235,129</u>

(7) Pension Plan - IPERS

Plan Description

Iowa Public Employees' 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.

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, 2025 and 2024

(7) Pension Plan – IPERS, continued

Plan Benefits

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

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

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

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

Disability and Death Benefits

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

Contributions

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

In fiscal year 2025 and 2024 pursuant to the required rate, Regular members contributed 6.29% of pay and the Utility contributed 9.44% for a total rate of 15.73%.

The Utility's total contributions to IPERS for the years ended December 31, 2025 and 2024 were \$880,576 and \$804,239, respectively.

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, 2025 and 2024

(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, 2025 and 2024, the Utility reported a liability of \$2,136,663 and \$3,311,046, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 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. On June 30, 2025, the Utility’s collective proportional share relative to the contributions of all IPERS participating employers was 0.091991%, which was an increase of 0.001066% from its proportion measured as of June 30, 2024 of 0.090925%.

For the years ended December 31, 2025 and 2024, the Utility recognized pension expense of \$(88,116) and \$413,101, respectively. At December 31, 2025 and 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 315,066	\$ -	\$ 263,463	\$ 2,057
Changes of assumptions	-	26	-	46
Net difference between projected and actual earnings on pension plan investments	-	257,687	41,411	-
Changes in proportion and differences between Utility’s contributions and proportionate share of contributions	71,214	59,415	122,846	82,114
Utility’s contributions subsequent to the measurement date	471,671		403,011	
Total	<u>\$ 857,951</u>	<u>\$ 317,128</u>	<u>\$ 830,731</u>	<u>\$ 84,217</u>

Subsequent to the measurement date \$471,671 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, 2026. 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	2025	2024
December 31, 2026	\$ 617,189	\$ 807,036
December 31, 2027	(135,286)	35,945
December 31, 2028	(260,894)	(92,822)
December 31, 2029	(163,305)	7,214
December 31, 2030	11,448	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, 2025 and 2024

(7) Pension Plan – IPERS, continued

Actuarial Assumptions

The total pension liability in the June 30, 2025 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, 2025 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 2025 (ACFR):

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0%	3.33%
International Equity	13.0%	4.99%
Global smart beta equity	5.0%	3.87%
Core-plus Fixed Income	25.0%	2.84%
Public Credit	3.0%	4.21%
Cash	1.0%	1.24%
Private Equity	17.0%	7.68%
Private Real Assets	9.0%	4.62%
Private Credit	6.0%	6.23%
Total	100%	

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, 2025 and 2024

(7) Pension Plan – IPERS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that 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%, 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% lower (6.0%) or 1% higher (8.0%) 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 6-30-25	\$ 7,024,126	\$ 2,136,663	\$ (1,953,544)
	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)

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, 2025 and 2024, the Utility reported a payable of \$114,457 and \$101,518, respectively, to the defined benefit pension plan for legally required employer contributions and a payable of \$68,394 and \$62,143, 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 ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
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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, 2025 and 2024 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	Percentage Ownership	Net Capital Assets			
		Capacity MW			2024
			2025		
Walter Scott Energy Center Unit 3	3.10%	21	\$ 13,188,790	\$	13,790,922
Walter Scott Energy Center Unit 4	2.14%	16.9	20,662,387		19,949,059
George Neal Generating Station Unit 4	2.50%	15	11,922,304		12,355,471

(10) Related Party Transactions

The Utility provides electric service to the City of Cedar Falls, Iowa. Operating revenues from the service provided amounted to \$696,384 and \$596,180 in 2025 and 2024, respectively. Contributions to capital projects were \$17,213 and \$24,192 in 2025 and 2024, respectively. The Utility also reimburses the City for some infrastructure project or construction costs. In 2025 and 2024, these costs were \$1,032 and \$89,973, 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 \$8,190,032 and \$8,524,324 as of December 31, 2025 and 2024, 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, 2025 and 2024 and will recognize revenue for contributed capital from the City as amounts are received. Total amounts received from the TIF amounted to \$489,622 and \$745,431 in 2025 and 2024, 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 2025 and 2024 were \$1,939,400 and \$1,536,800, respectively. Subsequent to December 31, 2025, the Utility's Board of Trustees approved the payment of \$1,939,400 related to payments in lieu of taxes for 2025 at their April 2026 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 2025 plan year for aggregate medical claims exceeding \$3.6 million.

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Notes to Financial Statements
December 31, 2025 and 2024

(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 \$151,300 and \$108,200 included in accounts payable for its share of the IBNR claims at December 31, 2025 and 2024, 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 513 governmental entities participate in the Association as of June 30, 2025. 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, 2025 and 2024:

	2025	2024
Cash and cash equivalents and investments	\$ 115,410,073	\$ 112,145,244
Receivables	3,278,297	2,236,160
Other assets	4,980,547	5,060,805
Total assets	\$ 123,668,917	\$ 119,442,209
Total liabilities	\$ 37,430,734	\$ 38,475,506
Total net position	86,238,183	80,966,703
Total liabilities and net position	\$ 123,668,917	\$ 119,442,209
Total revenues	\$ 23,388,769	\$ 25,882,509
Total expenses	18,117,289	17,506,027
Net increase in net position	\$ 5,271,480	\$ 8,376,482

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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Notes to Financial Statements
December 31, 2025 and 2024

(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><u>269</u></u>

Total OPEB Liability

Cedar Falls Utilities' total OPEB liability of \$1,240,523 and \$1,198,233 was measured as of December 31, 2025 and December 31, 2024 respectively, and was determined by an actuarial valuation as of January 1, 2024.

At December 31, 2025 and 2024, the Utility reported a liability of \$719,504 and \$706,959, 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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Notes to Financial Statements
December 31, 2025 and 2024

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

Changes in the Utility's Total OPEB Liability

	2025	2024
	Total OPEB Liability	Total OPEB Liability
Utility's share of total OPEB liability beginning of year	\$ 706,959	\$ 1,041,784
Changes for the year:		
Changes in Utility's proportion	(11,983)	36,552
Service cost	35,223	34,452
Interest	23,251	22,767
Difference between expected and actual experiences	(24,382)	(292,076)
Changes in assumptions	-	(108,015)
Benefit payments	(9,564)	(28,505)
Net changes	<u>12,545</u>	<u>(334,825)</u>
Utility's share of total OPEB liability end of year	<u>\$ 719,504</u>	<u>\$ 706,959</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, 2025	\$ 791,082	\$ 719,504	\$ 657,302
Utility's share of total OPEB liability at December 31, 2024	\$ 777,289	\$ 706,959	\$ 645,840

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, 2025 and 2024

(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, 2025	\$ 665,478	\$ 719,504	\$ 783,983
Utility's share of total OPEB liability at December 31, 2024	\$ 653,873	\$ 706,959	\$ 770,313

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

At December 31, 2025 and 2024, the Utility recognized OPEB expense of \$46,038 and \$90,666, respectively.

At December 31, 2025 and 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 92,581	\$ 280,516	\$ 123,634	\$ 297,704
Changes in assumptions	78,446	85,565	100,473	97,528
	\$ 171,027	\$ 366,081	\$ 224,107	\$ 395,232

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

	2025 Amount	2024 Amount
2025	N/A	\$ 4,825
2026	\$ 2,375	4,825
2027	2,375	4,825
2028	(26,789)	(24,842)
2029	(23,483)	(21,479)
2030	(28,369)	(26,449)
Thereafter	(121,163)	(112,830)
	\$ (195,054)	\$ (171,125)

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, 2025 and 2024

(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 2025 and 2024 were \$3,159,240 and \$2,897,116, 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, 2025, the Utility participated in several construction projects scheduled to be completed by 2029 with an estimated cost to complete of \$77,151,000. Several large contracts have been entered into related to the construction of the Viking Energy Center and the electric output infrastructure need for that new plant.

(14) Subsequent Events

Subsequent events for the Utility have been evaluated through April 27, 2026, which is the date that the financial statements were available to be issued.

Effective January 1, 2026, the Board of Trustees approved a 5.1% base rate increase.

(15) Unusual or Infrequent 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.

(16) Accounting Change / Reclassification

Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*, was implemented during 2025. This standard revises the financial reporting model, including changes to the definitions of operating and nonoperating revenues and expenses and the presentation of certain flows of resources.

As a result of implementing GASB 103, the Utility determined that one expense type previously reported as an operating expense met the revised definition of a noncapital subsidy. Accordingly, the prior year amount for this activity has been reclassified to conform to the current year statement presentation.

The Utility also evaluated other accounts potentially affected by the revised presentation requirements. Management concluded that the effect of reclassifying those additional balances in the prior period would have been immaterial. Therefore, those prior-year amounts were not reclassified.

These changes affect presentation only and do not have an impact total net position for any period presented.

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, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Utility's proportion of the net pension liability (asset)	0.091991%	0.090925%	0.088878%	0.093663%	-0.036553%
Utility's proportionate share of the net pension liability	\$ 2,136,663	\$ 3,311,046	\$ 4,011,637	\$ 3,538,723	\$ 126,192
Utility's Covered payroll	\$ 8,600,807	\$ 8,404,662	\$ 7,786,828	\$ 7,539,909	\$ 7,305,702
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	24.84%	39.40%	51.52%	46.93%	1.73%
Plan fiduciary net position as a percentage of the total pension liability	95.27%	92.30%	90.13%	91.40%	100.81%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Utility's proportion of the net pension liability (asset)	0.086614%	0.088879%	0.088439%	0.092572%	0.097166%
Utility's proportionate share of the net pension liability	\$ 6,084,396	\$ 5,146,692	\$ 5,596,666	\$ 6,166,474	\$ 6,114,982
Utility's Covered payroll	\$ 6,871,085	\$ 6,764,038	\$ 6,649,690	\$ 6,910,069	\$ 6,973,013
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	88.55%	76.09%	84.16%	89.24%	87.69%
Plan fiduciary net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%

* 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, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily required contribution	\$ 880,576	\$ 804,239	\$ 766,958	\$ 720,863	\$ 699,784
Contributions in relation to the statutorily required contribution	<u>(880,576)</u>	<u>(804,239)</u>	<u>(766,958)</u>	<u>(720,863)</u>	<u>(699,784)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 9,328,139	\$ 8,519,477	\$ 8,124,560	\$ 7,636,256	\$ 7,412,961
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	9.44%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 668,482	\$ 643,558	\$ 611,302	\$ 606,977	\$ 608,381
Contributions in relation to the statutorily required contribution	<u>(668,482)</u>	<u>(643,558)</u>	<u>(611,302)</u>	<u>(606,977)</u>	<u>(608,381)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 7,081,377	\$ 6,817,357	\$ 6,654,200	\$ 6,797,057	\$ 6,812,773
Contributions as a percentage of covered payroll	9.44%	9.44%	9.19%	8.93%	8.93%

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, 2025 and 2024

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 ELECTRIC UTILITY OF THE CITY OF CEDAR FALLS, IOWA
(A Component Unit of the City of Cedar Falls, Iowa)
Required Supplemental Information
December 31, 2025 and 2024

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

	2025	2024	2023	2022	2021
Changes in Utility's proportion	\$ (11,983)	\$ 36,552	\$ -	\$ (65,399)	\$ -
Service cost	35,223	34,452	60,745	58,409	48,701
Interest	23,251	22,767	21,497	20,815	27,261
Changes of benefit terms	-	-	-	10,347	-
Difference between expected and actual experiences	(24,382)	(292,076)	46,331	(22,940)	36,719
Changes in assumptions	-	(108,015)	-	63,367	-
Benefit payments	(9,564)	(28,505)	(93,002)	(77,800)	(106,110)
Net change in Utility's share of total OPEB liability	12,545	(334,825)	35,571	(13,201)	6,571
Utility's share of total OPEB liability beginning of year	706,959	1,041,784	1,006,213	1,019,414	1,012,843
Utility's share of total OPEB liability end of year	\$ 719,504	\$ 706,959	\$ 1,041,784	\$ 1,006,213	\$ 1,019,414
Covered-employee payroll	\$ 8,216,303	\$ 7,952,320	\$ 7,437,911	\$ 7,127,407	\$ 6,804,794
Utility's share of total OPEB liability as a percentage of covered-employee payroll	8.76%	8.89%	14.01%	14.12%	14.98%

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.

	2025	2024	2023	2022	2021
Discount Rate Used	3.26%	3.26%	2.06%	2.06%	2.74%

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, 2025 and 2024

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

	2020	2019	2018
Changes in Utility's proportion	\$ -	\$ -	\$ -
Service cost	47,622	38,663	37,797
Interest	27,690	31,876	32,037
Changes of benefit terms	-	-	-
Difference between expected and actual experiences	(7,522)	(39,429)	218,624
Changes in assumptions	58,184	-	88,114
Benefit payments	(56,803)	(20,801)	(90,870)
Net change in Utility's share of total OPEB liability	69,171	10,309	285,702
Utility's share of total OPEB liability beginning of year	943,672	933,363	647,661
Utility's share of total OPEB liability end of year	\$ 1,012,843	\$ 943,672	\$ 933,363
Covered-employee payroll	\$ 6,460,505	\$ 6,326,484	\$ 6,138,299
Utility's share of total OPEB liability as a percentage of covered-employee payroll	15.68%	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.

	2020	2019	2018
Discount Rate Used	2.74%	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, 2025, 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 27, 2026.

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 Utility's operations for the year ended December 31, 2025, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility and are reported in Part III of the accompanying schedule of findings and responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa
April 27, 2026

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 2025.

Part III: Other Findings Related to Required Statutory Reporting:

- 2025-IA-A **Certified Budget** – Disbursements during the year ended December 31, 2025, did not exceed the amount budgeted.
- 2025-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.
- 2025-IA-C **Travel Expense** – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted.
- 2025-IA-D **Business Transactions** – No business transactions between the Utility and Utility officials or employees were noted.
- 2025-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.
- 2025-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2025-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.
- 2025-IA-H **Revenue Bonds** – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted.
- 2025-IA-I **Telecommunications Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 2025-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 1, 2025

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 - 2025**

The current year's inflation factor is 1.024 IDNR Updated 01/30/2025

Activity	Estimated Cost Including Inflation
1. General site facilities, access roads, and fencing maintenance	\$2,048
2. Cap and vegetative cover maintenance	\$2,560
3. Drainage and erosion control systems maintenance	\$2,560
4. Groundwater to waste separation systems maintenance	\$0
5. Groundwater and surface water monitoring systems maintenance	\$1,536
6. Groundwater and surface water quality monitoring and reports	\$8,192
7. Groundwater monitoring systems performance evaluations and reports	\$3,789
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	\$2,560
12. Engineering and technical services	\$2,560
13. Legal, financial, and administrative services	\$2,560
14. Financial assurance, accounting, audits, and reports	\$2,048
Total =	\$30,413