

MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2020 and 2019

MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise funds and fiduciary fund of Muscatine Power and Water, a component unit of the City of Muscatine, Iowa, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise of Muscatine Power and Water's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Muscatine Power and Water's preparation and fair presentation of the financial statements 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 Muscatine Power and Water's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muscatine Power & Water enterprise funds and fiduciary fund as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Muscatine Power and Water component unit and do not purport to, and do not, present fairly the financial position of the City of Muscatine, Iowa, as of December 31, 2020 and 2019 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economical, or historical contexts. Management's Discussion and Analysis does not include a discussion of changes in financial position between 2018 and 2019. Our opinions on the financial statements are not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The other information section as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 20, 2021 on our consideration of Muscatine Power and Water'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 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 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 Muscatine Power and Water's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
April 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
MUSCATINE POWER AND WATER

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020 and 2019

(Unaudited)

We are providing this discussion to you, the reader of our financial statements, to explain the activities, plans and events that impacted our financial position during 2020 and 2019. This overview from management should provide the reader with information that is one of the three components of the entire financial statement. The other two components audited by Baker Tilly US, LLP, Muscatine Power and Water's (MPW's) auditors, are the financial statements and notes to the financial statements. Please read the entire document to understand the events and conditions impacting MPW.

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

UTILITY FINANCIAL ANALYSIS

ELECTRIC UTILITY

The Electric Utility's retail sales were \$2.2 million lower than in 2019 due to a 3.2% lower average rate plus 0.5% lower kWh sold partially due to the pandemic. Wholesale electric revenue in 2020 was \$3.3 million lower than in 2019 due to unfavorable market conditions resulting in 22.7% less volume sold.

The Electric Utility became debt free in 2011 and continued to be debt free through 2020.

Overall retail rate adjustments of 2.0% per year, effective August 1, 2020 and August 1, 2019, were to cover infrastructure projects necessary to improve system reliability without taking on debt.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015, that included forgiving \$25,327,000 of the amount owed, changing the fixed interest rate from 3.53% to 0.50%, and modifying the amortization of the note from a 30-year period to a 20-year period. Principal payments of \$488,701 and \$486,270 were made in 2020 and 2019, respectively.

On April 28, 2017, Grain Processing Corporation (GPC) extended an agreement with MPW to purchase steam through April 30, 2020 during the non-ozone season (Jan 1-Apr 30 and Oct 1-Dec 31). The original contract began July 1, 2000 with a 10-year term and was subsequently extended in 2007 for an additional 10-year period beginning in 2010. On February 1, 2019, GPC agreed to purchase summer steam during 2019's ozone season (May 1-Sep 30). On October 17, 2019, GPC agreed to purchase steam year-round from May 1, 2020 through December 31, 2022. The current pricing structure is inclusive of all costs (fuel, transportation, powdered activated carbon, variable costs, and emission allowances).

A power purchase agreement for wind energy was executed in June 2016. It is a 20-year agreement that commenced December 15, 2016 with the wind farm's actual commercial operation date. Its 2021 projected annual output is 51,392 MWh. Total purchases were 47,524 MWh for 2020 and 50,096 MWh for 2019.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

ELECTRIC UTILITY (cont.)

Statements of Net Position

<i>In thousands \$</i>	2020	2019
Current Assets – Unrestricted	\$ 89,110	\$ 89,070
Non-Current Assets		
Capital Assets	71,319	66,138
Other Assets	7,221	7,694
Total Non-Current Assets	<u>78,540</u>	<u>73,832</u>
Deferred Outflows of Resources		
OPEB	90	100
Pension	4,405	9,055
Total Deferred Outflows of Resources	<u>4,495</u>	<u>9,155</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 172,145</u>	<u>\$ 172,057</u>
Current Liabilities	\$ 7,905	\$ 7,821
Non-Current Liabilities	11,042	19,578
Deferred Inflows of Resources		
Extraordinary O&M Account	28,033	28,033
OBEB	83	99
Pension	5,280	851
Total Deferred Inflows of Resources	<u>33,396</u>	<u>28,983</u>
Net Position		
Net investment in capital assets	71,319	66,139
Unrestricted	48,483	49,536
Total Net Position	<u>119,802</u>	<u>115,675</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 172,145</u>	<u>\$ 172,057</u>

2020 Compared to 2019

- Total assets increased slightly by \$88,100; differences include:
 - \$7.2 million increase in coal inventory; and
 - \$5.2 million higher net utility plant due to capital expenditures exceeding depreciation and retirements;
- Offset by decreases of:
 - \$5.3 million of cash and investments primarily due to capital expenditures;
 - \$4.7 million in deferred pension outflows;
 - \$1.0 million in refined coal receivable;
 - \$0.5 million in interest receivable;
 - \$0.4 million prepaid expenses; and
 - \$0.5 million in communication utility note receivable.

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

ELECTRIC UTILITY (cont.)

2020 COMPARED TO 2019 (cont.)

- Non-current liabilities decreased \$8.5 million, primarily due to a \$9.1 million decrease to net pension liability, offset by an increase of \$0.5 million to health & dental insurance provision.
- Deferred inflows of resources increased \$4.4 million due to the GASB 68 pension adjustment.

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

Statements of Revenues, Expenses and Changes in Net Position

<i>In thousands \$</i>	2020	2019
Operating Revenues	\$ 86,844	\$ 93,353
Operating Expenses	(83,409)	(85,797)
Operating Income/(Loss)	3,435	7,556
Non-operating Revenues	626	1,434
Non-operating Expenses	(20)	(23)
Net Non-operating Revenues	606	1,411
Net Income (Loss) before Capital Contributions	4,041	8,967
Capital Contributions	86	49
Change in Net Position	4,127	9,016
Net Position – Beginning of Year	115,675	106,659
Net Position – End of Year	<u>\$ 119,802</u>	<u>\$ 115,675</u>

- Total operating revenues decreased \$6.5 million or 7.0% primarily due to:
 - Decreased retail electric sales of \$2.2 million or 3.6% due to a 0.5% decrease in kWh sales and a 3.2% lower average price;
 - Decreased wholesale electric sales of \$3.3 million or 15.2% due to 21.5% decrease in kWh sales; offset by 8.1% higher average price; and
 - \$971,000 decrease in steam sales to MPW's largest industrial customer, Grain Processing Corporation, due to 7.2% lower pounds of steam supplied plus a 3.1% lower average price.
- Total operating expenses decreased \$2.4 million or 2.8% due to:
 - \$0.7 million lower purchased electricity costs due to a 2.4% lower average price and 0.4% decrease in kWh purchased;
 - \$3.5 million lower cost of production fuel, resulting from a 22.7% lower net generation;
 - \$1.0 million lower cost of operation expenses primarily due to \$1.5 million lower cost for employee pension offset by \$0.2 million higher cost of property insurance and \$0.2 million higher cost of MISO's multi-value transmission projects; offset by
 - \$0.8 million higher cost of maintenance expenses; and
 - \$2.0 million higher depreciation.

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MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

ELECTRIC UTILITY (cont.)

2020 Compared to 2019 (cont.)

Statements of Cash Flows

<i>In thousands \$</i>	2020	2019
Cash Flows from Operating Activities	\$ 1,900	\$ 6,279
Cash Flows from Non-Capital Financing Activities	527	527
Cash Flows from Capital and Related Financing Activities	(8,732)	(5,248)
Cash Flows from Investing Activities	17,022	(10,008)
Net Change in Cash and Cash Equivalents	10,717	(8,450)
Cash and Cash Equivalents – Beginning of Year	14,295	22,745
Cash and Cash Equivalents – End of Year	\$ 25,012	\$ 14,295

2020 Compared to 2019

- Cash flows from operating activities decreased by \$4.4 million due to:

\$28.8 million lower cash receipts from:

- \$2.4 million lower retail sales revenue;
- \$3.4 million lower wholesale electric revenue;
- \$0.5 million lower steam sales revenue;
- \$21.9 million lower coal sales;
- \$0.1 million lower by-product sales revenue;
- \$0.5 million lower cash received from other operating sources;

Offset by:

\$24.4 million net lower cash payments for:

- \$27.2 million lower coal and coal transportation costs;
- \$2.2 million lower purchased electricity costs; offset by
- \$4.2 million higher cash paid to suppliers; and
- \$0.8 million higher employee payroll, taxes, and benefits.

- Non-capital financing activities are comprised of the principal and interest on the note receivable from the communications utility.
- Cash flows from capital and related financing activities include:
 - Capital expenditures of \$8.7 million in 2020, compared to \$5.5 million in 2019; and
 - Proceeds from sales of assets of \$7,000 in 2020, compared to \$204,000 in 2019.

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020 and 2019

(Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

ELECTRIC UTILITY (cont.)

2020 Compared to 2019 (cont.)

- Cash flows from investing activities include:
 - Net investment activity of \$16.0 million in 2020 compared to net investment activity of a negative \$11.1 million in 2019. The majority of investment activities in 2020, consisted of rolling over short-term investments.
 - Interest income of \$1.1 million in 2020, compared to \$1.2 million in 2019.

WATER UTILITY

The Board approved water rate increases in 2020 and 2019 in response to an increase in capital requirements necessary to provide for fire protection, community growth, and higher operation and maintenance costs. The 2020 rate increase of 3.5%, effective June 1, 2020, was delayed from the original approved effective date of April 1, 2020 in response to the pandemic. The 2019 rate increase of 5.5% was effective April 1, 2019.

MPW's industrial customers account for approximately 85.1% of gallons sold and 53.6% of operating revenues.

A loan from the Iowa Finance Authority, which was finalized in 2011, amounted to \$306,000 being borrowed, net of the \$67,000 forgivable portion. The interest rate on the loan was 3.0%, plus a 0.25% servicing fee, with a 10-year repayment term. Final payment was made in May 2020.

In May 2017, the Board approved the bond issuance and the payment of future obligations on those bonds for the purpose of constructing water improvements and extensions. The water utility issued \$14.9 million of water revenue bonds in June 2017 for that purpose. The outstanding principal due on the bonds is \$13.7 million on December 31, 2020.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

WATER UTILITY (cont.)

Statements of Net Position		
<i>In thousands \$</i>	2020	2019
Current Assets		
Unrestricted	\$ 4,361	\$ 5,205
Restricted	947	969
Total Current Assets	5,308	6,174
Non-Current Assets		
Capital Assets	29,617	28,437
Other Assets	45	49
Total Non-Current Assets	29,662	28,486
Deferred Outflows of Resources		
OPEB	14	15
Pension	554	885
Total Deferred Outflows of Resources	568	900
Total Assets and Deferred Outflows of Resources	\$ 35,538	\$ 35,560
Current Liabilities	\$ 1,038	\$ 1,065
Non-Current Liabilities	15,515	16,527
Deferred Inflows of Resources		
OPEB	13	15
Pension	438	212
Total Deferred Inflows of Resources	451	227
Net Position		
Net investment in capital assets	15,027	13,345
Restricted for debt service	901	923
Unrestricted	2,606	3,473
Total Net Position	18,534	17,741
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 35,538	\$ 35,560

2020 Compared to 2019

- Total assets and deferred outflows decreased \$22,200 or 0.06% primarily due to:
 - Cash decreasing \$907,900 due to debt repayment and capital asset expenditures; and
 - Deferred outflows of resources decreasing \$332,200, primarily due to the pension adjustments related to GASB 68; offset by
 - Capital assets, net of retirements, increasing \$1.2 million, due to normal capital spending for utility construction and acquisition projects.
- Current liabilities decreased by \$27,600 or 2.6% primarily due to:
 - Accrued expenses decreasing by \$2,100; and
 - Current portion of long-term debt decreasing by \$25,000.

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020 and 2019

(Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

WATER UTILITY (cont.)

2020 Compared to 2019

- Non-current liabilities decreased by \$1.0 million, primarily due to:
 - Bond-related liabilities decreasing \$499,000; and
 - Net pension liability decreasing by \$562,200 due to the GASB 68 adjustment; offset by
 - Health & dental care provision increasing by \$30,200; and
 - Customer advances for construction increasing by \$21,000, as a result of a new contract signed in 2020.
- Deferred inflows of resources increased \$223,600 primarily due to pension adjustments related to GASB 68.

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

Statements of Revenues, Expenses and Changes in Net Position

<i>In thousands \$</i>	2020	2019
Operating Revenues	\$ 7,145	\$ 6,937
Operating Expenses	(5,917)	(6,020)
Operating Income	1,228	917
Non-operating Revenues	29	119
Non-operating Expenses	(464)	(470)
Net Non-operating Expenses	(435)	(351)
Change in Net Position	793	566
Net Position – Beginning of Year	17,741	17,175
Net Position – End of Year	<u>\$ 18,534</u>	<u>\$ 17,741</u>

2020 Compared to 2019

- Operating revenues increased \$207,400 or 3.0%.
 - Total water sales revenue was \$212,000 higher primarily due to a 3.5% rate adjustment effective June 1, 2020. Originally the rate adjustment was to take effect April 1, 2020, but due to the COVID-19 pandemic it was extended to June 1, 2020.
- Operating expenses decreased \$103,400 or 1.7% primarily due to:
 - \$73,250 lower costs for engineering services on water projects;
 - \$34,400 lower vehicle expenses;
 - \$29,200 lower maintenance of meters costs;
 - \$231,200 lower pension expense due to GASB 68 adjustments; offset by
 - \$33,100 higher transmission & distribution lines expense;
 - \$72,200 higher maintenance of valves; and
 - \$142,600 higher depreciation.

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

WATER UTILITY (cont.)

Statements of Cash Flows

<i>In thousands \$</i>	2020	2019
Cash Flows from Operating Activities	\$ 2,108	\$ 1,572
Cash Flows from Capital and Related Financing Activities	(3,045)	(2,549)
Cash Flows from Investing Activities	29	118
Net Change in Cash and Cash Equivalents	(908)	(859)
Cash and Cash Equivalents – Beginning of Year	4,997	5,856
Cash and Cash Equivalents – End of Year	\$ 4,089	\$ 4,997

2020 Compared to 2019

- Cash flows from operating activities increased \$535,300, or 34.0%, due to a \$198,000 increase in retail sales collections and a \$326,900 decrease in payment of operating expenses.
- Cash flows from capital and related financing activities reflect \$485,800 higher capital expenditures in 2020 compared to 2019.

COMMUNICATIONS UTILITY

Rate adjustments for the communications utility were approved by the Board for both 2020 and 2019. MPW Digital TV Select, Preferred and Preferred Xtra service rates increased approximately \$3.00 per month and Ultimate service rates increased approximately \$5.00 per month effective June 1, 2020, delayed from April 1, 2020 in response to the pandemic. In addition to the rate increases, a broadcast service charge increased from \$15.00 per month in 2019 to \$16.70 per month in 2020 and is applied to all packages to cover local network channel fees. The addition of a regional sports charge of \$4.40 was included to help cover the burden of programmers' additional sports package increases.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015, that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50%, and modifying the amortization of the note from a 30-year period to a 20-year period. Principal payments of \$488,701 and \$486,270 were made in 2020 and 2019, respectively.

The construction of a Fiber to the Home (FTTH) system to replace the Hybrid Fiber Coax (HFC) system has allowed the utility to meet customers' growing needs with respect to video, data, access to utility usage information, as well as future services. The project is expected to be completed in 2021 at a cost of \$19.1 million. With the construction of the fiber network, phone services were available to customers beginning in February 2018. At the end of 2020, approximately 600 customers had signed up for this service, up 57% from 2019.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

COMMUNICATIONS UTILITY (cont.)

On December 14, 2017 the Communications Revenue Bond, Series 2017 was signed with a local bank providing \$10 million for telecommunications systems improvements and extensions to the municipal Communications Utility. Principal of this bond bears interest at the rate of 2.95% per annum. Both principal and interest are payable in nineteen equal quarterly installments of \$540,916 each, due on March 31, June 30, September 30, and December 31 in each of the years 2018 to 2022, inclusive. Principal payments of \$2,003,424 and \$1,945,397 were made in 2020 and 2019, respectively. The principal balance as of December 31, 2020 is \$4,175,144.

On September 3, 2020 the Communications Revenue Bond, Series 2020 was signed with a local bank providing \$3.7 million for additional financing support related to the FTTH project and extensions to the municipal Communications Utility. Principal of this bond bears interest at the rate of 2.73% per annum. Both principal and interest are payable in 28 quarterly installments of \$145,860 each, due on March 30, June 30, September 30, and December 30 in each of the years 2020 to 2027, inclusive. A principal payment of \$114,477 was made in 2020. The principal balance as of December 31, 2020 was \$3,585,523.

Statements of Net Position

<i>In thousands \$</i>	2020	2019
Current Assets – Unrestricted	\$ 8,261	\$ 8,498
Non-Current Assets - Capital Assets	23,129	20,349
Deferred Outflows of Resources		
OPEB	19	22
Pension	792	1,719
Total Deferred Outflows of Resources	811	1,741
Total Assets and Deferred Outflows of Resources	\$ 32,201	\$ 30,588
Current Liabilities	\$ 4,288	\$ 3,648
Non-Current Liabilities	14,186	15,015
Deferred Inflows of Resources		
OPEB	18	21
Pension	915	166
Total Deferred Inflows of Resources	933	187
Net Position		
Net investment in capital assets	15,368	14,170
Unrestricted	(2,574)	(2,432)
Total Net Position	12,794	11,738
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 32,201	\$ 30,588

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

COMMUNICATIONS UTILITY (cont.)

2020 Compared to 2019

- Total assets and deferred outflows of resources increased \$1.6 million or 5.3% due to:
 - \$2.8 million increase in capital assets, net of retirements, resulting from construction projects; offset by
 - \$0.9 million decrease in deferred outflows of resources due to the GASB 68 pension adjustment;
 - \$0.1 million decrease in cash and investment balances; and
 - \$0.1 million decrease in prepaid maintenance contracts and prepaid insurance.
- Current liabilities increased \$0.6 million primarily due to:
 - \$0.1 million increase in accounts payable; and
 - \$0.6 million increase to current portion of long-term debt.
- Noncurrent liabilities decreased \$0.8 million primarily due to:
 - \$0.5 million decrease in notes payable to electric utility; and
 - \$1.4 million decrease in net pension liability due to the GASB 68 adjustment; offset by
 - \$1.0 million increase to long term debt, net of current portion.
- Deferred inflows of resources increased \$0.7 million primarily due to GASB 68 pension adjustments.

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

Statements of Revenues, Expenses and Changes in Net Position

<i>In thousands \$</i>	2020	2019
Operating Revenues	\$ 15,165	\$ 14,541
Operating Expenses	(14,079)	(12,466)
Operating Income	1,086	2,075
Non-operating Revenues	68	205
Non-operating Expenses	(230)	(258)
Net Non-operating Expenses	(162)	(53)
Net Income before Capital Contributions	924	2,022
Capital Contributions	132	13
Change in Net Position	1,056	2,035
Net Position – Beginning of Year	11,738	9,703
Net Position – End of Year	<u>\$ 12,794</u>	<u>\$ 11,738</u>

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020 and 2019 (Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

COMMUNICATIONS UTILITY (cont.)

2020 Compared to 2019

- Operating revenues increased \$624,000 or 4.3%.
 - Video operating revenues decreased by \$104,200 or 1.5% due to:
 - 10.0% decrease in the total number of video subscribers (4,911 at the end of 2020 vs. 5,458 at the end of 2019);
 - Residential revenue decreased \$150,500, offset by \$81,000 lower promotional and bundled discounts, resulting in a net residential revenue decrease of \$69,500;
 - Commercial revenue decreased \$33,600; and
 - Equipment rental revenue decreased by \$112,500; offset by
 - Ad insertion revenue increasing \$111,400.
 - Internet revenues increased \$557,000 or 8.4% primarily due to:
 - 6.6% increase in the total number of internet subscribers (9,603 at the end of 2020 vs. 9,008 at the end of 2019);
 - Fiber service revenue increased \$2.3 million;
 - WiFi@Home revenue increased \$48,200; and
 - Equipment rentals & other miscellaneous revenue increased \$55,900; offset by
 - HFC Internet service decreasing \$1.8 million.
 - Phone services were first made available to customers in February 2018. Revenue amounted to \$67,200 in 2019 and increased to \$143,800 in 2020.
 - MAN revenues increased \$95,800 or 11.1% due to increased rates.
- Operating expenses increased overall by \$1.6 million or 12.9% primarily due to:
 - \$131,800 higher miscellaneous data/internet expense;
 - \$351,300 higher internet equipment costs;
 - \$1.5 million higher depreciation related to the FTTH project; offset by
 - \$185,200 lower uncollectible write-off expense; and
 - \$258,200 lower pension expense due to GASB 68 adjustments.

Statements of Cash Flows

<i>In thousands \$</i>	2020	2019
Cash Flows from Operating Activities	\$ 4,256	\$ 3,254
Cash Flows from Capital and Related Financing Activities	(4,412)	(8,546)
Cash Flows from Investing Activities	2,011	2,538
Net Change in Cash and Cash Equivalents	1,855	(2,754)
Cash and Cash Equivalents – Beginning of Year	1,026	3,780
Cash and Cash Equivalents – End of Year	\$ 2,881	\$ 1,026

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020 and 2019

(Unaudited)

UTILITY FINANCIAL ANALYSIS (cont.)

COMMUNICATIONS UTILITY (cont.)

2020 Compared to 2019

- Cash flows from operating activities increased \$1.0 million due to:
 - \$0.5 million increase in retail sales collections; and
 - \$0.7 million decrease in cash paid to suppliers; offset by
 - \$0.2 million decrease in cash received from other sources.
- Capital and related financing activities include:
 - Capital expenditures in 2020 and 2019 totaling \$5.3 million and \$5.9 million, respectively;
 - Series 2020 Revenue Bonds were issued in September for \$3.7 million;
 - Debt principal and interest payments in 2020 and 2019 totaled \$2.8 and \$2.7 million, respectively.
- Cash flows from investing activities include:
 - Net investment activity of \$2.0 million in 2020 compared to net investment activity of \$2.3 million in 2019; and
 - Interest received on investments of \$38,200 in 2020 compared to \$215,600 in 2019.

CONTACTING UTILITY MANAGEMENT

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

MUSCATINE POWER AND WATER

STATEMENTS OF NET POSITION As of December 31, 2020 and 2019

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2020	2019	2020	2019	2020	2019	2020	2019
ASSETS								
CURRENT ASSETS								
Unrestricted Assets								
Cash	\$ 25,011,663	\$ 14,294,680	\$ 3,142,097	\$ 4,027,732	\$ 2,881,481	\$ 1,026,082	\$ 31,035,241	\$ 19,348,494
Investments	33,178,966	49,216,365	-	-	3,540,121	5,512,870	36,719,087	54,729,235
Receivables:								
Customer accounts	7,243,889	8,309,862	823,867	775,934	1,462,843	1,451,618	9,530,599	10,537,414
Interest	23,567	533,414	30	643	100	7,332	23,697	541,389
Inventories:								
Fuel	17,419,656	10,181,204	-	-	-	-	17,419,656	10,181,204
Emission allowances	195,793	181,539	-	-	-	-	195,793	181,539
Materials and supplies	5,441,246	5,319,639	360,889	330,550	202,853	198,341	6,004,988	5,848,530
Prepaid and other expenses	594,914	1,032,717	34,377	69,748	174,013	301,905	803,304	1,404,370
Total Unrestricted Assets	<u>89,109,694</u>	<u>89,069,420</u>	<u>4,361,260</u>	<u>5,204,607</u>	<u>8,261,411</u>	<u>8,498,148</u>	<u>101,732,365</u>	<u>102,772,175</u>
Restricted Assets - Cash	-	-	947,250	969,505	-	-	947,250	969,505
Total Current Assets	<u>89,109,694</u>	<u>89,069,420</u>	<u>5,308,510</u>	<u>6,174,112</u>	<u>8,261,411</u>	<u>8,498,148</u>	<u>102,679,615</u>	<u>103,741,680</u>
NON-CURRENT ASSETS								
Capital Assets								
Utility plant in service	432,585,216	430,192,497	40,612,769	39,654,815	48,909,644	45,782,414	522,107,629	515,629,726
Construction work in progress	8,598,931	3,734,521	975,002	937,948	875,879	478,215	10,449,812	5,150,684
Less: accumulated depreciation	(369,865,003)	(367,788,725)	(11,971,377)	(12,155,549)	(26,656,769)	(25,911,591)	(408,493,149)	(405,855,865)
Total Capital Assets	<u>71,319,144</u>	<u>66,138,293</u>	<u>29,616,394</u>	<u>28,437,214</u>	<u>23,128,754</u>	<u>20,349,038</u>	<u>124,064,292</u>	<u>114,924,545</u>
Other Assets								
Note receivable from communications utility	7,104,023	7,592,724	-	-	-	-	7,104,023	7,592,724
Unamortized debt insurance costs	-	-	45,181	48,755	-	-	45,181	48,755
Joint venture rights	117,118	100,839	-	-	-	-	117,118	100,839
Total Other Assets	<u>7,221,141</u>	<u>7,693,563</u>	<u>45,181</u>	<u>48,755</u>	<u>-</u>	<u>-</u>	<u>7,266,322</u>	<u>7,742,318</u>
Total Non-Current Assets	<u>78,540,285</u>	<u>73,831,856</u>	<u>29,661,575</u>	<u>28,485,969</u>	<u>23,128,754</u>	<u>20,349,038</u>	<u>131,330,614</u>	<u>122,666,863</u>
DEFERRED OUTFLOWS OF RESOURCES								
OPEB deferred outflows of resources	89,688	100,409	13,588	14,981	19,130	21,328	122,406	136,718
Pension deferred outflows of resources	4,405,077	9,054,915	553,878	884,691	791,428	1,719,065	5,750,383	11,658,671
	<u>4,494,765</u>	<u>9,155,324</u>	<u>567,466</u>	<u>899,672</u>	<u>810,558</u>	<u>1,740,393</u>	<u>5,872,789</u>	<u>11,795,389</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 172,144,744</u>	<u>\$ 172,056,600</u>	<u>\$ 35,537,551</u>	<u>\$ 35,559,753</u>	<u>\$ 32,200,723</u>	<u>\$ 30,587,579</u>	<u>\$ 239,883,018</u>	<u>\$ 238,203,932</u>

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2020	2019	2020	2019	2020	2019	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION								
CURRENT LIABILITIES								
Payable From Unrestricted Assets								
Trade accounts payable	\$ 4,092,393	\$ 4,154,043	\$ 291,836	\$ 290,976	\$ 1,275,358	\$ 1,147,627	\$ 5,659,587	\$ 5,592,646
Customer advances for construction	-	-	865	600	-	-	865	600
Accrued expenses	2,670,330	2,739,856	298,022	300,085	435,943	478,019	3,404,295	3,517,960
Unearned revenue	139,790	16,957	1,200	1,700	22,768	18,600	163,758	37,257
Customer deposits	1,001,873	909,893	-	-	-	-	1,001,873	909,893
Current portion of long-term debt	-	-	-	-	2,553,729	2,003,424	2,553,729	2,003,424
Total Payable From Unrestricted Assets	7,904,386	7,820,749	591,923	593,361	4,287,798	3,647,670	12,784,107	12,061,780
Payable From Restricted Assets								
Current portion of long-term debt	-	-	400,000	425,000	-	-	400,000	425,000
Accrued interest payable	-	-	45,604	46,718	-	-	45,604	46,718
Total Payable From Restricted Assets	-	-	445,604	471,718	-	-	445,604	471,718
Total Current Liabilities	7,904,386	7,820,749	1,037,527	1,065,079	4,287,798	3,647,670	13,229,711	12,533,498
NON-CURRENT LIABILITIES								
Note payable to electric utility	-	-	-	-	7,104,023	7,592,724	7,104,023	7,592,724
Long term debt, net of current portion	-	-	13,320,000	13,720,000	5,206,938	4,175,144	18,526,938	17,895,144
Unamortized bond premium	-	-	650,652	749,397	-	-	650,652	749,397
Unearned revenue	-	-	-	-	159,480	175,880	159,480	175,880
Net OPEB liability	667,354	681,778	99,850	101,724	141,854	144,810	909,058	928,312
Health and dental care provision	1,511,394	983,594	30,172	-	50,808	-	1,592,374	983,594
Net pension liability	7,839,404	16,896,280	1,196,311	1,758,489	1,522,790	2,926,762	10,558,505	21,581,531
Customer advances for construction	-	-	217,993	197,007	-	-	217,993	197,007
Landfill closure and post closure liability	1,024,122	1,016,294	-	-	-	-	1,024,122	1,016,294
Total Non-Current Liabilities	11,042,274	19,577,946	15,514,978	16,526,617	14,185,893	15,015,320	40,743,145	51,119,883
DEFERRED INFLOWS OF RESOURCES								
Extraordinary O&M - regulatory deferred inflow	28,032,866	28,032,866	-	-	-	-	28,032,866	28,032,866
OPEB deferred inflows of resources	82,855	99,381	12,681	14,828	17,721	21,109	113,257	135,318
Pension deferred inflows of resources	5,280,261	851,112	437,965	212,227	914,833	165,566	6,633,059	1,228,905
	33,395,982	28,983,359	450,646	227,055	932,554	186,675	34,779,182	29,397,089
NET POSITION								
Net investment in capital assets	71,319,144	66,138,293	15,026,884	13,345,210	17,921,816	16,173,894	104,267,844	95,657,397
Restricted for debt service	-	-	901,646	922,787	-	-	901,646	922,787
Unrestricted	48,482,958	49,536,253	2,605,870	3,473,005	(5,127,338)	(4,435,980)	45,961,490	48,573,278
Total Net Position	119,802,102	115,674,546	18,534,400	17,741,002	12,794,478	11,737,914	151,130,980	145,153,462
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION								
	\$ 172,144,744	\$ 172,056,600	\$ 35,537,551	\$ 35,559,753	\$ 32,200,723	\$ 30,587,579	\$ 239,883,018	\$ 238,203,932

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2020 and 2019

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2020	2019	2020	2019	2020	2019	2020	2019
OPERATING REVENUES								
Retail sales	\$ 58,920,154	\$ 61,129,182	\$ 7,112,496	\$ 6,900,505	\$ 15,046,365	\$ 14,421,241	\$ 81,079,015	\$ 82,450,928
Wholesale electric sales	18,227,542	21,487,083	-	-	-	-	18,227,542	21,487,083
Steam sales	8,694,243	9,665,256	-	-	-	-	8,694,243	9,665,256
Other	1,002,284	1,071,420	32,077	36,664	118,885	119,840	1,153,246	1,227,924
Total Operating Revenues	<u>86,844,223</u>	<u>93,352,941</u>	<u>7,144,573</u>	<u>6,937,169</u>	<u>15,165,250</u>	<u>14,541,081</u>	<u>109,154,046</u>	<u>114,831,191</u>
OPERATING EXPENSES								
Production fuel	18,050,097	21,512,281	-	-	-	-	18,050,097	21,512,281
Purchased power	23,328,181	24,014,686	-	-	-	-	23,328,181	24,014,686
Emissions allowance	87,569	7,553	-	-	-	-	87,569	7,553
Other operating expenses	26,368,043	27,447,821	4,183,729	4,411,400	9,852,913	9,873,222	40,404,685	41,732,443
Maintenance	10,542,324	9,792,244	872,322	890,708	1,409,315	1,278,409	12,823,961	11,961,361
Depreciation	5,032,692	3,022,671	860,504	717,895	2,816,881	1,314,096	8,710,077	5,054,662
Total Operating Expenses	<u>83,408,906</u>	<u>85,797,256</u>	<u>5,916,555</u>	<u>6,020,003</u>	<u>14,079,109</u>	<u>12,465,727</u>	<u>103,404,570</u>	<u>104,282,986</u>
Operating Income	<u>3,435,317</u>	<u>7,555,685</u>	<u>1,228,018</u>	<u>917,166</u>	<u>1,086,141</u>	<u>2,075,354</u>	<u>5,749,476</u>	<u>10,548,205</u>
NONOPERATING REVENUES (EXPENSES)								
Investment income	581,178	1,393,675	28,659	118,955	30,994	203,516	640,831	1,716,146
Interest income on note receivable from communications utility	37,964	40,395	-	-	-	-	37,964	40,395
Gain on asset disposal	6,848	-	-	-	36,599	1,636	43,447	1,636
Interest expense	(20,138)	(23,044)	(558,449)	(567,501)	(229,587)	(258,663)	(808,174)	(849,208)
Bond insurance costs	-	-	(3,574)	(3,671)	-	-	(3,574)	(3,671)
Bond premium amortization	-	-	98,744	101,459	-	-	98,744	101,459
Net Nonoperating Revenues (Expenses)	<u>605,852</u>	<u>1,411,026</u>	<u>(434,620)</u>	<u>(350,758)</u>	<u>(161,994)</u>	<u>(53,511)</u>	<u>9,238</u>	<u>1,006,757</u>
Net income (loss) before capital contributions	4,041,169	8,966,711	793,398	566,408	924,147	2,021,843	5,758,714	11,554,962
CAPITAL CONTRIBUTIONS	<u>86,387</u>	<u>49,054</u>	<u>-</u>	<u>-</u>	<u>132,417</u>	<u>13,190</u>	<u>218,804</u>	<u>62,244</u>
CHANGE IN NET POSITION	4,127,556	9,015,765	793,398	566,408	1,056,564	2,035,033	5,977,518	11,617,206
NET POSITION - Beginning of Year	<u>115,674,546</u>	<u>106,658,781</u>	<u>17,741,002</u>	<u>17,174,594</u>	<u>11,737,914</u>	<u>9,702,881</u>	<u>145,153,462</u>	<u>133,536,256</u>
NET POSITION - END OF YEAR	<u>\$ 119,802,102</u>	<u>\$ 115,674,546</u>	<u>\$ 18,534,400</u>	<u>\$ 17,741,002</u>	<u>\$ 12,794,478</u>	<u>\$ 11,737,914</u>	<u>\$ 151,130,980</u>	<u>\$ 145,153,462</u>

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2020 and 2019

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2020	2019	2020	2019	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from retail sales	\$ 59,018,164	\$ 61,449,159	\$ 7,074,526	\$ 6,876,155	\$ 14,620,718	\$ 14,070,868	\$ 80,713,408	\$ 82,396,182
Cash received from wholesale electric sales	18,067,318	21,489,550	-	-	-	-	18,067,318	21,489,550
Cash received from steam sales	9,090,628	9,574,540	-	-	-	-	9,090,628	9,574,540
Cash received from coal sales	11,780,600	33,664,586	-	-	-	-	11,780,600	33,664,586
Cash received from advertising sales	-	-	-	-	408,958	300,115	408,958	300,115
Cash received from by-product sales	268,410	400,253	-	-	-	-	268,410	400,253
Cash received from other operating sources	811,187	1,247,476	40,200	30,150	136,167	327,090	987,554	1,604,716
Cash paid for coal and gas	(28,085,086)	(55,244,271)	-	-	-	-	(28,085,086)	(55,244,271)
Cash paid for purchased power	(21,337,073)	(23,586,151)	-	-	-	-	(21,337,073)	(23,586,151)
Cash paid to suppliers	(22,618,397)	(18,325,207)	(2,217,256)	(2,598,224)	(6,257,542)	(6,924,167)	(31,093,195)	(27,847,598)
Cash paid for employee payroll, taxes and benefits	(25,187,269)	(24,391,082)	(2,789,833)	(2,735,758)	(4,651,944)	(4,520,224)	(32,629,046)	(31,647,064)
Net Cash Flows From Operating Activities	1,808,482	6,278,853	2,107,637	1,572,323	4,256,357	3,253,682	8,172,476	11,104,858
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interest received on note receivable from communications utility	37,964	40,395	-	-	-	-	37,964	40,395
Principal received on note receivable from communications utility	488,701	486,270	-	-	-	-	488,701	486,270
Net Cash Flows From Noncapital Financing Activities	526,665	526,665	-	-	-	-	526,665	526,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(8,738,886)	(5,451,190)	(2,060,236)	(1,574,406)	(5,312,342)	(5,857,387)	(16,111,464)	(12,882,983)
Net proceeds from sale of assets	6,848	203,598	-	6,605	36,599	2,191	43,447	212,394
Loan closing costs/proceeds	-	-	-	-	3,700,000	-	3,700,000	-
Bond principal payments	-	-	(390,000)	(380,000)	-	-	(390,000)	(380,000)
Bond interest payments	-	-	(558,950)	(566,550)	-	-	(558,950)	(566,550)
Debt principal payments	-	-	(35,000)	(33,000)	(2,606,602)	(2,431,667)	(2,641,602)	(2,464,667)
Debt interest payments	-	-	(613)	(1,715)	(229,587)	(258,663)	(230,200)	(260,378)
Net Cash Flows From Capital and Related Financing Activities	(8,732,038)	(5,247,592)	(3,044,799)	(2,549,066)	(4,411,932)	(8,545,526)	(16,188,769)	(16,342,184)
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from investments matured and sold	158,162,093	92,903,190	-	-	47,435,316	101,559,531	205,597,409	194,462,721
Investments purchased	(142,124,694)	(104,038,731)	-	-	(45,462,568)	(99,237,432)	(187,587,262)	(203,276,163)
Purchase of joint venture rights	(106,530)	(113,250)	-	-	-	-	(106,530)	(113,250)
Interest received on investments	1,091,025	1,240,947	29,272	118,404	38,226	215,616	1,158,523	1,574,967
Net Cash Flows From Investing Activities	17,021,894	(10,007,844)	29,272	118,404	2,010,974	2,537,715	19,062,140	(7,351,725)
Net Increase (Decrease) in Cash and Cash Equivalents	10,625,003	(8,449,918)	(907,890)	(858,339)	1,855,399	(2,754,129)	11,572,512	(12,062,386)
CASH AND CASH EQUIVALENTS - Beginning of Year								
Current unrestricted cash	14,294,680	22,744,598	4,027,732	4,886,607	1,026,082	3,780,211	19,348,494	31,411,416
Current restricted cash	-	-	969,505	968,969	-	-	969,505	968,969
	14,294,680	22,744,598	4,997,237	5,855,576	1,026,082	3,780,211	20,317,999	32,380,385
CASH AND CASH EQUIVALENTS - END OF YEAR								
Current unrestricted cash	25,011,663	14,294,680	3,142,097	4,027,732	2,881,481	1,026,082	31,035,241	19,348,494
Current restricted cash	-	-	947,250	969,505	-	-	947,250	969,505
	\$ 25,011,663	\$ 14,294,680	\$ 4,089,347	\$ 4,997,237	\$ 2,881,481	\$ 1,026,082	\$ 31,982,491	\$ 20,317,999

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2020	2019	2020	2019	2020	2019	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES								
Operating income	\$ 3,435,317	\$ 7,555,685	\$ 1,228,018	\$ 917,166	\$ 1,086,141	\$ 2,075,354	\$ 5,749,476	\$ 10,548,205
Noncash items in operating income								
Depreciation	5,032,692	3,022,671	860,504	717,895	2,816,881	1,314,096	8,710,077	5,054,662
Amortization of joint venture rights	90,251	110,209	-	-	-	-	90,251	110,209
Converter/modem net write-off	-	-	-	-	-	38,486	-	38,486
Changes in assets, liabilities, and deferrals								
Customer accounts receivable	1,065,973	1,137,892	(47,933)	(20,384)	(11,225)	167,325	1,006,815	1,284,833
Inventories	(7,374,313)	(3,074,509)	(30,339)	13,159	(4,512)	17,728	(7,409,164)	(3,043,622)
Prepaid and other expenses	437,803	(548,823)	35,371	(47,447)	127,892	(167,434)	601,066	(763,704)
Trade accounts payable	(1,449,920)	(2,113,276)	42,662	(67,010)	(24,106)	(367,353)	(1,431,364)	(2,547,639)
Accrued expenses	438,136	(845,222)	28,109	(92,139)	8,732	(89,148)	474,977	(1,026,509)
OPEB related deferrals and liabilities	(20,229)	(15,519)	(2,628)	9,901	(4,146)	15,836	(27,003)	10,218
Pension related deferrals and liabilities	22,111	1,540,178	(5,627)	140,682	272,932	266,391	289,416	1,947,251
Unearned revenue	122,833	9,390	(500)	500	(12,232)	(17,599)	110,101	(7,709)
Customer deposits	-	64,340	-	-	-	-	-	64,340
Landfill closure and post closure liability	7,828	(564,163)	-	-	-	-	7,828	(564,163)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,808,482</u>	<u>\$ 6,278,853</u>	<u>\$ 2,107,637</u>	<u>\$ 1,572,323</u>	<u>\$ 4,256,357</u>	<u>\$ 3,253,682</u>	<u>\$ 8,172,476</u>	<u>\$ 11,104,858</u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES								
Unpaid capital expenditures	\$ 1,657,796	\$ 269,526	\$ 43,974	\$ 85,777	\$ 710,219	\$ 558,382	\$ 2,411,989	\$ 913,685
Noncash capital contributions	-	-	22,107	-	-	-	22,107	-

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF FIDUCIARY NET POSITION FIDUCIARY FUND

As of December 31, 2020 and 2019

	Pension Trust Fund	
	2020	2019
ASSETS		
Investments:		
Large U.S. equity	\$ 37,643,212	\$ 24,527,023
Small/mid U.S. equity	6,312,151	4,371,127
International equity	17,181,270	15,852,775
Balanced/asset allocation	-	1,661,128
Fixed income	28,266,413	31,312,327
Other	4,903,449	4,864,256
Total Assets	<u>\$ 94,306,495</u>	<u>\$ 82,588,636</u>
LIABILITIES		
Total Liabilities	\$ -	\$ -
FIDUCIARY NET POSITION		
Net Position Restricted for Pensions	<u>\$ 94,306,495</u>	<u>\$ 82,588,636</u>

See accompanying notes to financial statements.

MUSCATINE POWER AND WATER

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

For the Years Ended December 31, 2020 and 2019

	Pension Trust Fund	
	2020	2019
ADDITIONS		
Employer contributions	\$ 3,124,701	\$ 3,345,873
Net investment income:		
Investment return	13,101,260	13,177,599
Investment expenses	(30,743)	(29,645)
Net investment income	13,070,517	13,147,954
Total Additions	16,195,218	16,493,827
DEDUCTIONS		
Benefit payments	4,331,785	3,692,986
Administration expenses	145,574	67,728
Total Deductions	4,477,359	3,760,714
CHANGE IN FIDUCIARY NET POSITION	11,717,859	12,733,113
FIDUCIARY NET POSITION - Beginning of Year	82,588,636	69,855,523
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 94,306,495</u>	<u>\$ 82,588,636</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND STANDARDS OF ACCOUNTING

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

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

REPORTING ENTITY

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

MEASUREMENT FOCUS, STANDARDS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

CASH AND CASH EQUIVALENTS

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

RECEIVABLES

An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of the year. For the years 2020 and 2019 the allowances were:

	<u>2020</u>	<u>2019</u>
Electric utility	\$15,803	\$9,853
Water utility	\$1,515	\$5,388
Communications utility	\$6,281	\$7,293

INVENTORIES

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

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

On an ongoing basis, the utility reviews capital assets for impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. If such events or changes in circumstances occur, the utility will recognize an impairment loss. No such loss was recognized in 2020 or 2019.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets. A procedural change took place in 2019 for calculating depreciation. Instead of depreciating assets as a group, the utility began depreciating individual assets.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

CAPITAL ASSETS (cont.)

The composite depreciation rates for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Electric Utility		
Generation plant	1.1 %	0.6 %
Transmission and distribution plant	1.1	0.9
General plant	1.9	1.6
Water Utility		
Source of supply	2.4 %	2.6 %
Pumping equipment	2.8	2.9
Purification system	1.9	1.7
Distribution system	2.4	2.0
General plant	3.0	2.5
Communications Utility		
CATV	2.7 %	3.5 %
Data/Internet	7.5	4.4
MAN	1.7	3.8
General plant	7.1	6.2

DEFERRED OUTFLOW OF RESOURCES

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

CUSTOMER ADVANCES FOR CONSTRUCTION

Customer advances for water construction projects are recorded as water utility plant and a liability at the time the asset is contributed to the utility. The utility reimburses the customer by annually refunding a portion of the advance over a contracted period of time. At the end of the contract, any remaining liability is reclassified as a capital contribution.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

COMPENSATED ABSENCES

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

ACCRUED EXPENSES

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

UNEARNED REVENUE

The electric utility's unearned revenue is a result of prepayments for a land lease, capacity sales, and renewable energy credits. The water utility's unearned revenue is deposits received for future construction projects. The communications utility's unearned revenue is a result of a 20-year contract to lease dark fiber to Iowa Health System, and a contract for municipal area network service.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

PENSIONS LIABILITY

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

LANDFILL CLOSURE AND POST CLOSURE LIABILITY

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

DEFERRED INFLOWS OF RESOURCES

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

DEFERRED INFLOWS OF RESOURCES (cont.)

The Board may, at its discretion, set aside earnings to help maintain stability in the electric utility's long-term rate structure. These earnings, placed in the Extraordinary O&M Account, may be used for extraordinary operating expenses and debt service when deemed necessary by the Board. No deferment or use of the Extraordinary O&M Account occurred in 2020 nor 2019.

CHARGES FOR SERVICES

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

Current electric rates were approved on April 30, 2019 and effective for service beginning August 1, 2020.

Current water rates were approved on December 19, 2019 and became effective for service beginning June 1, 2020.

Current communications rates were approved on February 25, 2020 and became effective for service beginning June 1, 2020.

OPERATING REVENUES AND EXPENSES

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

Revenues are recorded as services are rendered to customers. The electric and water utilities' revenues include an estimate of unbilled revenues for services rendered only to certain residential and small commercial customers from the date of the last meter reading to year-end. The communications utility's revenues include amounts billed to customers for cable and Internet services, installations, advertising and other services. Revenues from cable and Internet services, installation, and other services are recognized when the services are provided to the customers. Advertising sales are recognized in the period that the advertisements are exhibited. The communications utility's revenues include an estimate of unbilled revenues for service rendered only to certain residential and small commercial customers from the date of their previous bill's generation to year-end. The unbilled revenue recorded in 2020 for the electric, water, and communications utilities are \$382,521, \$72,835, and \$85,106, respectively. The unbilled revenue recorded in 2019 for the electric, water, and communications utilities are \$459,985, \$72,440, and \$88,549, respectively.

CAPITAL CONTRIBUTIONS

Cash and capital assets are contributed to the utility from customers, the municipality or external parties. The value of property contributed to the utility is reported as revenue on the statements of revenues, expenses, and changes in net position.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

INCOME TAX STATUS

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 87, *Leases*, effective for reporting periods beginning after June 15, 2021; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for reporting periods beginning after December 15, 2021; Statement No. 91, *Conduit Debt Obligations*, effective for reporting periods beginning after December 15, 2022; Statement No. 92, *Omnibus 2020*, effective for reporting periods beginning after June 15, 2021, and effective immediately for requirements related to Statement No. 87 and Implementation Guide 2019-3; Statement No. 93, *Replacement of Interbank Offered Rates*, requirements have either an effective date for reporting periods beginning after June 15, 2020, June 15, 2021, or December 31, 2021; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for reporting periods beginning after June 15, 2022; Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for reporting periods beginning after June 15, 2022; Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, some requirements are effective immediately, all others are effective for reporting periods beginning after June 15, 2021. Application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits and investments consist primarily of certificates of deposit. Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the statements of revenues, expenses, and changes in net position as increases or decreases in investment income. Investment income is allocated to the electric, water, and communications utilities' revenue funds as appropriate.

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK

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

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

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

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. There were no investments held at December 31, 2020 and December 31, 2019 that were subject to custodial credit risk.

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

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The utility held no investments as of December 31, 2020 and December 31, 2019 that were subject to credit risk.

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

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The utility held no investments as of December 31, 2020 and December 31, 2019 that were subject to concentration of credit risk.

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

INTEREST RATE RISK

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

The utility held no investments as of December 31, 2020 and December 31, 2019 that were subject to interest rate risk.

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

INTEREST RATE RISK (cont.)

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

The utility held no investments as of December 31, 2020 and December 31, 2019 subject to fair value measurement.

FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

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

The plan held no deposits as of the measurement date, December 31, 2020 and December 31, 2019.

CREDIT RISK

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

CONCENTRATIONS

As of the measurement date, the following are pension investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represents 5 percent or more of the pension plan's fiduciary net position.

<u>Organization</u>	<u>Fiduciary Net Position</u>	<u>%</u>	<u>Measurement date:</u>
Principal	\$94,306,495	100%	12/31/20
Principal	\$82,588,636	100%	12/31/19

DERIVATIVES

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

INTEREST RATE RISK

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

The pension trust fund held the following investments as of the measurement date December 31, 2020, subject to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Years to Maturity</u>
Large U.S. equity	\$ 37,643,212	N/A
Small/mid U.S. equity	6,312,151	N/A
International equity	17,181,270	N/A
U.S. property SA-14	4,903,449	N/A
Fixed income:		
High income separate account-Z	2,267,159	4.15
Bond market index separate account-Z	6,495,558	6.00
Core fixed income separate account-Z	<u>19,503,696</u>	6.13
Total Investments	<u>\$ 94,306,495</u>	

The pension trust fund held the following investments as of the measurement date December 31, 2019, subject to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Years to Maturity</u>
Large U.S. equity	\$ 24,527,023	N/A
Small/mid U.S. equity	4,371,127	N/A
International equity	15,852,775	N/A
Balanced/asset allocation	1,661,128	N/A
Other	4,864,256	N/A
Fixed income:		
High income separate account-Z	1,634,765	3.57
Bond market index separate account-Z	11,517,913	5.47
Core fixed income separate account-Z	<u>18,159,649</u>	5.53
Total Investments	<u>\$ 82,588,636</u>	

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 – CAPITAL ASSETS

ELECTRIC UTILITY

A summary of changes in electric capital assets for 2020 follows:

	Balance 1/1/2020	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2020
Land and land rights ⁽¹⁾	\$ 1,874,590	\$ -	\$ -	\$ -	\$ 1,874,590
Generation plant	329,064,529	56,673	(2,210,774)	340,503	327,250,931
Transmission and distribution plant	72,420,134	932,498	(51,473)	2,478,389	75,779,548
General plant	26,833,244	83,154	(776,886)	1,540,635	27,680,147
Total Utility Plant in Service	430,192,497	1,072,325	(3,039,133)	4,359,527	432,585,216
Construction work in progress ⁽¹⁾	3,734,521	9,223,937	-	(4,359,527)	8,598,931
Total Electric Utility Plant	433,927,018	\$ 10,296,262	\$ (3,039,133)	\$ -	441,184,147
Less: Accumulated depreciation					
Generation plant	288,154,407	\$ 3,747,452	\$ (2,152,188)	\$ -	289,749,671
Transmission and distribution plant	58,010,488	774,833	(51,473)	-	58,733,848
General plant	21,623,830	510,407	(752,753)	-	21,381,484
Total Accumulated Depreciation	367,788,725	\$ 5,032,692	\$ (2,956,414)	\$ -	369,865,003
Net Electric Capital Assets	\$66,138,293				\$ 71,319,144

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (cont.)

ELECTRIC UTILITY (cont.)

A summary of changes in electric capital assets for 2019 follows:

	Balance 1/1/2019	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2019
Land and land rights (1)	\$ 1,874,590	\$ -	\$ -	\$ -	\$ 1,874,590
Generation plant	330,152,582	75,946	(1,351,881)	187,882	329,064,529
Transmission and distribution plant	70,054,951	847,983	(19,637)	1,536,837	72,420,134
General plant	25,351,940	68,158	(449,925)	1,863,071	26,833,244
Total Utility Plant in Service	427,434,063	992,087	(1,821,443)	3,587,790	430,192,497
Construction work in progress (1)	2,907,265	4,415,046	-	(3,587,790)	3,734,521
Total Electric Utility Plant	430,341,328	\$ 5,407,133	\$ (1,821,443)	\$ -	433,927,018
Less: Accumulated depreciation					
Generation plant	287,343,098	\$ 1,977,758	\$ (1,166,449)	\$ -	288,154,407
Transmission and distribution plant	57,399,775	632,145	(21,432)	-	58,010,488
General plant	21,642,822	412,768	(431,760)	-	21,623,830
Total Accumulated Depreciation	366,385,695	\$ 3,022,671	\$ (1,619,641)	\$ -	367,788,725
Net Electric Capital Assets	<u>\$63,955,633</u>				<u>\$ 66,138,293</u>

(1) – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY

A summary of changes in water capital assets for 2020 follows:

	Balance 1/1/2020	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2020
Land and land rights ⁽¹⁾	\$ 3,784,426	\$ -	\$ -	\$ (2,876)	\$ 3,781,550
Source of supply	4,061,729	-	-	-	4,061,729
Pumping equipment	2,590,943	-	-	-	2,590,943
Purification equipment	2,886,020	7,879	-	91,597	2,985,496
Distribution system	24,428,308	218,062	(816,234)	1,672,347	25,502,483
General plant	1,903,389	(9,321)	(228,443)	24,943	1,690,568
Total Utility Plant in Service	39,654,815	216,620	(1,044,677)	1,786,011	40,612,769
Construction work in progress ⁽¹⁾	937,948	1,823,065	-	(1,786,011)	975,002
Total Water Utility Plant	40,592,763	\$ 2,039,685	\$(1,044,677)	\$ -	41,587,771
Less: Accumulated depreciation					
Source of supply	1,799,142	\$ 98,164	\$ -	\$ -	1,897,306
Pumping equipment	985,972	72,040	-	-	1,058,012
Purification system	984,962	54,627	-	-	1,039,589
Distribution system	6,910,037	578,846	(816,233)	-	6,672,650
General plant	1,475,436	56,827	(228,443)	-	1,303,820
Total Accumulated Depreciation	12,155,549	\$ 860,504	\$(1,044,676)	\$ -	11,971,377
Net Water Capital Assets	<u>\$28,437,214</u>				<u>\$29,616,394</u>

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY (cont.)

A summary of changes in water capital assets for 2019 follows:

	Balance 1/1/2019	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2019
Land and land rights ⁽¹⁾	\$ 3,784,426	\$ -	\$ -	\$ -	\$ 3,784,426
Source of supply	3,779,236	-	-	282,493	4,061,729
Pumping equipment	2,501,901	-	(5,021)	94,063	2,590,943
Purification equipment	1,612,735	21,733	-	1,251,552	2,886,020
Distribution system	23,322,208	189,992	(11,146)	927,254	24,428,308
General plant	1,745,640	61,577	(73,624)	169,796	1,903,389
Total Utility Plant in Service	36,746,146	273,302	(89,791)	2,725,158	39,654,815
Construction work in progress ⁽¹⁾	2,423,696	1,239,410	-	(2,725,158)	937,948
Total Water Utility Plant	39,169,842	\$ 1,512,712	\$ (89,791)	\$ -	40,592,763
Less: Accumulated depreciation					
Source of supply	1,700,311	\$ 98,831	\$ -	\$ -	1,799,142
Pumping equipment	917,385	73,608	(5,021)	-	985,972
Purification system	957,555	27,407	-	-	984,962
Distribution system	6,446,791	474,081	(10,835)	-	6,910,037
General plant	1,498,489	43,968	(67,021)	-	1,475,436
Total Accumulated Depreciation	11,520,531	\$ 717,895	\$ (82,877)	\$ -	12,155,549
Net Water Capital Assets	\$27,649,311				\$28,437,214

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY

A summary of changes in communications capital assets for 2020 follows:

	Balance 1/1/2020	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2020
CATV	\$ 18,760,888	\$ 129,138	\$ (1,690,596)	\$ (135)	\$ 17,199,295
Data/Internet	19,384,380	102,326	(160,898)	4,784,062	24,109,870
MAN	5,043,347	12,010	(84,113)	-	4,971,244
General plant	2,593,799	(6,539)	(136,918)	178,893	2,629,235
Total Utility Plant in Service	45,782,414	236,935	(2,072,525)	4,962,820	48,909,644
Construction work in progress ⁽¹⁾	478,215	5,360,484	-	(4,962,820)	875,879
Total Communications Utility Plant	46,260,629	\$ 5,597,419	\$ (2,072,525)	\$ -	49,785,523
Less: Accumulated depreciation					
CATV	17,060,793	\$ 510,168	\$ (1,690,589)	\$ -	15,880,372
Data/Internet	3,384,206	2,037,559	(160,899)	-	5,260,866
MAN	4,114,563	86,227	(83,342)	-	4,117,448
General plant	1,352,029	182,927	(136,873)	-	1,398,083
Total Accumulated Depreciation	25,911,591	\$ 2,816,881	\$ (2,071,703)	\$ -	26,656,769
Net Communications Capital Assets	\$ 20,349,038				\$ 23,128,754

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY (cont.)

A summary of changes in communications capital assets for 2019 follows:

	Balance 1/1/2019	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2019
CATV	\$ 21,484,130	\$ 109,935	\$ (3,029,470)	\$ 196,293	\$ 18,760,888
Data/Internet	5,531,649	495,932	(845,605)	14,202,404	19,384,380
MAN	5,073,637	45,685	(75,975)	-	5,043,347
General plant	2,132,767	78,961	(88,285)	470,356	2,593,799
Total Utility Plant in Service	34,222,183	730,513	(4,039,335)	14,869,053	45,782,414
Construction work in progress ⁽¹⁾	9,910,057	5,437,211	-	(14,869,053)	478,215
Total Communications Utility Plant	44,132,240	\$ 6,167,724	\$ (4,039,335)	\$ -	46,260,629
Less: Accumulated depreciation					
CATV	19,305,899	\$ 744,147	\$ (2,989,253)	\$ -	17,060,793
Data/Internet	3,963,898	245,670	(825,362)	-	3,384,206
MAN	3,995,615	192,720	(73,772)	-	4,114,563
General plant	1,308,200	131,559	(87,730)	-	1,352,029
Total Accumulated Depreciation	28,573,612	\$ 1,314,096	\$ (3,976,117)	\$ -	25,911,591
Net Communications Capital Assets	\$ 15,558,628				\$ 20,349,038

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 4 – RESTRICTED ASSETS

Restricted assets represent amounts set aside under the terms of the water bond and loan agreements. In accordance with the covenants of the bond resolutions, the amounts have been segregated into funds. In accordance with the bond and loan agreements, the bond fund and sinking fund are used solely for the purpose of paying the interest on and principal of the outstanding debt. The composition of the restricted assets at December 31, 2020 and 2019 is as follows:

	Water Utility	
	2020	2019
Debt Service Reserve	\$ 947,250	\$ 948,950
Sinking Fund	-	20,555
Total Restricted Assets	<u>\$ 947,250</u>	<u>\$ 969,505</u>

NOTE 5 – NON-CURRENT LIABILITIES

NON-CURRENT LIABILITIES SUMMARY – ELECTRIC

Non-current liabilities activity for the year ended December 31, 2020:

	Balance 1/1/2020	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2020
Net OPEB liability	\$ 681,778	\$ 53,159	\$ (67,583)	\$ 667,354
Health and dental care provision	983,594	3,700,459	(3,172,659)	1,511,394
Net pension liability	16,896,280	755,392	(9,812,268)	7,839,404
Landfill closure and post closure liability	<u>1,016,294</u>	<u>7,828</u>	<u>-</u>	<u>1,024,122</u>
Noncurrent Liabilities	<u>\$ 19,577,946</u>	<u>\$ 4,516,838</u>	<u>\$ (13,052,510)</u>	<u>\$ 11,042,274</u>

Non-current liabilities activity for the year ended December 31, 2019:

	Balance 1/1/19	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/19
Net OPEB liability	\$ 684,728	\$ 52,241	\$ (55,191)	\$ 681,778
Health and dental care provision	1,266,089	3,150,682	(3,433,177)	983,594
Net pension liability	11,054,529	2,949,400	2,892,351	16,896,280
Landfill closure and post closure liability	<u>1,580,457</u>	<u>13,046</u>	<u>(577,209)</u>	<u>1,016,294</u>
Noncurrent Liabilities	<u>\$ 14,585,803</u>	<u>\$ 6,165,369</u>	<u>\$ (1,173,226)</u>	<u>\$ 19,577,946</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER

On November 18, 2009, the utility closed on a loan from the Iowa Department of Natural Resources' State Drinking Water Revolving Loan Fund for the well motor control project. The loan was administered by the Iowa Finance Authority. The loan agreement provided for the borrowing of up to \$494,000. The total amount borrowed was \$399,000. The project qualified for ARRA (Stimulus Act) funding as a "green" water project of which \$93,000 was forgiven. The interest rate on the loan was 3.0% interest, plus a 0.25% servicing fee, with a 10-year repayment term. Interest payments were payable semi-annually and began June 1, 2010; principal payments began June 1, 2011 and were due annually. Total outstanding loan payable at December 31, 2019 was \$35,000. Final payment was made May 26, 2020.

In May 2017, the Board approved the issuance and securing the payment of future obligations for the purposes of borrowing money for constructing water improvements and extensions. The water utility issued \$14,865,000 Water Revenue Bonds, Series 2017 in June 2017 for that purpose. The premium bonds are S&P "A" rated, a non-bank qualified issue, callable June 1, 2027 at par. The effective interest cost is approximately 3.51%. The interest payments that are due each June 1 and December 1 began December 1, 2017. Principal payments are due annually December 1 and began in 2018. Total outstanding bonds payable at December 31, 2020 and December 31, 2019 were \$13,720,000 and \$14,110,000, respectively.

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

Non-current liabilities activity for the year ending December 31, 2020:

	Balance	Additions/	Payments/ Amortization/ Reclassifications	Balance	Due Within
	1/1/2020	Reduction		12/31/2020	One Year
Long term debt	\$ 14,145,000	\$ -	\$ (425,000)	\$ 13,720,000	\$ 400,000
Less: Current installments	(425,000)	(400,000)	425,000	(400,000)	-
Unamortized bond premium	749,397	-	(98,745)	650,652	92,900
Long-Term Debt, Net of Current Portion	14,469,397	(400,000)	(98,745)	13,970,652	492,900
Net OPEB liability	101,724	6,907	(8,781)	99,850	-
Health & dental care provision	-	439,178	(409,006)	30,172	-
Net pension liability	1,758,489	126,469	(688,647)	1,196,311	-
Customer advances for construction	197,007	22,107	(1,121)	217,993	-
Noncurrent Liabilities	<u>\$ 16,526,617</u>	<u>\$ 194,661</u>	<u>\$ (1,206,300)</u>	<u>\$ 15,514,978</u>	<u>\$ 492,900</u>

Non-current liabilities activity for the year ending December 31, 2019:

	Balance	Additions/	Payments/ Amortization/ Reclassifications	Balance	Due Within
	1/1/2019	Reduction		12/31/2019	One Year
Long term debt	\$ 14,558,000	\$ -	\$ (413,000)	\$ 14,145,000	\$ 425,000
Less: Current installments	(413,000)	413,000	(425,000)	(425,000)	-
Unamortized bond premium	850,856	-	(101,459)	749,397	98,745
Long-Term Debt, Net of Current Portion	14,995,856	413,000	(939,459)	14,469,397	523,745
Net OPEB liability	90,151	7,795	3,778	101,724	-
Health & dental care provision	53,765	453,129	(506,894)	-	-
Net pension liability	1,318,376	176,582	263,531	1,758,489	-
Customer advances for construction	197,650	-	(643)	197,007	-
Noncurrent Liabilities	<u>\$ 16,655,798</u>	<u>\$ 1,050,506</u>	<u>\$ (1,179,687)</u>	<u>\$ 16,526,617</u>	<u>\$ 523,745</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

Non-Current Liabilities Maturity Schedule – Water

Year Ending December 31	Water Revenue Bonds, Series 2017		
	Direct Placement		
	Principal Amount	Interest 2%-5%	Total
2021	\$400,000	\$547,250	\$947,250
2022	410,000	535,250	\$945,250
2023	425,000	522,950	\$947,950
2024	445,000	501,700	\$946,700
2025	470,000	479,450	\$949,450
2026	490,000	455,950	\$945,950
2027	515,000	431,450	\$946,450
2028	535,000	410,850	\$945,850
2029	560,000	389,450	\$949,450
2030	615,000	367,050	\$982,050
2031 - 2035	3,170,000	1,525,250	\$4,695,250
2036 - 2040	3,900,000	837,000	\$4,737,000
2041 - 2042	1,785,000	107,800	\$1,892,800
Totals	<u>\$13,720,000</u>	<u>\$7,111,400</u>	<u>\$20,831,400</u>

All water utility revenues, net of specified operating expenses, are pledged as security of the water debt until fully paid. Principal and interest paid in 2020 and 2019, and water utility net revenues are as follows:

	2020	2019
Principal and interest paid	\$ 984,563	\$ 981,265
Net revenues	2,117,181	1,754,016

Annual future principal and interest payments are expected to require 45% of water utility net revenues.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS

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

On December 14, 2017, the Communications Revenue Bond, Series 2017 (Series 2017 Bond) was signed with a local bank providing \$10,000,000 for telecommunications systems improvements and extensions to the municipal communications utility. Principal bears interest at the rate of 2.95% per annum. Both principal and interest are payable in nineteen equal quarterly installments of \$540,916 each, due on March 31, June 30, September 30, and December 31 in each of the years 2018 to 2022, plus a final payment due December 31, 2022. Upon default of the bond obligations, a proceeding may be brought in law or in equity by suit, action or mandamus to enforce compliance with the bond's terms, or action may be brought to obtain the appointment of a receiver to take possession of and operate the communications utility and to perform the duties required by the bond resolution and the Code of Iowa.

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS (cont.)

Non-current liabilities activity for the year ending December 31, 2020:

	Balance	Additions/	Payments/ Amortization/ Reclassifications	Balance	Due Within
	1/1/2020	Reduction		12/31/2020	One Year
Note payable to banks	\$ 6,178,568	\$ 3,700,000	\$ (2,117,901)	\$ 7,760,667	\$ 2,553,729
Note payable to electric utility	7,592,724	-	(488,701)	7,104,023	-
Total Long-Term Debt	13,771,292	3,700,000	(2,606,602)	14,864,690	2,553,729
Less: Current installments	(2,003,424)	2,003,424	(2,553,729)	(2,553,729)	-
Long-Term Debt, Net of Current Portion	11,767,868	5,703,424	(5,160,331)	12,310,961	2,553,729
Unearned revenue	175,880	24,192	(40,592)	159,480	22,768
Net OPEB liability	144,810	10,897	(13,853)	141,854	-
Health & dental care provision	-	694,597	(643,789)	50,808	-
Net pension liability	2,926,762	212,671	(1,616,643)	1,522,790	-
Non-current Liabilities	<u>\$ 15,015,320</u>	<u>\$ 6,645,781</u>	<u>\$ (7,475,208)</u>	<u>\$ 14,185,893</u>	<u>\$ 2,576,497</u>

Non-current liabilities activity for the year ending December 31, 2019:

	Balance	Additions/	Payments/ Amortization/ Reclassifications	Balance	Due Within
	1/1/2019	Reduction		12/31/2019	One Year
Note payable to banks	\$ 8,123,965	\$ -	\$ (1,945,397)	\$ 6,178,568	\$ 2,003,424
Note payable to electric utility	8,078,994	-	(486,270)	7,592,724	-
Total Long-Term Debt	16,202,959	-	(2,431,667)	13,771,292	2,003,424
Less: Current installments	(1,945,397)	1,945,397	(2,003,424)	(2,003,424)	-
Long-Term Debt, Net of Current Portion	14,257,562	1,945,397	(4,435,091)	11,767,868	2,003,424
Unearned revenue	193,479	1	(17,600)	175,880	17,500
Net OPEB liability	126,628	11,096	7,086	144,810	-
Health & dental care provision	80,777	640,836	(721,613)	-	-
Net pension liability	1,699,129	504,065	723,568	2,926,762	-
Non-current Liabilities	<u>\$ 16,357,575</u>	<u>\$ 3,101,395</u>	<u>\$ (4,443,650)</u>	<u>\$ 15,015,320</u>	<u>\$ 2,020,924</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES MATURITY SCHEDULE – COMMUNICATIONS

Communications loan debt service requirements to maturity as of December 31, 2020 are as follows:

Year Ending	Electric Utility Loan			2017 Bank Loan - Direct Placement			2020 Bank Loan - Direct Placement		
	Principal	Interest		Principal	Interest		Principal	Interest	
December 31	Amount	0.50%	Total	Amount	2.95%	Total	Amount	2.95%	Total
2021	\$ -	\$17,760	\$17,760	\$ 2,063,182	\$100,482	\$ 2,163,664	\$ 490,547	\$92,892	\$ 583,439
2022	491,144	34,292	525,436	<u>2,111,962</u>	<u>38,942</u>	<u>2,150,904</u>	504,077	79,362	583,439
2023	493,600	31,830	525,430				517,980	65,459	583,439
2024	496,068	29,356	525,424				532,266	51,172	583,438
2025	498,548	26,870	525,418				546,947	36,492	583,439
2026	501,042	24,371	525,413				562,032	21,407	583,439
2027	503,546	21,859	525,405				<u>431,674</u>	<u>5,905</u>	<u>437,579</u>
2028	506,064	19,335	525,399						
2029	508,595	16,799	525,394						
2030	511,137	14,249	525,386						
2031	513,693	11,687	525,380						
2032	516,262	9,112	525,374						
2033	518,843	6,525	525,368						
2034	521,437	3,924	525,361						
2035	<u>524,044</u>	<u>1,310</u>	<u>525,354</u>						
Totals	<u>\$ 7,104,023</u>	<u>\$269,279</u>	<u>\$7,373,302</u>	<u>\$ 4,175,144</u>	<u>\$ 139,424</u>	<u>\$ 4,314,568</u>	<u>\$ 3,585,523</u>	<u>\$ 352,689</u>	<u>\$ 3,938,212</u>

All communications utility revenues, net of specified operating expenses, are pledged as security of the communications debt until fully paid. Principal and interest paid in 2020 and 2019, excluding that paid to the electric utility, and communications utility net revenues are as follows:

	2020	2019
Principal and interest paid	\$ 2,309,524	\$ 2,163,665
Net revenues	3,934,016	3,592,966

Annual future principal and interest payments are expected to require 14% of communications utility net revenues.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 6 – NET POSITION

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

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

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

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

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

The following calculation supports the electric net position, net investment in capital assets:

	2020	2019
Plant in Service	\$ 432,585,216	\$ 430,192,497
Construction Work in Progress	8,598,931	3,734,521
Accumulated Depreciation	(369,865,003)	(367,788,725)
Net Investment in Capital Assets	<u>\$ 71,319,144</u>	<u>\$ 66,138,293</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 6 – NET POSITION (cont.)

The following calculation supports the water net position, net investment in capital assets:

	2020	2019
Plant in Service	\$ 40,612,769	\$ 39,654,815
Construction Work in Progress	975,002	937,948
Accumulated Depreciation	(11,971,377)	(12,155,549)
Subtotals	<u>29,616,394</u>	<u>28,437,214</u>
Less: Capital Related Debt		
Customer advances for construction	218,858	197,607
Current portion of capital related long term debt	400,000	425,000
Long-term portion of capital related long term debt	13,320,000	13,720,000
Unamortized bond premium	650,652	749,397
Subtotals	<u>14,589,510</u>	<u>15,092,004</u>
Net Investment in Capital Assets	<u>\$ 15,026,884</u>	<u>\$ 13,345,210</u>

The following calculation supports the communications net position, net investment in capital assets:

	2020	2019
Plant in Service	\$ 48,909,644	\$ 45,782,414
Construction Work in Progress	875,879	478,215
Accumulated Depreciation	(26,656,769)	(25,911,591)
Subtotals	<u>23,128,754</u>	<u>20,349,038</u>
Less: Capital Related Debt		
Current portion of capital related long term debt	2,553,729	2,003,424
Long-term portion of capital related long term debt	5,206,938	4,175,144
Subtotals	<u>7,760,667</u>	<u>6,178,568</u>
Net Investment in Capital Assets	<u>\$ 15,368,087</u>	<u>\$ 14,170,470</u>

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

	Measurement date	12/31/2019	12/31/2018
	Fiscal year end	12/31/2020	12/31/2019
Active plan members		259	259
Inactive plan members entitled to but not yet receiving benefits		0	0
Retired plan members or beneficiaries currently receiving benefits		<u>28</u>	<u>28</u>
TOTAL		<u>287</u>	<u>287</u>

For fiscal years 2020, 2019, and 2018, the utility contributed \$83,079, \$44,748, and \$44,748, respectively, to the plan for retiree benefit payments.

The following schedule of changes in the total OPEB liability is based on the actuarial valuation report as of December 31, 2019.

	2020	2019
Service cost	\$ 34,612	\$ 34,071
Interest on net OPEB obligation	36,876	37,603
Adjustment to annual required contribution	-	-
Differences between expected and actual experience	14,418	55,389
Changes in assumptions	(22,224)	(54,416)
Benefit payments	(83,079)	(44,748)
Net change in total OPEB obligation	(19,397)	27,899
Net OPEB Obligation - Beginning of Year	935,398	907,499
Net OPEB Obligation - End of Year	<u>\$ 916,001</u>	<u>\$ 935,398</u>

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

For the years ended December 31, 2020 and December 31, 2019, the utility recognized OPEB expense of -\$19,397 and \$27,899, respectively. At December 31, 2020, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$114,127
Difference between actual and expected experience	78,596	-
Contributions subsequent to measurement date	44,748	-
	<u>\$123,344</u>	<u>\$114,127</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

At December 31, 2019, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$136,351
Difference between actual and expected experience	93,014	-
Contributions subsequent to measurement date	44,748	-
	<u>\$137,762</u>	<u>\$136,351</u>

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

Fiscal Year ending 12/31	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$14,418	\$22,224
2022	14,418	22,224
2023	14,418	22,224
2024	14,418	22,224
2025	11,098	15,573
Thereafter	9,826	9,658
Totals	<u>\$78,596</u>	<u>\$114,127</u>

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

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	1% decrease 2.97%	Discount Rate 3.97%	1% Increase 4.97%
Net OPEB Liability 12/31/20	\$993,668	\$916,001	\$846,722
Net OPEB Liability 12/31/19	\$1,014,710	\$935,398	\$864,652

Sensitivity of the Net OPEB Liability to Changes in Healthcare Trend Rate

	1% decrease	Current Rate	1% Increase
Net OPEB Liability 12/31/20	\$837,985	\$916,001	\$1,006,659
Net OPEB Liability 12/31/19	\$855,730	\$935,398	\$1,027,976

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

There are no plan assets under this plan.

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

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

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

ACTUARIAL ASSUMPTIONS

The total OPEB liability in the report for plan fiscal ending December 31, 2019 (measurement dates December 31, 2018 and December 31, 2017) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.97% Barclays Municipal GO Long Term (17+Y) index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.
Mortality rate	RP-2006 (underlying baseline table from SOA RP-2014 study)
Mortality improvement	Principal 2014-10 MI scale: this scale is based on the RPEC_2014_v2018 model reflecting historical U.S. mortality data to 2016, published by the SOA in October of 2018. Due to the 2-year step-back, last historical graduated data year in the scale is 2014.
Retirement rates	Ages 62-64 - 25%; Age 65 – 100%
Withdrawal	2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.60.
Healthcare cost increases	2019 – 2.50%; 2020 – 6.75% decreasing by 0.25% per year through 2028; 2029+ 4.50%/year.
Participation rate	75% of future retirees

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NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

Single-Employer Defined Benefit OPEB Plan Aggregate Tables

Aggregate Net OPEB Liability Schedule

	<u>2020</u>	<u>2019</u>
Electric	\$667,354	\$681,778
Water	99,850	101,724
Communications	141,854	144,810
MAGIC	6,943	7,086
	<u>\$916,001</u>	<u>\$935,398</u>

Aggregate Deferred Outflows of Resources Schedule

	<u>2020</u>	<u>2019</u>
Electric	\$89,688	\$100,409
Water	13,588	14,981
Communications	19,130	21,328
MAGIC	938	1,044
	<u>\$123,344</u>	<u>\$137,762</u>

Aggregate Deferred Inflows of Resources Schedule

	<u>2020</u>	<u>2019</u>
Electric	\$82,855	\$99,381
Water	12,681	14,828
Communications	17,721	21,109
MAGIC	870	1,033
	<u>\$114,127</u>	<u>\$136,351</u>

Aggregate OPEB Expense Schedule

	<u>2020</u>	<u>2019</u>
Electric	-\$20,229	\$8,163
Water	-2,628	1,217
Communications	-4,146	1,734
MAGIC	-200	85
	<u>-\$27,203</u>	<u>\$11,199</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 8 – SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the Plan and additions to and deductions from Muscatine Water and Electric Employees' Pension Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments in separate accounts held at The Principal Financial Group (the plan administrator) are commingled pools, rather than individual securities; they are valued as of the December 31, 2019 measurement date at fair market value.

GENERAL INFORMATION ABOUT THE PENSION PLAN

The utilities provide and administer a single-employer defined benefit pension plan with benefits to eligible vested full-time utility and part-time utility employees at separation of service. Eligible employees are those who are not participants in the Iowa Public Employees' Retirement System (IPERS). Water utility employees or new employees that were participants of IPERS can choose to participate in either IPERS or the Plan. Total covered valuation payroll for the years ended December 31, 2020 and December 31, 2019 were \$21,461,252 and \$21,914,340, respectively. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is approved and amended by the utilities' five-member Board of Trustees, whose members are nominated by a committee consisting of the mayor, two city council members and the city administrator, then ratified by the city council. There are no non-employer contributing entities, as defined by GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*, for this plan. There are no special funding situations, as defined by GASB 67 and 68, for the Plan. The Plan currently does not issue a stand-alone financial report.

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

	Fiscal year end: <u>12/31/2020</u>	<u>12/31/2019</u>
Active plan members	266	259
Inactive plan members entitled to but not yet receiving benefits	99	95
Disabled plan members entitled to benefits	0	0
Retired plan members or beneficiaries currently receiving benefits	<u>209</u>	<u>192</u>
TOTAL	<u>574</u>	<u>546</u>

The pension plan provides for retirement, disability, and death benefits. There have been no changes in plan provisions during the measurement period and between the December 31, 2019 measurement date and the end of the December 31, 2020 reporting period.

The basis for determining contributions is an actuarially determined contribution (ADC) rate that is calculated in the plan's Actuarial Valuation Report dated December 31, 2020. The ADC rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The ADC for the measurement period ending December 31, 2020 was \$3,124,698, equal to 14.6% of covered valuation payroll; the ADC for the measurement period ending December 31, 2019 was \$3,345,873, equal to 16.1% of covered valuation payroll. Employer contributions, for the years ending December 31, 2020, December 31, 2019, and December 31, 2018 equaled \$3,124,701, \$3,345,873, and \$3,504,169, respectively.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

ACTUARIAL ASSUMPTIONS

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

A measurement period of December 31, 2018 to December 31, 2019 has been used for the plan year ending December 31, 2019 for GASB 67 reporting and for the fiscal year ending December 31, 2020 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2020 was measured as of December 31, 2019, using the pension liability that was determined by an actuarial valuation as of December 31, 2019. The plan administrator does a comprehensive review of the economic and demographic assumptions. The following were used for the year endings December 31, 2020 and December 31, 2019:

	<u>Rate</u>
Inflation	2.25%
Investment rate of return	6.25%
Salary increases (age-based)-both years	Age 25-6.18%; Age 40-4.72%; Age 55-3.88%
Retirement rate	25% at age 62; 25% at age 63; 25% at age 64; 25% at age 65
Wage base	3.25%
Marriage rate	75%

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

Mortality rates are based on Pri-2012 total dataset mortality table projected generationally using the Principal Mortality Improvement Scale (Principal 2015-10).

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2018. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2018 is 20-30 years.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity - Large Cap	30.63%	7.70%
US Equity - Mid Cap	3.52%	7.95%
US Equity - Small Cap	1.84%	8.50%
Non-US Equity	18.46%	7.95%
REITs	0.40%	7.60%
Real Estate (direct property)	5.88%	5.55%
TIPS	0.60%	3.50%
Core Bond	36.69%	4.00%
High Yield	<u>1.98%</u>	6.45%
Total	<u>100.00%</u>	

The discount rate used to determine the end of period total pension liability is 6.25%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2019 to 2116. Benefit payments after 2116 are projected to be \$0. The long-term rate of return of 6.25% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.50% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2019 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

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

For the years ended December 31, 2020 and December 31, 2019, the utility recognized pension expense of \$3,413,266 and \$5,298,711, respectively. At December 31, 2020, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$1,594,337	\$1,506,541
Difference between actual and expected experience	781,615	687,094
Difference between projected and actual earnings	-	4,429,835
Contributions subsequent to measurement date	<u>3,124,701</u>	<u>-</u>
	<u>\$5,500,653</u>	<u>\$6,623,470</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

At December 31, 2019, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$3,032,239	\$399,857
Difference between actual and expected experience	1,196,303	694,398
Difference between projected and actual earnings	4,013,959	-
Contributions subsequent to measurement date	3,345,873	-
	<u>\$11,588,374</u>	<u>\$1,094,255</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

Fiscal Year ending 12/31	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	1,818,234	2,121,427
2022	449,274	1,902,086
2023	108,444	611,619
2024	-	1,988,338
Totals	<u>\$2,375,952</u>	<u>\$6,623,470</u>

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

	1% decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Net Pension Liability 12/31/20	\$21,507,144	\$9,936,010	\$209,184
	1% decrease 5.12%	Discount Rate 6.12%	1% Increase 7.12%
Net Pension Liability 12/31/19	\$32,974,949	\$21,264,381	\$11,437,080

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Measurement Period Ending Fiscal Year Ending	12/31/2019 12/31/2020	12/31/2018 12/31/2019
<u>TOTAL PENSION LIABILITY</u>			
Service cost		\$1,557,289	\$1,470,422
Interest		5,552,211	5,411,414
Benefit payments		(3,692,986)	(3,443,179)
Difference between expected and actual experience		(413,970)	942,640
Change in assumptions		(1,597,802)	(201,125)
Net Change in Total Pension Liability		\$1,404,742	\$4,180,172
Total Pension Liability, beginning of period		\$91,119,904	\$86,939,732
Total Pension Liability, end of period		<u>\$92,524,646</u>	<u>\$91,119,904</u>
<u>PLAN FIDUCIARY NET POSITION</u>			
Employer contributions		\$3,345,873	\$3,504,169
Net investment income		13,147,954	(3,545,522)
Benefit payments		(3,692,986)	(3,443,179)
Administration expenses		(67,728)	-
Net Change in Plan Fiduciary Net Position		\$12,733,113	(\$3,484,532)
Plan Fiduciary Net Position, beginning of period		\$69,855,523	\$73,340,055
Plan Fiduciary Net Position, end of period		<u>\$82,588,636</u>	<u>\$69,855,523</u>
NET PENSION LIABILITY		<u>\$9,936,010</u>	<u>\$21,264,381</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 9 – FIDUCIARY PENSION TRUST FUND – GASB 67 DISCLOSURES

For the measurement date 12/31/20, the following assumptions were updated: 1) the municipal bond rate of 3.09%; 2) the mortality improvement scale is based on the MP-2020 study; 3) the discount rate of 5.75% is used to determine the end of period total pension liability; and 4) with regards to future employer contributions, employer normal cost is assumed to continue at 8.30% of payroll and expenses are assumed to start at \$176,500.

As of the measurement date 12/31/20 and 12/31/19, the following plan members (including MAGIC employees – see Note 17) were covered by the benefit terms:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Active plan members	263	266
Inactive plan members entitled to but not yet receiving benefits	93	99
Disabled plan members entitled to benefits	0	0
Retired plan members or beneficiaries currently receiving benefits	<u>227</u>	<u>209</u>
TOTAL	<u>583</u>	<u>574</u>

Measurement date 12/31/20	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$4,420,914	\$1,021,915
Difference between actual and expected experience	1,042,827	265,820
Difference between projected and actual earnings	-	9,602,736
Contributions subsequent to measurement date	-	-
	<u>\$5,463,741</u>	<u>\$10,890,471</u>

Measurement date 12/31/19	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$1,594,337	\$1,506,541
Difference between actual and expected experience	781,615	687,094
Difference between projected and actual earnings	-	4,429,835
Contributions subsequent to measurement date	-	-
	<u>\$2,375,952</u>	<u>\$6,623,470</u>

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

	1% decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%
Net Pension Liability 12/31/2020	\$20,572,468	\$7,566,178	-\$3,342,221
	1% decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Net Pension Liability 12/31/2019	\$21,507,144	\$9,936,010	\$209,184

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Measurement Period & Fiduciary Plan Year Ending	12/31/2020	12/31/2019
<u>TOTAL PENSION LIABILITY</u>		
Service cost	1,578,324	1,557,289
Interest	5,739,672	5,552,211
Benefit payments	(4,331,785)	(3,692,986)
Difference between expected and actual experience	831,913	(413,970)
Change in assumptions	5,529,903	(1,597,802)
Change in benefit terms	-	-
Net Change in Total Pension Liability	<u>\$9,348,027</u>	<u>\$1,404,742</u>
Total Pension Liability, beginning of period	<u>92,524,646</u>	<u>91,119,904</u>
Total Pension Liability, end of period	<u>\$101,872,673</u>	<u>\$92,524,646</u>
<u>FIDUCIARY NET POSITION</u>		
Employer contributions	3,124,701	3,345,873
Net investment income	13,070,517	13,147,954
Benefit payments	(4,331,785)	(3,692,986)
Administration expenses	<u>(145,574)</u>	<u>(67,728)</u>
Net Change in Fiduciary Net Position	<u>\$11,717,859</u>	<u>\$12,733,113</u>
Fiduciary Net Position, beginning of period	<u>82,588,636</u>	<u>69,855,523</u>
Fiduciary Net Position, end of period	<u>\$94,306,495</u>	<u>\$82,588,636</u>
NET PENSION LIABILITY	<u>\$7,566,178</u>	<u>\$9,936,010</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies 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.

IPERS members are required to contribute 6.29% from July 1, 2018 through June 30, 2021 of their annual covered salary. The utility is required to contribute 9.44% from July 1, 2018 through June 30, 2021 of employees covered annual salaries. The contributions to IPERS for the years ending December 31, 2020, December 31, 2019, and December 31, 2018 were \$82,972, \$66,922, and \$59,468, respectively, equal to the required contributions for those years. A measurement period of July 1, 2019 to June 30, 2020 has been used for the fiscal year ending December 31, 2020 for GASB 68 reporting.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

At December 31, 2020 and December 31, 2019, the utility reported a liability of \$708,117 and \$482,470, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of the preceding June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The utility's proportion of the net pension liability was based on the utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, the utility's collective proportion was 0.010151 percent, which was an increase of 0.001875 percent from its proportion measured as of June 30, 2019. At June 30, 2019, the utility's collective proportion was 0.008276 percent, which was a decrease of 0.000736 percent from its proportion measured as of June 30, 2018.

For the years ended December 31, 2020 and December 31, 2019, the utility recognized IPERS expense of \$95,837 and \$175,460, respectively. As of December 31, 2020, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$782	\$16,784
Changes of assumptions	36,347	-
Difference between projected and actual earnings	39,808	-
Contributions subsequent to measurement date	43,719	-
Changes in proportion and differences between contributions and proportionate share of contributions	168,129	39,833
	<u>\$288,785</u>	<u>\$56,617</u>

As of December 31, 2019, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$1,338	\$17,347
Changes of assumptions	51,679	-
Difference between projected and actual earnings	-	54,368
Contributions subsequent to measurement date	36,263	-
Changes in proportion and differences between contributions and proportionate share of contributions	76,329	72,035
	<u>\$165,609</u>	<u>\$143,750</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to IPERS will be recognized in the pension expense as follows:

<u>Fiscal Year ending 12/31</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$72,110	\$22,595
2021	56,070	11,977
2022	47,859	10,166
2023	38,210	8,012
2024	20,682	<u>3,867</u>
2025	<u>10,135</u>	
Totals	<u>\$245,066</u>	<u>\$56,617</u>

There were no non-employer contributing entities at IPERS.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2020 and June 30, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2014 Mortality Table for all groups, with mortality improvements modeled using Scale MP-2017.

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

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

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

Asset Class	as of June 30, 2020		as of June 30, 2019	
	Target Allocation	Rate of return	Target Allocation	Rate of return
Core-plus fixed income	28.0%	-0.29%	27.0%	1.71%
Domestic equity	22.0%	4.43%	22.0%	5.60%
International equity	17.5%	5.15%	15.0%	6.08%
Private equity	11.0%	6.54%	11.0%	10.13%
Private real estate	7.5%	4.48%	7.5%	4.76%
Global smart beta equity	6.0%	4.87%	3.0%	5.82%
Public credit	4.0%	2.29%	3.5%	3.32%
Public real assets	0.0%	N/A	7.0%	2.81%
Private credit	3.0%	3.11%	3.0%	3.01%
Cash	<u>1.0%</u>	-0.78%	<u>1.0%</u>	-0.21%
TOTAL	<u>100.0%</u>		<u>100.0%</u>	

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

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

	1% decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
Net Pension Liability-IPERS 12/31/20	\$1,180,726	\$708,117	\$311,842
Net Pension Liability-IPERS 12/31/19	\$856,711	\$482,470	\$168,561

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

At December 31, 2020 and December 31, 2019, the utility reported payables to the defined benefit pension plan of \$9,774 and \$5,959 for legally required employer contributions and \$6,513 and \$3,970 for legally required employee contributions, respectively, which had not yet been remitted to IPERS.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 11 – AGGREGATE PENSION SCHEDULES

Aggregate Net Pension Liability Schedule - 2020

Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$7,781,028	\$58,376	\$7,839,404
Water	639,353	556,958	1,196,311
Communications	1,430,007	92,783	1,522,790
MAGIC	85,622	-	85,622
	<u>\$9,936,010</u>	<u>\$708,117</u>	<u>\$10,644,127</u>

Aggregate Deferred Outflows of Resources Schedule - 2020

Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$4,381,270	\$23,807	\$4,405,077
Water	326,739	227,139	553,878
Communications	753,589	37,839	791,428
MAGIC	39,055	-	39,055
	<u>\$5,500,653</u>	<u>\$288,785</u>	<u>\$5,789,438</u>

Aggregate Deferred Inflows of Resources Schedule - 2020

Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$5,275,594	\$4,667	\$5,280,261
Water	393,434	44,531	437,965
Communications	907,415	7,418	914,833
MAGIC	47,027	-	47,027
	<u>\$6,623,470</u>	<u>\$56,617</u>	<u>\$6,680,087</u>

Aggregate Pension Expense Schedule - 2020

Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$2,718,532	\$7,901	\$2,726,433
Water	202,738	75,379	278,117
Communications	467,594	12,557	480,151
MAGIC	24,402	-	24,402
	<u>\$3,413,266</u>	<u>\$95,837</u>	<u>\$3,509,103</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 11 – AGGREGATE PENSION SCHEDULES (cont.)

Aggregate Net Pension Liability Schedule - 2019

Single-Employer Defined			
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$16,896,280		\$16,896,280
Water	1,276,019	\$482,470	1,758,489
Communications	2,926,762	-	2,926,762
MAGIC	165,320	-	165,320
	<u>\$21,264,381</u>	<u>\$482,470</u>	<u>\$21,746,851</u>

Aggregate Deferred Outflows of Resources Schedule - 2019

Single-Employer Defined			
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$9,052,920	\$1,995	\$9,054,915
Water	726,594	158,097	884,691
Communications	1,713,548	5,517	1,719,065
MAGIC	95,312	-	95,312
	<u>\$11,588,374</u>	<u>\$165,609</u>	<u>\$11,753,983</u>

Aggregate Deferred Inflows of Resources Schedule - 2019

Single-Employer Defined			
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$851,112		\$851,112
Water	68,477	\$143,750	212,227
Communications	165,566	-	165,566
MAGIC	9,100	-	9,100
	<u>\$1,094,255</u>	<u>\$143,750</u>	<u>\$1,238,005</u>

Aggregate Pension Expense Schedule - 2019

Single-Employer Defined			
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$4,184,074		\$4,184,074
Water	333,819	\$10,142	343,961
Communications	738,322	-	738,322
MAGIC	42,496	-	42,496
	<u>\$5,298,711</u>	<u>\$10,142</u>	<u>\$5,308,853</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 12 – SIGNIFICANT CUSTOMERS

Approximately \$29,203,200 or 34% in 2020 and \$30,252,500 or 32% in 2019 of the electric utility's operating revenues were derived from sales to one customer. Approximately \$3,510,100 or 49% in 2020 and \$3,390,000 or 49% in 2019 of the water utility's operating revenues were derived from sales to one customer.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A power purchase agreement for wind energy was originally entered into in December 2013. An amended and restated agreement was executed in June 2016. It is a 20-year agreement that commenced fourth quarter 2016 with the wind farm's December 15, 2016 commercial operation date. The wind farm is located in Jackson County, Minnesota, which is in the utility's MISO local resource zone. Its projected annual output is 51,392 MWh. Terms include a fixed first-year rate for delivered energy, with a 2.2% annual price escalation over the life of the agreement. The utility is subject to market risk up to a specified net loss for a 12-month period. The contract also includes a margin sharing provision if the net energy earnings are positive.

The utility has committed to purchasing 400,000 tons of coal in 2021 under a contract with one supplier. If additional tons become necessary, they will be purchased on the OTC market or by working directly with the mine.

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

The agreement with the Canadian Pacific Railway for the shipment of coal from the interchange point to the utility's generating station expires December 31, 2021. A new agreement is expected to be in place prior to expiration of the current agreement. The Canadian Pacific Railway is only offering one-year agreements at this time.

In April 2017, the utility contracted to sell steam to a local customer through April 2020; another extension was agreed to in October 2019 to sell steam through December 2022. The agreement includes a minimum flow rate, adjusted as necessary to accommodate operational circumstances.

NOTE 14 – ENVIRONMENTAL REGULATIONS

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 15 – INTERFUND AND RELATED PARTY TRANSACTIONS

The electric utility sold electric services to the water utility amounting to approximately \$1,135,700 in 2020 and \$1,165,200 in 2019. The electric utility sold electric services to the communications utility amounting to approximately \$65,800 in 2020 and \$62,800 in 2019. The electric utility purchased water from the water utility amounting to approximately \$404,400 in 2020 and \$396,500 in 2019. The electric utility purchased communications services from the communications utility amounting to approximately \$152,900 for 2020 and \$165,900 for 2019. The water utility purchased communications services from the communications utility amounting to approximately \$10,800 for 2020 and \$9,700 for 2019.

The electric utility rents space to the water utility and the communications utility at the Administration/Operations Center. This amounted to \$77,497 in 2020 and \$75,240 in 2019 for the water utility's rent, and \$125,322 in 2020 and \$121,672 in 2019 for the communications utility's rent.

Electric utility amounts receivable from the water utility were \$99,500 and \$91,000 at December 31, 2020 and 2019, respectively. Electric utility amounts payable to the water utility were \$31,700 at December 31, 2020 and \$34,300 at December 31, 2019. Electric utility amounts receivable from the communications utility were \$1,300 and \$45,400 at December 31, 2020 and 2019, respectively. Electric utility amounts payable to the communications utility were \$13,600 and \$13,700 at December 31, 2020 and 2019, respectively.

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

The electric utility's interest receivable from the communications utility was \$0 at December 31, 2020 and December 31, 2019. Interest income on the loan amounted to \$37,964 for 2020 and \$40,395 for 2019.

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 16 – RISK MANAGEMENT

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

(Thousands of dollars)	2020	2019	2018
Health/dental care self-insurance reserve			
Reserve liability, beginning of year	\$ 984	\$ 1,401	\$ 1,487
Add: Provision for reserve, current year	5,442	4,241	4,376
Less: Payments on reserve	(4,533)	(4,208)	(4,069)
Total Reserve Liability, end of year	1,893	1,434	1,794
Incurred but not reported claims	(301)	(450)	(393)
Non-Current Reserve Liability, End of Year	<u>\$ 1,592</u>	<u>\$ 984</u>	<u>\$ 1,401</u>
(Thousands of dollars)	2020	2019	2018
Workers compensation self-insurance reserve			
Reserve liability, beginning of year	\$ 536	\$ 408	\$ 390
Add: Provision for reserve	218	462	256
Less: Payments on reserve	(395)	(334)	(238)
Reserve Liability, End of Year	<u>\$ 359</u>	<u>\$ 536</u>	<u>\$ 408</u>

NOTE 17 – JOINT VENTURE

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

NOTE 18 – CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the electric utility to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the electric utility reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1.0 million reported as landfill closure and post-closure care liability at December 31, 2020, represents the remaining cumulative amount reported to date based on the use of approximately 64 percent of the estimated capacity of the landfill's phases one and two. The electric utility will recognize the remaining estimated cost of closure and post-closure care of \$575,200 as the remaining estimated capacity is filled. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The electric utility is required by state and federal laws and regulations to file a statement to demonstrate financial assurance for closure and/or post-closure care costs.

NOTE 19 – SUBSEQUENT EVENTS

WATER RATES

In December 2019, an overall 3.5% for water service was approved by the Board to become effective April 1, 2021.

COMMUNICATIONS RATES

In March 2021, an overall 5.9% rate increase for video services were approved by the Board to become effective May 1, 2021. Digital TV Basic service will increase \$2.00 to \$23.99 per month; Select Digital TV service will increase \$4.00 to \$84.99 per month; the broadcast surcharge will increase \$1.47 to \$18.17 per month; and the regional sports charge for Select service will increase \$0.38 to \$4.78 per month.

On January 5, 2021, the communications utility closed on a \$6.3M revenue bond, issued at a rate of 2.73% per annum. Both principal of and interest on this bond are payable in equal quarterly installments in the amount of \$256,611.11 each, due on December 30, March 30, June 30 and September 30 in each of the years 2021 to 2027, inclusive, commencing March 30, 2021. The final payment is September 30, 2027. The Communications Revenue Bond, Series 2017, was paid off with proceeds from this bond issue.

REQUIRED SUPPLEMENTARY INFORMATION

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2020 (unaudited)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

TOTAL PENSION LIABILITY

Measurement date	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Fiscal Year	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Service cost	\$1,578,324	\$1,557,289	\$1,470,422	\$1,513,685
Interest	5,739,672	5,552,211	5,411,414	5,196,759
Benefit payments	(4,331,785)	(3,692,986)	(3,443,179)	(3,166,243)
Difference between expected and actual experience	831,913	(413,970)	942,640	450,770
Change in assumptions	<u>5,529,903</u>	<u>(1,597,802)</u>	<u>(201,125)</u>	<u>(347,807)</u>
Net Change in Total Pension Liability	\$9,348,027	\$1,404,742	\$4,180,172	\$3,647,164
Total Pension Liability:				
Beginning of period	<u>\$92,524,646</u>	<u>\$91,119,904</u>	<u>\$86,939,732</u>	<u>\$83,292,568</u>
End of period	<u>\$101,872,673</u>	<u>\$92,524,646</u>	<u>\$91,119,904</u>	<u>\$86,939,732</u>

PLAN FIDUCIARY NET POSITION

Employer contributions	\$3,124,701	\$3,345,873	\$3,504,169	\$3,233,148
Net investment income	13,070,517	13,147,954	(3,545,522)	9,741,653
Benefit payments	(4,331,785)	(3,692,986)	(3,443,179)	(3,166,243)
Administration expenses	<u>(145,574)</u>	<u>(67,728)</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	\$11,717,859	\$12,733,113	(\$3,484,532)	\$9,808,558
Plan Fiduciary Net Position:				
Beginning of period	<u>\$82,588,636</u>	<u>\$69,855,523</u>	<u>\$73,340,055</u>	<u>\$63,531,497</u>
End of period	<u>\$94,306,495</u>	<u>\$82,588,636</u>	<u>\$69,855,523</u>	<u>\$73,340,055</u>
NET PENSION LIABILITY	<u>\$7,566,178</u>	<u>\$9,936,010</u>	<u>\$21,264,381</u>	<u>\$13,599,677</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability:

92.6% 89.3% 76.7% 84.4%

Money-Weighted Rate of Return on Pension Plan Investments

16.06% 18.92% -4.87% 15.62%

Covered Valuation Payroll:

\$22,755,120 \$21,461,252 \$20,802,753 \$19,722,272

Net Pension Liability as a Percentage of Covered Valuation Payroll:

33.3% 46.3% 102.2% 69.0%

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

See Independent Auditors' Report

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2020 (unaudited)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

TOTAL PENSION LIABILITY

	Measurement date	12/31/2016	12/31/2015	12/31/2014
	Fiscal Year	12/31/2017	12/31/2016	12/31/2015
Service cost		\$1,389,645	\$1,293,507	\$1,397,201
Interest		5,128,482	4,857,025	4,743,318
Benefit payments		(2,793,981)	(2,672,730)	(2,370,911)
Difference between expected and actual experience		(1,006,283)	652,758	(943,990)
Change in assumptions		<u>4,507,826</u>	<u>(123,402)</u>	<u>3,959,905</u>
Net Change in Total Pension Liability		\$7,225,689	\$4,007,158	\$6,785,523
Total Pension Liability:				
Beginning of period		\$76,066,879	\$72,059,721	\$65,274,198
End of period		<u>\$83,292,568</u>	<u>\$76,066,879</u>	<u>\$72,059,721</u>

PLAN FIDUCIARY NET POSITION

Employer contributions	\$2,781,411	\$2,683,000	\$2,619,320
Net investment income	3,529,390	(266,965)	3,183,800
Benefit payments	(2,793,981)	(2,672,730)	(2,370,911)
Administration expenses	<u>(4,500)</u>	<u>-</u>	<u>(1,950)</u>
Net Change in Plan Fiduciary Net Position	\$3,512,320	(\$256,695)	\$3,430,259
Plan Fiduciary Net Position:			
Beginning of period	<u>\$60,019,177</u>	<u>\$60,275,872</u>	<u>\$56,845,613</u>
End of period	<u>\$63,531,497</u>	<u>\$60,019,177</u>	<u>\$60,275,872</u>
NET PENSION LIABILITY	<u>\$19,761,071</u>	<u>\$16,047,702</u>	<u>\$11,783,849</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability:

76.3% 78.9% 83.6%

Money-Weighted Rate of Return on Pension Plan Investments

5.95% -0.45% 5.67%

Covered Valuation Payroll:

\$19,812,794 \$20,849,573 \$19,530,308

Net Pension Liability as a Percentage of Covered Valuation Payroll:

99.7% 77.0% 60.3%

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

See Independent Auditors' Report

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2020 (unaudited)

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

Actuarial cost method	Entry Age Normal Method
Asset valuation method	Market Value
Investment rate of return	6.25%
Inflation	2.25%
Retirement rate	25% at each age group 62 years – 65 years
Salary increases (age-based)	Age 25 – 6.18%; Age 40 – 4.72%; Age 55 – 3.88%
Wage base	3.25%
Marriage rate	75%
Mortality	Pri-2012 total dataset projected generationally using the Principal Mortality Improvement Scale, Principal 2015-10

See Independent Auditors' Report

MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System
For the Year Ended December 31, 2020 (unaudited)

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

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Proportion of the Net Pension Liability	0.010151%	0.008276%	0.009012%	0.007749%	0.006906%	0.00916%
Proportionate share of the Net Pension Liability	\$708,117	\$482,470	\$570,121	\$483,234	\$343,338	\$363,277
Covered Valuation Payroll	\$799,956	\$634,088	\$579,595	\$551,040	\$476,102	\$595,572
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	88.5%	76.1%	98.4%	87.7%	72.1%	61.0%
Plan Fiduciary Net Position as a % of the Total Pension Liability	81.9%	84.4%	83.6%	81.8%	85.2%	87.6%

The amounts presented were determined as of June 30.

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

CHANGES OF BENEFIT AND FUNDING TERMS:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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

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

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

See Independent Auditors' Report

MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System
For the Year Ended December 31, 2020 (unaudited)

CHANGES IN ACTUARIAL ASSUMPTIONS (cont.):

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

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

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase-assumptions based on various service duration.
-

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase-assumptions to service-based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System
For the Year Ended December 31, 2020 (unaudited)

SCHEDULE OF THE UTILITY'S IPERS CONTRIBUTIONS:

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

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

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2020 (unaudited)

Schedule of Changes in Net OPEB Liability

	Measurement date	12/31/2019	12/31/2018	12/31/2017	12/31/2016
	Fiscal Year	12/31/2020	12/31/2019	12/31/2018	12/31/2017
TOTAL OPEB LIABILITY					
Service cost	\$	34,612	\$ 34,071	\$ 35,606	\$ 35,606
Interest		36,876	37,603	36,710	36,710
Benefit payments		(83,079)	(44,748)	(44,748)	(44,748)
Difference between expected and actual experience		14,418	55,389	14,157	67,861
Change in assumptions		<u>(22,224)</u>	<u>(54,416)</u>	-	<u>(135,819)</u>
Net Change in Total OPEB Liability	\$	(19,397)	\$ 27,899	\$ 41,725	\$ (40,390)
Total OPEB Liability, beginning of period	\$	<u>935,398</u>	<u>\$ 907,499</u>	<u>\$ 865,774</u>	<u>\$ 906,164</u>
Total OPEB Liability, end of period	\$	<u>916,001</u>	<u>\$ 935,398</u>	<u>\$ 907,499</u>	<u>\$ 865,774</u>
FIDUCIARY NET POSITION					
Employer contributions		83,079	44,748	44,748	44,748
Net investment income		-	-	-	-
Benefit payments		(83,079)	(44,748)	(44,748)	(44,748)
Administration expenses		-	-	-	-
Net Change in Fiduciary Net Position		-	-	-	-
Fiduciary Net Position, beginning of period		-	-	-	-
Fiduciary Net Position, end of period		-	-	-	-
NET OPEB LIABILITY		<u>916,001</u>	<u>935,398</u>	<u>907,499</u>	<u>865,774</u>
Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.0%	0.0%	0.0%	0.0%
Covered Valuation Payroll	\$	21,461,252	\$ 20,802,753	\$ 19,722,272	\$ 19,812,794
Net OPEB Liability as a Percentage of Covered Employee Payroll		4.3%	4.5%	4.6%	4.4%

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

See Independent Auditors' Report

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2020 (unaudited)

Schedule of Employer (ER) Contributions

Measurement date	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Fiscal Year	12/31/2020	12/31/2019	12/31/2018	12/31/2017
CONTRIBUTIONS				
ER contributions	\$83,079	\$44,748	\$44,748	\$44,748
ER contributions received by the plan	83,079	44,748	44,748	44,748
Contribution deficiency/(excess)	-	-	-	-
RATIOS				
Covered employee payroll	\$21,461,252	\$20,802,753	\$19,722,272	\$19,812,794
ER contributions received as a percentage of covered employee payroll	0.39%	0.22%	0.23%	0.23%
ADC ASSUMPTIONS				
Long-term rate of return on assets	N/A	N/A	N/A	N/A
Interest rate	3.97%	3.97%	4.09%	4.09%
Salary increase assumption	N/A	N/A	N/A	N/A
COLA increase assumption	N/A	N/A	N/A	N/A
Retirement age assumption	Rates	Rates	Rates	Rates
Plan changes	None	None	None	None

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

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2020 (unaudited)

METHODS AND ASSUMPTIONS USED TO DETERMINE OPEB LIABILITY:

Actuarial cost method	Entry Age Normal Method
Discount rate	3.97%
Mortality rate	RP-2006 (underlying baseline table from SOA RP-2014 study)
Retirement rates	Ages 62-64 - 25%; Age 65 – 100%
Healthcare cost increases	2019 – 2.5%; 2020 – 6.75% decreasing by 0.25% per year through 2028; 2029+ 4.50%/year
Participation rate	75% of future retirees

SUPPLEMENTARY INFORMATION

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*

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Muscatine Power and Water as of and for the year ended December 31, 2020, and have issued our report dated April 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Muscatine Power and Water's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Muscatine Power and Water's internal control. Accordingly, we do not express an opinion on the effectiveness of Muscatine Power and Water'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 controls 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 may exist that have not been identified.

Compliance and Other Matters

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

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.

Baker Tilly US, LLP

Madison, Wisconsin
April 20, 2021

MUSCATINE POWER AND WATER

SCHEDULE OF FINDINGS RELATED TO GOVERNMENT AUDITING STANDARDS AND REQUIRED STATUTORY REPORTING

As of and for the Year Ended December 31, 2020

FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- A-18 Official Depositories – A resolution naming official depositories has been approved by the utility. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2020.
- B-18 Certified Budget – Disbursements during the year ended December 31, 2020, did not exceed the amounts budgeted.
- C-18 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- D-18 Travel Expense – No disbursements of utility money for travel expenses of spouses of city officials or employees were noted.
- E-18 Business Transactions – No business transactions between the utility and utility officials or employees were noted.
- F-18 Bond Coverage – Surety bond coverage of city officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- G-18 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- H-18 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the utility's investment policy were noted.
- I-18 Revenue Bonds – The utility has complied with all provisions of the Revenue Electric Bond Covenants and Revenue Water Bond Covenants. All required payments to the sinking, reserve and improvement funds were made.
- J-17 Code of Iowa Communications Legislation Requirements – Nothing came to our attention that the utility was not in compliance with the requirements of the Code of Iowa Section 388.10 *Municipal Utility Providing Telecommunications Services* regarding the subsidization of telecommunications operations by the electric and water utilities.

OTHER INFORMATION

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage

December 31, 2020

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
FM Global Insurance Company	All risks:	4/1/2021		
	Named locations		\$750,000,000	Blanket
	Gross earnings-Communications Utility		Included in Blanket	
	Acts of terrorism - certified		Included in Blanket	
	Accounts receivable		\$100,000,000	
	Debris removal		\$100,000,000	
	Demolition & increased cost of construction		\$100,000,000	
	Earth movement		\$100,000,000	
	Errors and omissions		\$100,000,000	
	Fine arts		\$100,000,000	
	Flood		\$100,000,000	
	Automatic coverage (90 days)		\$100,000,000	
	Valuable papers and records		\$100,000,000	
	Data, programs or software		\$10,000,000	
	Decontamination costs		\$10,000,000	
	Expediting expense and extra expense		\$10,000,000	
	Ingress/egress (30 days)		\$10,000,000	
	Miscellaneous unnamed locations		\$10,000,000	
	Soft costs		\$10,000,000	
	Transportation		\$10,000,000	
	Contingent time element		\$5,000,000	
	Logistics Extra Cost		\$5,000,000	
	Railroad rolling stock		\$5,000,000	ACV
	Mobile equipment		\$3,500,000	ACV
	Land and water cleanup		\$50,000	
	Claim preparation costs		\$25,000	
	Civil or military authority		30 days	
Cincinnati Insurance Company	Money & Securities	4/1/2021	\$100,000	No deductible
Cincinnati Insurance Company	Blanket Fidelity Bond, All Employees except Treasurer	4/1/2021	\$250,000	No deductible

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage (cont.)

December 31, 2020

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
AEGIS	Excess liability:	12/31/2020	\$35,000,000	each occurrence
	Automobile liability		\$70,000,000	general aggregate
	Product liability and completed operations			\$1,000,000 retention
	Failure to supply			
	Pollution liability			
	Medical malpractice			
	Emergency assistance agreements			
	Joint venture liability (pro rata ownership)			
	Employers liability			
	Standards board activity			
	Community service activity			
	Wild fire liability			
	Employment practices (12/31/98 retroactive date)		\$500,000 SIR each claimant; \$1,000,000 SIR each occurrence	
Federal Insurance Company Chubb Group of Insurance Companies	Fiduciary & employee benefit liability	12/31/2020	\$10,000,000	\$250,000 retention
Travelers Casualty & Surety Company of America	Excess fiduciary & employee benefit liability	12/31/2020	\$10,000,000	\$10,250,000 retention
AEGIS	Excess workers compensation	12/31/2020	\$35,000,000	\$1,000,000 each accident SIR