

# **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, 2022 and 2021

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# MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

## TABLE OF CONTENTS December 31, 2022 and 2021

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Independent Auditor's Report	1 – 3
Management's Discussion and Analysis – Required Supplementary Information	4 – 15
Financial Statements	
Enterprise Fund:	
Statements of Net Position	16 – 17
Statements of Revenues, Expenses and Changes in Net Position	18
Statements of Cash Flows	19 – 20
Fiduciary Fund:	
Statements of Fiduciary Net Position	21
Statements of Changes in Fiduciary Net Position	22
Notes to Financial Statements	23 – 67
Required Supplementary Information	
Single-Employer Defined Benefit Pension Plan	68 – 70
Iowa Public Employees' Retirement System	71 – 73
Other Post-Employment Benefits (OPEB) Plan	74 – 76
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77 – 78
Schedule of Findings and Responses	79
Other Information	
Schedule of Insurance Coverage	80 – 82

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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

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

#### *Basis for Opinions*

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

#### *Other Matter*

The financial statements of Muscatine Power and Water for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on April 19, 2022.

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## ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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### **Required Supplementary Information**

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

Management has omitted the management's discussion and analysis discussion of changes in financial position between 2020 and 2021 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

### **Other Information**

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

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

### **Other Reporting Required by Government Auditing Standards**

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



Dubuque, Iowa  
April 20, 2023

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MUSCATINE POWER AND WATER**

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# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022 and 2021

(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 2022 and 2021. 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 Eide Bailly, LLP, Muscatine Power and Water's (MPW's) auditors, are the financial statements and notes to the financial statements. Please read the entire document to understand the events and conditions impacting MPW.

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

### UTILITY FINANCIAL ANALYSIS

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#### *ELECTRIC UTILITY*

The Electric Utility's retail sales were \$1.3 million higher than in 2021 due to a 1.8% higher average rate plus 0.3% higher kWh sold. Wholesale electric revenue in 2022 was \$32.7 million higher than in 2021 due to a 53.1% higher average rate and 15.5% lower volume sold.

The Electric Utility became debt free in 2011 and continued to be debt free through 2022.

Overall retail rate adjustments of 2.0% per year, effective July 1, 2022 and August 1, 2021, 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 \$1,493,600 and \$491,144 were made in 2022 and 2021, 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 (January 1-April 30 and October 1-December 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-September 30). On October 17, 2019, GPC agreed to purchase steam year-round from May 1, 2020 through December 31, 2022. The 2022 pricing structure was inclusive of all costs (fuel, transportation, powdered activated carbon, variable costs and emission allowances). The contract terminated at the end of 2022.

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 2022 projected annual output was 47,000 MWh. Total purchases were 53,928 MWh for 2022 and 38,173 MWh for 2021.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022 and 2021 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

#### ELECTRIC UTILITY (CONT.)

<b>Statements of Net Position</b>		
<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
Current Assets – Unrestricted	\$ 91,506	\$ 90,069
Non-Current Assets:		
Capital Assets	71,639	70,916
Other Assets	6,021	6,742
Total Non-Current Assets	<u>77,660</u>	<u>77,658</u>
Total Assets	<u>169,166</u>	<u>167,727</u>
Deferred Outflows of Resources:		
OPEB	218	250
Pension	5,958	7,349
Total Deferred Outflows of Resources	<u>6,176</u>	<u>7,599</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 175,342</u></b>	<b><u>\$ 175,326</u></b>
Current Liabilities	7,499	7,806
Non-Current Liabilities	2,211	9,756
Total Liabilities	<u>9,710</u>	<u>17,562</u>
Deferred Inflows of Resources:		
Extraordinary O&M Account	28,033	28,033
OPEB	63	81
Pension	10,403	8,659
Total Deferred Inflows of Resources	<u>38,499</u>	<u>36,773</u>
Net Position:		
Investment in Capital Assets	71,639	70,916
Unrestricted	55,494	50,075
Total Net Position	<u>127,133</u>	<u>120,991</u>
<b>Total Liabilities, Deferred Inflows of Resources, &amp; Net Position</b>	<b><u>\$ 175,342</u></b>	<b><u>\$ 175,326</u></b>

#### 2022 COMPARED TO 2021

- Total assets and deferred outflows increased by \$16K; differences include:
  - \$0.7 million higher capital assets, net of retirements, due to accelerated depreciation for power plant assets;
  - \$0.8 million higher net pension asset, due to the GASB 68 adjustment; and
  - \$2.7 million higher coal inventory.

Offset by decrease of:

- \$1.1 million lower cash and investments;
- \$1.4 million lower deferred outflows due to the GASB 68 pension and GASB 75 OPEB adjustment;
- \$1.4 million lower note receivable from the communications utility; and
- \$0.3 million lower material and supplies inventory.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022 and 2021 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### *ELECTRIC UTILITY (CONT.)*

#### 2022 COMPARED TO 2021 (cont.)

- Non-current liabilities decreased \$7.5 million, primarily due to a \$5.8 million decrease to net pension liability and decrease of \$1.8 million to the health & dental care provision.
- Deferred inflows of resources increased \$1.8 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 Revenue, Expenses and Changes in Net Position

<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 146,837	\$ 112,447
Operating Expenses	<u>(141,347)</u>	<u>(111,056)</u>
Operating Income	<u>5,490</u>	<u>1,391</u>
Non-operating Revenues	643	96
Non-operating Expenses	<u>(2)</u>	<u>(307)</u>
Net Non-operating Revenues	<u>641</u>	<u>(211)</u>
Net Income before Capital Contributions	6,131	1,180
Capital Contributions	<u>11</u>	<u>9</u>
<b>Change in Net Position</b>	6,142	1,189
Net Position - Beginning of Year	<u>120,991</u>	<u>119,802</u>
<b>Net Position - End of Year</b>	<u>\$ 127,133</u>	<u>\$ 120,991</u>

- Total operating revenues increased \$34.4 million or 30.6% primarily due to:
  - Increased retail electric sales of \$1.3 million or 2.1% due to a 0.3% increase in kWh sales and a 1.8% higher average price; and
  - Increased wholesale electric sales of \$32.7 million or 80.4% due to a 15.5% decrease in kWh sales and a 53.1% higher average price.
- Total operating expenses increased \$30.3 million or 27.3% due to:
  - \$2.4 million higher cost of maintenance;
  - \$32.3 million higher purchased electricity due to a 94.8% higher average price and 2.3% higher kWh purchased; and
  - \$1.2 million higher depreciation due to shortening useful lives of power plant capital assets.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022 and 2021

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### ELECTRIC UTILITY (CONT.)

#### 2022 COMPARED TO 2021 (CONT.)

#### Statements of Cash Flows

<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities	\$ 9,924	\$ 21,545
Cash Flows from Non-Capital Financing Activities	1,527	527
Cash Flows from Capital and Related Financing Activities	(12,752)	(11,120)
Cash Flows from Investing Activities	<u>(10,853)</u>	<u>(4,824)</u>
Net Change in Cash and Cash Equivalents	(12,154)	6,128
Cash and Cash Equivalents - Beginning of Year	<u>31,140</u>	<u>25,012</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 18,986</u></b>	<b><u>\$ 31,140</u></b>

#### 2022 COMPARED TO 2021

- Cash flows from operating activities decreased by \$11.6 million primarily due to:
  - \$1.5 million higher retail sales;
  - \$33.1 million higher wholesale electric sales;
  - \$18.0 million lower cash paid to suppliers;
- Offset by:
  - \$32.2 million higher purchased electricity costs; and
  - \$8.5 million higher cash paid for coal and gas.
- 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 \$12.8 million in 2022, compared to \$10.8 million in 2021; and
  - \$303,000 net loss on disposal of assets in 2021, compared to \$6,800 net gain on disposal of assets in 2022.
- Cash flows from investing activities include:
  - Net investment activity of a negative \$10.9 million in 2022, compared to negative \$4.8 million in 2021. Most of investment activities consisted of rolling over short-term investments.
  - Interest received on investments of \$0.3 million in 2022, compared to \$68,000 in 2021, reflect higher interest rates.



# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022 and 2021

(Unaudited)

### **UTILITY FINANCIAL ANALYSIS (CONT.)**

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#### ***WATER UTILITY***

The Board approved water rate increases in 2022 and 2021 in response to an increase in capital requirements necessary to provide for fire protection, community growth and higher operation and maintenance costs. The 2022 rate increase of 4.0% was effective July 1, 2022 and the 2021 rate increase of 3.5% was effective April 1, 2021.

In 2022, MPW's contact customers accounted for approximately 84.5% of gallons sold and 54.8% of operating revenues.

In May 2017, the Board approved the bond issuance and the payment of future obligations on those bonds for the purpose of constructing water improvements and extensions. The water utility issued \$14.9 million of water revenue bonds in June 2017 for that purpose. The outstanding principal due on the bonds was \$12.9 million on December 31, 2022.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022 and 2021 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

#### WATER UTILITY (CONT.)

<b>Statements of Net Position</b>		
<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
<b>Current Assets:</b>		
Unrestricted	\$ 3,952	\$ 4,381
Restricted	948	945
<b>Total Current Assets</b>	<u>4,900</u>	<u>5,326</u>
<b>Non-Current Assets:</b>		
Capital Assets	30,802	30,113
Other Assets	63	42
<b>Total Non-Current Assets</b>	<u>30,865</u>	<u>30,155</u>
<b>Total Assets</b>	<u>35,765</u>	<u>35,481</u>
<b>Deferred Outflows of Resources:</b>		
OPEB	31	35
Pension	597	739
<b>Total Deferred Outflows of Resources</b>	<u>628</u>	<u>774</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 36,393</u>	<u>\$ 36,255</u>
<b>Current Liabilities</b>		
	1,129	1,036
<b>Non-Current Liabilities</b>		
	13,408	14,361
<b>Total Liabilities</b>	<u>14,537</u>	<u>15,397</u>
<b>Deferred Inflows of Resources:</b>		
OPEB	10	12
Pension	858	1,105
<b>Total Deferred Inflows of Resources</b>	<u>868</u>	<u>1,117</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	17,423	16,017
Restricted for Debt Service	904	901
Unrestricted	2,661	2,823
<b>Total Net Position</b>	<u>20,988</u>	<u>19,741</u>
<b>Total Liabilities, Deferred Inflows of Resources, &amp; Net Position</b>	<u>\$ 36,393</u>	<u>\$ 36,255</u>

#### 2022 COMPARED TO 2021

- Total assets and deferred outflows increased by \$138,400; primarily due to:
  - Capital assets, net of retirements, increasing \$689,900, due to normal capital spending for utility construction and acquisition projects; and
  - Net pension asset increasing by \$25,100 due to the GASB 68 adjustment.
 Offset by:
  - Cash and investments decreasing \$519,100; and
  - Deferred outflows of resources decreasing \$146,600, due to the GASB 68 pension and GASB 75 OPEB adjustment.
  
- Total liabilities decreased by \$859,600 or 5.6% primarily due to:
  - Bond principal and premium lower by \$497,600; and
  - Net pension liability decreasing by \$179,200 due to the GASB 68 adjustment.
  - Customer advances for construction decreasing by \$217,200 due to contract closeouts.
 Offset by:
  - \$72,700 higher trade accounts payable.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022 and 2021 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### WATER UTILITY (CONT.)

#### 2022 COMPARED TO 2021 (CONT.)

- Deferred inflows of resources decreased \$249,400 primarily due to the GASB 68 pension adjustment.

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

#### Statements of Revenue, Expenses and Changes in Net Position

<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 8,022	\$ 7,837
Operating Expenses	<u>(6,504)</u>	<u>(6,161)</u>
Operating Income	<u>1,518</u>	<u>1,676</u>
Non-operating Revenues	130	95
Non-operating Expenses	<u>(616)</u>	<u>(617)</u>
Net Non-operating Expenses	<u>(486)</u>	<u>(522)</u>
Net Income before Capital Contributions	1,032	1,154
Capital Contributions	<u>216</u>	<u>52</u>
<b>Change in Net Position</b>	1,248	1,206
Net Position - Beginning of Year	<u>19,740</u>	<u>18,534</u>
<b>Net Position - End of Year</b>	<u>\$ 20,988</u>	<u>\$ 19,740</u>

#### 2022 COMPARED TO 2021

- Operating revenues increased \$185,800 or 2.4% due to:
  - Total water retail sales were \$185,200 higher due to a 4.0% rate adjustment effective July 1, 2022.
- Operating expenses increased \$343,900 or 5.6% primarily due to:
  - \$66,400 higher well maintenance;
  - \$240,200 higher water treatment expense, primarily due to \$185,900 higher chemical expenses;
  - \$20,500 higher distribution expenses;
  - \$17,600 higher customer information expense;
  - \$14,500 higher consumer accounts expense;
  - \$18,500 higher maintenance of general plant;
  - \$78,800 higher depreciation; offset by
  - \$116,500 lower pension expense due to GASB 68 adjustments.

# MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2022 and 2021  
(Unaudited)

## UTILITY FINANCIAL ANALYSIS (CONT.)

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### WATER UTILITY (CONT.)

#### Statements of Cash Flows

<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities	\$ 2,084	\$ 2,205
Cash Flows from Capital and Related Financing Activities	(2,644)	(2,347)
Cash Flows from Investing Activities	<u>(259)</u>	<u>2</u>
Net Change in Cash and Cash Equivalents	(819)	(140)
Cash and Cash Equivalents - Beginning of Year	<u>3,949</u>	<u>4,089</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 3,130</u></b>	<b><u>\$ 3,949</u></b>

#### 2022 COMPARED TO 2021

- Cash flows from operating activities decreased \$120,200, or 5.5%, primarily due:
  - \$681,200 higher employee payroll, taxes and benefits;Offset by:
  - \$282,300 higher retail sales;
  - \$263,000 lower supplier costs.
- Cash flows from capital and related financing activities reflect \$369,500 higher capital expenditures in 2022 compared to 2021 and \$70,400 higher net gain/(loss) from asset disposal.
- Cash flows from investing activities reflect investments of \$300,000 and interest received on investments of \$40,600 in 2022 compared to \$1,800 in 2021, reflects higher interest rates on investment balance.

#### COMMUNICATIONS UTILITY

Rate adjustments for the communications utility were approved by the Board for both 2022 and 2021. Effective May 1, 2022, Digital TV Basic service rates increased \$1.00 to \$24.99 per month and Select Digital TV service rates increased \$3.00 to \$87.99 per month. In addition to the rate increases, a broadcast service charge increased from \$18.17 per month in 2021 to \$19.95 per month in 2022 and is applied to all packages to cover local network channel fees. In addition, plus the regional sports charge increased by \$2.11 to \$6.89 per month to help cover programmers' additional sports package increases.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015, that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50%, and modifying the amortization of the note from a 30-year period to a 20-year period. Principal payments of \$1,493,600 and \$491,144 were made in 2022 and 2021, respectively. The 2022 principal payment was increased by \$1,000,000 due to favorable cash position. The principal balance as of December 31, 2022 was \$5,119,279.

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 was completed in 2021 at a cost of \$19 million.

See Independent Auditors' Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022 and 2021

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

#### COMMUNICATIONS UTILITY (CONT.)

On September 3, 2020 the Communications Revenue Bond, Series 2020 was signed with a local bank providing \$3.7 million for additional financing support related to the FTTH project and extensions to the 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, beginning December 30, 2020 with final payment due September 30, 2027. Principal payments of \$504,077 and \$490,547 were made in 2022 and 2021, respectively. The principal balance as of December 31, 2022 was \$2,590,898.

On January 5, 2021, the communications utility closed on the \$6.3 million Communications Revenue Bond, Series 2021, issued at a rate of 2.73% per annum. Both principal of and interest on this bond are payable in 26 equal quarterly installments in the amount of \$256,611 each, due on March 30, June 30, September 30 and December 30, in each of the years 2021 to 2027, with final payment due September 30, 2027. The Communications Revenue Bond, Series 2017, which had a principal balance due of \$4,175,144, was paid off with proceeds from this bond issue at its closing. The principal balance as of December 31, 2022 was \$4,547,202.

#### Statements of Net Position

In thousands \$	2022	2021
Current Assets – Unrestricted	\$ 11,510	\$ 11,080
Non-Current Assets:		
Capital Assets	19,143	21,097
Other Assets	109	-
Total Non-Current Assets	<u>19,252</u>	<u>21,097</u>
Total Assets	<u>30,762</u>	<u>32,177</u>
Deferred Outflows of Resources:		
OPEB	46	53
Pension	1,087	1,355
Total Deferred Outflows of Resources	<u>1,133</u>	<u>1,408</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 31,894</u></b>	<b><u>\$ 33,585</u></b>
Current Liabilities	2,551	2,385
Non-Current Liabilities	11,194	15,254
Total Liabilities	<u>13,746</u>	<u>17,639</u>
Deferred Inflows of Resources:		
OPEB	14	17
Pension	1,873	1,628
Total Deferred Inflows of Resources	<u>1,887</u>	<u>1,645</u>
Net Position:		
Net Investment in Capital Assets	12,005	12,557
Unrestricted	4,257	1,744
Total Net Position	<u>16,262</u>	<u>14,301</u>
<b>Total Liabilities, Deferred Inflows of Resources, &amp; Net Position</b>	<b><u>\$ 31,894</u></b>	<b><u>\$ 33,585</u></b>

See Independent Auditors' Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022 and 2021 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### COMMUNICATIONS UTILITY (CONT.)

##### 2022 COMPARED TO 2021

- Total assets and deferred outflows of resources decreased \$1.7 million or 5.0% primarily due to:
  - \$0.2 million increase in cash and investment balances due to an increase in retail sales;
  - \$0.3 million increase in Inventory for upcoming capital projects in 2023 and customer premise equipment; offset by
  - \$2.0 million decrease in capital assets, net of retirements, resulting from retirements of assets no longer in service;
  - \$0.3 million decrease in deferred outflows of resources due to the GASB 68 pension adjustment.
- Current liabilities increased \$0.2 million due to:
  - \$0.1 million increase in accounts payable and accrued expenses;
- Noncurrent liabilities decreased \$4.1 million primarily due to:
  - \$1.5 million decrease to long term debt, net of current portion;
  - \$1.4 million decrease in notes payable to electric utility;
  - \$1.0 million decrease in net pension liability due to GASB 68.
- Deferred inflows of resources increased \$0.2 million primarily due to GASB 68.

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

#### Statements of Revenue, Expenses and Changes in Net Position

<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 15,801	\$ 15,683
Operating Expenses	<u>(13,411)</u>	<u>(13,765)</u>
Operating Income	<u>2,390</u>	<u>1,918</u>
Non-operating Revenues	90	5
Non-operating Expenses	<u>(519)</u>	<u>(417)</u>
Net Non-operating Expenses	<u>(429)</u>	<u>(412)</u>
Net Income before Capital Contributions	1,961	1,506
Capital Contributions	<u>-</u>	<u>1</u>
<b>Change in Net Position</b>	1,961	1,507
Net Position - Beginning of Year	<u>14,301</u>	<u>12,794</u>
<b>Net Position - End of Year</b>	<u>\$ 16,262</u>	<u>\$ 14,301</u>

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2022 and 2021 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### COMMUNICATIONS UTILITY (CONT.)

#### 2022 COMPARED TO 2021

- Operating revenues increased \$118,278 or 0.8% due to:
  - Video operating revenues decreased by \$254,700 or 6.0% due to:
    - 8.0% decrease in the total number of video subscribers (4,130 at the end of 2022 vs. 4,484 at the end of 2021);
    - Ad insertion revenue increased by \$60,200;
    - Transmission signal revenue increased by \$36,800;
    - Equipment rental revenue decreased by \$64,000;
    - Commercial revenue increasing \$37,000; and
    - Lower discounts increasing revenue by \$17,000.
  - Internet revenues increased \$267,300 or 3.4% primarily due to:
    - 2.0% increase in the total number of Internet subscribers (9,977 at the end of 2022 vs. 9,782 at the end of 2021);
    - Fiber service revenue increased \$0.4 million; offset by
    - Discounts increased \$40,200.
  - Phone services were first made available to customers in February 2018. Revenue continues to grow, amounting to \$325,500 in 2022, up from \$246,800 in 2021.
  - MAN revenues decreased \$77,100 or 8.0% in 2022 due to pricing adjustments in new contracts.
- Operating expenses decreased by \$354,100 or 2.6% primarily due to:
  - \$114,100 lower internet maintenance costs;
  - \$357,000 lower pension expense due to GASB 68 adjustments;
  - \$112,200 lower health and dental reserve adjustment
  - \$173,800 lower programming costs due to lower subscribers; offset by
  - \$37,800 higher advertising insertion costs;
  - \$175,700 higher internet operations costs;
  - \$201,900 higher video operations costs.

#### Statements of Cash Flows

<u>In thousands \$</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities	\$ 4,106	\$ 3,895
Cash Flows from Capital and Related Financing Activities	(3,986)	(1,338)
Cash Flows from Investing Activities	<u>(1,492)</u>	<u>1,044</u>
Net Change in Cash and Cash Equivalents	(1,372)	3,601
Cash and Cash Equivalents - Beginning of Year	<u>6,482</u>	<u>2,881</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 5,110</u></b>	<b><u>\$ 6,482</u></b>

See Independent Auditors' Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022 and 2021

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### COMMUNICATIONS UTILITY (CONT.)

##### 2022 COMPARED TO 2021

- Cash flows from operating activities increased \$210,874, or 5.4%, primarily due to:
  - \$561,700 decrease in cash paid to suppliers, including payments for programming costs, Internet access fees, maintenance and pension; and
  - \$278,600 higher receipts for retail sales; offset by
  - \$513,100 higher cash paid for employee payroll and benefits.
- Capital and related financing activities include:
  - Capital expenditures in 2022 and 2021 totaled \$0.6 million and \$1.2 million, respectively;
  - Debt principal and interest payments in 2022 and 2021 totaled \$3.1 million and \$6.3 million (paying off the Series 2017 Revenue Bonds), respectively.
- Cash flows from investing activities include:
  - Net investment activity of \$1.6 million in 2022 compared to net investment activity of \$1.0 million in 2021; and
  - Interest received on investments of \$74,600 in 2022 compared to \$3,500 in 2021, reflects higher interest rates on increased investment balance.

### CONTACTING UTILITY MANAGEMENT

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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.



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## MUSCATINE POWER AND WATER

### STATEMENTS OF NET POSITION As of December 31, 2022 and 2021

ASSETS	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>CURRENT ASSETS</b>								
Unrestricted Assets								
Cash	\$ 18,985,498	\$ 31,139,636	\$ 2,181,603	\$ 3,003,431	\$ 5,110,624	\$ 6,482,228	\$ 26,277,725	\$ 40,625,295
Investments	49,045,773	37,967,006	300,000	-	4,066,355	2,500,000	53,412,128	40,467,006
Receivables:								
Customer accounts	8,138,977	8,208,402	908,200	878,568	1,514,930	1,515,863	10,562,107	10,602,833
Interest	293,668	15,166	1,890	-	17,654	1,969	313,212	17,135
Inventories:								
Fuel	9,373,856	6,646,514	-	-	-	-	9,373,856	6,646,514
Emission allowances	580,480	218,480	-	-	-	-	580,480	218,480
Materials and supplies	4,321,576	5,020,278	510,213	452,502	560,366	325,743	5,392,155	5,798,523
Prepaid and other expenses	765,830	853,991	49,723	46,410	239,447	254,496	1,055,000	1,154,897
Total Unrestricted Assets	<u>91,505,658</u>	<u>90,069,473</u>	<u>3,951,629</u>	<u>4,380,911</u>	<u>11,509,376</u>	<u>11,080,299</u>	<u>106,966,663</u>	<u>105,530,683</u>
Restricted Assets - Cash	-	-	947,950	945,250	-	-	947,950	945,250
Total Current Assets	<u>91,505,658</u>	<u>90,069,473</u>	<u>4,899,579</u>	<u>5,326,161</u>	<u>11,509,376</u>	<u>11,080,299</u>	<u>107,914,613</u>	<u>106,475,933</u>
<b>NON-CURRENT ASSETS</b>								
Capital Assets								
Utility plant in service	433,139,032	440,738,515	43,387,066	42,051,180	28,817,310	49,332,893	505,343,408	532,122,588
Construction work in progress	3,270,769	8,882,873	556,109	581,859	413,920	574,362	4,240,798	10,039,094
Less: accumulated depreciation	<u>(364,770,709)</u>	<u>(378,705,167)</u>	<u>(13,140,594)</u>	<u>(12,520,314)</u>	<u>(10,088,475)</u>	<u>(28,810,207)</u>	<u>(387,999,778)</u>	<u>(420,035,688)</u>
Total Capital Assets	<u>71,639,092</u>	<u>70,916,221</u>	<u>30,802,581</u>	<u>30,112,725</u>	<u>19,142,755</u>	<u>21,097,048</u>	<u>121,584,428</u>	<u>122,125,994</u>
Other Assets								
Note receivable from communications utility	5,119,279	6,612,879	-	-	-	-	5,119,279	6,612,879
Unamortized debt insurance costs	-	-	38,332	41,706	-	-	38,332	41,706
Joint venture rights	144,158	129,216	-	-	-	-	144,158	129,216
Net pension asset	757,144	-	25,088	-	108,785	-	891,017	-
Total Other Assets	<u>6,020,581</u>	<u>6,742,095</u>	<u>63,420</u>	<u>41,706</u>	<u>108,785</u>	<u>-</u>	<u>6,192,786</u>	<u>6,783,801</u>
Total Non-Current Assets	<u>77,659,673</u>	<u>77,658,316</u>	<u>30,866,001</u>	<u>30,154,431</u>	<u>19,251,540</u>	<u>21,097,048</u>	<u>127,777,214</u>	<u>128,909,795</u>
Total Assets	<u>169,165,331</u>	<u>167,727,789</u>	<u>35,765,580</u>	<u>35,480,592</u>	<u>30,760,916</u>	<u>32,177,347</u>	<u>235,691,827</u>	<u>235,385,728</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
OPEB deferred outflows of resources	218,255	249,597	30,679	34,799	46,389	52,789	295,323	337,185
Pension deferred outflows of resources	5,958,088	7,348,699	596,909	739,404	1,087,086	1,355,033	7,642,083	9,443,136
Total Deferred Outflows of Resources	<u>6,176,343</u>	<u>7,598,296</u>	<u>627,588</u>	<u>774,203</u>	<u>1,133,475</u>	<u>1,407,822</u>	<u>7,937,406</u>	<u>9,780,321</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 175,341,674</u>	<u>\$ 175,326,085</u>	<u>\$ 36,393,168</u>	<u>\$ 36,254,795</u>	<u>\$ 31,894,391</u>	<u>\$ 33,585,169</u>	<u>\$ 243,629,233</u>	<u>\$ 245,166,049</u>

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	2022	2021	2022	2021	2022	2021	2022	2021
<b>CURRENT LIABILITIES</b>								
Payable From Unrestricted Assets								
Trade accounts payable	\$ 3,363,524	\$ 3,965,497	\$ 338,736	\$ 266,072	\$ 603,790	\$ 525,487	\$ 4,306,050	\$ 4,757,056
Customer advances for construction	-	-	-	865	-	-	-	865
Accrued expenses	3,062,814	2,703,661	320,872	313,302	499,820	451,433	3,883,506	3,468,396
Unearned revenue	15,693	136,040	1,200	1,200	17,500	17,500	34,393	154,740
Customer deposits	1,057,357	1,000,386	-	-	-	-	1,057,357	1,000,386
Current portion of long-term debt	-	-	-	-	1,429,565	1,390,901	1,429,565	1,390,901
Total Payable From Unrestricted Assets	<u>7,499,388</u>	<u>7,805,584</u>	<u>660,808</u>	<u>581,439</u>	<u>2,550,675</u>	<u>2,385,321</u>	<u>10,710,871</u>	<u>10,772,344</u>
Payable From Restricted Assets								
Current portion of long-term debt	-	-	425,000	410,000	-	-	425,000	410,000
Accrued interest payable	-	-	43,579	44,604	-	-	43,579	44,604
Total Payable From Restricted Assets	<u>-</u>	<u>-</u>	<u>468,579</u>	<u>454,604</u>	<u>-</u>	<u>-</u>	<u>468,579</u>	<u>454,604</u>
Total Current Liabilities	<u>7,499,388</u>	<u>7,805,584</u>	<u>1,129,387</u>	<u>1,036,043</u>	<u>2,550,675</u>	<u>2,385,321</u>	<u>11,179,450</u>	<u>11,226,948</u>
<b>NON-CURRENT LIABILITIES</b>								
Note payable to electric utility	-	-	-	-	5,119,279	6,612,879	5,119,279	6,612,879
Long-term debt, net of current portion	-	-	12,485,000	12,910,000	5,708,536	7,149,068	18,193,536	20,059,068
Unamortized bond premium	-	-	470,200	557,752	-	-	470,200	557,752
Unearned revenue	-	-	-	-	124,480	141,980	124,480	141,980
Total OPEB liability	847,241	835,753	123,697	122,187	179,647	177,300	1,150,585	1,135,240
Health and dental care provision	125,634	1,895,075	6,118	51,612	9,994	84,771	141,746	2,031,458
Net pension liability	53,311	5,922,231	322,785	501,968	53,487	1,087,762	429,583	7,511,961
Customer advances for construction	-	-	-	217,232	-	-	-	217,232
Landfill closure and post-closure liability	1,184,967	1,103,410	-	-	-	-	1,184,967	1,103,410
Total Non-Current Liabilities	<u>2,211,153</u>	<u>9,756,469</u>	<u>13,407,800</u>	<u>14,360,751</u>	<u>11,195,423</u>	<u>15,253,760</u>	<u>26,814,376</u>	<u>39,370,980</u>
Total Liabilities	<u>9,710,541</u>	<u>17,562,053</u>	<u>14,537,187</u>	<u>15,396,794</u>	<u>13,746,098</u>	<u>17,639,081</u>	<u>37,993,826</u>	<u>50,597,928</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Extraordinary O&M - regulatory deferred inflow	28,032,866	28,032,866	-	-	-	-	28,032,866	28,032,866
OPEB deferred inflows of resources	62,581	81,006	10,014	12,436	13,569	17,332	86,164	110,774
Pension deferred inflows of resources	10,403,185	8,659,382	858,352	1,105,349	1,872,773	1,627,862	13,134,310	11,392,593
Total Deferred Inflows of Resources	<u>38,498,632</u>	<u>36,773,254</u>	<u>868,366</u>	<u>1,117,785</u>	<u>1,886,342</u>	<u>1,645,194</u>	<u>41,253,340</u>	<u>39,536,233</u>
<b>NET POSITION</b>								
Net investment in capital assets	71,639,092	70,916,221	17,422,381	16,016,876	12,004,654	12,557,079	101,066,127	99,490,176
Restricted for debt service	-	-	904,371	900,646	-	-	904,371	900,646
Unrestricted	55,493,409	50,074,557	2,660,863	2,822,694	4,257,297	1,743,815	62,411,569	54,641,066
Total Net Position	<u>127,132,501</u>	<u>120,990,778</u>	<u>20,987,615</u>	<u>19,740,216</u>	<u>16,261,951</u>	<u>14,300,894</u>	<u>164,382,067</u>	<u>155,031,888</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 175,341,674</u>	<u>\$ 175,326,085</u>	<u>\$ 36,393,168</u>	<u>\$ 36,254,795</u>	<u>\$ 31,894,391</u>	<u>\$ 33,585,169</u>	<u>\$ 243,629,233</u>	<u>\$ 245,166,049</u>

See accompanying notes to financial statements.

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## MUSCATINE POWER AND WATER

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2022 and 2021

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>OPERATING REVENUES</b>								
Retail sales	\$ 63,098,700	\$ 61,795,555	\$ 7,981,928	\$ 7,796,680	\$ 15,657,460	\$ 15,577,571	\$ 86,738,088	\$ 85,169,806
Wholesale electric sales	73,329,441	40,651,989	-	-	-	-	73,329,441	40,651,989
Steam sales	8,917,808	8,662,177	-	-	-	-	8,917,808	8,662,177
Other	1,491,020	1,337,212	40,420	39,866	143,989	105,601	1,675,429	1,482,680
Total Operating Revenues	<u>146,836,969</u>	<u>112,446,933</u>	<u>8,022,348</u>	<u>7,836,546</u>	<u>15,801,449</u>	<u>15,683,172</u>	<u>170,660,766</u>	<u>135,966,651</u>
<b>OPERATING EXPENSES</b>								
Production fuel	25,979,059	28,298,625	-	-	-	-	25,979,059	28,298,625
Purchased power	66,291,988	34,026,787	-	-	-	-	66,291,988	34,026,787
Emissions allowance	304,792	38,264	-	-	-	-	304,792	38,264
Other operating expenses	23,295,732	26,877,168	4,493,973	4,334,547	9,779,284	10,071,238	37,568,989	41,282,953
Maintenance	13,439,176	10,987,249	1,082,668	976,936	1,107,068	1,142,371	15,628,912	13,106,556
Depreciation	12,036,408	10,827,677	928,013	849,238	2,524,809	2,551,662	15,489,230	14,228,577
Total Operating Expenses	<u>141,347,155</u>	<u>111,055,770</u>	<u>6,504,654</u>	<u>6,160,721</u>	<u>13,411,161</u>	<u>13,765,271</u>	<u>161,262,970</u>	<u>130,981,762</u>
Operating Income	<u>5,489,814</u>	<u>1,391,163</u>	<u>1,517,694</u>	<u>1,675,825</u>	<u>2,390,288</u>	<u>1,917,901</u>	<u>9,397,796</u>	<u>4,984,889</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
Investment income	603,380	59,853	42,505	1,778	90,317	5,328	736,202	66,960
Interest income on note receivable from communications utility	33,065	35,520	-	-	-	-	33,065	35,520
Gain/(Loss) on asset disposal	6,792	(302,963)	(78,168)	(66,962)	(278,468)	(115,632)	(349,844)	(485,557)
Interest expense	(1,824)	(3,897)	(534,225)	(546,250)	(241,080)	(301,560)	(777,129)	(851,707)
Bond insurance costs	-	-	(3,373)	(3,475)	-	-	(3,373)	(3,475)
Bond premium amortization	-	-	87,552	92,900	-	-	87,552	92,900
Net Non-Operating Revenues (Expenses)	<u>641,413</u>	<u>(211,487)</u>	<u>(485,709)</u>	<u>(522,009)</u>	<u>(429,231)</u>	<u>(411,864)</u>	<u>(273,527)</u>	<u>(1,145,359)</u>
Net income (loss) before capital contributions	<u>6,131,227</u>	<u>1,179,676</u>	<u>1,031,985</u>	<u>1,153,816</u>	<u>1,961,057</u>	<u>1,506,037</u>	<u>9,124,269</u>	<u>3,839,529</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>10,495</u>	<u>9,000</u>	<u>215,414</u>	<u>52,000</u>	<u>-</u>	<u>379</u>	<u>225,909</u>	<u>61,379</u>
<b>CHANGE IN NET POSITION</b>	<u>6,141,722</u>	<u>1,188,676</u>	<u>1,247,399</u>	<u>1,205,816</u>	<u>1,961,057</u>	<u>1,506,416</u>	<u>9,350,178</u>	<u>3,900,908</u>
NET POSITION - Beginning of Year	<u>120,990,778</u>	<u>119,802,102</u>	<u>19,740,216</u>	<u>18,534,400</u>	<u>14,300,894</u>	<u>12,794,478</u>	<u>155,031,888</u>	<u>151,130,980</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 127,132,501</u>	<u>\$ 120,990,778</u>	<u>\$ 20,987,615</u>	<u>\$ 19,740,216</u>	<u>\$ 16,261,951</u>	<u>\$ 14,300,894</u>	<u>\$ 164,382,067</u>	<u>\$ 155,031,888</u>

See accompanying notes to financial statements.

## MUSCATINE POWER AND WATER

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash received from retail sales	\$ 62,974,275	\$ 61,442,607	\$ 8,024,296	\$ 7,742,028	\$ 15,485,175	\$ 15,206,525	\$ 86,483,746	\$ 84,391,160
Cash received from wholesale electric sales	73,238,667	40,168,179	-	-	-	-	73,238,667	40,168,179
Cash received from steam sales	9,083,571	8,411,202	-	-	-	-	9,083,571	8,411,202
Cash received from coal sales	200,157	26,754,325	-	-	-	-	200,157	26,754,325
Cash received from advertising sales	-	-	-	-	289,089	266,041	289,089	266,041
Cash received from by-product sales	427,949	452,359	-	-	-	-	427,949	452,359
Cash received from other operating sources	979,708	1,054,321	40,181	29,336	10,619	150,035	1,030,507	1,233,692
Cash paid for coal and gas	(25,676,128)	(17,216,845)	-	-	-	-	(25,676,128)	(17,216,845)
Cash paid for purchased power	(66,291,988)	(34,086,551)	-	-	-	-	(66,291,988)	(34,086,551)
Cash paid to suppliers	(19,407,093)	(37,404,607)	(3,283,062)	(3,551,006)	(7,156,831)	(7,718,552)	(29,846,986)	(48,674,165)
Cash paid for employee payroll, taxes and benefits	(25,604,668)	(28,029,686)	(2,697,188)	(2,015,945)	(4,522,402)	(4,009,273)	(32,824,258)	(34,054,904)
Net Cash Flows From Operating Activities	9,924,450	21,545,304	2,084,226	2,204,413	4,105,650	3,894,776	16,114,326	27,644,493
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>								
Interest received on note receivable from communications utility	33,064	35,520	-	-	-	-	33,064	35,520
Principal received on note receivable from communications utility	1,493,600	491,144	-	-	-	-	1,493,600	491,144
Net Cash Flows From Non-Capital Financing Activities	1,526,664	526,664	-	-	-	-	1,526,664	526,664
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Acquisition and construction of capital assets	(12,780,211)	(10,817,036)	(1,702,168)	(1,332,675)	(865,424)	(1,208,574)	(15,347,803)	(13,358,285)
Net proceeds from sale/disposal of assets	27,724	(302,963)	3,449	(66,962)	16,440	(115,632)	47,613	(485,557)
Debt proceeds	-	-	-	-	-	6,300,000	-	6,300,000
Bond principal payments	-	-	(410,000)	(400,000)	-	-	(410,000)	(400,000)
Bond interest payments	-	-	(535,250)	(547,250)	-	-	(535,250)	(547,250)
Debt principal payments	-	-	-	-	(2,895,468)	(6,011,842)	(2,895,468)	(6,011,842)
Debt interest payments	-	-	-	-	(241,079)	(301,561)	(241,079)	(301,561)
Net Cash Flows used by Capital and Related Financing Activities	(12,752,487)	(11,119,999)	(2,643,969)	(2,346,887)	(3,985,531)	(1,337,609)	(19,381,987)	(14,804,495)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Proceeds from investments matured and sold	52,574,820	99,702,516	-	-	2,500,000	24,782,702	55,074,820	124,485,218
Investments purchased	(63,653,587)	(104,490,556)	(300,000)	-	(4,066,355)	(23,742,581)	(68,019,942)	(128,233,137)
Purchase of joint venture rights	(98,880)	(104,210)	-	-	-	-	(98,880)	(104,210)
Interest received on investments	324,880	68,254	40,615	1,808	74,632	3,459	440,127	73,521
Net Cash Flows used by Investing Activities	(10,852,767)	(4,823,996)	(259,385)	1,808	(1,491,723)	1,043,580	(12,603,875)	(3,778,608)
<b>Net Increase (Decrease) in Cash</b>	(12,154,140)	6,127,973	(819,128)	(140,666)	(1,371,604)	3,600,747	(14,344,871)	9,588,054
<b>CASH - Beginning of Year</b>								
Current unrestricted cash	31,139,636	25,011,663	3,003,431	3,142,097	6,482,228	2,881,481	40,625,295	31,035,241
Current restricted cash	-	-	945,250	947,250	-	-	945,250	947,250
	31,139,636	25,011,663	3,948,681	4,089,347	6,482,228	2,881,481	41,570,545	31,982,491
<b>CASH - END OF YEAR</b>								
Current unrestricted cash	18,985,498	31,139,636	2,181,603	3,003,431	5,110,624	6,482,228	26,277,725	40,625,295
Current restricted cash	-	-	947,950	945,250	-	-	947,950	945,250
	\$ 18,985,498	\$ 31,139,636	\$ 3,129,553	\$ 3,948,681	\$ 5,110,624	\$ 6,482,228	\$ 27,225,675	\$ 41,570,545

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Operating income	\$ 5,489,814	\$ 1,391,163	\$ 1,517,694	\$ 1,675,825	\$ 2,390,288	\$ 1,917,901	\$ 9,397,797	\$ 4,984,889
Non-Cash items in operating income								
Depreciation	12,036,408	10,827,677	928,013	849,238	2,524,809	2,551,662	15,489,230	14,228,578
Amortization of joint venture rights	83,938	92,112	-	-	-	-	83,938	92,112
Changes in assets, liabilities, and deferrals								
Customer accounts receivable	79,921	(964,513)	(29,632)	(54,701)	933	(53,020)	51,222	(1,072,234)
Inventories	(2,390,640)	11,171,423	(57,711)	(91,613)	(234,623)	(122,890)	(2,682,974)	10,956,920
Prepaid and other expenses	88,159	(259,077)	(3,313)	(12,033)	15,049	(80,483)	99,895	(351,593)
Trade accounts payable	(601,973)	274,386	72,664	12,581	78,302	(60,873)	(451,007)	226,094
Accrued expenses	(1,400,625)	413,115	(37,924)	36,720	(26,390)	49,453	(1,464,939)	499,288
OPEB related deferrals and liabilities	24,405	6,641	3,208	881	4,984	1,398	32,597	8,920
Pension related deferrals and liabilities	(3,503,138)	(1,481,674)	(308,773)	(212,485)	(630,202)	(285,604)	(4,442,113)	(1,979,763)
Unearned revenue	(120,347)	(3,750)	-	-	(17,500)	(22,768)	(137,847)	(26,518)
Customer deposits	56,971	(1,487)	-	-	-	-	56,971	(1,487)
Landfill closure and postclosure liability	81,557	79,288	-	-	-	-	81,557	79,288
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 9,924,450</b>	<b>\$ 21,545,304</b>	<b>\$ 2,084,226</b>	<b>\$ 2,204,413</b>	<b>\$ 4,105,650</b>	<b>\$ 3,894,776</b>	<b>\$ 16,114,326</b>	<b>\$ 27,644,492</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES</b>								
Unpaid capital expenditures	\$ 584,386	\$ 1,256,514	\$ 125,719	\$ 5,628	\$ 88,590	\$ 21,222	\$ 798,695	\$ 1,283,364

See accompanying notes to financial statements.

# MUSCATINE POWER AND WATER

## STATEMENTS OF FIDUCIARY NET POSITION FIDUCIARY FUND

As of December 31, 2022 and 2021

	Pension Trust Fund	
	2022	2021
<b>ASSETS</b>		
Investments:		
Large U.S. equity	\$ 33,516,410	\$ 43,207,572
Small/mid U.S. equity	6,189,288	7,068,142
International equity	16,684,774	19,062,076
Fixed income	23,784,778	29,733,925
Other	6,999,904	6,724,820
Total Assets	<u>\$ 87,175,154</u>	<u>\$ 105,796,536</u>
<b>LIABILITIES</b>		
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
<b>FIDUCIARY NET POSITION</b>		
Net Position Restricted for Pensions	<u>\$ 87,175,154</u>	<u>\$ 105,796,536</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, 2022 and 2021

	Pension Trust Fund	
	2022	2021
<b>ADDITIONS</b>		
Employer contributions	\$ 3,840,000	\$ 3,823,002
Net investment income:		
Investment return	(17,380,492)	12,472,668
Investment expenses	(34,137)	(35,307)
Net investment income	(17,414,629)	12,437,361
Total Additions	(13,574,629)	16,260,363
<b>DEDUCTIONS</b>		
Benefit payments	4,904,679	4,628,248
Administration expenses	142,074	142,074
Total Deductions	5,046,753	4,770,322
 <b>CHANGE IN FIDUCIARY NET POSITION</b>	 (18,621,382)	 11,490,041
 FIDUCIARY NET POSITION - Beginning of Year	 105,796,536	 94,306,495
 <b>FIDUCIARY NET POSITION - END OF YEAR</b>	 \$ 87,175,154	 \$ 105,796,536

See accompanying notes to financial statements.

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## **NOTES TO FINANCIAL STATEMENTS**

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# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### ***ORGANIZATION AND STANDARDS OF ACCOUNTING***

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

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

#### ***REPORTING ENTITY***

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

#### ***MEASUREMENT FOCUS, STANDARDS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

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

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

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

##### ***CASH AND CASH EQUIVALENTS***

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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## 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 2022 and 2021 the allowances were:

	<u>2022</u>	<u>2021</u>
Electric utility	\$31,712	\$24,145
Water utility	\$14,502	\$4,488
Communications utility	\$1,248	\$1,266

#### **INVENTORIES**

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

#### **RESTRICTED ASSETS**

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

#### **CAPITAL ASSETS**

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

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$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 2022 or 2021.

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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## 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 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<b>Electric Utility</b>		
Generation plant*	3.1 %	2.8 %
Transmission and distribution plant	1.4	1.4
General plant	2.8	2.4
<b>Water Utility</b>		
Source of supply	2.5 %	2.3 %
Pumping equipment	2.9	2.8
Purification system	1.9	1.9
Distribution system	2.3	2.2
General plant	4.7	4.1
<b>Communications Utility</b>		
Fiber Optic TV	2.3 %	2.4 %
Data/Internet	5.9	7.8
MAN	0.7	1.1
General plant	7.7	7.5

\*The utility has determined that the remaining lives of coal-fired generation assets are shorter than had been used prior to October 2020. Units 7 and 8 are planned for retirement as early as May 31, 2025. Therefore, depreciation on those assets was accelerated from October 2020. Unit 8A will be retired in 2023; therefore, it has been fully depreciated. For Unit 9, its planned retirement is as early as December 31, 2027. Therefore, depreciation on Unit 9 assets was also accelerated from October 2020 but with a longer remaining life than Plant 1 assets.

#### **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. The utility's final contract was paid out and closed in November 2022.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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

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

#### ***COMPENSATED ABSENCES***

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

#### ***ACCRUED EXPENSES***

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

#### ***UNEARNED REVENUE***

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

#### ***POST-EMPLOYMENT 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, 2022 and 2021

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### 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 2022 or 2021.

##### **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 27, 2021 and effective for service beginning July 1, 2022.

Current water rates were approved on April 27, 2021 and became effective for service beginning July 1, 2022.

Current communications rates were approved on March 29, 2022 and became effective for service beginning May 1, 2022.

##### **OPERATING REVENUES AND EXPENSES**

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

Revenues are recorded as services are rendered to customers. The electric and water utilities' revenues include an estimate of unbilled revenues for services rendered only to certain residential and small commercial customers from the date of the last meter reading to yearend. The communications utility's revenues include amounts billed to customers for cable and Internet services, installations, advertising and other services. Revenues from cable and internet services, installation and other services are recognized when the services are provided to the customers. Advertising sales are recognized in the period that the advertisements are exhibited. The communications utility's revenues include an estimate of unbilled revenues for service rendered only to certain residential and small commercial customers from the date of their previous bill's generation to yearend. The unbilled revenue recorded in 2022 for the electric, water and communications utilities are \$420,291, \$77,985 and \$87,918, respectively. The unbilled revenue recorded in 2021 for the electric, water and communications utilities are \$396,536, \$76,541 and \$86,789, respectively.

##### **CAPITAL CONTRIBUTIONS**

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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## 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.

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## NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

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

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

At December 31, 2022, the utilities had the following investments:

Investment	Fair Value
U.S. Treasury obligations	\$41,412,128
Certificate of Deposits (reported at cost)	\$12,000,000
Total Investments	\$53,412,128

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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## NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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### *CUSTODIAL CREDIT RISK*

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

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

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

#### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The utilities had no custodial risk with regards to investments since all investments were held by the utilities or its agent in the utilities' name. There were no investments held at December 31, 2021 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 utilities' U.S. Treasury investments are rated AA+ by Standard & Poor's as of December 31, 2022. The utility held no investments as of December 31, 2021 that were subject to credit risk.

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

### *CONCENTRATION OF CREDIT RISK*

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2022, MPW held 51% of its cash and investments in U.S. Treasuries; however, these investments considered risk-free and therefore not a concentration of risk. The utility held no investments as of December 31, 2021 that were subject to concentration of credit risk.

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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## NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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### *INTEREST RATE RISK*

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

All of the U.S. treasury investments held at December 31, 2022 mature within one year. The utility held no investments as of December 31, 2021 that were subject to interest rate risk if the investments are held to maturity.

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

### *FAIR VALUE MEASUREMENTS*

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

The recurring fair value measurement for the U.S. Treasury obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions (level 2 inputs). There have been no changes in valuation methodologies at December 31, 2022 compared to December 31, 2021, although Treasuries are new to the MPW portfolio in 2022. The utility held no investments as of December 31, 2021 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 dates, December 31, 2022 and December 31, 2021.

### *CREDIT RISK*

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

### *CONCENTRATIONS*

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

### *DERIVATIVES*

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

## NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

### FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

#### INTEREST RATE RISK

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

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

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

The pension trust fund held the following investments as of the measurement date December 31, 2021, subject to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Years to Maturity</u>
Large U.S. equity	\$ 43,207,572	N/A
Small/mid U.S. equity	7,068,142	N/A
International equity	19,062,076	N/A
U.S. property SA-14	6,724,820	N/A
Fixed income:		
High income separate account-Z	2,474,272	N/A
Bond market index separate account-Z	6,243,320	6.53
Core fixed income separate account-Z	<u>21,016,334</u>	5.92
Total Investments	<u>\$ 105,796,536</u>	

#### FAIR VALUE MEASUREMENTS

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

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 3 – CAPITAL ASSETS

#### *ELECTRIC UTILITY*

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

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

<sup>(1)</sup> – Capital assets not being depreciated

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 3 – CAPITAL ASSETS (cont.)

#### *ELECTRIC UTILITY* (cont.)

A summary of changes in electric capital assets for 2021 follows:

	Balance 1/1/2021	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2021
Land and land rights <sup>(1)</sup>	\$ 1,874,590	\$ (10,783)	\$ -	\$ -	\$ 1,863,807
Generation plant	327,250,931	16,789	(192,800)	2,058,173	329,133,093
Transmission and distribution plant	75,779,548	1,203,925	(1,292,434)	5,877,280	81,568,319
General plant	27,680,147	143,677	(974,238)	1,323,710	28,173,296
<b>Total Utility Plant in Service</b>	<b>432,585,216</b>	<b>1,353,608</b>	<b>(2,459,472)</b>	<b>9,259,163</b>	<b>440,738,515</b>
Construction work in progress <sup>(1)</sup>	8,598,931	9,543,105	-	(9,259,163)	8,882,873
<b>Total Electric Utility Plant</b>	<b>441,184,147</b>	<b>10,896,713</b>	<b>(2,459,472)</b>	<b>-</b>	<b>449,621,388</b>
Less: Accumulated depreciation					
Generation plant	289,749,671	9,121,394	(175,292)	-	298,695,773
Transmission and distribution plant	58,733,848	1,038,382	(974,740)	-	58,797,490
General plant	21,381,484	668,901	(838,481)	-	21,211,904
<b>Total Accumulated     Depreciation</b>	<b>369,865,003</b>	<b>\$ 10,828,677</b>	<b>\$ (1,988,513)</b>	<b>\$ -</b>	<b>378,705,167</b>
<b>Net Electric Capital Assets</b>	<b>\$ 71,319,144</b>				<b>\$ 70,916,221</b>

<sup>(1)</sup> – Capital assets not being depreciated

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

## NOTE 3 – CAPITAL ASSETS (cont.)

### WATER UTILITY

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

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

<sup>(1)</sup> – Capital assets not being depreciated



## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 3 – CAPITAL ASSETS (cont.)

#### *WATER UTILITY* (cont.)

A summary of changes in water capital assets for 2021 follows:

	Balance 1/1/2021	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2021
Land and land rights <sup>(1)</sup>	\$ 3,781,550	\$ -	\$ -	\$ -	\$ 3,781,550
Source of supply	4,061,729	-	(7,838)	254,055	4,307,946
Pumping equipment	2,590,943	1,838	(9,339)	311,012	2,894,454
Purification equipment	2,985,496	6,045	(26,642)	-	2,964,899
Distribution system	25,502,483	247,118	(178,284)	846,054	26,417,371
General plant	1,690,568	9,673	(147,472)	132,191	1,684,960
<b>Total Utility Plant in Service</b>	<b>40,612,769</b>	<b>264,674</b>	<b>(369,575)</b>	<b>1,543,312</b>	<b>42,051,180</b>
Construction work in progress <sup>(1)</sup>	975,002	1,150,169	-	(1,543,312)	581,859
<b>Total Water Utility Plant</b>	<b>41,587,771</b>	<b>1,414,843</b>	<b>(369,575)</b>	<b>-</b>	<b>42,633,039</b>
Less: Accumulated depreciation					
Source of supply	1,897,306	95,386	(7,147)	-	1,985,545
Pumping equipment	1,058,012	71,409	(7,093)	-	1,122,328
Purification system	1,039,589	55,668	(20,813)	-	1,074,444
Distribution system	6,672,650	557,386	(126,351)	-	7,103,685
General plant	1,303,820	69,389	(138,897)	-	1,234,312
<b>Total Accumulated     Depreciation</b>	<b>11,971,377</b>	<b>\$ 849,238</b>	<b>\$ (300,301)</b>	<b>\$ -</b>	<b>12,520,314</b>
<b>Net Water Capital Assets</b>	<b>\$ 29,616,394</b>				<b>\$ 30,112,725</b>

<sup>(1)</sup> – Capital assets not being depreciated

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 3 – CAPITAL ASSETS (cont.)

#### COMMUNICATIONS UTILITY

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

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

<sup>(1)</sup> – Capital assets not being depreciated

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 3 – CAPITAL ASSETS (cont.)

#### COMMUNICATIONS UTILITY (cont.)

A summary of changes in communications capital assets for 2021 follows:

	Balance 1/1/2021	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2021
Fiber Optic TV	\$ 17,199,295	\$ 120,390	\$ (162,709)	\$ 12,381	\$ 17,169,357
Data/Internet	24,109,870	302,016	(276,687)	449,620	24,584,819
MAN	4,971,244	19,464	(24,754)	5,657	4,971,611
General plant	2,629,235	31,431	(130,501)	76,941	2,607,106
<b>Total Utility Plant in Service</b>	<b>48,909,644</b>	<b>473,301</b>	<b>(594,651)</b>	<b>544,599</b>	<b>49,332,893</b>
Construction work in progress <sup>(1)</sup>	875,879	243,082	-	(544,599)	574,362
<b>Total Communications Utility Plant</b>	<b>49,785,523</b>	<b>716,383</b>	<b>(594,651)</b>	<b>-</b>	<b>49,907,255</b>
Less: Accumulated depreciation					
Fiber Optic TV	15,880,372	420,763	(112,678)	-	16,188,457
Data/Internet	5,260,866	1,880,372	(145,883)	-	6,995,355
MAN	4,117,448	53,492	(16,570)	-	4,154,370
General plant	1,398,083	197,035	(123,093)	-	1,472,025
<b>Total Accumulated Depreciation</b>	<b>26,656,769</b>	<b>\$ 2,551,662</b>	<b>\$ (398,224)</b>	<b>\$ -</b>	<b>28,810,207</b>
<b>Net Communications Capital Assets</b>	<b>\$ 23,128,754</b>				<b>\$ 21,097,048</b>

<sup>(1)</sup> – Capital assets not being depreciated

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 4 – RESTRICTED ASSETS

Restricted assets represent amounts set aside under the terms of the water bond agreement. In accordance with the covenants of the bond resolutions, the amounts have been segregated into funds. In accordance with the bond and loan agreement, the bond fund is used solely for the purpose of paying the interest on and principal of the outstanding debt. The composition of the restricted assets at December 31 of 2022 and 2021 is as follows:

	Water Utility	
	2022	2021
Bond Fund	\$ 947,950	\$ 945,250
Total Restricted Assets	\$ 947,950	\$ 945,250

### NOTE 5 – NON-CURRENT LIABILITIES

#### *NON-CURRENT LIABILITIES SUMMARY – ELECTRIC*

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

	Balance 1/1/2022	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2022
Total OPEB liability	\$ 835,753	\$ 66,901	\$ (55,413)	\$ 847,241
Health and dental care provision	1,895,075	1,298,482	(3,067,923)	125,634
Net pension liability	5,922,231	2,802,120	(8,671,040)	53,311
Landfill closure and post-closure liability	1,103,410	81,557	-	1,184,967
Non-current Liabilities	\$ 9,756,469	\$ 4,249,060	\$ (11,794,376)	\$ 2,211,153

Non-current liabilities activity for the year ended December 31, 2021:

	Balance 1/1/2021	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2021
Total OPEB liability	\$ 667,354	\$ 51,971	\$ 116,428	\$ 835,753
Health and dental care provision	1,511,394	3,539,906	(3,156,225)	1,895,075
Net pension liability	7,839,404	6,233,472	(8,150,645)	5,922,231
Landfill closure and post-closure liability	1,024,122	79,288	-	1,103,410
Non-current Liabilities	\$ 11,042,274	\$ 9,904,637	\$ (11,190,442)	\$ 9,756,469

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

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### **NOTE 5 – NON-CURRENT LIABILITIES** (cont.)

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#### ***NON-CURRENT LIABILITIES SUMMARY – WATER***

In May 2017, the Board approved the issuance and securing the payment of future obligations for the purposes of borrowing money for constructing water improvements and extensions. The water utility issued \$14,865,000 Water Revenue Bonds, Series 2017 in June 2017 for that purpose. The premium bonds are S&P “A” rated (with insurance increasing the rating to S&P “AA”), a non-bank qualified issue, callable June 1, 2027 at par. The effective interest cost is approximately 3.51%. The interest payments that are due each June 1 and December 1 began December 1, 2017. Principal payments are due annually December 1 and began in 2018. Total outstanding bonds payable at December 31, 2022 and December 31, 2021 were \$12,910,000 and \$13,320,000, respectively.

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

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 5 – NON-CURRENT LIABILITIES (cont.)

#### *NON-CURRENT LIABILITIES SUMMARY – WATER* (cont.)

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

	Balance 1/1/2022	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2022	Due Within One Year
Long-term debt	\$ 13,320,000	\$ -	\$ (410,000)	\$12,910,000	\$ 425,000
Less: Current installments	(410,000)	(425,000)	410,000	(425,000)	-
Unamortized bond premium	557,752	-	(87,552)	470,200	-
Long-Term Debt, Net of Current Portion	13,467,752	(425,000)	(87,552)	12,955,200	425,000
Total OPEB liability	122,187	8,793	(7,283)	123,697	-
Health & dental care provision	51,612	355,147	(400,641)	6,118	-
Net pension liability	501,968	183,469	(362,652)	322,785	-
Customer advances for construction	217,232	(214,550)	(2,682)	-	-
<b>Non-current Liabilities</b>	<b>\$ 14,360,751</b>	<b>\$ (92,141)</b>	<b>\$ (860,810)</b>	<b>\$13,407,800</b>	<b>\$ 425,000</b>

Non-current liabilities activity for the year ending December 31, 2021:

	Balance 1/1/2021	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2021	Due Within One Year
Long-term debt	\$13,720,000	\$ -	\$ (400,000)	\$13,320,000	\$ 410,000
Less: Current installments	(400,000)	(410,000)	400,000	(410,000)	-
Unamortized bond premium	650,652	-	(92,900)	557,752	-
Long-Term Debt, Net of Current Portion	13,970,652	(410,000)	(92,900)	13,467,752	410,000
Total OPEB liability	99,850	7,598	14,739	122,187	-
Health & dental care provision	30,172	436,965	(415,525)	51,612	-
Net pension liability	1,196,311	488,902	(1,183,245)	501,968	-
Customer advances for construction	217,993	-	(761)	217,232	-
<b>Non-current Liabilities</b>	<b>\$15,514,978</b>	<b>\$ 523,465</b>	<b>\$ (1,677,692)</b>	<b>\$14,360,751</b>	<b>\$ 410,000</b>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

## NOTE 5 – NON-CURRENT LIABILITIES (cont.)

### NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

Non-Current Liabilities Maturity Schedule – Water

Year Ending <u>December 31</u>	Water Revenue Bonds, Series 2017		
	Direct Placement		
	Principal <u>Amount</u>	Interest <u>2%-5%</u>	<u>Total</u>
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 - 2032	2,885,000	1,848,800	4,733,800
2033 - 2037	3,465,000	1,269,800	4,734,800
2038 - 2042	4,215,000	518,800	4,733,800
Totals	<u>\$12,910,000</u>	<u>\$6,028,900</u>	<u>\$18,938,900</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 2022 and 2021, and water utility net revenues are as follows:

	<u>2022</u>	<u>2021</u>
Principal and interest paid	\$ 945,250	\$ 947,250
Net revenues	2,445,421	2,448,746

Annual future principal and interest payments are expected to require 39% of water utility net revenues.

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

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### **NOTE 5 – NON-CURRENT LIABILITIES (cont.)**

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#### ***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; semiannual 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 bore interest at the rate of 2.95% per annum. Both principal and interest were payable in 19 equal quarterly installments of \$540,916 each, due on March 31, June 30, September 30 and December 31 in each of the years 2018 through 2022, plus a final payment due December 31, 2022. Upon default of the bond obligations, a proceeding could have been brought in law or in equity by suit, action, or mandamus to enforce compliance with the bond's terms, or action could have been brought to obtain the appointment of a receiver to take possession of and operate the communications utility and to perform the duties required by the bond resolution and the Code of Iowa. The Series 2017 Bond was paid off in January 2021.

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

On January 5, 2021, the communications utility closed on the \$6,300,000 Communications Revenue Bond, Series 2021, issued at a rate of 2.73% per annum. Both principal of and interest on this bond are payable in 26 equal quarterly installments in the amount of \$256,611 each, due on December 30, March 30, June 30 and September 30 in each of the years 2021 to 2027, inclusive, commencing March 30, 2021. The final payment is September 30, 2027. Upon breach or default of the bond or parity obligations and the related Board bond resolution, a proceeding may be brought in law or in equity by suit, action, or mandamus to enforce and compel compliance with the bond's terms, or action may be brought to obtain the appointment of a receiver to take possession of and operate the communications utility and to perform the duties required by the bond resolution and the Code of Iowa. The Communications Revenue Bond, Series 2017, was paid off with proceeds from this bond issue.



## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 5 – NON-CURRENT LIABILITIES (cont.)

#### *NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS (cont.)*

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

	Balance 1/1/2022	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2022	Due Within One Year
Note payable to banks	\$ 8,539,969	\$ -	\$ (1,401,868)	\$ 7,138,101	\$ 1,429,565
Note payable to electric utility	6,612,879	-	(1,493,600)	5,119,279	-
Total Long-Term Debt	15,152,848	-	(2,895,468)	12,257,380	1,429,565
Less: Current installments	(1,390,901)	1,390,901	(1,429,565)	(1,429,565)	-
Long-Term Debt, Net of Current Portion	13,761,947	1,390,901	(4,325,033)	10,827,815	1,429,565
Unearned revenue	141,980	-	(17,500)	124,480	-
Total OPEB liability	177,300	13,663	(11,316)	179,647	-
Health & dental care provision	84,771	547,987	(622,764)	9,994	-
Net pension liability	1,087,762	475,493	(1,509,768)	53,487	-
Non-current Liabilities	<u>\$ 15,253,760</u>	<u>\$ 2,428,044</u>	<u>\$ (6,486,381)</u>	<u>\$ 11,195,423</u>	<u>\$ 1,429,565</u>

Non-current liabilities activity for the year ending December 31, 2021:

	Balance 1/1/2021	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2021	Due Within One Year
Note payable to banks	\$ 7,760,667	\$ 6,300,000	\$ (5,520,698)	\$ 8,539,969	\$ 1,390,901
Note payable to electric utility	7,104,023	-	(491,144)	6,612,879	-
Total Long-Term Debt	14,864,690	6,300,000	(6,011,842)	15,152,848	1,390,901
Less: Current installments	(2,553,729)	2,553,729	(1,390,901)	(1,390,901)	-
Long-Term Debt, Net of Current Portion	12,310,961	8,853,729	(7,402,743)	13,761,947	1,390,901
Unearned revenue	159,480	-	(17,500)	141,980	-
Total OPEB liability	141,854	11,025	24,421	177,300	-
Health & dental care provision	50,808	693,410	(659,447)	84,771	-
Net pension liability	1,522,790	1,130,994	(1,566,022)	1,087,762	-
Non-current Liabilities	<u>\$ 14,185,893</u>	<u>\$ 10,689,158</u>	<u>\$ (9,621,291)</u>	<u>\$ 15,253,760</u>	<u>\$ 1,390,901</u>

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 5 – NON-CURRENT LIABILITIES (cont.)

#### *NON-CURRENT LIABILITIES MATURITY SCHEDULE – COMMUNICATIONS*

Communications loan debt service requirements to maturity as of December 31, 2022 are as follows:

Year Ending December 31	Electric Utility Loan			2020 Bank Loan - Direct Placement			2021 Bank Loan - Direct Placement		
	Principal Amount	Interest 0.50%	Total	Principal Amount	Interest 2.73%	Total	Principal Amount	Interest 2.73%	Total
2023	\$ -	12,798	12,798	517,980	65,459	583,439	911,585	114,859	1,026,444
2024	501,068	24,344	525,412	532,266	51,172	583,438	936,727	89,717	1,026,444
2025	503,573	21,832	525,405	546,947	36,492	583,439	962,563	63,881	1,026,444
2026	506,091	19,308	525,399	562,032	21,407	583,439	989,111	37,333	1,026,444
2027	508,622	16,771	525,393	<u>431,674</u>	<u>5,905</u>	<u>437,579</u>	<u>747,216</u>	<u>10,138</u>	<u>757,354</u>
2028	511,165	14,222	525,387						
2029	513,721	11,659	525,380						
2030	516,289	9,084	525,373						
2031	518,871	6,497	525,368						
2032	521,465	3,896	525,361						
2033	<u>518,414</u>	<u>1,296</u>	<u>519,710</u>						
Totals	<u>\$ 5,119,279</u>	<u>\$141,707</u>	<u>\$ 5,260,986</u>	<u>\$ 2,590,899</u>	<u>\$ 180,435</u>	<u>\$ 2,771,334</u>	<u>\$ 4,547,202</u>	<u>\$ 315,928</u>	<u>\$ 4,863,130</u>

The communications utility made a voluntary early principal payment in 2022 of \$1.0 million for the Electric Utility Loan.

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 2022 and 2021, excluding that paid to the electric utility, and communications utility net revenues are as follows:

	<u>2022</u>	<u>2021</u>
Principal and interest paid	\$ 1,609,883	\$ 5,786,739
Net revenues	4,992,694	4,461,698

Annual future principal and interest payments are expected to require 31% of communications utility net revenues.

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

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### NOTE 6 – NET POSITION

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

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

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

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

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

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

	<u>2022</u>	<u>2021</u>
Plant in Service	\$ 433,139,032	\$ 440,738,515
Construction Work in Progress	3,270,769	8,882,873
Accumulated Depreciation	<u>(364,770,709)</u>	<u>(378,705,167)</u>
Net Investment in Capital Assets	<u>\$ 71,639,092</u>	<u>\$ 70,916,221</u>

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### NOTE 6 – NET POSITION (cont.)

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

	2022	2021
Plant in Service	\$ 43,387,066	\$ 42,051,180
Construction Work in Progress	556,109	581,859
Accumulated Depreciation	(13,140,594)	(12,520,314)
Subtotals	30,802,581	30,112,725
Less: Capital-Related Debt		
Customer advances for construction	-	218,097
Current portion of capital-related, long-term debt	425,000	410,000
Long-term portion of capital-related, long-term debt	12,485,000	12,910,000
Unamortized bond premium	470,200	557,752
Subtotals	13,380,200	14,095,849
Net Investment in Capital Assets	\$ 17,422,381	\$ 16,016,876

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

	2022	2021
Plant in Service	\$ 28,817,310	\$ 49,332,893
Construction Work in Progress	413,920	574,362
Accumulated Depreciation	(10,088,475)	(28,810,207)
Subtotals	19,142,755	21,097,048
Less: Capital-Related Debt		
Current portion of capital-related, long-term debt	1,429,565	1,390,901
Long-term portion of capital-related, long-term debt	5,708,536	7,149,068
Subtotals	7,138,101	8,539,969
Net Investment in Capital Assets	\$ 12,004,654	\$ 12,557,079

### 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, 2022 and 2021

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

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

	Measurement date	12/31/2021	12/31/2020
	Fiscal year end	<u>12/31/2022</u>	<u>12/31/2021</u>
Active plan members		263	263
Inactive plan members entitled to but not yet receiving benefits		0	0
Retired plan members or beneficiaries currently receiving benefits		<u>25</u>	<u>25</u>
TOTAL		<u>288</u>	<u>288</u>

For fiscal years 2022, 2021 and 2020, the utility contributed \$74,549, \$62,135 and \$83,079, 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, 2021.

	2022	2021
Service cost	\$54,130	\$34,612
Interest on net OPEB obligation	35,874	36,517
Adjustment to annual required contribution	-	-
Differences between expected and actual experience	-	(22,287)
Changes in assumptions	-	241,127
Benefit payments	(74,549)	(62,135)
Net change in total OPEB obligation	15,455	227,834
Total OPEB Obligation - Beginning of Year	1,143,835	916,001
Total OPEB Obligation - End of Year	\$1,159,290	\$1,143,835

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

For the years ended December 31, 2022 and December 31, 2021, the utility recognized net change in total OPEB liability of \$15,455 and \$227,834, respectively. On December 31, 2022, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

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

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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

On December 31, 2021, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$213,379	\$91,904
Difference between actual and expected experience	64,178	19,722
Contributions subsequent to measurement date	62,135	-
	<u>\$339,692</u>	<u>\$111,626</u>

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

<b>Fiscal Year ending 12/31</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2023	\$42,166	\$24,789
2024	42,166	24,789
2025	38,846	18,138
2026	34,257	8,959
2027	31,065	5,829
Thereafter	46,891	4,334
Totals	<u>\$235,391</u>	<u>\$86,838</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 employees and retirees).
- 2) Changes in assumptions, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated and retirees).

#### ***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

	1% Decrease 2.09%	Discount Rate 3.09%	1% Increase 4.09%
Total OPEB Liability 12/31/22	\$1,267,144	\$1,159,290	\$1,063,175
Total OPEB Liability 12/31/21	\$1,250,251	\$1,143,835	\$1,049,001

#### ***Sensitivity of the Total OPEB Liability to Changes in Healthcare Trend Rate***

	1% decrease	Trend Rate	1% Increase
Total OPEB Liability 12/31/22	\$1,047,170	\$1,159,290	\$1,290,849
Total OPEB Liability 12/31/21	\$1,033,210	\$1,143,835	\$1,273,640

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2022 and 2021

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

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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, 2021 and 2022 (measurement period of January 1, 2020 to December 31, 2020) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.09% Barclays Municipal GO Long Term (17+Y) index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.
Mortality rate	Based on Pri-2012 Total dataset base rate mortality table projected generationally using the Principal 2016-10 scale.
Retirement rates	Ages 62-64 - 25%; Age 65 – 100%.
Marriage	75% married; male is 3 years older than female.
Withdrawal	2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.60.
Healthcare cost increases	2021 – 4.3%; 2022 – 7.0%; 2023 – 6.5% decreasing by 0.25% per year through 2031; 2032+ 4.50%/year.
Participation rate	75% of future retirees.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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

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### Single-Employer Defined Benefit OPEB Plan Aggregate Tables

#### Aggregate Total OPEB Liability Schedule

	<u>2022</u>	<u>2021</u>
Electric	\$847,241	\$835,753
Water	123,697	122,187
Communications	179,646	177,300
MAGIC	8,706	8,595
	<u>\$1,159,290</u>	<u>\$1,143,835</u>

#### Aggregate Deferred Outflows of Resources Schedule

	<u>2022</u>	<u>2021</u>
Electric	\$218,255	\$249,597
Water	30,679	34,799
Communications	46,388	52,789
MAGIC	2,204	2,507
	<u>\$297,526</u>	<u>\$339,692</u>

#### Aggregate Deferred Inflows of Resources Schedule

	<u>2022</u>	<u>2021</u>
Electric	\$62,581	\$81,006
Water	10,014	12,436
Communications	13,569	17,332
MAGIC	674	852
	<u>\$86,838</u>	<u>\$111,626</u>

#### Aggregate OPEB Expense Schedule

	<u>2022</u>	<u>2021</u>
Electric	\$24,405	\$6,641
Water	3,208	881
Communications	4,984	1,398
MAGIC	236	65
	<u>\$32,833</u>	<u>\$8,985</u>



# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

### **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, 2021 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, 2022 and December 31, 2021 were \$21,797,004 and \$22,755,120, respectively. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is approved and amended by the utility's five-member Board, 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:

	<b>Fiscal year end:</b>	<b><u>12/31/2022</u></b>	<b><u>12/31/2021</u></b>
Active plan members		251	263
Inactive plan members entitled to but not yet receiving benefits		93	93
Disabled plan members entitled to benefits		0	0
Retired plan members or beneficiaries currently receiving benefits		<u>233</u>	<u>227</u>
TOTAL		<u>577</u>	<u>583</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, 2021 measurement date and the end of the December 31, 2022 reporting period.

The basis for determining contributions is an actuarially determined contribution (ADC) that is calculated in the plan's Actuarial Valuation Report dated December 31, 2022. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The ADC for the measurement period ending December 31, 2022 was \$3,624,948, equal to 16.6% of covered valuation payroll; the ADC for the measurement period ending December 31, 2021 was \$3,823,002, equal to 16.8% of covered valuation payroll. Employer contributions for the years ending December 31, 2022 and December 31, 2021 equaled \$3,840,000 and \$3,823,002, respectively.

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

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

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#### *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, 2020 to December 31, 2021 has been used for the fiscal year ending December 31, 2022 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2022 was measured as of December 31, 2021, using the pension liability that was determined by an actuarial valuation as of December 31, 2021. The plan administrator does a comprehensive review of the economic and demographic assumptions. The following were used for the years ending December 31, 2022 and December 31, 2021:

	<u>Rate</u>
Inflation	2.25%
Investment rate of return	5.75%
Salary increases (age-based)	Age 25-6.18%; Age 40-4.72%; Age 55-3.88%
Retirement rate	25% at Age 62; 25% at Age 63; 25% at Age 64; 25% at Age 65
Wage base	3.25%
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 2017-10).

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) 2021. 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 2021 is 20 years.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

## 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	40.40%	7.70%
US Equity - Mid Cap	4.53%	8.00%
US Equity - Small Cap	2.25%	8.55%
Non-US Equity	18.04%	8.00%
Real Estate (direct property)	6.04%	5.35%
Core Bond	26.34%	2.70%
High Yield	<u>2.40%</u>	4.65%
Total	<u>100.00%</u>	

The discount rate used to determine the end of period total pension liability is 5.75%. 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 2021 to 2119. Benefit payments after 2119 are projected to be \$0. The long-term rate of return of 5.75% 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 3.07% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the December 31, 2021 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described. The discount rate used to determine the beginning of period total pension liability is 5.75%.

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

For the years ended December 31, 2022 and December 31, 2021, the utility recognized pension expense (income) of \$(567,152) and \$1,934,081, respectively. At December 31, 2022, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

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

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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

At December 31, 2021, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	3,823,002	-
	<b>\$9,286,743</b>	<b>\$10,890,471</b>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

<b><u>Fiscal Year ending 12/31</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
2023	\$1,599,541	\$3,657,057
2024	1,491,097	5,033,775
2025	573,948	3,045,437
2026	6,707	1,417,840
Totals	<b>\$3,671,293</b>	<b>\$13,154,109</b>

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

	<b>1% Decrease 4.75%</b>	<b>Discount Rate 5.75%</b>	<b>1% Increase 6.75%</b>
Net Pension Liability/(Asset) 12/31/22	\$12,518,117	(\$880,064)	(\$12,111,562)
	<b>1% Decrease 4.75%</b>	<b>Discount Rate 5.75%</b>	<b>1% Increase 6.75%</b>
Net Pension Liability/(Asset) 12/31/21	\$20,572,468	\$7,566,178	(\$3,342,221)

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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

***SCHEDULE OF CHANGES IN NET PENSION LIABILITY***

	Measurement Period Ending Fiscal Year Ending	12/31/2021 12/31/2022	12/31/2020 12/31/2021
<b><u>TOTAL PENSION LIABILITY</u></b>			
Service cost		\$1,858,620	\$1,578,324
Interest		5,823,219	5,739,672
Benefit payments		(4,628,248)	(4,331,785)
Difference between expected and actual experience		(157,715)	831,913
Change in assumptions		147,923	5,529,903
Net Change in Total Pension Liability		<u>\$3,043,799</u>	<u>\$9,348,027</u>
Total Pension Liability, beginning of period		<u>\$101,872,673</u>	<u>\$92,524,646</u>
Total Pension Liability, end of period		<u><u>\$104,916,472</u></u>	<u><u>\$101,872,673</u></u>
<b><u>PLAN FIDUCIARY NET POSITION</u></b>			
Employer contributions		\$3,823,002	\$3,124,701
Net investment income		12,437,361	13,070,517
Benefit payments		(4,628,248)	(4,331,785)
Administration expenses		(142,074)	(145,574)
Net Change in Plan Fiduciary Net Position		<u>\$11,490,041</u>	<u>\$11,717,859</u>
Plan Fiduciary Net Position, beginning of period		<u>\$94,306,495</u>	<u>\$82,588,636</u>
Plan Fiduciary Net Position, end of period		<u><u>\$105,796,536</u></u>	<u><u>\$94,306,495</u></u>
NET PENSION LIABILITY (ASSET)		<u><u>(\$880,064)</u></u>	<u><u>\$7,566,178</u></u>

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2022 and 2021

### NOTE 9 – FIDUCIARY PENSION TRUST FUND – GASB 67 DISCLOSURES

For the measurement date of December 31, 2022, the following assumptions were updated: (1) the municipal bond rate of 4.38%, (2) the mortality improvement scale is based on MIM-2021-v3 application tool, (3) the discount rate of 5.46% is used to determine the end of period total pension liability, and (4) with regards to future employer contributions, employer normal cost is assumed to continue at 7.91% of payroll and expenses are assumed to start at \$177,000.

As of the measurement dates of December 31, 2022 and December 31, 2021, the following plan members (including MAGIC employees – see Note 17) were covered by the benefit terms:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Active plan members	255	251
Inactive plan members entitled to but not yet receiving benefits	99	93
Disabled plan members entitled to benefits	0	0
Retired plan members or beneficiaries currently receiving benefits	<u>242</u>	<u>233</u>
TOTAL	<u>596</u>	<u>577</u>

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

Measurement date 12/31/21	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$3,111,674	\$558,099
Difference between actual and expected experience	559,619	258,677
Difference between projected and actual earnings	-	12,337,335
Contributions subsequent to measurement date	-	-
	<u>\$3,671,293</u>	<u>\$13,154,111</u>

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

	<b>1% Decrease 4.46%</b>	<b>Discount Rate 5.46%</b>	<b>1% Increase 6.46%</b>
Net Pension Liability/(Asset) 12/31/2022	\$38,339,768	\$24,019,131	\$12,029,132
	<b>1% Decrease 4.75%</b>	<b>Discount Rate 5.75%</b>	<b>1% Increase 6.75%</b>
Net Pension Liability/(Asset) 12/31/2021	\$12,518,117	(\$880,064)	(\$12,111,562)

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

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

*SCHEDULE OF CHANGES IN NET PENSION LIABILITY*

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

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2022 and 2021

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### **NOTE 10 – IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (IPERS)**

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies 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, 2023 of their annual covered salary. The utility is required to contribute 9.44% from July 1, 2018 through June 30, 2023 of employees covered annual salaries. The contributions to IPERS for the years ending December 31, 2022, December 31, 2021 and December 31, 2020 were \$82,308, \$81,504 and \$82,972, respectively, equal to the required contributions for those years. A measurement period of July 1, 2021 to June 30, 2022 has been used for the fiscal year ending December 31, 2022 for GASB 68 reporting.



# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

## 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, 2022 and December 31, 2021, the utility reported a liability of \$429,583 and \$14,902, 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, 2022, the utility’s collective proportion was 0.010823%, which was an increase of 0.000182% from its proportion measured as of June 30, 2021. At June 30, 2021, the utility’s collective proportion was 0.010630%, which was an increase of 0.000479% from its proportion measured as of June 30, 2020.

For the years ended December 31, 2022 and December 31, 2021, the utility recognized IPERS expense (income) of \$28,251 and (\$22,100), respectively. As of December 31, 2022, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

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

As of December 31, 2021, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$11,339	\$11,385
Changes of assumptions	9,747	-
Difference between projected and actual earnings	-	539,931
Contributions subsequent to measurement date	43,781	-
Changes in proportion and differences between contributions and proportionate share of contributions	156,263	26,714
	<u>\$221,130</u>	<u>\$578,030</u>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

## **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, 2023. 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>
2023	\$46,684	\$25,743
2024	37,213	24,604
2025	32,470	20,614
2026	21,851	0
2027	4,036	0
2028	<u>733</u>	<u>0</u>
Totals	<u>\$142,987</u>	<u>\$70,961</u>

There were no non-employer contributing entities at IPERS.

### **ACTUARIAL ASSUMPTIONS**

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

### 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, 2022		as of June 30, 2021	
	Target		Target	
	Allocation	Rate of return	Allocation	Rate of return
Core-plus fixed income	20.0%	1.66%	26.0%	0.29%
Domestic equity	22.0%	3.57%	22.0%	4.43%
International equity	17.5%	4.79%	17.5%	6.01%
Private equity	13.0%	7.57%	13.0%	9.51%
Private real assets	8.5%	3.55%	7.5%	4.63%
Global smart beta equity	6.0%	4.16%	6.0%	5.10%
Public credit	4.0%	3.77%	4.0%	2.08%
Private credit	8.0%	3.63%	3.0%	2.87%
Cash	<u>1.0%</u>	77.00%	<u>1.0%</u>	-0.25%
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 12/31/22	\$800,364	\$429,583	\$102,822
Net Pension Liability-IPERS 12/31/21	\$527,438	\$14,902	(\$414,635)

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](http://www.ipers.org).

At December 31, 2022 and December 31, 2021, the utility reported payables to the defined benefit pension plan of \$8,915 and \$10,094 for legally required employer contributions and \$5,940 and \$6,725 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, 2022 and 2021

## NOTE 11 – AGGREGATE PENSION SCHEDULES

### Aggregate Net Pension Liability Schedule (Asset) - 2022

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

### Aggregate Deferred Outflows of Resources Schedule - 2022

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 5,935,424	\$ 22,664	\$ 5,958,088
Water	459,684	137,225	596,909
Communications	1,064,347	22,739	1,087,086
MAGIC	51,838	-	51,838
	<u>\$ 7,511,293</u>	<u>\$ 182,628</u>	<u>\$ 7,693,921</u>

### Aggregate Deferred Inflows of Resources Schedule - 2022

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 10,394,379	\$ 8,806	\$ 10,403,185
Water	805,032	53,320	858,352
Communications	1,863,938	8,835	1,872,773
MAGIC	90,762	-	90,762
	<u>\$ 13,154,111</u>	<u>\$ 70,961</u>	<u>\$ 13,225,072</u>

### Aggregate Pension Expense (Income) Schedule - 2022

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2022 and 2021

## NOTE 11 – AGGREGATE PENSION SCHEDULES (cont.)

### Aggregate Net Pension Liability Schedule - 2021

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 5,920,284	\$ 1,947	\$ 5,922,231
Water	490,828	11,140	501,968
Communications	1,085,947	1,815	1,087,762
MAGIC	69,119	-	69,119
	<u>\$ 7,566,178</u>	<u>\$ 14,902</u>	<u>\$ 7,581,080</u>

### Aggregate Deferred Outflows of Resources Schedule - 2021

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 7,319,811	\$ 28,888	\$ 7,348,699
Water	574,100	165,304	739,404
Communications	1,328,093	26,939	1,355,032
MAGIC	64,738	-	64,738
	<u>\$ 9,286,742</u>	<u>\$ 221,131</u>	<u>\$ 9,507,873</u>

### Aggregate Deferred Inflows of Resources Schedule - 2021

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 8,583,869	\$ 75,513	\$ 8,659,382
Water	673,249	432,100	1,105,349
Communications	1,557,446	70,416	1,627,862
MAGIC	75,907	-	75,907
	<u>\$ 10,890,471</u>	<u>\$ 578,029</u>	<u>\$ 11,468,500</u>

### Aggregate Pension Expense (Income) Schedule - 2021

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 1,524,443	\$ (2,887)	\$ 1,521,556
Water	119,565	(16,521)	103,044
Communications	276,593	(2,692)	273,901
MAGIC	13,480	-	13,480
	<u>\$ 1,934,081</u>	<u>\$ (22,100)</u>	<u>\$ 1,911,981</u>

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2022 and 2021

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### NOTE 12 – SIGNIFICANT CUSTOMERS

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Approximately \$31,281,900 or 21% in 2022 and \$30,331,700 or 27% in 2021 of the electric utility's operating revenues were derived from sales to one customer. Approximately \$4,070,100 or 51% in 2022 and \$3,982,700 or 51% in 2021 of the water utility's operating revenues were derived from sales to one customer.

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### NOTE 13 – COMMITMENTS AND CONTINGENCIES

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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 45,000 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 710,000 tons of coal in 2023 and 275,000 tons in 2024 under three contracts with one supplier. If additional tons become necessary, they will be purchased on the OTC market or by working directly with a coal mining company.

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

The agreement with the Canadian Pacific Railway for the shipment of coal from the interchange point to the utility's generating station expires December 31, 2023. A new agreement is expected to be in place prior to expiration of the current agreement. The Canadian Pacific Railway is only offering one-year agreements. The utility's minimum volume commitment (MVC) is 5,704 railcars or 46 trains. In the event the utility does not meet that requirement the utility has agreed to either an amount equal to the additional amount of freight charges that would have been due had the MVC been met the difference between the contract which would have been applicable to the volume shipped had it moved pursuant to tariff rates on file and in effect on the last day of the MVC calculation period.

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.

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

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### NOTE 14 – ENVIRONMENTAL REGULATIONS

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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 electric utility customers.

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

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### NOTE 15 – INTERFUND AND RELATED PARTY TRANSACTIONS

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The electric utility sold electric services to the water utility amounting to approximately \$1,293,900 in 2022 and \$1,248,700 in 2021. The electric utility sold electric services to the communications utility amounting to approximately \$49,700 in 2022 and \$52,100 in 2021. The electric utility purchased water from the water utility amounting to approximately \$511,300 in 2022 and \$436,500 in 2021. The electric utility purchased communications services from the communications utility amounting to approximately \$152,200 for 2022 and \$161,600 for 2021. The water utility purchased communications services from the communications utility amounting to approximately \$11,700 for 2022 and \$10,800 for 2021.

The electric utility rents space to the water utility and the communications utility at its Administration/Operations Center. Rent amounted to \$82,217 in 2022 and \$79,822 in 2021 for the water utility's rent and \$132,954 in 2022 and \$129,082 in 2021 for the communications utility's rent.

Electric utility accounts receivable from the water utility were \$110,700 and \$104,200 at December 31 of 2022 and 2021, respectively. Electric utility accounts payable to the water utility were \$43,400 and \$47,200 at December 31 of 2022 and 2021, respectively. Electric utility accounts receivable from the communications utility were \$49,700 and \$49,700 at December 31 of 2022 and 2021, respectively. Electric utility accounts payable to the communications utility were \$11,500 and \$3,200 at December 31 of 2022 and 2021, respectively. Water utility accounts payable to the communications utility were \$1,000 and \$900 at December 31 of 2022 and 2021, 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, 2022 and December 31, 2021. Interest income on the loan amounted to \$33,064 for 2022 and \$35,520 for 2021.

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

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

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2022 and 2021

### 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)	2022	2021	2020
<b>Health/dental care self-insurance reserve</b>			
Reserve liability, beginning of year	\$ 2,031	\$ 1,592	\$ 984
Add: Provision for reserve, current year	2,825	5,431	5,442
Less: Payments on reserve	<u>(4,250)</u>	<u>(4,693)</u>	<u>(4,533)</u>
Total Reserve Liability, end of year	606	2,330	1,893
Incurred but not reported claims	<u>(464)</u>	<u>(299)</u>	<u>(301)</u>
Non-Current Reserve Liability, End of Year	<u>\$ 142</u>	<u>\$ 2,031</u>	<u>\$ 1,592</u>
 (Thousands of dollars)	 2022	 2021	 2020
<b>Workers compensation self-insurance reserve</b>			
Reserve liability, beginning of year	\$ 351	\$ 359	\$ 536
Add: Provision for reserve	35	145	218
Less: Payments on reserve	<u>(282)</u>	<u>(153)</u>	<u>(395)</u>
Reserve Liability, End of Year	<u>\$ 104</u>	<u>\$ 351</u>	<u>\$ 359</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, 2022 and 2021

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## **NOTE 18 – CLOSURE AND POST-CLOSURE CARE COST**

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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 post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the electric utility reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1.2 million reported as landfill closure and post-closure care liability at December 31, 2022, represents the remaining cumulative amount reported to date based on the use of approximately 69% 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 \$529,200 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.

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## **NOTE 19 – SUBSEQUENT EVENTS**

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### ***ELECTRIC RATES***

In March 2023, overall 1.3% increases for electric base rates were approved by the Board to become effective July 1, 2023 and July 1, 2024.

### ***WATER RATES***

In March 2023, an overall 8.0% increase for water rates was approved by the Board to become effective July 1, 2023 and a 4.0% increase to become effective July 1, 2024.

### ***COMMUNICATIONS RATES***

In March 2023, an overall 6.0% rate increase for video services was approved by the Board to become effective May 1, 2023. Digital TV Basic service will increase \$1.00 to \$25.99 per month; Select Digital TV service will increase \$2.00 to \$89.99 per month; the broadcast surcharge will increase \$2.14 to \$22.09 per month; and the regional sports charge for Select service will increase \$2.60 to \$9.49 per month.

### ***INTERNET PACKAGE RESTRUCTURING***

In March 2023, the Board approved an Internet package restructuring to become effective May 1, 2023. Internet speeds will increase with more bandwidth, while package pricing stays the same.

### ***POWER SUPPLY PLANNING***

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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## MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan  
For the Year Ended December 31, 2022 (unaudited)

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY

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

**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, 2022 (unaudited)

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Measurement date Fiscal Year	12/31/2018 12/31/2019	12/31/2017 12/31/2018	12/31/2016 12/31/2017	12/31/2015 12/31/2016	12/31/2014 12/31/2015
<b>TOTAL PENSION LIABILITY</b>						
Service cost		\$1,470,422	\$1,513,685	\$1,389,645	\$1,293,507	\$1,397,201
Interest		5,411,414	5,196,759	5,128,482	4,857,025	4,743,318
Benefit payments		(3,443,179)	(3,166,243)	(2,793,981)	(2,672,730)	(2,370,911)
Difference between expected and actual experience		942,640	450,770	(1,006,283)	652,758	(943,990)
Change in assumptions		<u>(201,125)</u>	<u>(347,807)</u>	<u>4,507,826</u>	<u>(123,402)</u>	<u>3,959,905</u>
<b>Net Change in Total Pension Liability</b>		\$4,180,172	\$3,647,164	\$7,225,689	\$4,007,158	\$6,785,523
<b>Total Pension Liability, beginning of period</b>		<b><u>\$86,939,732</u></b>	<b><u>\$83,292,568</u></b>	<b><u>\$76,066,879</u></b>	<b><u>\$72,059,721</u></b>	<b><u>\$65,274,198</u></b>
<b>Total Pension Liability, end of period</b>		<b><u>\$91,119,904</u></b>	<b><u>\$86,939,732</u></b>	<b><u>\$83,292,568</u></b>	<b><u>\$76,066,879</u></b>	<b><u>\$72,059,721</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Employer contributions		\$3,504,169	\$3,233,148	\$2,781,411	\$2,683,000	\$2,619,320
Net investment income		(3,545,522)	9,741,653	3,529,390	(266,965)	3,183,800
Benefit payments		(3,443,179)	(3,166,243)	(2,793,981)	(2,672,730)	(2,370,911)
Administration expenses		-	-	(4,500)	-	(1,950)
<b>Net Change in Plan Fiduciary Net Position</b>		(\$3,484,532)	\$9,808,558	\$3,512,320	(\$256,695)	\$3,430,259
<b>Plan Fiduciary Net Position, beginning of period</b>		<b><u>\$73,340,055</u></b>	<b><u>\$63,531,497</u></b>	<b><u>\$60,019,177</u></b>	<b><u>\$60,275,872</u></b>	<b><u>\$56,845,613</u></b>
<b>Plan Fiduciary Net Position, end of period</b>		<b><u>\$69,855,523</u></b>	<b><u>\$73,340,055</u></b>	<b><u>\$63,531,497</u></b>	<b><u>\$60,019,177</u></b>	<b><u>\$60,275,872</u></b>
<b>NET PENSION LIABILITY</b>		<b><u>\$21,264,381</u></b>	<b><u>\$13,599,677</u></b>	<b><u>\$19,761,071</u></b>	<b><u>\$16,047,702</u></b>	<b><u>\$11,783,849</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>		76.7%	84.4%	76.3%	78.9%	83.6%
<b>Covered Valuation Payroll</b>		\$20,802,753	\$19,722,272	\$19,812,794	\$20,849,573	\$19,530,308
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>		102.2%	69.0%	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, 2022 (unaudited)

***METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:***

Actuarial cost method	Entry Age Normal Method
Asset valuation method	Market Value
Investment rate of return	5.46%
Inflation	2.40%
Retirement rate	25% at each age group 62 years – 65 years
Salary increases (age-based)	Age 25 – 6.18%; Age 40 – 4.72%; Age 55 – 3.88%
Wage base	3.50%
Marriage rate	75%
Mortality	Pri-2012 total dataset projected generationally using the Principal Mortality Improvement Scale, Principal 2022

*See Independent Auditors' Report*

## MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System  
For the Year Ended December 31, 2022 (unaudited)

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

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Proportion of the Net Pension Liability	0.010823%	0.010630%	0.010151%	0.008276%
Proportionate share of the Net Pension Liability	\$429,583	\$14,902	\$708,117	\$482,470
Covered Valuation Payroll	\$915,758	\$862,746	\$799,956	\$634,088
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	46.9%	1.7%	88.5%	76.1%
Plan Fiduciary Net Position as a % of the Total Pension Liability	90.3%	99.6%	81.9%	84.4%
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Proportion of the Net Pension Liability	0.009012%	0.007749%	0.006906%	0.00916%
Proportionate share of the Net Pension Liability	\$570,121	\$483,234	\$343,338	\$363,277
Covered Valuation Payroll	\$579,595	\$551,040	\$476,102	\$595,572
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	98.4%	87.7%	72.1%	61.0%

The amounts presented were determined as of June 30.

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

**CHANGES OF BENEFIT AND FUNDING TERMS:**

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.

*See Independent Auditors' Report*



## MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System  
For the Year Ended December 31, 2022 (unaudited)

### **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.

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

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

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, 2022 (unaudited)

**SCHEDULE OF THE UTILITY’S IPERS CONTRIBUTIONS:**

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

**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 – OPEB Plan  
For the Year Ended December 31, 2022 (unaudited)

### Schedule of Changes in Net OPEB Liability

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

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

See Independent Auditors' Report

## MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan  
For the Year Ended December 31, 2022 (unaudited)

### Schedule of Employer (ER) Contributions

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

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

*See Independent Auditors' Report*

## MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan  
For the Year Ended December 31, 2022 (unaudited)

### ***METHODS AND ASSUMPTIONS USED TO DETERMINE OPEB LIABILITY:***

Actuarial cost method	Entry Age Normal Method
Discount rate	3.09%
Mortality rate	Pri-2012 Total dataset base rate mortality table projected generationally using the Principal Mortality Improvement Scale (Principal 2016-10).
Retirement rates	Ages 62-64 - 25%; Age 65 – 100%
Marriage	75% married; male is 3 years older than the female
Healthcare cost increases	2021 – 4.3%; 2022 – 7.0%; 2023 – 6.5% decreasing by 0.25% per year through 2031; 2031+ 4.50%/year
Participation rate	75% of future retirees

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Muscatine Power and Water (Utility), a component unit of the City of Muscatine, Iowa, as of and for the year ended December 31, 2022, and related notes to the financial statements, and have issued our report thereon dated April 20, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

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## Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2022, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility and are reported in Part III of the accompanying schedule of findings and responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Purpose of this Report

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



Dubuque, Iowa  
April 20, 2023

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**Part I: Findings Related to the Financial Statements:**

There were no findings to report.

**Part II: Findings and Questioned Costs for Federal Awards:**

Single audit did not apply for fiscal year 2022.

**Part III: Other Findings Related to Required Statutory Reporting:**

- 2022-IA-A **Adopted Budget** – No instances of noncompliance with the preparation and adoption of the Utility’s budget were noted.
- 2022-IA-B **Questionable Expenditures** – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2022-IA-C **Travel Expense** – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted.
- 2022-IA-D **Business Transactions** – No business transactions between the Utility and Utility officials or employees were noted.
- 2022-IA-E **Bond Coverage** – Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2022-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2022-IA-G **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility’s investment policy were noted.
- 2022-IA-H **Revenue Bonds** – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted.
- 2022-IA-I **Telecommunications Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 2022-IA-J **Restricted Donor Activity** – No transactions were noted between the Utility and Utility Officials, Utility employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.

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**OTHER INFORMATION**

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**MUSCATINE POWER AND WATER**

Schedule of Insurance Coverage

December 31, 2022

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
			Coverage	Retention
FM Global Insurance Company	All risks:	4/1/2023		
	Named locations - maximum limit		\$600,000,000	Blanket \$1,000,000 Deductible per occurrence
	Actual Cash Value Limits (Location 2)			\$2,000,000 Location 2
	Generating Unit 9		\$150,000,000	\$3,000,000 Unit 9 Steam-Turbine
	Generating Unit 7, 8, & 8A		\$30,000,000	
	Service Interruption - Communications		\$10,000,000	
	Automatic coverage (90 days)		\$100,000,000	
	Civil or military authority		30 days	
	Claim preparation costs		\$25,000	
	Communicable Disease Response		\$10,000	
	Contingent time element		\$25,000,000	
	Cyber event - data restoration		\$1,000,000	
	Cyber event - data service provider property damage		\$1,000,000	
	Cyber event - physical loss or damage		\$25,000,000	
	Data restoration		\$10,000,000	
	Data service provider property damage		\$5,000,000	
	Earth movement		\$100,000,000	
	Expediting costs and extra expense		\$10,000,000	
	Fine arts		\$100,000,000	
	Flood		\$100,000,000	
	Ingress/egress (30 days)		30 days	
	Interuption by communicable disease (365 days)		\$10,000	
	Land and water cleanup		\$50,000	
Logistics Extra Cost		180 days		
Miscellaneous property - at location		\$25,000,000		
Miscellaneous property - not at location		\$15,000,000		
Terrorism		\$5,000,000		
Valuable papers and records		\$100,000,000		
Cincinnati Insurance Company	Money & Securities	7/8/2023	\$250,000	\$0
Cincinnati Insurance Company	Blanket Fidelity Bond, All Employees except Treasurer	4/1/2023	\$250,000	\$0

**MUSCATINE POWER AND WATER**

Schedule of Insurance Coverage (cont.)

December 31, 2022

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
			Coverage	Retention
AEGIS	Excess liability:	12/31/2022	\$35,000,000	each occurrence
	Automobile liability		\$70,000,000	general aggregate
	Product liability and completed operations			\$1,000,000
	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	



**MUSCATINE POWER AND WATER**

Schedule of Insurance Coverage

December 31, 2022

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
			Coverage	Retention
Federal Insurance Company Chubb Group of Insurance Companies	Fiduciary & employee benefit liability	12/31/2022	\$10,000,000	\$250,000
Travelers Casualty & Surety Company of America	Excess fiduciary & employee benefit liability	12/31/2022	\$10,000,000	\$250,000
AEGIS	Excess workers' compensation	12/31/2022	\$35,000,000	\$1,000,000 each accident SIR
Tokio Marine Houston Casualty Company	Cyber/network liability	5/22/2023		
	Cowbell Breach Fund		\$5,000,000	\$25,000
	Data Restoration		\$5,000,000	\$25,000
	Extortion Costs		\$5,000,000	\$25,000
	Business Impersonation Costs		\$5,000,000	\$25,000
	Reputational Harm Expense		\$2,500,000	12hrs
	Business Interruption Loss		\$5,000,000	\$25,000 or greater of 10hrs
	Contingent Business Interruption Loss		\$5,000,000	\$25,000 or greater of 10hrs
	System Failure Business Interruption Loss		\$5,000,000	\$25,000 or greater of 10hrs
	System Failure Contingent Business		\$5,000,000	\$25,000 or greater of 10hrs
	Cyber Crime Loss		\$250,000	\$25,000
	Bricking Costs		\$250,000	\$25,000
	Criminal Reward Costs		\$100,000	N/A
	Liability Costs		\$5,000,000	\$25,000
	PCI Costs		\$5,000,000	\$25,000
	Regulatory Costs		\$5,000,000	\$25,000
Zurich American Insurance Company	Employed Lawyer's Liability & Crime	4/1/2023		
	Employed Lawyers Professional Liability Coverage		\$1,000,000	\$0
	Named Insured Indemnity Coverage		\$1,000,000	\$10,000
	Supplemental Payments Extensions -- E-Discovery		\$10,000	N/A
	Public Relations Expenses Extension		\$0	N/A

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