

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, 2021 and 2020

MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the enterprise funds and fiduciary fund of Muscatine Power & Water, a component unit of the City of Muscatine, Iowa, as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Muscatine Power and Water's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muscatine Power and Water enterprise funds and fiduciary fund as of December 31, 2021 and 2020 and the changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Muscatine Power and Water 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Muscatine Power and Water component unit and do not purport to and do not, present fairly the financial position of the City of Muscatine, Iowa, as of December 31, 2021 and 2020 and the changes in financial position or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Muscatine Power and Water'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.

Auditors' 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 auditors' 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 GAS 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 GAS, 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 Muscatine Power and Water'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 Muscatine Power and Water'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economical or historical contexts. Management's Discussion and Analysis does not include a discussion of changes in financial position between 2019 and 2020. Our opinions on the basic financial statements are not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2022 on our consideration of Muscatine Power and Water's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muscatine Power and Water's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin
April 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS
MUSCATINE POWER AND WATER

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021 and 2020

(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 2021 and 2020. This overview from management should provide the reader with information that is one of the three components of the entire financial statement. The other two components audited by Baker Tilly US, LLP, Muscatine Power and Water's (MPW's) auditors, are the financial statements and notes to the financial statements. Please read the entire document to understand the events and conditions impacting MPW.

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

UTILITY FINANCIAL ANALYSIS

ELECTRIC UTILITY

The Electric Utility's retail sales were \$2.9 million higher than in 2020 due to a 1.8% higher average rate plus 3.2% higher kWh sold. Wholesale electric revenue in 2021 was \$22.4 million higher than in 2020 due to a 28.4% higher average rate, plus 73.7% higher volume sold.

The Electric Utility became debt free in 2011 and continued to be debt free through 2021.

Overall retail rate adjustments of 2.0% per year, effective August 1, 2021 and August 1, 2020, 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 \$491,144 and \$488,701 were made in 2021 and 2020, 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 current pricing structure is inclusive of all costs (fuel, transportation, powdered activated carbon, variable costs, and emission allowances).

A power purchase agreement for wind energy was executed in June 2016. It is a 20-year agreement that commenced December 15, 2016 with the wind farm's actual commercial operation date. Its 2022 projected annual output is 44,567 MWh. Total purchases were 38,173 MWh for 2021 and 47,524 MWh for 2020.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

Statements of Net Position

In thousands \$	2021	2020
Current Assets – Unrestricted	\$ 90,069	\$ 89,110
Non-Current Assets:		
Capital Assets	70,916	71,319
Other Assets	6,742	7,221
Total Non-Current Assets	77,658	78,540
Deferred Outflows of Resources:		
OPEB	250	90
Pension	7,349	4,405
Total Deferred Outflows of Resources	7,599	4,495
Total Assets and Deferred Outflows of Resources	\$ 175,326	\$ 172,145
Current Liabilities	7,806	7,905
Non-Current Liabilities	9,756	11,042
Deferred Inflows of Resources:		
Extraordinary O&M Account	28,033	28,033
OBEB	81	83
Pension	8,659	5,280
Total Deferred Inflows of Resources	36,773	33,396
Net Position:		
Net Investment in Capital Assets	70,916	71,319
Unrestricted	50,075	48,483
Total Net Position	120,991	119,802
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 175,326	\$ 172,145

2021 COMPARED TO 2020

- Total assets and deferred outflows increased by \$3.2 million; differences include:
 - \$10.9 million higher cash and investments;
 - \$3.1 million higher deferred outflows;
 - \$1.0 million higher receivables; and
 - \$0.3 million higher prepaid expenses;
- Offset by decreases of:
 - \$10.8 million lower coal inventory;
 - \$0.4 million lower material and supplies inventory;
 - \$0.4 million lower capital assets, net of retirements, due to accelerated depreciation for power plant assets; and
 - \$0.5 million lower note receivable from the communications utility.

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

2021 COMPARED TO 2020 (cont.)

- Deferred outflows of resources increased \$3.1 million due to the GASB 68 pension and GASB 75 OPEB adjustment.
- Non-current liabilities decreased \$1.3 million, primarily due to a \$1.9 million decrease to net pension liability, offset by increases of \$0.4 million to the health & dental care provision, and \$0.2 million for the net OPEB liability.
- Deferred inflows of resources increased \$3.4 million due to the GASB 68 pension adjustment.

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

Statements of Revenue, Expenses and Changes in Net Position

In thousands \$	2021	2020
Operating Revenues	\$ 112,447	\$ 86,844
Operating Expenses	(111,056)	(83,409)
Operating Income	1,391	3,435
Non-operating Revenues	96	626
Non-operating Expenses	(307)	(20)
Net Non-operating Revenues	(211)	606
Net Income before Capital Contributions	1,180	4,041
Capital Contributions	9	86
Change in Net Position	1,189	4,127
Net Position - Beginning of Year	119,802	115,675
Net Position - End of Year	\$ 120,991	\$ 119,802

- Total operating revenues increased \$25.6 million or 29.5% primarily due to:
 - Increased retail electric sales of \$2.9 million or 4.9% due to a 3.2% increase in kWh sales and a 1.7% higher average price; and
 - Increased wholesale electric sales of \$22.4 million or 123.0% due to a 73.7% increase in kWh sales and a 28.4% higher average price.
- Total operating expenses increased \$27.6 million or 33.1% due to:
 - \$10.2 million higher cost of production fuel, resulting from 82.0% higher net generation;
 - \$10.7 million higher purchased electricity due to a 43.4% higher average price and 1.7% higher kWh purchased; and
 - \$5.8 million higher depreciation due to shortening useful lives of power plant capital assets.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

ELECTRIC UTILITY (CONT.)

2021 COMPARED TO 2020 (CONT.)

Statements of Cash Flows		
<u>In thousands \$</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities	\$ 21,545	\$ 1,900
Cash Flows from Non-Capital Financing Activities	527	527
Cash Flows from Capital and Related Financing Activities	(11,120)	(8,732)
Cash Flows from Investing Activities	<u>(4,824)</u>	<u>17,022</u>
Net Change in Cash and Cash Equivalents	6,128	10,717
Cash and Cash Equivalents - Beginning of Year	<u>25,012</u>	<u>14,295</u>
Cash and Cash Equivalents - End of Year	<u>\$ 31,140</u>	<u>\$ 25,012</u>

2021 COMPARED TO 2020

- Cash flows from operating activities increased by \$19.6 million primarily due to:
 - \$2.4 million higher retail sales;
 - \$22.1 million higher wholesale electric sales
 - \$15.0 million higher generation from coal generating units; and
 - \$10.9 million lower cash paid for coal and gas;
- Offset by:
 - \$0.7 million lower steam sales;
 - \$12.7 million higher purchased electricity costs
 - \$15.1 million higher supplier costs; and
 - \$2.8 million higher employee payroll, taxes, and benefits.
- Non-capital financing activities are comprised of the principal and interest on the note receivable from the communications utility.
- Cash flows from capital and related financing activities include:
 - Capital expenditures of \$10.8 million in 2021, compared to \$8.7 million in 2020; and
 - \$303,000 net loss on disposal of assets in 2021, compared to \$7,000 net gain on disposal of assets in 2020.
- Cash flows from investing activities include:
 - Net investment activity of a negative \$4.8 million in 2021, compared to net investment activity of \$17.0 million in 2020. Most of investment activities consisted of rolling over short-term investments.
 - Interest received on investments of \$68,000 in 2021, compared to \$1.1 million in 2020, reflect lower interest rates.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021 and 2020

(Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY

The Board approved water rate increases in 2021 and 2020 in response to an increase in capital requirements necessary to provide for fire protection, community growth, and higher operation and maintenance costs. The 2021 rate increase of 3.5% was effective April 1, 2021. The 2020 rate increase of 3.5%, effective June 1, 2020, was delayed from the original approved effective date of April 1, 2020 in response to the pandemic.

In 2021, MPW's industrial customers accounted for approximately 85.3% of gallons sold and 55.4% of operating revenues.

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

In May 2017, the Board approved the bond issuance and the payment of future obligations on those bonds for the purpose of constructing water improvements and extensions. The water utility issued \$14.9 million of water revenue bonds in June 2017 for that purpose. The outstanding principal due on the bonds is \$13.7 million on December 31, 2021.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

Statements of Net Position		
In thousands \$	2021	2020
Current Assets:		
Unrestricted	\$ 4,381	\$ 4,361
Restricted	945	947
Total Current Assets	5,326	5,308
Non-Current Assets:		
Capital Assets	30,113	29,617
Other Assets	42	45
Total Non-Current Assets	30,155	29,662
Deferred Outflows of Resources:		
OPEB	35	14
Pension	739	554
Total Deferred Outflows of Resources	774	568
Total Assets and Deferred Outflows of Resources	\$ 36,255	\$ 35,538
Current Liabilities	1,036	1,038
Non-Current Liabilities	14,361	15,515
Deferred Inflows of Resources:		
OBEB	12	13
Pension	1,105	438
Total Deferred Inflows of Resources	1,117	451
Net Position:		
Net Investment in Capital Assets	16,017	15,027
Restricted for Debt Service	901	901
Unrestricted	2,823	2,606
Total Net Position	19,741	18,534
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 36,255	\$ 35,538

2021 COMPARED TO 2020

- Total assets and deferred outflows increased \$717,200 or 2.0% primarily due to:
 - Capital assets, net of retirements, increasing \$496,300, due to normal capital spending for utility construction and acquisition projects; and
 - Deferred outflows of resources increasing \$206,700, due to the GASB 68 pension and GASB 75 OPEB adjustment.
 - Total liabilities decreased by \$1.2 million or 7.0% primarily due to:
 - Bond principal and premium lower by \$492,900; and
 - Net pension liability decreasing by \$694,300 due to the GASB 68 adjustment.
- Offset by:
- \$22,300 higher net OPEB liability.

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

2021 COMPARED TO 2020 (CONT.)

- Deferred inflows of resources increased \$667,100 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>2021</u>	<u>2020</u>
Operating Revenues	\$ 7,837	\$ 7,145
Operating Expenses	<u>(6,161)</u>	<u>(5,917)</u>
Operating Income	<u>1,676</u>	<u>1,228</u>
Non-operating Revenues	95	127
Non-operating Expenses	<u>(617)</u>	<u>(562)</u>
Net Non-operating Revenues	<u>(522)</u>	<u>(435)</u>
Net Income before Capital Contributions	1,154	793
Capital Contributions	<u>52</u>	<u>-</u>
Change in Net Position	1,206	793
Net Position - Beginning of Year	<u>18,534</u>	<u>17,741</u>
Net Position - End of Year	<u>\$ 19,740</u>	<u>\$ 18,534</u>

2021 COMPARED TO 2020

- Operating revenues increased \$692,000 or 9.7% due to:
 - Total water retail sales were \$684,200 higher due to a 3.5% rate adjustment effective April 1, 2021, and 8.4% higher gallons sold.
- Operating expenses increased \$244,200 or 4.1% primarily due to:
 - \$51,400 higher well maintenance;
 - \$108,500 higher electricity cost for wells;
 - \$116,800 higher pumping equipment maintenance;
 - \$42,100 higher chemical expense;
 - \$82,000 higher distribution expenses; offset by
 - \$175,100 lower pension expense due to GASB 68 adjustments;
 - \$11,300 lower depreciation.

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

WATER UTILITY (CONT.)

Statements of Cash Flows

<u>In thousands \$</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities	\$ 2,205	\$ 2,108
Cash Flows from Capital and Related Financing Activities	(2,347)	(3,045)
Cash Flows from Investing Activities	<u>2</u>	<u>29</u>
Net Change in Cash and Cash Equivalents	(140)	(908)
Cash and Cash Equivalents - Beginning of Year	<u>4,089</u>	<u>4,997</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,949</u>	<u>\$ 4,089</u>

2021 COMPARED TO 2020

- Cash flows from operating activities increased \$96,800, or 4.6%, primarily due:
 - \$667,500 higher retail sales;
 - \$773,900 less employee payroll, taxes, and benefits;Offset by:
 - \$1,333,800 higher supplier costs.
- Cash flows from capital and related financing activities reflect \$727,600 lower capital expenditures in 2021 compared to 2020; a \$67,000 loss on asset disposals, and \$37,300 lower debt payments.
- Interest received on investments of \$1,800 in 2021, compared to \$29,300 in 2020, reflect lower interest rates.

COMMUNICATIONS UTILITY

Rate adjustments for the communications utility were approved by the Board for both 2021 and 2020. Effective May 1, 2021, Digital TV Basic service rates increased \$2.00 to \$23.99 per month and Select Digital TV service rates increased \$4.00 to \$84.99 per month. In addition to the rate increases, a broadcast service charge increased from \$16.70 per month in 2020 to \$18.17 per month in 2021 and is applied to all packages to cover local network channel fees; plus the regional sports charge increased by \$0.38 to \$4.78 per month to help cover the burden of programmers' additional sports package increases.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015, that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50%, and modifying the amortization of the note from a 30-year period to a 20-year period. Principal payments of \$491,144 and \$488,701 were made in 2021 and 2020, respectively.

The construction of a Fiber to the Home (FTTH) system to replace the Hybrid Fiber Coax (HFC) system has allowed the utility to meet customers' growing needs with respect to video, data, access to utility usage information, as well as future services. The project was completed in 2021 at a cost of \$19 million. With the construction of the fiber network, phone services were available to customers beginning in February 2018. At the end of 2021, approximately 859 customers had signed up for this service, up 43.2% from 2020.

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021 and 2020

(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 municipal Communications Utility. Principal of this bond bears interest at the rate of 2.73% per annum. Both principal and interest are payable in 28 quarterly installments of \$145,860 each, due on March 30, June 30, September 30, and December 30, beginning December 30, 2020 with final payment due September 30, 2027. Principal payments of \$490,547 and \$114,4787 were made in 2021 and 2020, respectively. The principal balance as of December 31, 2021 is \$3,094,976.

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 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.

Statements of Net Position

<u>In thousands \$</u>	<u>2021</u>	<u>2020</u>
Current Assets – Unrestricted	\$ 11,080	\$ 8,261
Non-Current Assets - Capital Assets	21,097	23,129
Deferred Outflows of Resources:		
OPEB	53	19
Pension	1,355	792
Total Deferred Outflows of Resources	1,408	811
Total Assets and Deferred Outflows of Resources	\$ 33,585	\$ 32,201
Current Liabilities	2,385	4,288
Non-Current Liabilities	15,254	14,186
Deferred Inflows of Resources:		
OBEB	17	18
Pension	1,628	915
Total Deferred Inflows of Resources	1,645	933
Net Position:		
Net Investment in Capital Assets	12,557	15,368
Unrestricted	1,744	(2,574)
Total Net Position	14,301	12,794
Total Liabilities, Deferred Inflows of Resources, & Net Position	\$ 33,585	\$ 32,201

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2021 COMPARED TO 2020

- Total assets and deferred outflows of resources increased \$1.4 million or 4.3% primarily due to:
 - \$2.6 million increase in cash and investment balances, due to the Series 2021 bond proceeds, plus an increase in retail sales;
 - \$0.6 million increase in deferred outflows of resources due to the GASB 68 pension adjustment; offset by
 - \$2.0 million decrease in capital assets, net of retirements, resulting from higher FTTH construction costs recorded in 2020.
- Current liabilities decreased \$1.9 million due to:
 - \$0.7 million decrease in accounts payable; and
 - \$1.2 million decrease to current portion of long-term debt.
- Noncurrent liabilities increased \$1.1 million primarily due to:
 - \$1.9 million increase to long term debt, net of current portion; offset by
 - \$0.5 million decrease in notes payable to electric utility;
 - \$0.4 million decrease in net pension liability due to GASB 68.
- Deferred inflows of resources increased \$0.7 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>2021</u>	<u>2020</u>
Operating Revenues	\$ 15,683	\$ 15,165
Operating Expenses	<u>(13,765)</u>	<u>(14,079)</u>
Operating Income	<u>1,918</u>	<u>1,086</u>
Non-operating Revenues	5	68
Non-operating Expenses	<u>(417)</u>	<u>(230)</u>
Net Non-operating Expenses	<u>(412)</u>	<u>(162)</u>
Net Income before Capital Contributions	1,506	924
Capital Contributions	<u>1</u>	<u>132</u>
Change in Net Position	1,507	1,056
Net Position - Beginning of Year	<u>12,794</u>	<u>11,738</u>
Net Position - End of Year	<u><u>\$ 14,301</u></u>	<u><u>\$ 12,794</u></u>

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2021 COMPARED TO 2020

- Operating revenues increased \$517,900 or 3.4% due to:
 - Video operating revenues decreased by \$148,800 or 2.2% due to:
 - 8.5% decrease in the total number of video subscribers (4,484 at the end of 2021 vs. 4,898 at the end of 2020);
 - Ad insertion revenue decreased by \$159,800;
 - Equipment rental revenue decreased by \$28,300;
 - Transmission signal revenue decreased by \$17,500; offset by
 - Commercial revenue increasing \$46,000; and
 - Lower discounts increasing revenue by \$8,600.
 - Internet revenues increased \$569,700 or 8.1% primarily due to:
 - 1.7% increase in the total number of Internet subscribers (9,773 at the end of 2021 vs. 9,607 at the end of 2020);
 - Fiber service revenue increased \$2.3 million;
 - WiFi@Home revenue increased \$49,900; and
 - Equipment rentals & other miscellaneous revenue increased \$29,700; offset by
 - HFC Internet service revenue decreasing \$1.8 million.
 - Phone services were first made available to customers in February 2018. Revenue continues to grow, amounting to \$246,800 in 2021, up from \$143,800 in 2020.
 - MAN revenues increased \$6,400 or 0.7% in 2021.
- Operating expenses decreased by \$314,000 or 2.2% primarily due to:
 - \$152,900 lower internet operation and maintenance costs;
 - \$206,000 lower pension expense due to GASB 68 adjustments;
 - \$265,000 lower depreciation expense; offset by
 - \$89,600 higher advertising insertion costs;
 - \$27,400 higher phone expenses due to more subscribers;
 - \$118,300 higher video programming costs;
 - \$72,300 higher labor expense associated with video operations and maintenance.

Statements of Cash Flows

<u>In thousands \$</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities	\$ 3,895	\$ 4,256
Cash Flows from Capital and Related Financing Activities	(1,338)	(4,412)
Cash Flows from Investing Activities	<u>1,044</u>	<u>2,011</u>
Net Change in Cash and Cash Equivalents	3,601	1,855
Cash and Cash Equivalents - Beginning of Year	<u>2,881</u>	<u>1,026</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,482</u>	<u>\$ 2,881</u>

See Independent Auditors' Report

MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021 and 2020 (Unaudited)

UTILITY FINANCIAL ANALYSIS (CONT.)

COMMUNICATIONS UTILITY (CONT.)

2021 COMPARED TO 2020

- Cash flows from operating activities decreased \$361,600, or 8.5%, primarily due to:
 - \$142,900 lower receipts for advertising; and
 - \$1.5 million increase in cash paid to suppliers, including payments for programming costs, Internet access fees, maintenance, and pension; offset by
 - \$585,800 higher receipts for retail sales; and
 - \$642,700 lower cash paid for employee payroll and benefits.
- Capital and related financing activities include:
 - Capital expenditures in 2021 and 2020 totaled \$1.2 million and \$5.3 million, respectively;
 - Series 2021 Revenue Bonds issued in January 2021 for \$6.3 million; Series 2020 Revenue Bonds issued in September 2020 for \$3.7 million;
 - Debt principal and interest payments in 2021 and 2020 totaled \$6.3 million (paying off the Series 2017 Revenue Bonds) and \$2.8 million, respectively.
- Cash flows from investing activities include:
 - Net investment activity of \$1.0 million in 2021 compared to net investment activity of \$2.0 million in 2020; and
 - Interest received on investments of \$3,500 in 2021 compared to \$38,200 in 2020, reflects lower interest rates.

CONTACTING UTILITY MANAGEMENT

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

MUSCATINE POWER AND WATER

STATEMENTS OF NET POSITION As of December 31, 2021 and 2020

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
CURRENT ASSETS								
Unrestricted Assets								
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
Investments	37,967,006	33,178,966	-	-	2,500,000	3,540,121	40,467,006	36,719,087
Receivables:								
Customer accounts	8,208,402	7,243,889	878,568	823,867	1,515,863	1,462,843	10,602,833	9,530,599
Interest	15,166	23,567	-	30	1,969	100	17,135	23,697
Inventories:								
Fuel	6,646,514	17,419,656	-	-	-	-	6,646,514	17,419,656
Emission allowances	218,480	195,793	-	-	-	-	218,480	195,793
Materials and supplies	5,020,278	5,441,246	452,502	360,889	325,743	202,853	5,798,523	6,004,988
Prepaid and other expenses	853,991	594,914	46,410	34,377	254,496	174,013	1,154,897	803,304
Total Unrestricted Assets	<u>90,069,473</u>	<u>89,109,694</u>	<u>4,380,911</u>	<u>4,361,260</u>	<u>11,080,299</u>	<u>8,261,411</u>	<u>105,530,683</u>	<u>101,732,365</u>
Restricted Assets - Cash	-	-	945,250	947,250	-	-	945,250	947,250
Total Current Assets	<u>90,069,473</u>	<u>89,109,694</u>	<u>5,326,161</u>	<u>5,308,510</u>	<u>11,080,299</u>	<u>8,261,411</u>	<u>106,475,933</u>	<u>102,679,615</u>
NON-CURRENT ASSETS								
Capital Assets								
Utility plant in service	440,738,515	432,585,216	42,051,180	40,612,769	49,332,893	48,909,644	532,122,588	522,107,629
Construction work in progress	8,882,873	8,598,931	581,859	975,002	574,362	875,879	10,039,094	10,449,812
Less: accumulated depreciation	<u>(378,705,167)</u>	<u>(369,865,003)</u>	<u>(12,520,314)</u>	<u>(11,971,377)</u>	<u>(28,810,207)</u>	<u>(26,656,769)</u>	<u>(420,035,688)</u>	<u>(408,493,149)</u>
Total Capital Assets	<u>70,916,221</u>	<u>71,319,144</u>	<u>30,112,725</u>	<u>29,616,394</u>	<u>21,097,048</u>	<u>23,128,754</u>	<u>122,125,994</u>	<u>124,064,292</u>
Other Assets								
Note receivable from communications utility	6,612,879	7,104,023	-	-	-	-	6,612,879	7,104,023
Unamortized debt insurance costs	-	-	41,706	45,181	-	-	41,706	45,181
Joint venture rights	<u>129,216</u>	<u>117,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,216</u>	<u>117,118</u>
Total Other Assets	<u>6,742,095</u>	<u>7,221,141</u>	<u>41,706</u>	<u>45,181</u>	<u>-</u>	<u>-</u>	<u>6,783,801</u>	<u>7,266,322</u>
Total Non-Current Assets	<u>77,658,316</u>	<u>78,540,285</u>	<u>30,154,431</u>	<u>29,661,575</u>	<u>21,097,048</u>	<u>23,128,754</u>	<u>128,909,795</u>	<u>131,330,614</u>
DEFERRED OUTFLOWS OF RESOURCES								
OPEB deferred outflows of resources	249,597	89,688	34,799	13,588	52,789	19,130	337,185	122,406
Pension deferred outflows of resources	<u>7,348,699</u>	<u>4,405,077</u>	<u>739,404</u>	<u>553,878</u>	<u>1,355,033</u>	<u>791,428</u>	<u>9,443,136</u>	<u>5,750,383</u>
	<u>7,598,296</u>	<u>4,494,765</u>	<u>774,203</u>	<u>567,466</u>	<u>1,407,822</u>	<u>810,558</u>	<u>9,780,321</u>	<u>5,872,789</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 175,326,085</u>	<u>\$ 172,144,744</u>	<u>\$ 36,254,795</u>	<u>\$ 35,537,551</u>	<u>\$ 33,585,169</u>	<u>\$ 32,200,723</u>	<u>\$ 245,166,049</u>	<u>\$ 239,883,018</u>

See accompanying notes to financial statements

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2021	2020	2021	2020	2021	2020	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION								
CURRENT LIABILITIES								
Payable From Unrestricted Assets								
Trade accounts payable	\$ 3,965,497	\$ 4,092,393	\$ 266,072	\$ 291,836	\$ 525,487	\$ 1,275,358	\$ 4,757,056	\$ 5,659,587
Customer advances for construction	-	-	865	865	-	-	865	865
Accrued expenses	2,703,661	2,670,330	313,302	298,022	451,433	435,943	3,468,396	3,404,295
Unearned revenue	136,040	139,790	1,200	1,200	17,500	22,768	154,740	163,758
Customer deposits	1,000,386	1,001,873	-	-	-	-	1,000,386	1,001,873
Current portion of long-term debt	-	-	-	-	1,390,901	2,553,729	1,390,901	2,553,729
Total Payable From Unrestricted Assets	7,805,584	7,904,386	581,439	591,923	2,385,321	4,287,798	10,772,344	12,784,107
Payable From Restricted Assets								
Current portion of long-term debt	-	-	410,000	400,000	-	-	410,000	400,000
Accrued interest payable	-	-	44,604	45,604	-	-	44,604	45,604
Total Payable From Restricted Assets	-	-	454,604	445,604	-	-	454,604	445,604
Total Current Liabilities	7,805,584	7,904,386	1,036,043	1,037,527	2,385,321	4,287,798	11,226,948	13,229,711
NON-CURRENT LIABILITIES								
Note payable to electric utility	-	-	-	-	6,612,879	7,104,023	6,612,879	7,104,023
Long-term debt, net of current portion	-	-	12,910,000	13,320,000	7,149,068	5,206,938	20,059,068	18,526,938
Unamortized bond premium	-	-	557,752	650,652	-	-	557,752	650,652
Unearned revenue	-	-	-	-	141,980	159,480	141,980	159,480
Total OPEB liability	835,753	667,354	122,187	99,850	177,300	141,854	1,135,240	909,058
Health and dental care provision	1,895,075	1,511,394	51,612	30,172	84,771	50,808	2,031,458	1,592,374
Net pension liability	5,922,231	7,839,404	501,968	1,196,311	1,087,762	1,522,790	7,511,961	10,558,505
Customer advances for construction	-	-	217,232	217,993	-	-	217,232	217,993
Landfill closure and post-closure liability	1,103,410	1,024,122	-	-	-	-	1,103,410	1,024,122
Total Non-Current Liabilities	9,756,469	11,042,274	14,360,751	15,514,978	15,253,760	14,185,893	39,370,980	40,743,145
DEFERRED INFLOWS OF RESOURCES								
Extraordinary O&M - regulatory deferred inflow	28,032,866	28,032,866	-	-	-	-	28,032,866	28,032,866
OPEB deferred inflows of resources	81,006	82,855	12,436	12,681	17,332	17,721	110,774	113,257
Pension deferred inflows of resources	8,659,382	5,280,261	1,105,349	437,965	1,627,862	914,833	11,392,593	6,633,059
	36,773,254	33,395,982	1,117,785	450,646	1,645,194	932,554	39,536,233	34,779,182
NET POSITION								
Net investment in capital assets	70,916,221	71,319,144	16,016,876	15,026,884	12,557,079	15,368,087	99,490,176	101,714,115
Restricted for debt service	-	-	900,646	901,646	-	-	900,646	901,646
Unrestricted	50,074,557	48,482,958	2,822,694	2,605,870	1,743,815	(2,573,609)	54,641,066	48,515,219
Total Net Position	120,990,778	119,802,102	19,740,216	18,534,400	14,300,894	12,794,478	155,031,888	151,130,980
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION								
	\$ 175,326,085	\$ 172,144,744	\$ 36,254,795	\$ 35,537,551	\$ 33,585,169	\$ 32,200,723	\$ 245,166,049	\$ 239,883,018

See accompanying notes to financial statements

MUSCATINE POWER AND WATER

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2021 and 2020

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2021	2020	2021	2020	2021	2020	2021	2020
OPERATING REVENUES								
Retail sales	\$ 61,795,555	\$ 58,920,154	\$ 7,796,680	\$ 7,112,496	\$ 15,577,571	\$ 15,046,365	\$ 85,169,806	\$ 81,079,015
Wholesale electric sales	40,651,989	18,227,542	-	-	-	-	40,651,989	18,227,542
Steam sales	8,662,177	8,694,243	-	-	-	-	8,662,177	8,694,243
Other	1,337,212	1,002,284	39,866	32,077	105,601	118,885	1,482,679	1,153,246
Total Operating Revenues	<u>112,446,933</u>	<u>86,844,223</u>	<u>7,836,546</u>	<u>7,144,573</u>	<u>15,683,172</u>	<u>15,165,250</u>	<u>135,966,651</u>	<u>109,154,046</u>
OPERATING EXPENSES								
Production fuel	28,298,625	18,050,097	-	-	-	-	28,298,625	18,050,097
Purchased power	34,026,787	23,328,181	-	-	-	-	34,026,787	23,328,181
Emissions allowance	38,264	87,569	-	-	-	-	38,264	87,569
Other operating expenses	26,877,168	26,368,043	4,334,547	4,183,729	10,071,238	9,852,913	41,282,953	40,404,685
Maintenance	10,987,249	10,542,324	976,936	872,322	1,142,371	1,409,315	13,106,556	12,823,961
Depreciation	10,827,677	5,032,692	849,238	860,504	2,551,662	2,816,881	14,228,577	8,710,077
Total Operating Expenses	<u>111,055,770</u>	<u>83,408,906</u>	<u>6,160,721</u>	<u>5,916,555</u>	<u>13,765,271</u>	<u>14,079,109</u>	<u>130,981,762</u>	<u>103,404,570</u>
Operating Income	<u>1,391,163</u>	<u>3,435,317</u>	<u>1,675,825</u>	<u>1,228,018</u>	<u>1,917,901</u>	<u>1,086,141</u>	<u>4,984,889</u>	<u>5,749,476</u>
NONOPERATING REVENUES (EXPENSES)								
Investment income	59,853	581,178	1,778	28,659	5,328	30,994	66,959	640,831
Interest income on note receivable from communications utility	35,520	37,964	-	-	-	-	35,520	37,964
Gain/(Loss) on asset disposal	(302,963)	6,848	(66,962)	-	(115,632)	36,599	(485,557)	43,447
Interest expense	(3,897)	(20,138)	(546,250)	(558,449)	(301,560)	(229,587)	(851,707)	(808,174)
Bond insurance costs	-	-	(3,475)	(3,574)	-	-	(3,475)	(3,574)
Bond premium amortization	-	-	92,900	98,744	-	-	92,900	98,744
Net Nonoperating Revenues (Expenses)	<u>(211,487)</u>	<u>605,852</u>	<u>(522,009)</u>	<u>(434,620)</u>	<u>(411,864)</u>	<u>(161,994)</u>	<u>(1,145,360)</u>	<u>9,238</u>
Net income (loss) before capital contributions	1,179,676	4,041,169	1,153,816	793,398	1,506,037	924,147	3,839,529	5,758,714
CAPITAL CONTRIBUTIONS	<u>9,000</u>	<u>86,387</u>	<u>52,000</u>	<u>-</u>	<u>379</u>	<u>132,417</u>	<u>61,379</u>	<u>218,804</u>
CHANGE IN NET POSITION	1,188,676	4,127,556	1,205,816	793,398	1,506,416	1,056,564	3,900,908	5,977,518
NET POSITION - Beginning of Year	<u>119,802,102</u>	<u>115,674,546</u>	<u>18,534,400</u>	<u>17,741,002</u>	<u>12,794,478</u>	<u>11,737,914</u>	<u>151,130,980</u>	<u>145,153,462</u>
NET POSITION - END 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>

See accompanying notes to financial statements

MUSCATINE POWER AND WATER

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2021 and 2020

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2021	2020	2021	2020	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from retail sales	\$ 61,442,607	\$ 59,018,164	\$ 7,742,028	\$ 7,074,526	\$ 15,206,525	\$ 14,620,718	\$ 84,391,160	\$ 80,713,408
Cash received from wholesale electric sales	40,168,179	18,067,318	-	-	-	-	40,168,179	18,067,318
Cash received from steam sales	8,411,202	9,090,628	-	-	-	-	8,411,202	9,090,628
Cash received from coal sales	26,754,325	11,780,600	-	-	-	-	26,754,325	11,780,600
Cash received from advertising sales	-	-	-	-	266,041	408,958	266,041	408,958
Cash received from by-product sales	452,359	268,410	-	-	-	-	452,359	268,410
Cash received from other operating sources	1,054,321	541,760	29,336	40,200	150,035	136,167	1,233,692	718,127
Cash paid for coal and gas	(17,216,845)	(28,085,086)	-	-	-	-	(17,216,845)	(28,085,086)
Cash paid for purchased power	(34,086,551)	(21,337,073)	-	-	-	-	(34,086,551)	(21,337,073)
Cash paid to suppliers	(37,404,607)	(22,256,990)	(3,551,006)	(2,217,256)	(7,718,552)	(6,257,542)	(48,674,165)	(30,731,788)
Cash paid for employee payroll, taxes and benefits	(28,029,686)	(25,187,269)	(2,015,945)	(2,789,833)	(4,009,273)	(4,651,944)	(34,054,904)	(32,629,046)
Net Cash Flows From Operating Activities	21,545,304	1,900,462	2,204,413	2,107,637	3,894,776	4,256,357	27,644,493	8,264,456
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Interest received on note receivable from communications utility	35,520	37,964	-	-	-	-	35,520	37,964
Principal received on note receivable from communications utility	491,144	488,701	-	-	-	-	491,144	488,701
Net Cash Flows From Noncapital Financing Activities	526,664	526,665	-	-	-	-	526,664	526,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(10,817,036)	(8,738,886)	(1,332,675)	(2,060,236)	(1,208,574)	(5,312,342)	(13,358,285)	(16,111,464)
Net gain/(loss) from asset disposal	(302,963)	6,848	(66,962)	-	(115,632)	36,599	(485,557)	43,447
Debt proceeds	-	-	-	-	6,300,000	3,700,000	6,300,000	3,700,000
Bond principal payments	-	-	(400,000)	(390,000)	-	-	(400,000)	(390,000)
Bond interest payments	-	-	(547,250)	(558,950)	-	-	(547,250)	(558,950)
Debt principal payments	-	-	-	(35,000)	(6,011,842)	(2,606,602)	(6,011,842)	(2,641,602)
Debt interest payments	-	-	-	(613)	(301,561)	(229,587)	(301,561)	(230,200)
Net Cash Flows From Capital and Related Financing Activities	(11,119,999)	(8,732,038)	(2,346,887)	(3,044,799)	(1,337,609)	(4,411,932)	(14,804,495)	(16,188,769)
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from investments matured and sold	99,702,516	158,162,093	-	-	24,782,702	47,435,316	124,485,218	205,597,409
Investments purchased	(104,490,556)	(142,124,694)	-	-	(23,742,581)	(45,462,568)	(128,233,137)	(187,587,262)
Purchase of joint venture rights	(104,210)	(106,530)	-	-	-	-	(104,210)	(106,530)
Interest received on investments	68,254	1,091,025	1,808	29,272	3,459	38,226	73,521	1,158,523
Net Cash Flows From Investing Activities	(4,823,996)	17,021,894	1,808	29,272	1,043,580	2,010,974	(3,778,608)	19,062,140
Net Increase (Decrease) in Cash and Cash Equivalents	6,127,973	10,716,983	(140,666)	(907,890)	3,600,747	1,855,399	9,588,054	11,664,492
CASH AND CASH EQUIVALENTS - Beginning of Year								
Current unrestricted cash	25,011,663	14,294,680	3,142,097	4,027,732	2,881,481	1,026,082	31,035,241	19,348,494
Current restricted cash	-	-	947,250	969,505	-	-	947,250	969,505
	25,011,663	14,294,680	4,089,347	4,997,237	2,881,481	1,026,082	31,982,491	20,317,999
CASH AND CASH EQUIVALENTS - END OF YEAR								
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

See accompanying notes to financial statements

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2021	2020	2021	2020	2021	2020	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES								
Operating income	\$ 1,391,163	\$ 3,435,317	\$ 1,675,825	\$ 1,228,018	\$ 1,917,901	\$ 1,086,141	\$ 4,984,889	\$ 5,749,476
Noncash items in operating income								
Depreciation	10,827,677	5,032,692	849,238	860,504	2,551,662	2,816,881	14,228,577	8,710,077
Amortization of joint venture rights	92,112	90,251	-	-	-	-	92,112	90,251
Changes in assets, liabilities, and deferrals								
Customer accounts receivable	(964,513)	1,065,973	(54,701)	(47,933)	(53,020)	(11,225)	(1,072,234)	1,006,815
Inventories	11,171,423	(7,374,313)	(91,613)	(30,339)	(122,890)	(4,512)	10,956,920	(7,409,164)
Prepaid and other expenses	(259,077)	437,803	(12,033)	35,371	(80,483)	127,892	(351,593)	601,066
Trade accounts payable	274,386	(1,449,920)	12,581	42,662	(60,873)	(24,106)	226,094	(1,431,364)
Accrued expenses	413,115	438,136	36,720	28,109	49,453	8,732	499,288	474,977
OPEB related deferrals and liabilities	6,641	(20,229)	881	(2,628)	1,398	(4,146)	8,920	(27,003)
Pension related deferrals and liabilities	(1,481,674)	22,111	(212,485)	(5,627)	(285,604)	272,932	(1,979,763)	289,416
Unearned revenue	(3,750)	122,833	-	(500)	(22,768)	(12,232)	(26,518)	110,101
Customer deposits	(1,487)	91,980	-	-	-	-	(1,487)	91,980
Landfill closure and postclosure liability	79,288	7,828	-	-	-	-	79,288	7,828
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 21,545,304	\$ 1,900,462	\$ 2,204,413	\$ 2,107,637	\$ 3,894,776	\$ 4,256,357	\$ 27,644,493	\$ 8,264,456
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES								
Unpaid capital expenditures	\$ 1,256,514	\$ 1,657,796	\$ 5,628	\$ 43,974	\$ 21,222	\$ 710,219	\$ 1,283,364	\$ 2,411,989
Noncash capital contributions	\$ -	\$ -	\$ -	\$ 22,107	\$ -	\$ -	\$ -	\$ 22,107

See accompanying notes to financial statements

MUSCATINE POWER AND WATER

STATEMENTS OF FIDUCIARY NET POSITION FIDUCIARY FUND

As of December 31, 2021 and 2020

	Pension Trust Fund	
	2021	2020
ASSETS		
Investments:		
Large U.S. equity	\$ 43,207,572	\$ 37,643,212
Small/mid U.S. equity	7,068,142	6,312,151
International equity	19,062,076	17,181,270
Fixed income	29,733,925	28,266,413
Other	6,724,820	4,903,449
Total Assets	<u>\$ 105,796,536</u>	<u>\$ 94,306,495</u>
LIABILITIES		
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY NET POSITION		
Net Position Restricted for Pensions	<u>\$ 105,796,536</u>	<u>\$ 94,306,495</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, 2021 and 2020

	Pension Trust Fund	
	2021	2020
ADDITIONS		
Employer contributions	\$ 3,823,002	\$ 3,124,701
Net investment income:		
Investment return	12,472,668	13,101,260
Investment expenses	(35,307)	(30,743)
Net investment income	12,437,361	13,070,517
Total Additions	16,260,363	16,195,218
DEDUCTIONS		
Benefit payments	4,628,248	4,331,785
Administration expenses	142,074	145,574
Total Deductions	4,770,322	4,477,359
CHANGE IN FIDUCIARY NET POSITION	11,490,041	11,717,859
FIDUCIARY NET POSITION - Beginning of Year	94,306,495	82,588,636
FIDUCIARY NET POSITION - END OF YEAR	\$ 105,796,536	\$ 94,306,495

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND STANDARDS OF ACCOUNTING

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

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

REPORTING ENTITY

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

MEASUREMENT FOCUS, STANDARDS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

CASH AND CASH EQUIVALENTS

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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 2021 and 2020 the allowances were:

	<u>2021</u>	<u>2020</u>
Electric utility	\$24,145	\$15,803
Water utility	\$4,488	\$1,515
Communications utility	\$1,266	\$6,281

INVENTORIES

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

RESTRICTED ASSETS

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

CAPITAL ASSETS

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

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

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

On an ongoing basis, the utility reviews capital assets for impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. If such events or changes in circumstances occur, the utility will recognize an impairment loss. No such loss was recognized in 2021 or 2020.

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, 2021 and 2020

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 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Electric Utility		
Generation plant*	2.8 %	1.1 %
Transmission and distribution plant	1.4	1.1
General plant	2.4	1.9
Water Utility		
Source of supply	2.3 %	2.4 %
Pumping equipment	2.8	2.8
Purification system	1.9	1.9
Distribution system	2.2	2.4
General plant	4.1	3.0
Communications Utility		
Fiber Optic TV	2.4 %	2.7 %
Data/Internet	7.8	7.5
MAN	1.1	1.7
General plant	7.5	7.1

*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, 8 and 8A (Plant 1) are planned for retirement as early as December 31, 2022. Therefore, depreciation on those assets was accelerated from October 2020. 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.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

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

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, 2021 and 2020

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 2021 or 2020.

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 August 1, 2021.

Current water rates were approved on December 19, 2019 and became effective for service beginning April 1, 2021.

Current communications rates were approved on March 30, 2021 and became effective for service beginning May 1, 2021.

OPERATING REVENUES AND EXPENSES

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

Revenues are recorded as services are rendered to customers. The electric and water utilities' revenues include an estimate of unbilled revenues for services rendered only to certain residential and small commercial customers from the date of the last meter reading to year-end. The communications utility's revenues include amounts billed to customers for cable and Internet services, installations, advertising and other services. Revenues from cable and Internet services, installation, and other services are recognized when the services are provided to the customers. Advertising sales are recognized in the period that the advertisements are exhibited. The communications utility's revenues include an estimate of unbilled revenues for service rendered only to certain residential and small commercial customers from the date of their previous bill's generation to year-end. The unbilled revenue recorded in 2021 for the electric, water, and communications utilities are \$396,536, \$76,541, and \$86,789, respectively. The unbilled revenue recorded in 2020 for the electric, water, and communications utilities are \$382,521, \$72,835, and \$85,106, respectively.

CAPITAL CONTRIBUTIONS

Cash and capital assets are contributed to the utility from customers, the municipality or external parties. The value of property contributed to the utility is reported as 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, 2021 and 2020

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

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

INCOME TAX STATUS

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

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

COMPARATIVE DATA

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK

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

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

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

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. There were no investments held at December 31, 2021 and December 31, 2020 that were subject to custodial credit risk.

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

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The utility held no investments as of December 31, 2021 and December 31, 2020 that were subject to credit risk.

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

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The utility held no investments as of December 31, 2021 and December 31, 2020 that were subject to concentration of credit risk.

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

INTEREST RATE RISK

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

The utility held no investments as of December 31, 2021 and December 31, 2020 that were subject to interest rate risk.

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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 utility held no investments as of December 31, 2021, and December 31, 2020 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, 2021, and December 31, 2020.

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, 2021 and 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND

INTEREST RATE RISK

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

The pension trust fund held the following investments as of the measurement date December 31, 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	21,016,334	5.92
Total Investments	<u>\$ 105,796,536</u>	

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 3 – CAPITAL ASSETS

ELECTRIC UTILITY

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 ⁽¹⁾	\$ 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
Total Utility Plant in Service	432,585,216	1,353,608	(2,459,472)	9,259,163	440,738,515
Construction work in progress ⁽¹⁾	8,598,931	9,543,105	-	(9,259,163)	8,882,873
Total Electric Utility Plant	441,184,147	10,896,713	(2,459,472)	-	449,621,388
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	667,901	(837,481)	-	21,211,904
Total Accumulated Depreciation	369,865,003	\$ 10,827,677	\$ (1,987,513.00)	\$ -	378,705,167
Net Electric Capital Assets	\$ 71,319,144				\$ 70,916,221

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 3 – CAPITAL ASSETS (cont.)

ELECTRIC UTILITY (cont.)

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY

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 ⁽¹⁾	\$ 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
Total Utility Plant in Service	40,612,769	264,674	(369,575)	1,543,312	42,051,180
Construction work in progress ⁽¹⁾	975,002	1,150,169	-	(1,543,312)	581,859
Total Water Utility Plant	41,587,771	1,414,843	(369,575)	-	42,633,039
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
Total Accumulated Depreciation	11,971,377	\$ 849,238	\$ (300,301)	\$ -	12,520,314
Net Water Capital Assets	\$ 29,616,394				\$ 30,112,725

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 3 – CAPITAL ASSETS (cont.)

WATER UTILITY (cont.)

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY

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
Total Utility Plant in Service	48,909,644	473,301	(594,651)	544,599	49,332,893
Construction work in progress ⁽¹⁾	875,879	243,082	-	(544,599)	574,362
Total Communications Utility Plant	49,785,523	716,383	(594,651)	-	49,907,255
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
Total Accumulated Depreciation	26,656,769	\$ 2,551,662	\$ (398,224)	\$ -	28,810,207
Net Communications Capital Assets	\$ 23,128,754				\$ 21,097,048

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 3 – CAPITAL ASSETS (cont.)

COMMUNICATIONS UTILITY (cont.)

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

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

⁽¹⁾ – Capital assets not being depreciated

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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, 2021 and 2020 is as follows:

	Water Utility	
	2021	2020
Bond Fund	\$ 945,250	\$ 947,250
Total Restricted Assets	<u>\$ 945,250</u>	<u>\$ 947,250</u>

NOTE 5 – NON-CURRENT LIABILITIES

NON-CURRENT LIABILITIES SUMMARY – ELECTRIC

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	<u>1,024,122</u>	<u>79,288</u>	<u>-</u>	<u>1,103,410</u>
Non-current Liabilities	<u>\$ 11,042,274</u>	<u>\$ 9,904,637</u>	<u>\$ (11,190,442)</u>	<u>\$ 9,756,469</u>

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER

In May 2017, the Board approved the issuance and securing the payment of future obligations for the purposes of borrowing money for constructing water improvements and extensions. The water utility issued \$14,865,000 Water Revenue Bonds, Series 2017 in June 2017 for that purpose. The premium bonds are S&P “A” rated (with insurance increasing the rating to S&P “AA”), a non-bank qualified issue, callable June 1, 2027 at par. The effective interest cost is approximately 3.51%. The interest payments that are due each June 1 and December 1 began December 1, 2017. Principal payments are due annually December 1 and began in 2018. Total outstanding bonds payable at December 31, 2021 and December 31, 2020 were \$13,320,000 and \$13,720,000, respectively.

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

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	-
Non-current Liabilities	<u>\$ 15,514,978</u>	<u>\$ 523,465</u>	<u>\$ (1,677,692)</u>	<u>\$14,360,751</u>	<u>\$ 410,000</u>

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – WATER (cont.)

Non-Current Liabilities Maturity Schedule – Water

Year Ending December 31	Water Revenue Bonds, Series 2017		
	Direct Placement		
	Principal Amount	Interest 2%-5%	Total
2022	\$410,000	\$535,250	\$945,250
2023	425,000	522,950	947,950
2024	445,000	501,700	946,700
2025	470,000	479,450	949,450
2026	490,000	455,950	945,950
2027 - 2031	2,785,000	1,948,450	4,733,450
2032 - 2036	3,330,000	1,403,000	4,733,000
2037 - 2041	4,055,000	681,000	4,736,000
2042	910,000	36,400	946,400
Totals	<u>\$13,320,000</u>	<u>\$6,564,150</u>	<u>\$19,884,150</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 2021 and 2020, and water utility net revenues are as follows:

	2021	2020
Principal and interest paid	\$ 947,250	\$ 984,563
Net revenues	2,448,746	2,117,181

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, 2021 and 2020

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS

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

On December 14, 2017, the Communications Revenue Bond, Series 2017 (Series 2017 Bond) was signed with a local bank providing \$10,000,000 for telecommunications systems improvements and extensions to the municipal communications utility. Principal 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 to 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, 2021 and 2020

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS (cont.)

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>

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 5 – NON-CURRENT LIABILITIES (cont.)

NON-CURRENT LIABILITIES MATURITY SCHEDULE – COMMUNICATIONS

Communications loan debt service requirements to maturity as of December 31, 2021 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
2022	\$ -	\$17,146	\$17,146	\$ 504,077	\$79,362	\$ 583,439	\$ 886,823	\$139,621	\$ 1,026,444
2023	493,600	31,830	525,430	517,980	65,459	583,439	911,283	115,162	1,026,445
2024	496,068	29,356	525,424	532,266	51,172	583,438	936,417	90,028	1,026,445
2025	498,548	26,870	525,418	546,947	36,492	583,439	962,244	64,201	1,026,445
2026	501,042	24,371	525,413	562,032	21,407	583,439	988,783	37,661	1,026,444
2027	503,546	21,859	525,405	<u>431,674</u>	<u>5,905</u>	<u>437,579</u>	<u>759,443</u>	<u>10,390</u>	<u>769,833</u>
2028	506,064	19,335	525,399						
2029	508,595	16,799	525,394						
2030	511,137	14,249	525,386						
2031	513,693	11,687	525,380						
2032	516,262	9,112	525,374						
2033	518,843	6,525	525,368						
2034	521,437	3,924	525,361						
2035	<u>524,044</u>	<u>1,310</u>	<u>525,354</u>						
Totals	<u>\$ 6,612,879</u>	<u>\$234,373</u>	<u>\$6,847,252</u>	<u>\$ 3,094,976</u>	<u>\$ 259,797</u>	<u>\$ 3,354,773</u>	<u>\$ 5,444,993</u>	<u>\$ 457,063</u>	<u>\$ 5,902,056</u>

All communications utility revenues, net of specified operating expenses, are pledged as security of the communications debt until fully paid. Principal and interest paid in 2021 and 2020, excluding that paid to the electric utility, and communications utility net revenues are as follows:

	2021	2020
Principal and interest paid	\$ 5,786,739	\$ 2,309,524
Net revenues	4,461,698	3,934,016

Annual future principal and interest payments are expected to require 35% of communications utility net revenues.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 6 – NET POSITION

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

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

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

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

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

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

	2021	2020
Plant in Service	\$ 440,738,515	\$ 432,585,216
Construction Work in Progress	8,882,873	8,598,931
Accumulated Depreciation	(378,705,167)	(369,865,003)
Net Investment in Capital Assets	<u>\$ 70,916,221</u>	<u>\$ 71,319,144</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

NOTE 6 – NET POSITION (cont.)

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

	2021	2020
Plant in Service	\$ 42,051,180	\$ 40,612,769
Construction Work in Progress	581,859	975,002
Accumulated Depreciation	(12,520,314)	(11,971,377)
Subtotals	<u>30,112,725</u>	<u>29,616,394</u>
Less: Capital-Related Debt		
Customer advances for construction	218,097	218,858
Current portion of capital-related, long-term debt	410,000	400,000
Long-term portion of capital-related, long-term debt	12,910,000	13,320,000
Unamortized bond premium	557,752	650,652
Subtotals	<u>14,095,849</u>	<u>14,589,510</u>
Net Investment in Capital Assets	<u><u>\$ 16,016,876</u></u>	<u><u>\$ 15,026,884</u></u>

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

	2021	2020
Plant in Service	\$ 49,332,893	\$ 48,909,644
Construction Work in Progress	574,362	875,879
Accumulated Depreciation	(28,810,207)	(26,656,769)
Subtotals	<u>21,097,048</u>	<u>23,128,754</u>
Less: Capital-Related Debt		
Current portion of capital-related, long-term debt	1,390,901	2,553,729
Long-term portion of capital-related, long-term debt	7,149,068	5,206,938
Subtotals	<u>8,539,969</u>	<u>7,760,667</u>
Net Investment in Capital Assets	<u><u>\$ 12,557,079</u></u>	<u><u>\$ 15,368,087</u></u>

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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 Fiscal year end	12/31/2020 12/31/2021	12/31/2019 12/31/2020
Active plan members		263	259
Inactive plan members entitled to but not yet receiving benefits		0	0
Retired plan members or beneficiaries currently receiving benefits		<u>25</u>	<u>28</u>
TOTAL		<u>288</u>	<u>287</u>

For fiscal years 2021, 2020, and 2019, the utility contributed \$62,135, \$83,079, and \$44,748, respectively, to the plan for retiree benefit payments.

The following schedule of changes in the total OPEB liability is based on the actuarial valuation report as of December 31, 2021.

	2021	2020
Service cost	\$ 34,612	\$ 34,612
Interest on net OPEB obligation	36,517	36,876
Adjustment to annual required contribution	-	-
Differences between expected and actual experience	(22,287)	14,418
Changes in assumptions	241,127	(22,224)
Benefit payments	<u>(62,135)</u>	<u>(83,079)</u>
Net change in total OPEB obligation	227,834	(19,397)
Total OPEB Obligation - Beginning of Year	916,001	935,398
Total OPEB Obligation - End of Year	<u>\$ 1,143,835</u>	<u>\$ 916,001</u>

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

For the years ended December 31, 2021 and December 31, 2020, the utility recognized net change in total OPEB liability of \$227,834 and -\$19,397, respectively. On December 31, 2021, 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	\$ 213,379	\$ 91,904
Difference between actual and expected experience	64,178	19,722
Contributions subsequent to measurement date	<u>62,135</u>	<u>-</u>
	<u>\$ 339,692</u>	<u>\$ 111,626</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

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

On December 31, 2020, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

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

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

Fiscal Year ending 12/31	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$42,166	\$24,789
2023	42,166	24,789
2024	42,166	24,789
2025	38,846	18,138
2026	34,257	8,959
Thereafter	77,956	10,162
Totals	<u>\$277,557</u>	<u>\$111,626</u>

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

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

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

	1% Decrease 2.09%	Discount Rate 3.09%	1% Increase 4.09%
Total OPEB Liability 12/31/21	\$1,250,251	\$1,143,835	\$1,049,001
	1% Decrease 2.97%	Discount Rate 3.97%	1% Increase 4.97%
Total OPEB Liability 12/31/20	\$993,668	\$916,001	\$846,722

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

	1% decrease	Trend Rate	1% Increase
Total OPEB Liability 12/31/21	\$1,033,210	\$1,143,835	\$1,273,640
Total OPEB Liability 12/31/20	\$837,985	\$916,001	\$1,006,659

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

There are no plan assets under this plan.

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

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

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

ACTUARIAL ASSUMPTIONS

The total OPEB liability in the report for plan fiscal ending December 31, 2021 (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.

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NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

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

Single-Employer Defined Benefit OPEB Plan Aggregate Tables

Aggregate Total OPEB Liability Schedule

	<u>2021</u>	<u>2020</u>
Electric	\$835,753	\$667,354
Water	122,187	99,850
Communications	177,300	141,854
MAGIC	8,595	6,943
	<u>\$1,143,835</u>	<u>\$916,001</u>

Aggregate Deferred Outflows of Resources Schedule

	<u>2021</u>	<u>2020</u>
Electric	\$249,597	\$89,688
Water	34,799	13,588
Communications	52,789	19,130
MAGIC	2,507	938
	<u>\$339,692</u>	<u>\$123,344</u>

Aggregate Deferred Inflows of Resources Schedule

	<u>2021</u>	<u>2020</u>
Electric	\$81,006	\$82,855
Water	12,436	12,681
Communications	17,332	17,721
MAGIC	852	870
	<u>\$111,626</u>	<u>\$114,127</u>

Aggregate OPEB Expense Schedule

	<u>2021</u>	<u>2020</u>
Electric	\$6,641	-\$20,229
Water	881	-2,628
Communications	1,398	-4,146
MAGIC	65	-200
	<u>\$8,985</u>	<u>-\$27,203</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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, 2020 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, 2021 and December 31, 2020 were \$22,755,120 and \$21,461,252, respectively. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is approved and amended by the utilities' five-member Board, whose members are nominated by a committee consisting of the mayor, two city council members and the city administrator, then ratified by the city council. There are no non-employer contributing entities, as defined by GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*, for this plan. There are no special funding situations, as defined by GASB 67 and 68, for the Plan. The Plan currently does not issue a stand-alone financial report.

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

	Fiscal year end: <u>12/31/2021</u>	<u>12/31/2020</u>
Active plan members	263	266
Inactive plan members entitled to but not yet receiving benefits	93	99
Disabled plan members entitled to benefits	0	0
Retired plan members or beneficiaries currently receiving benefits	<u>227</u>	<u>209</u>
TOTAL	<u>583</u>	<u>574</u>

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, 2020 measurement date and the end of the December 31, 2021 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, 2021. 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, 2021 was \$3,823,002, equal to 16.8% of covered valuation payroll; the ADC for the measurement period ending December 31, 2020 was \$3,124,698, equal to 14.6% of covered valuation payroll. Employer contributions, for the years ending December 31, 2021, December 31, 2020, and December 31, 2019 equaled \$3,823,002, \$3,124,701, and \$3,345,873, respectively.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

ACTUARIAL ASSUMPTIONS

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

A measurement period of December 31, 2019 to December 31, 2020 has been used for the fiscal year ending December 31, 2021 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2021 was measured as of December 31, 2020, using the pension liability that was determined by an actuarial valuation as of December 31, 2020. The plan administrator does a comprehensive review of the economic and demographic assumptions. The following were used for the year endings December 31, 2021 and December 31, 2020:

	<u>Rate</u>
Inflation	2.25%
Investment rate of return	5.75% in 2021 and 6.25% in 2020
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 2016-10).

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) 2020. 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 2020 is 20 years.

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NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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	37.45%	7.70%
US Equity - Mid Cap	4.22%	8.00%
US Equity - Small Cap	2.13%	8.55%
Non-US Equity	17.95%	8.00%
REITs	0.18%	7.30%
Real Estate (direct property)	5.86%	5.35%
TIPS	0.27%	1.70%
Core Bond	30.10%	2.60%
High Yield	<u>1.84%</u>	5.45%
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 2020 to 2118. Benefit payments after 2118 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 3.09% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2020 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 6.25%.

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

For the years ended December 31, 2021 and December 31, 2020, the utility recognized pension expense of \$1,934,081 and \$3,413,266, respectively. 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$4,420,914	\$1,021,915
Difference between actual and expected experience	1,042,827	265,820
Difference between projected and actual earnings	-	9,602,736
Contributions subsequent to measurement date	<u>3,823,002</u>	<u>-</u>
	<u>\$9,286,743</u>	<u>\$10,890,471</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2021 and 2020

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

At December 31, 2020, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

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

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

Fiscal Year ending 12/31	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	1,905,067	3,499,193
2023	1,564,237	2,208,726
2024	1,455,793	3,585,445
2025	538,644	1,597,107
Totals	<u>\$5,463,741</u>	<u>\$10,890,471</u>

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

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

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NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Measurement Period Ending Fiscal Year Ending	12/31/2020 12/31/2021	12/31/2019 12/31/2020
<u>TOTAL PENSION LIABILITY</u>			
Service cost		\$1,578,324	\$1,557,289
Interest		5,739,672	5,552,211
Benefit payments		(4,331,785)	(3,692,986)
Difference between expected and actual experience		831,913	(413,970)
Change in assumptions		5,529,903	(1,597,802)
Net Change in Total Pension Liability		\$9,348,027	\$1,404,742
Total Pension Liability, beginning of period		\$92,524,646	\$91,119,904
Total Pension Liability, end of period		<u>\$101,872,673</u>	<u>\$92,524,646</u>
<u>PLAN FIDUCIARY NET POSITION</u>			
Employer contributions		\$3,124,701	\$3,345,873
Net investment income		13,070,517	13,147,954
Benefit payments		(4,331,785)	(3,692,986)
Administration expenses		(145,574)	(67,728)
Net Change in Plan Fiduciary Net Position		\$11,717,859	\$12,733,113
Plan Fiduciary Net Position, beginning of period		\$82,588,636	\$69,855,523
Plan Fiduciary Net Position, end of period		<u>\$94,306,495</u>	<u>\$82,588,636</u>
NET PENSION LIABILITY		<u>\$7,566,178</u>	<u>\$9,936,010</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 9 – FIDUCIARY PENSION TRUST FUND – GASB 67 DISCLOSURES

For the measurement date 12/31/21, the following assumptions were updated: 1) the municipal bond rate of 3.07%; 2) the mortality improvement scale is based on the MP-2021 study; 3) the discount rate of 5.75% is used to determine the end of period total pension liability; and 4) with regards to future employer contributions, employer normal cost is assumed to continue at 8.40% of payroll and expenses are assumed to start at \$177,500.

As of the measurement date 12/31/21 and 12/31/20, the following plan members (including MAGIC employees – see Note 17) were covered by the benefit terms:

	<u>12/31/2021</u>	<u>12/31/2020</u>
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>

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

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

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

	1% Decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%
Net Pension Liability/(Asset) 12/31/2021	\$12,518,117	(\$880,064)	(\$12,111,562)
	1% Decrease 4.75%	Discount Rate 5.75%	1% Increase 6.75%
Net Pension Liability/(Asset) 12/31/2020	\$20,572,468	\$7,566,178	(\$3,342,221)

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NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Measurement Period & Fiduciary Plan Year Ending	12/31/2021	12/31/2020
<u>TOTAL PENSION LIABILITY</u>		
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
Change in benefit terms	-	-
Net Change in Total Pension Liability	\$3,043,799	\$9,348,027
Total Pension Liability, beginning of period	101,872,673	92,524,646
Total Pension Liability, end of period	<u>\$104,916,472</u>	<u>\$101,872,673</u>
<u>FIDUCIARY NET POSITION</u>		
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 Fiduciary Net Position	\$11,490,041	\$11,717,859
Fiduciary Net Position, beginning of period	94,306,495	82,588,636
Fiduciary Net Position, end of period	<u>\$105,796,536</u>	<u>\$94,306,495</u>
NET PENSION LIABILITY/(ASSET)	<u>(\$880,064)</u>	<u>\$7,566,178</u>

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% 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, 2022 of their annual covered salary. The utility is required to contribute 9.44% from July 1, 2018 through June 30, 2022 of employees covered annual salaries. The contributions to IPERS for the years ending December 31, 2021, December 31, 2020, and December 31, 2019 were \$81,504, \$82,972, and \$66,922, respectively, equal to the required contributions for those years. A measurement period of July 1, 2020 to June 30, 2021 has been used for the fiscal year ending December 31, 2021 for GASB 68 reporting.

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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, 2021 and December 31, 2020, the utility reported a liability of \$14,902 and \$708,117, 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, 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. At June 30, 2020, the utility’s collective proportion was 0.010151%, which was an increase of 0.001875% from its proportion measured as of June 30, 2019.

For the years ended December 31, 2021 and December 31, 2020, the utility recognized IPERS expense of (\$22,100) and \$95,837, respectively. As of December 31, 2021, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$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>

As of December 31, 2020, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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, 2022. 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>
2022	\$50,717	\$155,798
2023	45,537	148,361
2024	36,005	139,515
2025	26,910	134,356
2026	16,023	0
2027	<u>2,158</u>	<u>0</u>
Totals	<u>\$177,350</u>	<u>\$578,030</u>

There were no non-employer contributing entities at IPERS.

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2021 and June 30, 2020 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, 2021 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

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, 2021		as of June 30, 2020	
	Target Allocation	Rate of return	Target Allocation	Rate of return
Core-plus fixed income	26.0%	0.29%	28.0%	-0.29%
Domestic equity	22.0%	4.43%	22.0%	4.43%
International equity	17.5%	6.01%	17.5%	5.15%
Private equity	13.0%	9.51%	11.0%	6.54%
Private real assets	7.5%	4.63%	7.5%	4.48%
Global smart beta equity	6.0%	5.10%	6.0%	4.87%
Public credit	4.0%	2.08%	4.0%	2.29%
Public real assets	0.0%	N/A	0.0%	N/A
Private credit	3.0%	2.87%	3.0%	3.11%
Cash	<u>1.0%</u>	-0.25%	<u>1.0%</u>	-0.78%
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 12/31/21	\$527,438	\$14,902	(\$414,635)
Net Pension Liability-IPERS 12/31/20	\$1,180,726	\$708,117	\$311,842

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

At December 31, 2021 and December 31, 2020, the utility reported payables to the defined benefit pension plan of \$10,094 and \$9,774 for legally required employer contributions and \$6,725 and \$6,513 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, 2021 and 2020

NOTE 11 – AGGREGATE PENSION SCHEDULES

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>\$ 9,286,743</u>	<u>\$ 221,131</u>	<u>\$ 9,507,874</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 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, 2021 and 2020

NOTE 11 – AGGREGATE PENSION SCHEDULES (cont.)

Aggregate Net Pension Liability Schedule - 2020

Single-Employer Defined

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

Aggregate Deferred Outflows of Resources Schedule - 2020

Single-Employer Defined

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

Aggregate Deferred Inflows of Resources Schedule - 2020

Single-Employer Defined

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

Aggregate Pension Expense Schedule - 2020

Single-Employer Defined

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 12 – SIGNIFICANT CUSTOMERS

Approximately \$30,331,700 or 27% in 2021 and \$29,203,200 or 34% in 2020 of the electric utility's operating revenues were derived from sales to one customer. Approximately \$3,982,700 or 51% in 2021 and \$3,510,100 or 49% in 2020 of the water utility's operating revenues were derived from sales to one customer.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A power purchase agreement for wind energy was originally entered into in December 2013. An amended and restated agreement was executed in June 2016. It is a 20-year agreement that commenced fourth quarter 2016 with the wind farm's December 15, 2016 commercial operation date. The wind farm is located in Jackson County, Minnesota, which is in the utility's MISO local resource zone. Its projected annual output is 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 810,000 tons of coal in 2022 and 475,000 tons in 2023 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) expires December 31, 2022. The utility's minimum requirement is 100% of the tons shipped from the PRB up to the utility's annual tonnage nomination. In the event the utility does not meet its nominated tons, the utility has agreed to pay a per-ton fee as compensation for lost traffic. A new or extension of the current contract is expected to be in place no later than third quarter 2022.

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, 2022. A new agreement is expected to be in place prior to expiration of the current agreement. The Canadian Pacific Railway is only offering one-year agreements at this time.

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

NOTE 14 – ENVIRONMENTAL REGULATIONS

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

MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

NOTE 15 – INTERFUND AND RELATED PARTY TRANSACTIONS

The electric utility sold electric services to the water utility amounting to approximately \$1,248,700 in 2021 and \$1,135,700 in 2020. The electric utility sold electric services to the communications utility amounting to approximately \$52,100 in 2021 and \$65,800 in 2020. The electric utility purchased water from the water utility amounting to approximately \$436,500 in 2021 and \$404,400 in 2020. The electric utility purchased communications services from the communications utility amounting to approximately \$161,600 for 2021 and \$152,900 for 2020. The water utility purchased communications services from the communications utility amounting to approximately \$10,800 for 2021 and \$10,800 for 2020.

The electric utility rents space to the water utility and the communications utility at the Administration/Operations Center. Rent amounted to \$79,822 in 2021 and \$77,497 in 2020 for the water utility's rent, and \$129,082 in 2021 and \$125,322 in 2020 for the communications utility's rent.

Electric utility accounts receivable from the water utility were \$104,200 and \$99,500 at December 31, 2021 and 2020, respectively. Electric utility accounts payable to the water utility were \$47,200 at December 31, 2021 and \$31,700 at December 31, 2020. Electric utility accounts receivable from the communications utility were \$49,700 and \$1,300 at December 31, 2021 and 2020, respectively. Electric utility accounts payable to the communications utility were \$3,200 and \$13,600 at December 31, 2021 and 2020, 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; bi-annual 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, 2021 and December 31, 2020. Interest income on the loan amounted to \$35,520 for 2021 and \$37,964 for 2020.

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, 2021 and 2020

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)	2021	2020	2019
Health/dental care self-insurance reserve			
Reserve liability, beginning of year	\$ 1,592	\$ 984	\$ 1,401
Add: Provision for reserve, current year	5,431	5,442	4,241
Less: Payments on reserve	(4,693)	(4,533)	(4,208)
Total Reserve Liability, end of year	2,330	1,893	1,434
Incurred but not reported claims	(299)	(301)	(450)
Non-Current Reserve Liability, End of Year	<u>\$ 2,031</u>	<u>\$ 1,592</u>	<u>\$ 984</u>
(Thousands of dollars)	2021	2020	2019
Workers compensation self-insurance reserve			
Reserve liability, beginning of year	\$ 359	\$ 536	\$ 408
Add: Provision for reserve	145	218	462
Less: Payments on reserve	(153)	(395)	(334)
Reserve Liability, End of Year	<u>\$ 351</u>	<u>\$ 359</u>	<u>\$ 536</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, 2021 and 2020

NOTE 18 – CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the electric utility to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and 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 \$1.1 million reported as landfill closure and post-closure care liability at December 31, 2021, represents the remaining cumulative amount reported to date based on the use of approximately 65% 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 \$583,200 as the remaining estimated capacity is filled. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The electric utility is required by state and federal laws and regulations to file a statement to demonstrate financial assurance for closure and/or post-closure care costs.

NOTE 19 – SUBSEQUENT EVENTS

ELECTRIC RATES

In April 2021, an overall 2.0% for electric service was approved by the Board to become effective July 1, 2022.

WATER RATES

In April 2021, an overall 4.0% for water service was approved by the Board to become effective July 1, 2022.

COMMUNICATIONS RATES

In March 2022, an overall 5.8% rate increase for video services were approved by the Board to become effective May 1, 2022. Digital TV Basic service will increase \$1.00 to \$24.99 per month; Select Digital TV service will increase \$3.00 to \$87.99 per month; the broadcast surcharge will increase \$1.78 to \$19.95 per month; and the regional sports charge for Select service will increase \$2.11 to \$6.89 per month.

REQUIRED SUPPLEMENTARY INFORMATION

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2021 (unaudited)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Measurement date Fiscal Year	12/31/2021 12/31/2022	12/31/2020 12/31/2021	12/31/2019 12/31/2020	12/31/2018 12/31/2019
TOTAL PENSION LIABILITY					
Service cost		\$1,858,620	\$1,578,324	\$1,557,289	\$1,470,422
Interest		5,823,219	5,739,672	5,552,211	5,411,414
Benefit payments		(4,628,248)	(4,331,785)	(3,692,986)	(3,443,179)
Difference between expected and actual experience		(157,715)	831,913	(413,970)	942,640
Change in assumptions		<u>147,923</u>	<u>5,529,903</u>	<u>(1,597,802)</u>	<u>(201,125)</u>
Net Change in Total Pension Liability		\$3,043,799	\$9,348,027	\$1,404,742	\$4,180,172
Total Pension Liability, beginning of period		<u>\$101,872,673</u>	<u>\$92,524,646</u>	<u>\$91,119,904</u>	<u>\$86,939,732</u>
Total Pension Liability, end of period		<u>\$104,916,472</u>	<u>\$101,872,673</u>	<u>\$92,524,646</u>	<u>\$91,119,904</u>
PLAN FIDUCIARY NET POSITION					
Employer contributions		\$3,823,002	\$3,124,701	\$3,345,873	\$3,504,169
Net investment income		12,437,361	13,070,517	13,147,954	(3,545,522)
Benefit payments		(4,628,248)	(4,331,785)	(3,692,986)	(3,443,179)
Administration expenses		<u>(142,074)</u>	<u>(145,574)</u>	<u>(67,728)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position		\$11,490,041	\$11,717,859	\$12,733,113	(\$3,484,532)
Plan Fiduciary Net Position, beginning of period		<u>\$94,306,495</u>	<u>\$82,588,636</u>	<u>\$69,855,523</u>	<u>\$73,340,055</u>
Plan Fiduciary Net Position, end of period		<u>\$105,796,536</u>	<u>\$94,306,495</u>	<u>\$82,588,636</u>	<u>\$69,855,523</u>
NET PENSION LIABILITY		<u>(\$880,064)</u>	<u>\$7,566,178</u>	<u>\$9,936,010</u>	<u>\$21,264,381</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		100.8%	92.6%	89.3%	76.7%
Covered Valuation Payroll		\$21,797,004	\$22,755,120	\$21,461,252	\$20,802,753
Net Pension Liability as a Percentage of Covered Valuation Payroll		-4.0%	33.3%	46.3%	102.2%

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

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2021 (unaudited)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

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

MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan
For the Year Ended December 31, 2021 (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	5.75%
Inflation	2.25%
Retirement rate	25% at each age group 62 years – 65 years
Salary increases (age-based)	Age 25 – 6.18%; Age 40 – 4.72%; Age 55 – 3.88%
Wage base	3.25%
Marriage rate	75%
Mortality	Pri-2012 total dataset projected generationally using the Principal Mortality Improvement Scale, Principal 2017-10

MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System
For the Year Ended December 31, 2021 (unaudited)

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

	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Proportion of the Net Pension Liability	0.010630%	0.010151%	0.008276%	0.009012%	0.007749%	0.006906%	0.00916%
Proportionate share of the Net Pension Liability	\$14,902	\$708,117	\$482,470	\$570,121	\$483,234	\$343,338	\$363,277
Covered Valuation Payroll	\$862,746	\$799,956	\$634,088	\$579,595	\$551,040	\$476,102	\$595,572
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	1.7%	88.5%	76.1%	98.4%	87.7%	72.1%	61.0%
Plan Fiduciary Net Position as a % of the Total Pension Liability	99.6%	81.9%	84.4%	83.6%	81.8%	85.2%	87.6%

The amounts presented were determined as of June 30.

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

CHANGES OF BENEFIT AND FUNDING TERMS:

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

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

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

CHANGES IN ACTUARIAL ASSUMPTIONS:

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

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

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

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

MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System
For the Year Ended December 31, 2021 (unaudited)

CHANGES IN ACTUARIAL ASSUMPTIONS (cont.):

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

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

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, 2021 (unaudited)

SCHEDULE OF THE UTILITY'S IPERS CONTRIBUTIONS:

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

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2021 (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
TOTAL OPEB LIABILITY							
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>
Net Change in Total OPEB Liability		\$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>
Total OPEB Liability, end of period		<u>\$1,159,290</u>	<u>\$1,143,835</u>	<u>\$916,001</u>	<u>\$935,398</u>	<u>\$907,499</u>	<u>\$865,774</u>
FIDUCIARY NET POSITION							
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		-	-	-	-	-	-
TOTAL OPEB LIABILITY		<u>\$1,159,290</u>	<u>\$1,143,835</u>	<u>\$916,001</u>	<u>\$935,398</u>	<u>\$907,499</u>	<u>\$865,774</u>
Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered Valuation Payroll			\$22,755,120	\$21,461,252	\$20,802,753	\$19,722,272	\$19,812,794
Net OPEB Liability as a Percentage of Covered Employee Payroll			5.0%	4.3%	4.5%	4.6%	4.4%

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

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2021 (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
CONTRIBUTIONS					
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)				-	-
RATIOS					
Fiduciary net position as a percentage of total OPEB liability	0%	0%	0%	0%	0%
Covered employee payroll	\$0	\$22,755,120	\$21,461,252	\$20,802,753	\$19,722,272
Total OPEB liability as a percentage of covered employee payroll		5.0%	4.3%	4.5%	4.6%
ADC ASSUMPTIONS					
Long-term rate of return on assets	N/A	N/A	N/A	N/A	N/A
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.

MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan
For the Year Ended December 31, 2021 (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

**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 *Government Auditing Standards***

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

We have audited, in accordance with the 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 & Water (MPW), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated April 19, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MPW'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 MPW's internal control. Accordingly, we do not express an opinion on the effectiveness of MPW's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MPW'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*.

Purpose of This Report

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

Baker Tilly US, LLP

Madison, Wisconsin
April 19, 2022

MUSCATINE POWER AND WATER

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

As of and for the Year Ended December 31, 2021

FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- A-21 Official Depositories – A resolution naming official depositories has been approved by the utility. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2021.
- B-21 Certified Budget – Disbursements during the year ended December 31, 2021, did not exceed the amounts budgeted.
- C-21 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- D-21 Travel Expense – No disbursements of utility money for travel expenses of spouses of city officials or employees were noted.
- E-21 Business Transactions – No business transactions between the utility and utility officials or employees were noted.
- F-21 Bond Coverage – Surety bond coverage of city officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- G-21 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- H-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the utility's investment policy were noted.
- I-21 Revenue Bonds – The utility has complied with all provisions of the Revenue Electric Bond Covenants and Revenue Water Bond Covenants. All required payments to the sinking, reserve and improvement funds were made.
- J-21 Code of Iowa Communications Legislation Requirements – Nothing came to our attention that the utility was not in compliance with the requirements of the Code of Iowa Section 388.10 *Municipal Utility Providing Telecommunications Services* regarding the subsidization of telecommunications operations by the electric and water utilities.

OTHER INFORMATION

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage

December 31, 2021

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
			<u>Coverage</u>	<u>Retention</u>
FM Global Insurance Company	All risks:	4/1/2022		
	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	
	Interruption 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	4/1/2022	\$250,000	\$0

MUSCATINE POWER AND WATER

Schedule of Insurance Coverage (cont.)

December 31, 2021

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
			<u>Coverage</u>	<u>Retention</u>
AEGIS	Excess liability:	12/31/2021	\$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 (cont.)

December 31, 2021

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	12/31/2021	\$10,000,000	\$250,000
Travelers Casualty & Surety Company of America	Excess fiduciary & employee benefit liability	12/31/2021	\$10,000,000	\$250,000
AEGIS	Excess workers' compensation	12/31/2021	\$35,000,000	\$1,000,000 each accident SIR
Cowbell Cyber	Cybersecurity Insurance	5/22/2022		
	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	4/1/2022		
	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