

# **MUSCATINE POWER AND WATER**

A Component Unit of the City of Muscatine, Iowa

## **FINANCIAL STATEMENTS**

Including Independent Auditor's Report

As of and for the Years Ended December 31, 2025 and 2024

# MUSCATINE POWER AND WATER

A Component Unit of the City of Muscatine, Iowa

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the enterprise funds and fiduciary fund of Muscatine Power and Water (the Utility), a component unit of the City of Muscatine, Iowa, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise funds and fiduciary fund of the Utility, as of December 31, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Single-Employer Defined Benefit Pension Plan Schedules, Iowa Public Employees' Retirement System Schedules, and the Other Post-Employment Benefits (OPEB) Plan Schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis discussion of changes in financial position between 2023 and 2024 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

### ***Other Information***

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

In connection with our audit of the 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 20, 2026, on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Dubuque, Iowa  
April 20, 2026

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

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(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 2025 and 2024. 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, which are audited by Eide Bailly LLP, Muscatine Power and Water's (MPW's) auditors, are the financial statements and notes to the financial statements. Please read the entire document to understand the events and conditions impacting MPW.

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

### UTILITY FINANCIAL ANALYSIS

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#### *ELECTRIC UTILITY*

The Electric Utility's retail sales were \$1.5 million higher than in 2024 due to 2.3% higher average rate on 0.1% lower kWh sold. Wholesale electric revenue in 2025 was \$28.0 million higher than in 2024 due to a 73.4% higher average price coupled with 32.0% higher volume sold.

The Electric Utility became debt free in 2011 and continued to be debt free through 2025.

The Electric Utility issued long-term debt in 2026 to finance capital investments, including the construction of a new combined heat and power (CHP) unit, compliance with effluent limitation guidelines (ELG), and the construction of a 24 megawatt solar generation facility.

Overall retail base rate adjustments of about 3% effective July 1, 2025 and 1.30% effective July 1, 2024 were to cover infrastructure projects and cover cost increases due to inflation. In addition, MPW reinitiated its Energy Adjustment Clause (EAC) effective with billings in July 2022; however, it stayed at essentially zero until April 2023 billings. The top end of the EAC deadband for calculating charges was adjusted 0.322¢ per kilowatthour higher effective July 1, 2025; however, the deadband was narrowed to 0.20¢/kilowatthour from 1.26¢/kilowatthour. In 2025, EAC revenue was \$0.5 million, which was \$1.0 million lower than EAC revenue in 2024.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015. The amendment forgave \$25,327,000 of the outstanding balance, reduced the fixed interest rate from 3.53% to 0.50%, and shortened the amortization period from 30 years to 20 years. Accelerated principal payments of \$1,008,573 were made in 2024, followed by an accelerated principal payment of \$2,609,637 in 2025 that fully satisfied the loan.

The Board authorized a \$2.0 million inter-utility loan on November 29, 2022, effective January 1, 2023. The loan featured a seven-year amortization schedule, a 4.5% interest rate, and semi-annual principal and interest payments. The water utility completed early loan repayment in 2025 with a principal payment of \$1,490,629.

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 commercial operation date. Total purchases were 54,468 MWh for 2025 and 52,319 MWh for 2024.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

#### ELECTRIC UTILITY (CONT.)

#### Statements of Net Position

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Current Assets – Unrestricted	\$ 98,308	\$ 92,097
Non-Current Assets:		
Capital Assets	82,278	77,130
Other Assets	<u>161</u>	<u>4,253</u>
Total Non-Current Assets	<u>82,439</u>	<u>81,383</u>
Total Assets	<u>180,747</u>	<u>173,481</u>
Deferred Outflows of Resources:		
OPEB	437	163
Pension	4,123	7,687
Plant Decommissioning	<u>48,547</u>	<u>8,825</u>
Total Deferred Outflows of Resources	<u>53,108</u>	<u>16,675</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 233,855</u></b>	<b><u>\$ 190,156</u></b>
Current Liabilities	8,866	7,550
Non-Current Liabilities	<u>63,496</u>	<u>23,390</u>
Total Liabilities	<u>72,362</u>	<u>30,939</u>
Deferred Inflows of Resources:		
Extraordinary O&M Account	28,033	28,033
OPEB	74	55
Pension	<u>3,188</u>	<u>3,367</u>
Total Deferred Inflows of Resources	<u>31,295</u>	<u>31,455</u>
Net Position:		
Investment in Capital Assets	81,161	76,171
Unrestricted	<u>49,037</u>	<u>51,591</u>
Total Net Position	<u>130,198</u>	<u>127,762</u>
<b>Total Liabilities, Deferred Inflows of Resources, &amp; Net Position</b>	<b><u>\$ 233,855</u></b>	<b><u>\$ 190,156</u></b>

#### 2025 COMPARED TO 2024

- Total assets and deferred outflows increased by \$43.7 million; differences include:
  - \$39.7M increase in plant decommissioning for future planned decommissioning of coal units;
  - \$3.6 million decrease in deferred outflows of resources due to GASB 68 pension adjustment;
  - \$6.9 million lower fuel inventory;
  - \$12.8 million higher cash and investments;
  - \$4.1 million lower other assets due to note receivables from inter-utilities; offset by
  - \$5.1 million higher capital assets, net of retirements;
  - Non-current liabilities increase \$40.1 million, primarily due to \$44.6M increase in plant decommissioning; partially offset by a \$4.9 million decrease to net pension liability. (Additional information on changes in utility plant and long-term obligations is provided in Notes 3 and 5, respectively.)

See Independent Auditor's Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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

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

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 121,142	\$ 90,999
Operating Expenses	<u>(121,652)</u>	<u>(95,344)</u>
Operating Income (Loss)	<u>(510)</u>	<u>(4,345)</u>
Non-operating Revenues	3,059	3,646
Non-operating Expenses	<u>(112)</u>	<u>(71)</u>
Net Non-operating Revenues	<u>2,947</u>	<u>3,575</u>
Net Income (Loss) before Unusual or Infrequent Items	2,437	(769)
Legal Settlement Revenue	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	2,437	(769)
Net Position - Beginning of Year	<u>127,762</u>	<u>128,531</u>
<b>Net Position - End of Year</b>	<u>\$ 130,198</u>	<u>\$ 127,762</u>

- Total operating revenues increased \$30.1 million, or 33.1%, primarily due to:
  - Increased wholesale electric sales of \$28.0 million, 128.9%, due to a 73.4% increase in average price and 32.0% higher kWh sold; coupled with
  - Increased retail electric sales of \$1.5M, or 2.2%, due to 2.3% higher average price on 0.1% lower volume.
- Total operating expenses increased \$26.3 million, or 27.6%, due to:
  - \$17.4 million higher purchased electricity due to 62.5% higher average price on flat kWh purchased;
  - \$5.2 million higher fuel costs; and
  - \$3.7 million higher depreciation and amortization costs.

# MUSCATINE POWER AND WATER

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2025 and 2024  
(Unaudited)

## UTILITY FINANCIAL ANALYSIS (CONT.)

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### ELECTRIC UTILITY (CONT.)

#### Statements of Cash Flows

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Cash Flows From (Used For) Operating Activities	\$ 18,236	\$ 6,194
Cash Flows From (Used For) Non-Capital Financing Activities	4,177	1,363
Cash Flows From (Used For) Capital and Related Financing Activities	(12,218)	(13,440)
Cash Flows From (Used For) Investing Activities	<u>2,593</u>	<u>2,205</u>
Net Change in Cash and Cash Equivalents	12,789	(3,679)
Cash and Cash Equivalents - Beginning of Year	<u>16,053</u>	<u>19,732</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 28,842</u></b>	<b><u>\$ 16,053</u></b>

#### 2025 COMPARED TO 2024

- Cash flows from operating activities increased by \$12.0 million primarily due to:
  - \$27.8 million higher wholesale electric sales;
  - \$2.2 million higher retail electric sales;
  - \$2.2 million lower payments to suppliers; offset by
  - \$17.4 million higher payments for purchased power;
  - \$2.5 million higher employee payroll and benefits.
- \$2.8 million of higher cash flows from non-capital financing activities, which are comprised of the principal and interest on the note receivable from the communications and water utilities.
- Cash flows from capital and related financing activities included capital expenditures of \$12.3 million in 2025, compared to \$13.4 million in 2024.
- Cash flows from investing activities include:
  - Net investments of \$0.1 million in 2025, compared to \$1.1 million of net maturities in 2024; and
  - Interest received on investments of \$2.6 million in 2025, compared to \$3.4 million in 2024, reflect lower interest rates on lower invested asset base.

#### Currently Known Facts, Decisions, or Conditions:

The electric utility will see several meaningful changes in the next few years. These changes primarily relate to changes in power supply for the utility as EcoGen 10 and Muscatine Solar 1 are completed and Muscatine Solar 2 development continues. EcoGen 10 is a 35 MW (nominal) combined heat and power unit that will provide process steam to a nearby customer. The utility plans for the \$88 million project (before tax credits) to achieve commercial operations in second half of 2027. Muscatine Solar 1 is a 24 MWAC solar field also planned for completion in second half of 2027. Its anticipated cost is \$48 million before tax credits. Muscatine Solar 2 is a second 24 MWAC solar field close to Muscatine Solar 1 that is under development and still consider to be in a preliminary phase. Its anticipated startup is about a year later than Muscatine Solar 1.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

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

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

Related to these additions, MPW will be making changes related to its three coal-fired units. Environmental compliance improvements will be made to Unit 9 to comply with effluent limit guidelines (discharged surface water) and Section 316(b) of Clean Water Act (water intake requirements). Unit 8 will be retired when EcoGen 10 commences commercial operations, and the utility plans to transition Unit 7 from coal to natural gas fuel in 2027.

To pay for these capital expenditures and other projects, the electric utility issued \$100 million (par value) of debt in February 2026. These revenue bonds (both tax exempt and taxable) are supported, in part, by future rate increases. A July 1, 2026 base rate increase of 6% was approved by the Board of Trustees in 2025. Future annual base rate increases are planned.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

#### WATER UTILITY

The Board approved water rate increases in 2025 and 2024 in response to increased capital requirements necessary to provide for fire protection, community growth and higher operation and maintenance costs. The 2025 overall rate increase of 4.0% was effective July 1, 2025, and the 2024 overall rate increase of 4.0% was effective July 1, 2024.

In 2025, MPW's contract customers accounted for approximately 88.0% of gallons sold and 54.7% of operating revenues.

In May 2017, the Board approved the bond issuance and the payment of future obligations on those bonds for the purpose of constructing water improvements and extensions. The water utility issued \$14.9 million of water revenue bonds in June 2017 for that purpose. The outstanding principal due on the bonds was \$11.8 million on December 31, 2025.

In November 2022, the Board approved for the water utility to enter into a 7-year loan with the electric utility in the amount of \$2,000,000 at a 4.5% interest rate. The loan was issued January 1, 2023. Semiannual payments of principal and interest are due each June 30 and December 31. The outstanding principal due on the bonds was \$1.5 million on December 31, 2024 and paid off five years early in December 2025.

#### Statements of Net Position

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Current Assets:		
Unrestricted	\$ 4,237	\$ 5,636
Restricted	949	947
Total Current Assets	<u>5,186</u>	<u>6,583</u>
Non-Current Assets:		
Capital Assets	32,923	31,487
Other Assets	6,641	32
Total Non-Current Assets	<u>39,565</u>	<u>31,519</u>
Total Assets	<u>44,751</u>	<u>38,102</u>
Deferred Outflows of Resources:		
OPEB	59	23
Pension	518	712
Total Deferred Outflows of Resources	<u>577</u>	<u>736</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 45,328</u></b>	<b><u>\$ 38,837</u></b>
Current Liabilities	1,083	1,263
Non-Current Liabilities	12,102	14,267
Total Liabilities	<u>13,185</u>	<u>15,530</u>
Deferred Inflows of Resources:		
OPEB	12	9
Pension	300	315
Total Deferred Inflows of Resources	<u>311</u>	<u>324</u>
Net Position:		
Net Investment in Capital Assets	20,950	18,964
Restricted for Debt Service	911	907
Unrestricted	9,970	3,112
Total Net Position	<u>31,832</u>	<u>22,983</u>
<b>Total Liabilities, Deferred Inflows of Resources, &amp; Net Position</b>	<b><u>\$ 45,328</u></b>	<b><u>\$ 38,837</u></b>

See Independent Auditor's Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2025 and 2024 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### WATER UTILITY (CONT.)

#### 2025 COMPARED TO 2024

- Total assets and deferred outflows increased by \$6.5 million, or 16.7% primarily due to:
  - Cash and investments increasing \$2.2 million;
  - Capital assets, net of retirements, increasing \$1.4 million, due to normal capital spending for utility construction and acquisition projects; and
  - Settlement receivable of \$3.2m due to per- and polyfluoroalkyl substances (PFAS) class-action settlements that will be paid over time; offset partially by
  - Deferred outflows of resources decreasing \$0.2 million.
- Total liabilities decreased by \$2.3 million, or 15.1% primarily due to:
  - Debt and bond principal payments of \$1.8 million; and
  - Net pension liability decreasing by \$0.4 million due to annual GASB 68 adjustment.
- Deferred inflows of resources were relatively flat at only \$13,000 lower.

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

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

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 8,795	\$ 8,751
Operating Expenses	<u>(7,287)</u>	<u>(7,313)</u>
Operating Income (Loss)	<u>1,509</u>	<u>1,439</u>
Non-operating Revenues	316	322
Non-operating Expenses	<u>(552)</u>	<u>(571)</u>
Net Non-operating Expenses	<u>(236)</u>	<u>(250)</u>
Net Income (Loss) before Unusual or Infrequent Items	1,272	1,189
Legal Settlement Revenue	<u>7,576</u>	<u>-</u>
<b>Change in Net Position</b>	8,849	1,189
Net Position - Beginning of Year	<u>22,983</u>	<u>21,794</u>
<b>Net Position - End of Year</b>	<u>\$ 31,832</u>	<u>\$ 22,983</u>

#### 2025 COMPARED TO 2024

- Operating revenues increased \$44,200, or 0.5%, due to:
  - Total water retail sales were \$22,500 higher due to a 4.0% rate adjustment effective July 1, 2025; offset partially by
  - Total water sold decreased 420 million gallons, or 4.4%.

See Independent Auditor's Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### WATER UTILITY (CONT.)

- Operating expenses decreased \$25,800, or 0.4%; primarily due to:
  - \$123,100 higher direct labor costs;
  - \$48,300 higher depreciation and amortization costs;
  - \$44,200 higher operational costs;
  - \$10,800 higher well maintenance costs;
  - \$8,400 higher administrative and general labor costs; offset by
  - \$208,600 lower administrative and general costs;
  - \$28,700 lower chemical costs; and
  - \$23,200 lower purchased electricity costs.

#### Statements of Cash Flows

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Cash Flows From (Used For) Operating Activities	\$ 2,724	\$ 2,067
Cash Flows From (Used For) Capital and Related Financing Activities	(780)	(2,378)
Cash Flows From (Used For) Investing Activities	<u>(3,983)</u>	<u>1,688</u>
Net Change in Cash and Cash Equivalents	(2,039)	1,378
Cash and Cash Equivalents - Beginning of Year	<u>3,210</u>	<u>1,832</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 1,171</u></b>	<b><u>\$ 3,210</u></b>

#### 2025 COMPARED TO 2024

- Cash flows from operating activities increased \$657,000, or 31.8%, primarily due to:
  - \$104,800 increase in cash received from retail sales;
  - \$421,100 increase in cash received from other operating sources;
  - \$309,600 lower cash paid to suppliers; offset partially by
  - \$178,400 higher cash paid for employee payroll, taxes and benefits.
- Cash flows from capital and related financing activities increased by \$1.6 million; primarily due to:
  - \$4.4m higher cash received from settlements from PFAS class-action settlement proceeds; partially offset by
  - \$1.2 million higher debt payments; and
  - \$1.5 million higher capital expenditures.
- Cash flows from investing activities include:
  - Net investments of \$4.2 million in 2025 compared to net maturities of \$1.4 million in 2024; and
  - Interest received on investments of \$214,000 in 2025 compared to \$288,500 in 2024.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

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

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#### ***WATER UTILITY (CONT.)***

##### **Currently Known Facts, Decisions, or Conditions:**

The water utility received class-action settlement funds for PFAS remediation in 2025, and additional annual payments from that settlement are required. There may be PFAS class-action settlement from other PFAS manufacturers. The water utility retained a consultant to investigate remediation steps. Management is still evaluating what remediation steps may be necessary, if any.

A 2024 lead and copper EPA rule includes requirements for replacing lead and galvanized water service lines within a ten-year period. Water utilities are required to replace the service lines, if the property owner agrees to program, despite the fact utilities typically do not own or service the lines. The water utility has developed a multi-phase strategy to replace these service lines and anticipates commencing work on Phase 1 in 2026, which is expected to result in the replacement of up to 158 service lines. The water utility plans to issue State Revolving Fund debt for this project (20-year term and 0% interest but with 0.25% fee adder) with forgiveness of 49% of the debt for this first phase. Up to another 400 service lines may need to be replaced in future phases, subject to EPA rules, funding availability and property owner acceptance of program terms.

A 4% increase is planned for the Water Utility effective July 1, 2026, and annual increases planned in future years

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

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

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#### **COMMUNICATIONS UTILITY**

Video services rate adjustments for the communications utility were approved by the Board for both 2025 and 2024. Effective May 1, 2025, Digital TV Basic service increased by \$0.93 to \$27.07 per month and Select Digital TV service rates increased \$5.00 to \$99.99 per month. In addition to the rate increases and a broadcast service charge increased from \$25.18 per month in 2024 to \$27.07 per month in 2025, which is applied to all packages to cover local network channel fees. In addition, the regional sports charge decreased by \$0.51 to \$9.74 per month to help cover programmers' additional sports package increases.

On November 25, 2014, the Board approved an amendment to the electric utility's loan agreement with the communications utility, effective January 1, 2015, that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50%, and modifying the amortization of the note from a 30-year period to a 20-year period. As of December 31, the remaining principal was \$2,609,637 and the loan was completely paid off in its entirety early due to favorable cash position as of December 31, 2025.

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 Fiber-to-the-Home project and extensions by the communications utility. 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 \$546,947 and \$532,266 were made in 2025 and 2024, respectively. The principal balance as of December 31, 2025 was \$993,706.

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 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, beginning March 30, 2021 with final payment due September 30, 2027. A Communications Revenue Bond, Series 2017, which had a principal balance due of \$4,175,144, was paid off with proceeds from this bond issue at its closing. The principal balance as of December 31, 2025 was \$1,736,326.

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2025 and 2024 (Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

#### COMMUNICATIONS UTILITY (CONT.)

#### Statements of Net Position

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Current Assets – Unrestricted	\$ 10,580	\$ 12,154
Non-Current Assets:		
Capital Assets	17,303	17,631
Other Assets	-	-
Total Non-Current Assets	<u>17,303</u>	<u>17,631</u>
Total Assets	<u>27,882</u>	<u>29,785</u>
Deferred Outflows of Resources:		
OPEB	91	35
Pension	730	1,372
Total Deferred Outflows of Resources	<u>821</u>	<u>1,407</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 28,703</u></b>	<b><u>\$ 31,192</u></b>
Current Liabilities	2,874	3,019
Non-Current Liabilities	2,259	7,343
Total Liabilities	<u>5,133</u>	<u>10,362</u>
Deferred Inflows of Resources:		
OPEB	16	12
Pension	569	601
Total Deferred Inflows of Resources	<u>585</u>	<u>613</u>
Net Position:		
Net Investment in Capital Assets	14,299	13,065
Unrestricted	8,686	7,153
Total Net Position	<u>22,985</u>	<u>20,217</u>
<b>Total Liabilities, Deferred Inflows of Resources, &amp; Net Position</b>	<b><u>\$ 28,703</u></b>	<b><u>\$ 31,192</u></b>

#### 2025 COMPARED TO 2024

- Total assets and deferred outflows of resources decreased \$2.5 million, or 8.0%, primarily due to:
  - \$1.1m decrease in cash and investment balances;
  - \$0.5 million decrease in customer accounts receivables;
  - \$0.6 million decrease in deferred outflows of resources due to the GASB 68 pension adjustment; and
  - \$0.3 million decrease in capital assets, net of retirements, resulting from retirements of assets no longer in service.
- Current liabilities decreased \$0.1 million, or 4.8%.
- Non-current liabilities decreased \$5.1 million, or 69.2% primarily due to:
  - \$4.2 million decrease to long term debt, net of current portion; and
  - \$0.9 million decrease in net pension liability due to GASB 68 annual adjustment.
- Deferred inflows of resources stayed relatively flat down only \$27,700 primarily due to GASB 68.

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

See Independent Auditor's Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

#### COMMUNICATIONS UTILITY (CONT.)

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

<u>In thousands \$</u>	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 15,187	\$ 15,562
Operating Expenses	<u>(13,055)</u>	<u>(14,225)</u>
Operating Income (Loss)	<u>2,132</u>	<u>1,336</u>
Non-operating Revenues	763	1,180
Non-operating Expenses	<u>(127)</u>	<u>(182)</u>
Net Non-operating Expenses	<u>636</u>	<u>998</u>
Net Income (Loss) before Unusual or Infrequent Items	2,767	2,334
Legal Settlement Revenue	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	2,767	2,334
Net Position - Beginning of Year	<u>20,217</u>	<u>17,883</u>
<b>Net Position - End of Year</b>	<u>\$ 22,985</u>	<u>\$ 20,217</u>

#### 2025 COMPARED TO 2024

- Operating revenues decreased \$374,400, or 2.4%, due to:
  - Video operating revenues decreased by \$402,800, or 6.7%, due to:
    - 6.4% decrease in the total number of video subscribers (3,378 at the end of 2025 compared to 3,608 at the end of 2024); partially offset by
    - Average rate increase of 5.2% in May 2025.
  - Internet revenues decreased \$122,600, or 1.5%, primarily due to:
    - 1.7% decrease in internet subscribers (10,181 at the end of 2024 compared to 10,352 in 2024).
  - Phone revenue increased by \$67,500 or 17.4% primarily due to:
    - 20.2% increase in total phone lines (1,296 at the end of 2025 compared to 1,078 in 2024).
  - Enterprise revenues increased \$68,300, or 7.6%, in 2025 primarily due to a 5.8% increase in total enterprise lines (110 total lines).
- Operating expenses decreased by \$1.2 million, or 8.2%, primarily due to:
  - \$165,800 higher direct labor costs;
  - \$112,500 higher operational costs;
  - \$52,400 higher administrative and general labor costs; offset by
  - \$913,400 lower depreciation and amortization;
  - \$266,900 lower programming costs;
  - \$250,500 lower administrative and general costs;
  - 78,300 lower maintenance costs; and
  - \$8,400 lower data access fee costs.

See Independent Auditor's Report

# MUSCATINE POWER AND WATER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025 and 2024

(Unaudited)

### UTILITY FINANCIAL ANALYSIS (CONT.)

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#### COMMUNICATIONS UTILITY (CONT.)

##### Statements of Cash Flows

In thousands \$	2025	2024
Cash Flows From (Used For) Operating Activities	\$ 3,606	\$ 4,390
Cash Flows From (Used For) Capital and Related Financing Activities	(5,132)	(4,175)
Cash Flows From (Used For) Investing Activities	717	2,256
Net Change in Cash and Cash Equivalents	(809)	2,471
Cash and Cash Equivalents - Beginning of Year	2,694	223
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,885</b>	<b>\$ 2,694</b>

#### 2025 COMPARED TO 2024

- Cash flows from operating activities decreased \$784,500, or 17.9%, primarily due to:
  - \$201,800 increase in cash received from other sources; offset by
  - \$435,600 higher cash paid to suppliers;
  - \$358,700 higher cash paid for employee payroll, taxes and benefits;
  - \$127,300 decrease in cash received from advertising sales; and
  - \$65,900 decrease in cash received from retail sales.
- Capital and related financing activities include:
  - Capital expenditures in 2025 and 2024 totaled \$1.5 million and \$1.5 million, respectively;
  - Debt principal and interest payments in 2025 and 2024 totaled \$4.2 million and \$2.6 million respectively; and
  - Cash received from settlements and grants of \$593,000
- Cash flows from investing activities include:
  - Net maturities of \$0.3 million in 2025 compared to net maturities of \$1.75 million in 2024; and
  - Interest received on investments of \$417,300 in 2025 compared to \$506,100 in 2024.

#### Currently Known Facts, Decisions, or Conditions:

The communications utility has participated in two Notice of Funding Availability (NOFA) projects that resulted in extensions of fiberoptic lines to areas just outside of Muscatine that were underserved for internet needs. A third NOFA project (NOFA 9) will likely be awarded and accepted in 2026. No debt financing is anticipated to complete the NOFA 9 project.

#### CONTACTING UTILITY MANAGEMENT

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

*See Independent Auditor's Report*

**MUSCATINE POWER AND WATER**

STATEMENTS OF NET POSITION  
As of December 31, 2025 and 2024

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2025	2024	2025	2024	2025	2024	2025	2024
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Unrestricted Assets								
Cash	\$ 28,841,567	\$ 16,052,717	\$ 221,179	\$ 2,263,134	\$ 1,885,285	\$ 2,693,887	\$ 30,948,031	\$ 21,009,738
Investments	44,287,687	44,378,872	1,749,000	1,550,000	5,750,000	6,050,000	51,786,687	51,978,872
Receivables:								
Customer accounts, net	8,084,163	7,817,843	888,440	1,154,851	1,992,094	2,498,027	10,964,697	11,470,721
Interest	893,895	844,909	63,904	34,759	135,180	167,449	1,092,978	1,047,117
Settlement	-	-	597,652	-	-	-	597,652	-
Inventories:								
Fuel	10,211,403	17,062,543	-	-	-	-	10,211,403	17,062,543
Emission allowances	580,480	580,480	-	-	-	-	580,480	580,480
Materials and supplies	4,261,980	4,470,958	655,354	580,090	445,215	495,080	5,362,549	5,546,129
Prepaid and other expenses	1,146,768	888,910	61,356	53,552	371,731	249,381	1,579,855	1,191,844
Total Unrestricted Assets	<u>98,307,943</u>	<u>92,097,232</u>	<u>4,236,884</u>	<u>5,636,387</u>	<u>10,579,505</u>	<u>12,153,824</u>	<u>113,124,333</u>	<u>109,887,444</u>
Restricted Assets - Cash	-	-	949,450	946,700	-	-	949,450	946,700
Total Current Assets	<u>98,307,943</u>	<u>92,097,232</u>	<u>5,186,334</u>	<u>6,583,087</u>	<u>10,579,505</u>	<u>12,153,824</u>	<u>114,073,783</u>	<u>110,834,144</u>
<b>NON-CURRENT ASSETS</b>								
Capital Assets								
Utility plant in service	452,166,895	446,293,048	48,379,471	45,997,433	33,240,981	31,871,757	533,787,347	524,162,238
Subscription based IT assets	1,989,086	1,431,536	313,000	264,817	605,637	523,037	2,907,723	2,219,390
Construction work in progress	13,624,165	7,487,983	411,332	358,107	536,395	563,081	14,571,892	8,409,171
Less: accumulated depreciation/amortization	<u>(385,502,032)</u>	<u>(378,082,427)</u>	<u>(16,180,624)</u>	<u>(15,133,680)</u>	<u>(17,080,458)</u>	<u>(15,326,927)</u>	<u>(418,763,113)</u>	<u>(408,543,034)</u>
Total Capital Assets	<u>82,278,113</u>	<u>77,130,140</u>	<u>32,923,180</u>	<u>31,486,677</u>	<u>17,302,556</u>	<u>17,630,948</u>	<u>132,503,849</u>	<u>126,247,765</u>
Other Assets								
Investments	-	-	3,997,866	-	-	-	3,997,866	-
Note receivable from communications utility	-	2,609,637	-	-	-	-	-	2,609,637
Note receivable from water utility	-	1,490,629	-	-	-	-	-	1,490,629
Unamortized debt insurance costs	-	-	28,856	31,903	-	-	28,856	31,903
Settlement receivable	-	-	2,614,727	-	-	-	2,614,727	-
Joint venture rights	160,931	153,040	-	-	-	-	160,931	153,040
Total Other Assets	<u>160,931</u>	<u>4,253,307</u>	<u>6,641,449</u>	<u>31,903</u>	<u>-</u>	<u>-</u>	<u>6,802,379</u>	<u>4,285,210</u>
Total Non-Current Assets	<u>82,439,044</u>	<u>81,383,447</u>	<u>39,564,629</u>	<u>31,518,580</u>	<u>17,302,556</u>	<u>17,630,948</u>	<u>139,306,228</u>	<u>130,532,975</u>
Total Assets	<u>180,746,987</u>	<u>173,480,679</u>	<u>44,750,963</u>	<u>38,101,667</u>	<u>27,882,061</u>	<u>29,784,772</u>	<u>253,380,011</u>	<u>241,367,118</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
OPEB deferred outflows of resources	437,266	163,079	59,466	23,427	91,116	35,121	587,847	221,626
Pension deferred outflows of resources	4,123,432	7,687,139	517,513	712,103	729,852	1,371,820	5,370,797	9,771,063
Plant decommissioning	48,547,126	8,824,905	-	-	-	-	48,547,126	8,824,905
Total Deferred Outflows of Resources	<u>53,107,824</u>	<u>16,675,123</u>	<u>576,979</u>	<u>735,530</u>	<u>820,968</u>	<u>1,406,941</u>	<u>54,505,770</u>	<u>18,817,594</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 233,854,810</u>	<u>\$ 190,155,802</u>	<u>\$ 45,327,942</u>	<u>\$ 38,837,197</u>	<u>\$ 28,703,029</u>	<u>\$ 31,191,713</u>	<u>\$ 307,885,781</u>	<u>\$ 260,184,712</u>

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	2025	2024	2025	2024	2025	2024	2025	2024
<b>CURRENT LIABILITIES</b>								
Payable From Unrestricted Assets								
Trade accounts payable	\$ 1,803,428	\$ 1,891,908	\$ 100,975	\$ 75,138	\$ 539,851	\$ 787,463	\$ 2,444,254	\$ 2,754,509
Accrued expenses	4,741,700	4,162,794	383,769	353,509	632,254	603,119	5,757,723	5,119,422
Unearned revenue	633,525	6,688	1,200	1,200	17,500	17,500	652,225	25,388
Customer deposits	987,494	977,254	-	-	-	-	987,494	977,254
Non-customer deposits	270,000	270,000	-	-	-	-	270,000	270,000
Subscription based IT arrangements	429,581	240,993	69,421	51,397	133,344	101,761	632,346	394,151
Current portion of long-term debt	-	-	-	-	1,551,143	1,509,510	1,551,143	1,509,510
Total Payable From Unrestricted Assets	<u>8,865,729</u>	<u>7,549,637</u>	<u>555,365</u>	<u>481,244</u>	<u>2,874,092</u>	<u>3,019,353</u>	<u>12,295,186</u>	<u>11,050,234</u>
Payable From Restricted Assets								
Current portion of long-term debt	-	-	490,000	742,199	-	-	490,000	742,199
Accrued interest payable	-	-	37,996	39,954	-	-	37,996	39,954
Total Payable From Restricted Assets	<u>-</u>	<u>-</u>	<u>527,996</u>	<u>782,153</u>	<u>-</u>	<u>-</u>	<u>527,996</u>	<u>782,153</u>
Total Current Liabilities	<u>8,865,729</u>	<u>7,549,637</u>	<u>1,083,361</u>	<u>1,263,397</u>	<u>2,874,092</u>	<u>3,019,353</u>	<u>12,823,182</u>	<u>11,832,387</u>
<b>NON-CURRENT LIABILITIES</b>								
Note payable to electric utility	-	-	-	1,218,430	-	2,609,637	-	3,828,067
Long-term debt, net of current portion	-	-	11,080,000	11,570,000	1,178,889	2,730,032	12,258,889	14,300,032
Unamortized bond premium	-	-	260,824	318,428	-	-	260,824	318,428
Unearned revenue	-	-	-	-	71,980	89,480	71,980	89,480
Total OPEB liability	1,178,825	843,413	167,280	123,194	247,363	178,865	1,593,469	1,145,472
Health and dental care provision	132,651	40,680	1,939	5,023	2,719	7,939	137,308	53,641
Net pension liability	3,355,567	8,299,852	518,761	918,436	617,837	1,501,549	4,492,165	10,719,837
Subscription based IT arrangements	687,491	718,065	72,824	113,060	140,524	225,058	900,839	1,056,183
Plant decommissioning	56,622,579	12,012,000	-	-	-	-	56,622,579	12,012,000
Landfill closure and post-closure liability	1,518,755	1,475,608	-	-	-	-	1,518,755	1,475,608
Total Non-Current Liabilities	<u>63,495,868</u>	<u>23,389,618</u>	<u>12,101,628</u>	<u>14,266,570</u>	<u>2,259,312</u>	<u>7,342,560</u>	<u>77,856,808</u>	<u>44,998,749</u>
Total Liabilities	<u>72,361,598</u>	<u>30,939,255</u>	<u>13,184,989</u>	<u>15,529,967</u>	<u>5,133,403</u>	<u>10,361,913</u>	<u>90,679,990</u>	<u>56,831,136</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Extraordinary O&M - regulatory deferred inflow	28,032,866	28,032,866	-	-	-	-	28,032,866	28,032,866
OPEB deferred inflows of resources	74,093	55,273	11,527	9,053	15,920	12,077	101,540	76,403
Pension deferred inflows of resources	3,187,932	3,366,686	299,717	315,179	569,115	600,621	4,056,765	4,282,485
Total Deferred Inflows of Resources	<u>31,294,891</u>	<u>31,454,825</u>	<u>311,244</u>	<u>324,232</u>	<u>585,035</u>	<u>612,697</u>	<u>32,191,171</u>	<u>32,391,754</u>
<b>NET POSITION</b>								
Net investment in capital assets	81,161,041	76,171,082	20,950,110	18,963,792	14,298,656	13,064,587	116,409,807	108,199,461
Restricted for debt service	-	-	911,454	906,746	-	-	911,454	906,746
Unrestricted	49,037,280	51,590,640	9,970,144	3,112,460	8,685,934	7,152,516	67,693,359	61,855,616
Total Net Position	<u>130,198,321</u>	<u>127,761,722</u>	<u>31,831,708</u>	<u>22,982,998</u>	<u>22,984,591</u>	<u>20,217,103</u>	<u>185,014,620</u>	<u>170,961,823</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 233,854,810</u>	<u>\$ 190,155,802</u>	<u>\$ 45,327,942</u>	<u>\$ 38,837,197</u>	<u>\$ 28,703,029</u>	<u>\$ 31,191,713</u>	<u>\$ 307,885,781</u>	<u>\$ 260,184,712</u>

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, 2025 and 2024

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2025	2024	2025	2024	2025	2024	2025	2024
<b>OPERATING REVENUES</b>								
Retail sales	\$ 67,899,568	\$ 66,442,133	\$ 8,740,081	\$ 8,717,539	\$ 15,093,867	\$ 15,483,449	\$ 91,733,515	\$ 90,643,121
Wholesale electric sales	49,657,620	21,690,903	-	-	-	-	49,657,620	21,690,903
Other	3,584,377	2,866,071	55,329	33,691	93,343	78,129	3,733,050	2,977,891
Total Operating Revenues	<u>121,141,566</u>	<u>90,999,107</u>	<u>8,795,410</u>	<u>8,751,230</u>	<u>15,187,210</u>	<u>15,561,578</u>	<u>145,124,186</u>	<u>115,311,915</u>
<b>OPERATING EXPENSES</b>								
Production fuel	21,340,560	16,135,102	-	-	-	-	21,340,560	16,135,102
Purchased power	45,215,359	27,831,781	-	-	-	-	45,215,359	27,831,781
Emissions allowance	372,752	407,809	-	-	-	-	372,752	407,809
Other operating expenses	28,237,048	27,271,675	4,774,464	4,895,585	10,191,650	10,371,188	43,203,163	42,538,447
Maintenance	14,057,401	15,017,194	1,323,293	1,276,252	1,110,169	1,187,245	16,490,864	17,480,691
Depreciation/amortization	12,428,454	8,680,139	1,189,123	1,140,835	1,753,530	2,666,959	15,371,107	12,487,933
Total Operating Expenses	<u>121,651,574</u>	<u>95,343,700</u>	<u>7,286,881</u>	<u>7,312,671</u>	<u>13,055,349</u>	<u>14,225,392</u>	<u>141,993,804</u>	<u>116,881,763</u>
Operating Income/(Loss)	<u>(510,008)</u>	<u>(4,344,592)</u>	<u>1,508,529</u>	<u>1,438,559</u>	<u>2,131,861</u>	<u>1,336,186</u>	<u>3,130,380</u>	<u>(1,569,849)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>								
Investment income	2,912,357	3,233,788	243,103	255,265	384,992	460,058	3,540,452	3,949,111
Interest income on note receivable from water/communications utility	77,098	93,989	-	-	-	-	77,098	93,989
Gain/(Loss) on asset disposal	43,905	1,890	14,886	12,160	-	8,667	58,792	22,718
Capital Contributions	25,500	316,664	-	3,500	377,993	711,138	403,493	1,031,302
Interest expense	(112,253)	(71,120)	(548,666)	(587,068)	(127,358)	(182,009)	(788,277)	(840,198)
Bond insurance costs	-	-	(3,047)	(3,161)	-	-	(3,047)	(3,161)
Bond premium amortization	-	-	57,603	69,717	-	-	57,603	69,717
Net Non-Operating Revenues (Expenses)	<u>2,946,608</u>	<u>3,575,210</u>	<u>(236,121)</u>	<u>(249,587)</u>	<u>635,627</u>	<u>997,854</u>	<u>3,346,114</u>	<u>4,323,477</u>
Net income (loss) before Unusual or Infrequent Items	<u>2,436,599</u>	<u>(769,382)</u>	<u>1,272,408</u>	<u>1,188,972</u>	<u>2,767,488</u>	<u>2,334,039</u>	<u>6,476,495</u>	<u>2,753,629</u>
<b>Unusual or Infrequent Items</b>								
Legal settlement revenue	<u>-</u>	<u>-</u>	<u>7,576,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,576,302</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>2,436,599</u>	<u>(769,382)</u>	<u>8,848,710</u>	<u>1,188,972</u>	<u>2,767,488</u>	<u>2,334,039</u>	<u>14,052,797</u>	<u>2,753,629</u>
NET POSITION - Beginning of Year	<u>127,761,722</u>	<u>128,531,104</u>	<u>22,982,998</u>	<u>21,794,026</u>	<u>20,217,103</u>	<u>17,883,064</u>	<u>170,961,823</u>	<u>168,208,194</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 130,198,321</u>	<u>\$ 127,761,722</u>	<u>\$ 31,831,708</u>	<u>\$ 22,982,998</u>	<u>\$ 22,984,591</u>	<u>\$ 20,217,103</u>	<u>\$ 185,014,620</u>	<u>\$ 170,961,823</u>

See accompanying notes to financial statements.

**MUSCATINE POWER AND WATER**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2025	2024	2025	2024	2025	2024	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash received from retail sales	\$ 68,104,463	\$ 65,871,366	\$ 8,836,743	\$ 8,731,926	\$ 15,062,343	\$ 15,128,214	\$ 92,003,550	\$ 89,731,505
Cash received from wholesale electric sales	49,290,521	21,486,938	-	-	-	-	49,290,521	21,486,938
Cash received from steam sales	-	-	-	-	-	-	-	-
Cash received from coal sales	-	-	-	-	-	-	-	-
Cash received from advertising sales	-	-	-	-	213,587	340,854	213,587	340,854
Cash received from by-product sales	884,276	801,898	-	-	-	-	884,276	801,898
Cash received from other operating sources	3,365,230	2,321,606	229,252	(191,878)	184,699	(17,023)	3,779,181	2,112,704
Cash paid for coal and gas	(14,109,961)	(12,726,440)	-	-	-	-	(14,109,961)	(12,726,440)
Cash paid for purchased power	(45,215,359)	(27,831,781)	-	-	-	-	(45,215,359)	(27,831,781)
Cash paid to suppliers	(16,006,849)	(18,176,927)	(3,389,504)	(3,699,027)	(7,458,187)	(7,023,849)	(26,854,541)	(28,899,803)
Cash paid for employee payroll, taxes and benefits	(28,075,952)	(25,553,058)	(2,952,506)	(2,774,061)	(4,396,717)	(4,038,002)	(35,425,175)	(32,365,120)
Net Cash Flows From (Used For) Operating Activities	<u>18,236,370</u>	<u>6,193,600</u>	<u>2,723,984</u>	<u>2,066,960</u>	<u>3,605,725</u>	<u>4,390,193</u>	<u>24,566,078</u>	<u>12,650,752</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>								
Interest received on note receivable from Communications utility	13,048	18,091	-	-	-	-	13,048	18,091
Principal received on note receivable from Communications utility	2,609,637	1,008,573	-	-	-	-	2,609,637	1,008,573
Interest received on note receivable from Water utility	64,050	75,898	-	-	-	-	64,050	75,898
Principal paid on note receivable from Water utility	<u>1,490,629</u>	<u>260,351</u>	-	-	-	-	<u>1,490,629</u>	<u>260,351</u>
Net Cash Flows From (Used For) Non-Capital Financing Activities	<u>4,177,365</u>	<u>1,362,914</u>	-	-	-	-	<u>4,177,365</u>	<u>1,362,914</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Acquisition and construction of capital assets	(12,261,862)	(13,442,117)	(2,654,962)	(1,107,046)	(1,492,026)	(1,547,578)	(16,408,850)	(16,096,741)
Net proceeds from sale/disposal of assets	43,905	1,890	14,886	12,160	-	8,667	58,791	22,716
Cash received from settlements and grants	-	-	4,363,923	-	593,007	-	4,956,930	-
Bond principal payments	-	-	(475,000)	(445,000)	-	-	(475,000)	(445,000)
Bond interest payments	-	-	(474,450)	(501,699)	-	-	(474,450)	(501,699)
Debt principal payments	-	-	(1,490,629)	(260,351)	(4,119,147)	(2,477,567)	(5,609,776)	(2,737,918)
Debt interest payments	-	-	(64,050)	(75,898)	(113,422)	(158,981)	(177,472)	(234,879)
Net Cash Flows From (Used For) Capital and Related Financing Activities	<u>(12,217,957)</u>	<u>(13,440,227)</u>	<u>(780,282)</u>	<u>(2,377,835)</u>	<u>(5,131,588)</u>	<u>(4,175,459)</u>	<u>(18,129,827)</u>	<u>(19,993,521)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Proceeds from investments matured and sold	39,109,576	55,243,974	2,051,646	3,950,000	5,050,000	8,800,000	46,211,221	67,993,974
Investments purchased	(39,018,391)	(56,378,097)	(6,248,511)	(2,550,000)	(4,750,000)	(7,050,000)	(50,016,902)	(65,978,097)
Purchase of joint venture rights	(93,292)	(83,180)	-	-	-	-	(93,292)	(83,180)
Interest received on investments	<u>2,595,179</u>	<u>3,422,108</u>	<u>213,958</u>	<u>288,492</u>	<u>417,261</u>	<u>506,096</u>	<u>3,226,398</u>	<u>4,216,695</u>
Net Cash Flows From (Used For) Investing Activities	<u>2,595,072</u>	<u>2,204,805</u>	<u>(3,982,908)</u>	<u>1,688,492</u>	<u>717,261</u>	<u>2,256,096</u>	<u>(672,574)</u>	<u>6,149,392</u>
<b>Net Increase (Decrease) in Cash</b>	<b>12,788,850</b>	<b>(3,678,908)</b>	<b>(2,039,205)</b>	<b>1,377,616</b>	<b>(808,602)</b>	<b>2,470,830</b>	<b>9,941,043</b>	<b>169,539</b>
<b>CASH - Beginning of Year</b>								
Current unrestricted cash	16,052,717	19,731,624	2,263,134	884,268	2,693,887	223,057	21,009,738	20,838,950
Current restricted cash	-	-	946,700	947,950	-	-	946,700	947,950
	<u>16,052,717</u>	<u>19,731,624</u>	<u>3,209,834</u>	<u>1,832,218</u>	<u>2,693,887</u>	<u>223,057</u>	<u>21,956,438</u>	<u>21,786,900</u>
<b>CASH - END OF YEAR</b>								
Current unrestricted cash	28,841,567	16,052,717	221,179	2,263,134	1,885,285	2,693,887	30,948,031	21,009,738
Current restricted cash	-	-	949,450	946,700	-	-	949,450	946,700
	<u>\$ 28,841,567</u>	<u>\$ 16,052,717</u>	<u>\$ 1,170,629</u>	<u>\$ 3,209,834</u>	<u>\$ 1,885,285</u>	<u>\$ 2,693,887</u>	<u>\$ 31,897,481</u>	<u>\$ 21,956,438</u>

See accompanying notes to financial statements.

	ELECTRIC UTILITY		WATER UTILITY		COMMUNICATIONS UTILITY		TOTALS	
	2025	2024	2025	2024	2025	2024	2025	2024
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES</b>								
Operating income/(loss)	\$ (510,008)	\$ (4,344,592)	\$ 1,508,529	\$ 1,438,559	\$ 2,131,861	\$ 1,336,186	\$ 3,130,381	\$ (1,569,848)
Non-Cash items in operating income (loss)								
Depreciation/amortization	12,428,454	8,680,139	1,189,123	1,140,835	1,753,530	2,666,959	15,371,107	12,487,933
Amortization of joint venture rights	85,401	74,590	-	-	-	-	85,401	74,590
Compensated Absences	54,596	431,549	4,228	33,423	9,790	77,386	68,614	542,358
Changes in assets, liabilities, and deferrals								
Customer accounts receivable	(240,820)	(631,990)	266,411	(220,276)	290,919	(91,856)	316,510	(944,123)
Inventories	7,060,118	3,345,235	(75,264)	(9,767)	49,865	296,323	7,034,720	3,631,791
Prepaid and other expenses	(257,858)	18,423	(7,803)	320	(122,350)	107,489	(388,011)	126,232
Trade accounts payable	(88,480)	(637,963)	25,837	(202,674)	(247,612)	184,969	(310,255)	(655,668)
Accrued expenses	839,440	(73,682)	22,947	(3,437)	14,125	(11,829)	876,512	(88,949)
OPEB related deferrals and liabilities	80,045	28,177	44,086	2,585	68,498	4,017	192,629	34,779
Pension related deferrals and liabilities	(1,894,742)	(912,899)	(254,111)	(112,607)	(325,401)	(161,951)	(2,474,255)	(1,187,457)
Unearned revenue	626,838	-	-	-	(17,500)	(17,500)	609,338	(17,500)
Customer deposits	10,241	(38,658)	-	-	-	-	10,241	(38,658)
Landfill closure and post closure liability	43,147	255,273	-	-	-	-	43,147	255,273
<b>NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 18,236,370</b>	<b>\$ 6,193,600</b>	<b>\$ 2,723,984</b>	<b>\$ 2,066,960</b>	<b>\$ 3,605,725</b>	<b>\$ 4,390,193</b>	<b>\$ 24,566,078</b>	<b>\$ 12,650,752</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES</b>								
Unpaid capital expenditures	\$ 264,076	\$ 235,788	\$ -	\$ 2,520	\$ -	\$ 147,659	\$ 264,076	\$ 385,967

See accompanying notes to financial statements.

## MUSCATINE POWER AND WATER

### STATEMENTS OF FIDUCIARY NET POSITION FIDUCIARY FUND

As of December 31, 2025 and 2024

	Pension Trust Fund	
	2025	2024
<b>ASSETS</b>		
Investments:		
Large U.S. equity	\$ 37,490,300	\$ 33,026,783
Small/mid U.S. equity	15,502,546	13,581,557
International equity	23,078,551	20,093,464
Fixed income	35,991,282	32,846,628
Other	6,874,184	6,383,388
Total Assets	<u>\$ 118,936,863</u>	<u>\$ 105,931,820</u>
<b>LIABILITIES</b>		
Total Liabilities	\$ -	\$ -
<b>FIDUCIARY NET POSITION</b>		
Net Position Restricted for Pensions	<u>\$ 118,936,863</u>	<u>\$ 105,931,820</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, 2025 and 2024

	Pension Trust Fund	
	2025	2024
<b>ADDITIONS</b>		
Employer contributions	\$ 3,600,000	\$ 3,420,000
Net investment income:		
Investment return	15,417,088	9,677,276
Investment expenses	<u>(42,840)</u>	<u>(36,368)</u>
Net investment income	<u>15,374,248</u>	<u>9,640,908</u>
Total Additions	<u>18,974,248</u>	<u>13,060,908</u>
<b>DEDUCTIONS</b>		
Benefit payments	5,810,896	5,499,470
Administration expenses	<u>158,309</u>	<u>153,309</u>
Total Deductions	<u>5,969,205</u>	<u>5,652,779</u>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	13,005,043	7,408,129
FIDUCIARY NET POSITION - Beginning of Year	<u>105,931,820</u>	<u>98,523,691</u>
<b>FIDUCIARY NET POSITION - END OF YEAR</b>	<u>\$ 118,936,863</u>	<u>\$ 105,931,820</u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

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

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

### ***REPORTING ENTITY***

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

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

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

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

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

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

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

#### **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 2025 and 2024 the allowances were:

	<u>2025</u>	<u>2024</u>
Electric utility	\$74,283	\$61,778
Water utility	\$21,757	\$16,365
Communications utility	\$28,709	\$3,974

#### **INVENTORIES**

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

#### **RESTRICTED ASSETS**

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

#### **CAPITAL ASSETS**

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

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$5,000 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 2025 or 2024.

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, 2025 and 2024

## 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 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
<b>Electric Utility</b>		
Generation plant*	1.3 %	1.3 %
Transmission and distribution plant	2.6	2.3
General plant	2.2	2.7
<b>Water Utility</b>		
Source of supply	1.3 %	2.5 %
Pumping equipment	2.8	2.9
Purification system	1.8	1.8
Distribution system	2.5	2.4
General plant	6.8	6.3
<b>Communications Utility</b>		
Fiber Optic TV	6.0 %	7.6 %
Data/Internet	4.6	8.7
MAN	5.8	5.8
General plant	8.3	8.7

\* Management has determined the remaining lives of coal-fired generation assets are shorter than had been used prior to October 2020. Units 8 is planned for retirement in the second half of 2027 but no later than December 31, 2028. In 2027, Unit 7 is anticipated to switch to burning only natural gas rather than coal, and then likely be retired in the mid 2030s. Accelerated depreciation of these two units will continue and end no later than 2028. For Unit 9, its planned retirement is anticipated to occur after 2040 but as early as the end of 2043. Therefore, depreciation of Unit 9 assets was also accelerated from October 2020.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the utility's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term. Right-to-use IT assets are amortized over the subscription term using the straight-line method. The amortization periods vary from 3 to 5 years.

#### 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. Plant decommissioning deferred outflows relate to the recording of decommissioning expenses over the expected lives of the retiring units described in Note 19.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

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

It is the utilities' policy to permit employees to accumulate earned but unused vacation and sick pay benefits that are collectively referred to as compensated absences. Vacation pay is payable to employees upon retirement or termination. The liability for compensated absences is calculated under the provisions of GASB Statement No. 101, Compensated Absences, which was adopted in 2024.

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

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

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

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

#### ***POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)***

For purposes of measuring the total OPEB liability and determining the OPEB expense, there is no fiduciary net position for 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.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

#### ***PLANT DECOMMISSIONING***

Plant decommissioning liability is in accordance with GASB Statement No. 62 Accounting and Financial Reporting Guidance. Details of the account are included in Note 19.

#### ***SUBSCRIPTION LIABILITY***

Subscription liabilities represent the utility's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the utility.

#### ***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.

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 deferral or use of the Extraordinary O&M Account occurred in 2025 or 2024.

#### ***NET POSITION***

The net position of the utility is presented in the following components:

*Net investment in capital assets* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position.

*Restricted* – Consists of restricted assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation, reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the assets result from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* – Consists of all other assets that do not meet the definition of "restricted" or "net investment in capital assets."

It is the utility's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

#### ***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 March 25, 2025 and effective for service beginning July 1, 2025.

Current water rates were approved on March 25, 2025 and became effective for service beginning July 1, 2025.

Current communications prices were approved on March 25, 2025 and became effective for service beginning May 1, 2025.

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

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

Revenues are recorded as services are rendered to customers. The electric and water utilities' revenues include an estimate of unbilled revenues for services rendered only to certain residential and small commercial customers from the date of the last meter reading to yearend. The communications utility's revenues include amounts billed to customers for cable and Internet services, installations, advertising and other services. Revenues from cable and internet services, installation and other services are recognized when the services are provided to the customers. Advertising sales are recognized in the period that the advertisements are exhibited. The communications utility's revenues include an estimate of unbilled revenues for service rendered only to certain residential and small commercial customers from the date of their previous bill's generation to yearend. The unbilled revenue recorded in 2025 for the electric, water and communications utilities are \$573,689, \$120,932 and \$204,819, respectively. The unbilled revenue recorded in 2024 for the electric, water and communications utilities are \$589,954, \$121,915 and \$202,730, respectively.

#### ***CAPITAL CONTRIBUTIONS***

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

#### ***INCOME TAX STATUS***

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

#### ***IMPLEMENTATION OF GASB STATEMENT NO 103***

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

#### ***IMPLEMENTATION OF GASB STATEMENT NO 101***

As of January 1, 2023, the utility adopted GASB Statement No 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as governments identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

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## **NOTE 2 – DEPOSITS AND INVESTMENTS**

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

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

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

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2025 and 2024

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

The cash balance reported in the financial statements include investments in the Iowa Public Agency Investment Trust (IPAIT) that are valued at an amortized cost of \$23,130,985 on December 31, 2025, and \$15,167,577 on December 31, 2024. There are no limitations or restrictions on withdrawals for these IPAIT investments.

The utilities had the following additional investments:

<u>Investment</u>	<u>Fair Value as of December 31, 2025</u>	<u>Fair Value as of December 31, 2024</u>
U.S. Treasury obligations	\$ 33,784,553	\$ 36,978,872
U.S. Federal Agency Securities	0	0
Certificate of Deposits (report at cost)	22,000,000	15,000,000
Total Investments	<u>\$ 55,784,553</u>	<u>\$ 51,978,872</u>

#### ***CUSTODIAL CREDIT RISK***

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

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

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

##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The utilities had no custodial risk with regards to investments since all investments were held by the utilities or their agent in the utilities' name. There were no investments held on December 31, 2025, or 2024 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 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's U.S. Treasury investments are rated AA+ by S&P Global as of December 31, 2025, and 2024. The utility held no investments as of December 31, 2025, or 2024 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.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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### **CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. On December 31, 2025, and 2024, MPW held 64% and 51%, respectively, of its cash and investments in U.S. Treasuries and agency securities; these investments are considered risk-free and therefore not a concentration of risk. The utility held no investments as of December 31, 2025, or 2024 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.

All the U.S. Treasury investments held on December 31, 2025, and 2024 mature within five years.

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 and provide for unexpected needs.

During 2024, the Board approved holding up to 10% of cash and investments in maturities greater than 397 days. A formal investment policy change took place mid-2025 during the next cycle of Board policy approvals.

During 2025, the Board approved an investment strategy for per- and polyfluoroalkyl substances (PFAS) funds from class-action settlements that allows these funds to be invested up to terms of five years. The funds are set aside to cover possible PFAS remediation costs.

### **FAIR VALUE MEASUREMENTS**

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

The recurring fair value measurement for the U.S. Treasury investments and agency securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions (level 2 inputs). There have been no changes in valuation methodologies on December 31, 2025, compared to December 31, 2024. Treasuries were new to the MPW portfolio in 2022.

### **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, 2025 and December 31, 2024.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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### **CREDIT RISK**

Separate pension investment accounts held at The Principal Financial Group (Principal) and IPERS are commingled pools, rather than individual securities. As a result, these accounts are not rated. Accounts held at Principal and by IPERS 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 fund manager 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.

### **FIDUCIARY FUND INVESTMENTS – PENSION TRUST FUND**

#### **INTEREST RATE RISK**

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

The pension trust fund held the following investments as of the measurement date of December 31, 2025, subject to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Avg. Years to Maturity</u>
Large U.S. equity	\$ 37,490,300	N/A
Small/mid U.S. equity	15,502,546	N/A
International equity	23,078,551	N/A
U.S. property SA-14	6,874,184	N/A
Fixed income:		
High income separate account-Z	2,890,723	2.78
Bond market index separate account-Z	8,276,564	5.85
Core fixed income separate account-Z	<u>24,823,994</u>	5.84
Total Investments	<u>\$ 118,936,863</u>	

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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The pension trust fund held the following investments as of the measurement date December 31, 2024, subject to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Avg. Years to Maturity</u>
Large U.S. equity	\$ 33,026,783	N/A
Small/mid U.S. equity	13,581,557	N/A
International equity	20,093,464	N/A
U.S. property SA-14	6,383,388	N/A
Fixed income:		
High income separate account-Z	2,647,170	3.47
Bond market index separate account-Z	7,545,228	5.98
Core fixed income separate account-Z	22,654,230	6.08
Total Investments	<u>\$ 105,931,820</u>	

#### ***FAIR VALUE MEASUREMENTS***

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

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2025 and 2024

### NOTE 3 – CAPITAL ASSETS

#### *ELECTRIC UTILITY*

A summary of changes in electric capital assets for 2025 follows:

	Balance 1/1/2025	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2025
Land and land rights <sup>(1)</sup>	\$ 1,863,807	\$ -	\$ -	\$ -	\$ 1,863,807
Generation plant	332,384,036	87,113	-	279,402	332,750,550
Transmission and distribution plant	83,064,876	2,405,713	-	1,480,133	86,950,723
General plant	28,980,328	36,434	(120,490)	1,705,542	30,601,815
<b>Total Utility Plant in Service</b>	<b>446,293,048</b>	<b>2,529,260</b>	<b>(120,490)</b>	<b>3,465,077</b>	<b>452,166,895</b>
Construction work in progress <sup>(1)</sup>	7,487,983	9,601,259	-	(3,465,077)	13,624,165
<b>Total Electric Utility Plant</b>	<b>453,781,031</b>	<b>12,130,519</b>	<b>(120,490)</b>	<b>-</b>	<b>465,791,060</b>
Less: Accumulated depreciation					
Generation plant	\$ 316,564,788	4,299,516	-	-	320,864,304
Transmission and distribution plant	40,483,894	2,018,246	-	-	42,502,140
General plant	20,661,560	830,127	(120,490)	(162)	21,371,035
<b>Total Accumulated     Depreciation</b>	<b>377,710,242</b>	<b>7,147,889</b>	<b>(120,490)</b>	<b>\$ -</b>	<b>384,737,478</b>
<b>Net Electric Capital Assets</b>	<b>\$ 76,070,789</b>				<b>\$ 81,053,581</b>
	Balance 1/1/2025	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2025
Right to use Subscription IT Assets Being Amortized	1,431,536	557,550	-	-	1,989,086
Less: Accumulated amortization	(372,185)	(392,369)	-	-	(764,554)
<b>Net Right to Use Subscription IT Assets</b>	<b>1,059,351</b>	<b>165,181</b>	<b>-</b>	<b>-</b>	<b>1,224,532</b>
<b>Total Net Electric Capital Assets</b>	<b>\$ 77,130,140</b>				<b>\$ 82,278,113</b>

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

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

### NOTE 3 – CAPITAL ASSETS (CONT.)

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

A summary of changes in electric capital assets for 2024 follows:

	Balance 1/1/2024	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2024
Land and land rights <sup>(1)</sup>	\$ 1,863,807	\$ -	\$ -	\$ -	\$ 1,863,807
Generation plant	329,661,163	59,216	(51)	2,663,707	332,384,036
Transmission and distribution plant	79,593,457	2,173,247	(151,432)	1,449,605	83,064,876
General plant	28,627,788	179,439	(192,475)	365,576	28,980,328
<b>Total Utility Plant in Service</b>	<b>439,746,216</b>	<b>2,411,901</b>	<b>(343,958)</b>	<b>4,478,888</b>	<b>446,293,048</b>
Construction work in progress <sup>(1)</sup>	1,136,242	10,830,629	-	(4,478,888)	7,487,983
<b>Total Electric Utility Plant</b>	<b>440,882,459</b>	<b>13,242,530</b>	<b>(343,958)</b>	<b>-</b>	<b>453,781,031</b>
Less: Accumulated depreciation					
Generation plant	312,325,904	4,238,935	(51)	-	316,564,788
Transmission and distribution plant	38,766,836	1,864,593	(147,536)	-	40,483,894
General plant	20,041,999	771,053	(151,492)	-	20,661,560
<b>Total Accumulated     Depreciation</b>	<b>371,134,739</b>	<b>6,874,582</b>	<b>(299,079)</b>	<b>-</b>	<b>377,710,242</b>
<b>Net Electric Capital Assets</b>	<b>\$ 69,747,720</b>				<b>\$ 76,070,789</b>
	Balance 1/1/2024	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2024
Right to use Subscription IT Assets Being Amortized	686,287	745,248	-	-	1,431,536
Less: Accumulated amortization	(160,693)	(211,492)	-	-	(372,185)
<b>Net Right to Use Subscription IT Assets</b>	<b>525,594</b>	<b>533,757</b>	<b>-</b>	<b>-</b>	<b>1,059,351</b>
<b>Total Net Electric Capital Assets</b>	<b>\$ 70,273,314</b>				<b>\$ 77,130,140</b>

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

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2025 and 2024

### NOTE 3 – CAPITAL ASSETS (CONT.)

#### WATER UTILITY

A summary of changes in water capital assets for 2025 follows:

	Balance 1/1/2025	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2025
Land and land rights <sup>(1)</sup>	\$ 3,776,962	\$ -	\$ -	\$ -	\$ 3,776,962
Source of supply	4,313,949	-	(20,011)	186,002	4,479,940
Pumping equipment	3,419,428	-	(24,092)	316,003	3,711,339
Purification equipment	3,168,536	-	-	-	3,168,536
Distribution system	29,147,650	216,414	(5,458)	1,729,402	31,088,007
General plant	2,170,908	51,922	(92,950)	24,808	2,154,687
<b>Total Utility Plant in Service</b>	<b>45,997,433</b>	<b>268,336</b>	<b>(142,511)</b>	<b>2,256,214</b>	<b>48,379,471</b>
Construction work in progress <sup>(1)</sup>	358,107	2,309,439	-	(2,256,214)	411,332
<b>Total Water Utility Plant</b>	<b>46,355,540</b>	<b>2,577,775</b>	<b>(142,511)</b>	<b>-</b>	<b>48,790,804</b>
Less: Accumulated depreciation					
Source of supply	2,264,404	106,387	(20,011)	-	2,350,780
Pumping equipment	1,388,063	97,244	(23,747)	-	1,461,561
Purification system	1,219,045	57,610	-	-	1,276,655
Distribution system	8,882,049	716,179	(5,458)	-	9,592,771
General plant	1,281,791	147,698	(92,950)	-	1,336,539
<b>Total Accumulated     Depreciation</b>	<b>15,035,352</b>	<b>1,125,119</b>	<b>(142,166)</b>	<b>-</b>	<b>16,018,305</b>
<b>Net Water Capital Assets</b>	<b>\$ 31,320,188</b>				<b>\$ 32,772,498</b>
	Balance 1/1/2025	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2025
Right to use Subscription IT Assets Being Amortized	264,817	48,183	-	-	313,000
Less: Accumulated amortization	(98,328)	(63,991)	-	-	(162,319)
<b>Net Right to Use Subscription IT Assets</b>	<b>166,489</b>	<b>(15,807)</b>	<b>-</b>	<b>-</b>	<b>150,681</b>
<b>Total Net Water Capital Assets</b>	<b>\$ 31,486,677</b>				<b>\$ 32,923,180</b>

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

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2025 and 2024

### NOTE 3 – CAPITAL ASSETS (CONT.)

#### WATER UTILITY (CONT.)

A summary of changes in water capital assets for 2024 follows:

	Balance 1/1/2024	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2024
Land and land rights <sup>(1)</sup>	\$ 3,776,962	\$ -	\$ -	\$ -	\$ 3,776,962
Source of supply	4,281,701	32,248	-	-	4,313,949
Pumping equipment	3,419,428	-	-	-	3,419,428
Purification equipment	3,145,665	28,200	(5,329)	-	3,168,536
Distribution system	28,384,851	60,273	-	702,526	29,147,650
General plant	2,150,580	28,674	(118,954)	110,608	2,170,908
<b>Total Utility Plant in Service</b>	<b>45,159,187</b>	<b>149,395</b>	<b>(124,283)</b>	<b>813,134</b>	<b>45,997,433</b>
Construction work in progress <sup>(1)</sup>	277,425	893,817	-	(813,134)	358,107
<b>Total Water Utility Plant</b>	<b>45,436,611</b>	<b>1,043,212</b>	<b>(124,283)</b>	<b>-</b>	<b>46,355,540</b>
Less: Accumulated depreciation					
Source of supply	2,158,913	105,491	-	-	2,264,404
Pumping equipment	1,289,397	98,665	-	-	1,388,063
Purification system	1,164,863	56,739	(2,556)	-	1,219,045
Distribution system	8,193,250	688,799	-	-	8,882,049
General plant	1,264,927	135,817	(118,954)	-	1,281,791
<b>Total Accumulated     Depreciation</b>	<b>14,071,349</b>	<b>1,085,512</b>	<b>(121,509)</b>	<b>-</b>	<b>15,035,352</b>
<b>Net Water Capital Assets</b>	<b>\$ 31,365,262</b>				<b>\$ 31,320,188</b>
	Balance 1/1/2024	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2024
Right to use Subscription IT Assets Being Amortized	253,761	11,055	-	-	264,817
Less: Accumulated amortization	(43,055)	(55,273)	-	-	(98,328)
<b>Net Right to Use Subscription IT Assets</b>	<b>210,706</b>	<b>(44,218)</b>	<b>-</b>	<b>-</b>	<b>166,489</b>
<b>Total Net Water Capital Assets</b>	<b>\$ 31,575,968</b>				<b>\$ 31,486,677</b>

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## NOTE 3 – CAPITAL ASSETS (CONT.)

### COMMUNICATIONS UTILITY

A summary of changes in communications capital assets for 2025 follows:

	Balance 1/1/2025	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2025
Fiber Optic TV	\$ 3,986,238	\$ 80,359	\$ -	\$ 173,564	\$ 4,240,161
Data/Internet	23,776,732	254,273	-	571,010	24,602,015
MAN	1,565,355	-	-	-	1,565,355
General plant	2,543,432	8,306	-	281,712	2,833,450
<b>Total Utility Plant in Service</b>	<b>31,871,757</b>	<b>342,938</b>	<b>-</b>	<b>1,026,286</b>	<b>33,240,981</b>
Construction work in progress <sup>(1)</sup>	563,081	999,600	-	(1,026,286)	536,395
<b>Total Communications Utility Plant</b>	<b>32,434,838</b>	<b>1,342,538</b>	<b>-</b>	<b>-</b>	<b>33,777,376</b>
Less: Accumulated depreciation					
Fiber Optic TV	3,454,461	238,650	-	-	3,693,111
Data/Internet	9,724,947	1,090,074	-	-	10,815,021
MAN	497,570	90,997	-	-	588,568
General plant	1,456,880	210,266	-	-	1,667,146
<b>Total Accumulated     Depreciation</b>	<b>15,133,858</b>	<b>1,629,988</b>	<b>-</b>	<b>-</b>	<b>16,763,846</b>
<b>Net Communications Capital Assets</b>	<b>\$ 17,300,980</b>				<b>\$ 17,013,531</b>
	Balance 1/1/2025	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2025
Right to use Subscription IT Assets Being Amortized	523,037	82,600	-	-	605,637
Less: Accumulated amortization	(193,070)	(123,542)	-	-	(316,612)
<b>Net Right to Use Subscription IT Assets</b>	<b>329,968</b>	<b>(40,942)</b>	<b>-</b>	<b>-</b>	<b>289,025</b>
<b>Total Net Communications Capital Assets</b>	<b>\$ 17,630,948</b>				<b>\$ 17,302,556</b>

(1) – Capital assets not being depreciated

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## NOTE 3 – CAPITAL ASSETS (CONT.)

### COMMUNICATIONS UTILITY (CONT.)

A summary of changes in communications capital assets for 2024 follows:

	Balance 1/1/2024	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2024
Fiber Optic TV	\$ 3,628,690	\$ 83,934	\$ -	\$ 273,614	\$ 3,986,238
Data/Internet	22,754,143	203,415	(5,618)	824,791	23,776,732
MAN	1,565,355	-	-	-	1,565,355
General plant	2,448,304	25,478	-	69,650	2,543,432
<b>Total Utility Plant in Service</b>	<b>30,396,492</b>	<b>312,827</b>	<b>(5,618)</b>	<b>1,168,056</b>	<b>31,871,757</b>
Construction work in progress <sup>(1)</sup>	634,633	1,117,390	-	(1,188,942)	563,081
<b>Total Communications Utility Plant</b>	<b>31,031,125</b>	<b>1,430,217</b>	<b>(5,618)</b>	<b>(20,886)</b>	<b>32,434,838</b>
Less: Accumulated depreciation					
Fiber Optic TV	3,178,347	276,114	-	-	3,454,461
Data/Internet	7,754,081	1,976,451	(5,584)	-	9,724,947
MAN	405,842	91,728	-	-	497,570
General plant	1,243,128	213,752	-	-	1,456,880
<b>Total Accumulated Depreciation</b>	<b>12,581,397</b>	<b>\$ 2,558,045</b>	<b>\$ (5,584)</b>	<b>\$ -</b>	<b>15,133,858</b>
<b>Net Communications Capital Assets</b>	<b>\$ 18,449,728</b>				<b>\$ 17,300,980</b>
	Balance 1/1/2024	Additions/ Reclassifications	Retirements	Transfers	Balance 12/31/2024
Right to use Subscription IT Assets Being Amortized	504,085	18,952	-	-	523,037
Less: Accumulated amortization	(84,168)	(108,901)	-	-	(193,070)
<b>Net Right to Use Subscription IT Assets</b>	<b>419,917</b>	<b>(89,949)</b>	<b>-</b>	<b>-</b>	<b>329,968</b>
<b>Total Net Communications Capital Assets</b>	<b>\$ 18,869,645</b>				<b>\$ 17,630,948</b>

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

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## 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 agreement, the bond fund is used solely for the purpose of paying the interest on and principal of the outstanding debt. The composition of the restricted assets at December 31 of 2025 and 2024 is as follows:

	Water Utility	
	2025	2024
Bond Fund	\$ 949,450	\$ 946,700
Total Restricted Assets	\$ 949,450	\$ 946,700

## NOTE 5 – NON-CURRENT LIABILITIES

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

Non-current liabilities activity for the year ended December 31, 2025:

	Balance 1/1/2025	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2025	Due Within One Year
Total OPEB liability	\$ 843,413	\$ 382,316	\$ (46,904)	\$ 1,178,825	-
Health and dental care provision	40,680	3,404,859	(3,312,888)	132,651	-
Net pension liability	8,299,852	(2,099,565)	(2,844,720)	3,355,567	-
Subscription based IT arrangements	959,058	557,550	(399,535)	1,117,072	429,581
Plant decommissioning	12,012,000	44,610,579	-	56,622,579	-
Landfill closure and post-closure liability	1,475,608	43,147	-	1,518,755	-
Non-current Liabilities	\$ 23,630,611	\$ 46,898,886	\$ (6,604,047)	\$ 63,925,450	\$ 429,581

Non-current liabilities activity for the year ended December 31, 2024:

	Balance 1/1/2024	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2024	Due Within One Year
Total OPEB liability	\$ 823,745	\$ 72,981	\$ (53,313)	\$ 843,413	-
Health and dental care provision	270,437	3,105,115	(3,334,872)	40,680	-
Net pension liability	19,019,749	(1,854,109)	(8,865,788)	8,299,852	-
Subscription based IT arrangements	518,037	745,248	(304,227)	959,058	238,121
Plant decommissioning	12,012,000	-	-	12,012,000	-
Landfill closure and post-closure liability	1,220,335	255,273	-	1,475,608	-
Non-current Liabilities	\$ 33,864,303	\$ 2,324,508	\$ (12,558,200)	\$ 23,630,611	\$ 238,121

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

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

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

In May 2017, the Board approved the issuance and securing the payment of future obligations for the purpose 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 Global “A” rated (with insurance increasing the rating to S&P Global “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, 2025 and December 31, 2024 were \$11,570,000 and \$12,040,000, respectively.

Events of default are defined as either: (1) the non-payment of interest, principal, or premium when the same shall become due and payable, (2) a bankruptcy proceeding where 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.

In November 2022, the Board approved for the water utility to enter into a 7-year loan with the electric utility in the amount of \$2,000,000 at a 4.5% interest rate. The loan was issued January 1, 2023. Semiannual payments of principal and interest were due each June 30 and December 31. Due to favorable cash position, this loan was paid off four years early as of December 31, 2025.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

Non-current liabilities activity for the year ending December 31, 2025:

	Balance 1/1/2025	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2025	Due Within One Year
Note payable to electric utility	\$ 1,490,629	\$ -	\$ (1,490,629)	\$ -	\$ -
Bonds payable	12,040,000	-	(470,000)	11,570,000	490,000
Unamortized bond premium	318,428	-	(57,604)	260,824	-
Total Long-Term Debt	13,849,057	-	(2,018,233)	11,830,824	490,000
Less: Current installments	(742,199)	(490,000)	742,199	(490,000)	-
Long-Term Debt, Net of Current Portion	13,106,858	(490,000)	(1,276,034)	11,340,824	490,000
Total OPEB liability	123,194	47,760	(3,674)	167,280	-
Health & dental care provision	5,023	432,365	(435,449)	1,939	-
Net pension liability	918,436	(76,349)	(323,326)	518,761	-
Subscription based IT arrangements	164,457	48,183	(70,395)	142,245	69,421
Non-current Liabilities	<u>\$ 14,317,968</u>	<u>\$ (38,041)</u>	<u>\$ (2,108,878)</u>	<u>\$ 12,171,049</u>	<u>\$ 559,421</u>

Non-current liabilities activity for the year ending December 31, 2024:

	Balance 1/1/2024	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2024	Due Within One Year
Note payable to electric utility	\$ 1,750,980	\$ -	\$ (260,351)	\$ 1,490,629	\$ 272,199
Bonds payable	12,485,000	-	(445,000)	12,040,000	470,000
Unamortized bond premium	388,145	-	(69,717)	318,428	-
Total Long-Term Debt	14,624,125	-	(775,068)	13,849,057	742,199
Less: Current installments	(705,351)	(742,199)	705,351	(742,199)	-
Long-Term Debt, Net of Current Portion	13,918,774	(742,199)	(69,717)	13,106,858	742,199
Total OPEB liability	120,609	9,593	(7,008)	123,194	-
Health & dental care provision	588	440,786	(436,351)	5,023	-
Net pension liability	1,820,447	(287,136)	(614,875)	918,436	-
Subscription based IT arrangements	212,135	11,196	(58,874)	164,457	51,089
Non-current Liabilities	<u>\$ 16,072,553</u>	<u>\$ (567,760)</u>	<u>\$ (1,186,825)</u>	<u>\$ 14,317,968</u>	<u>\$ 793,288</u>

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

Non-Current Liabilities Maturity Schedule – Water

Year Ending <u>December 31</u>	Water Revenue Bonds, Series 2017				
	Direct Placement				
	Principal Amount	Interest	Total	Rate	Yield
2026	\$ 490,000	\$ 455,950	\$ 945,950	5.00%	2.35%
2027	515,000	431,450	946,450	4.00%	2.50%
2028	535,000	410,850	945,850	4.00%	2.65%
2029	560,000	389,450	949,450	4.00%	2.75%
2030	580,000	367,050	947,050	4.00%	2.75%
2031	595,000	349,650	944,650	3.00%	3.15%
2032	615,000	331,800	946,800	4.00%	3.05%
2033	640,000	307,200	947,200	4.00%	3.15%
2034	665,000	281,600	946,600	4.00%	3.25%
2035	690,000	255,000	945,000	4.00%	3.35%
2036	720,000	227,400	947,400	4.00%	3.35%
2037	750,000	198,600	948,600	4.00%	3.45%
2038	780,000	168,600	948,600	4.00%	3.45%
2039	810,000	137,400	947,400	4.00%	3.55%
2040	840,000	105,000	945,000	4.00%	3.55%
2041	875,000	71,400	946,400	4.00%	3.55%
2042	910,000	36,400	946,400	4.00%	3.65%
Totals	\$ 11,570,000	\$ 4,524,800	\$ 16,094,800		

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 2025 and 2024, and water utility net revenues are as follows:

	2025	2024
Principal and interest paid	\$ 949,450	\$ 946,700
Net revenues	2,940,755	2,834,659

Principal and interest payments were 32% of water utility net revenues in 2025 and 33% in 2024.

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

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

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

Prior to 2004, the electric utility advanced \$35,327,000 to the communications utility for capital improvements and acquisition of a cable television system. On November 25, 2014, the Board approved an amendment to this loan agreement that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50% and modifying the amortization of the note from a 30-year period to a 20-year period. These new terms became effective January 1, 2015. Annual principal payments began January 1, 2016; semiannual payments of interest are due each January 1 and July 1. Due to favorable cash position, this loan was paid off nine years early as of December 31, 2025.

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 refinancing 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 and interest on this bond are payable in 27 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, 2025 and 2024

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

### NON-CURRENT LIABILITIES SUMMARY – COMMUNICATIONS (CONT.)

Non-current liabilities activity for the year ending December 31, 2025:

	Balance 1/1/2025	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2025	Due Within One Year
Note payable to banks	\$ 4,239,542	\$ -	\$ (1,509,510)	\$ 2,730,032	\$ 1,551,143
Note payable to electric utility	2,609,637	-	(2,609,637)	-	-
Total Long-Term Debt	6,849,179	-	(4,119,147)	2,730,032	1,551,143
Less: Current installments	(1,509,510)	(1,551,143)	1,509,510	(1,551,143)	-
Long-Term Debt, Net of Current Portion	5,299,153	(1,551,143)	(2,609,637)	1,178,889	1,551,143
Unearned revenue	89,480	-	(17,500)	71,980	-
Total OPEB liability	178,865	78,077	(9,579)	247,363	-
Health & dental care provision	7,939	671,353	(676,573)	2,719	-
Net pension liability	1,501,549	(370,627)	(513,085)	617,837	-
Subscription Based IT	326,819	82,600	(135,551)	273,867	133,344
Non-current Liabilities	<u>\$ 7,403,805</u>	<u>\$ (1,089,740)</u>	<u>\$ (3,961,926)</u>	<u>\$ 2,392,655</u>	<u>\$ 1,684,487</u>

Non-current liabilities activity for the year ending December 31, 2024:

	Balance 1/1/2024	Additions/ Reduction	Payments/ Amortization/ Reclassifications	Balance 12/31/2024	Due Within One Year
Note payable to banks	\$ 5,708,536	\$ -	\$ (1,468,994)	\$ 4,239,542	\$ 1,509,510
Note payable to electric utility	3,618,211	-	(1,008,574)	2,609,637	-
Total Long-Term Debt	9,326,747	-	(2,477,568)	6,849,179	1,509,510
Less: Current installments	(1,468,994)	1,468,994	(1,509,510)	(1,509,510)	-
Long-Term Debt, Net of Current Portion	7,857,753	1,468,994	(3,987,078)	5,339,669	1,509,510
Unearned revenue	106,980	-	(17,500)	89,480	-
Total OPEB liability	174,848	18,921	(14,904)	178,865	-
Health & dental care provision	570	685,343	(677,974)	7,939	-
Net pension liability	3,428,236	(341,236)	(1,585,451)	1,501,549	-
Subscription Based IT	423,103	19,194	(115,478)	326,819	101,165
Non-current Liabilities	<u>\$ 11,991,490</u>	<u>\$ 1,851,216</u>	<u>\$ (6,398,385)</u>	<u>\$ 7,444,321</u>	<u>\$ 1,610,675</u>

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

Communications loan debt service requirements to maturity as of December 31, 2025 are as follows:

Year Ending	2020 Bank Loan - Direct Placement			2021 Bank Loan - Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
<u>December 31</u>	<u>Amount</u>	<u>2.73%</u>	<u>Total</u>	<u>Amount</u>	<u>2.73%</u>	<u>Total</u>
2026	562,032	21,407	583,439	989,111	37,333	1,026,444
2027	<u>431,674</u>	<u>5,905</u>	<u>437,579</u>	<u>747,216</u>	<u>10,138</u>	<u>757,354</u>
Totals	<u>\$ 993,706</u>	<u>\$ 27,312</u>	<u>\$ 1,021,018</u>	<u>\$ 1,736,327</u>	<u>\$ 47,471</u>	<u>\$ 1,783,798</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 2025 and 2024, excluding that paid to the electric utility, and communications utility net revenues are as follows:

	<u>2025</u>	<u>2024</u>
Principal and interest paid	\$ 1,609,883	\$ 1,609,883
Net revenues	4,270,383	4,463,203

Principal and interest payments were 38% of communications utility net revenues in 2025 and 36% in 2024.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

### **SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)**

In 2023, the utility entered into a SBITA contract for the use of NISC customer service software. As of December 31, 2025, the value of the subscription liability was \$572,520. The utility is required to recognize monthly principal and interest payments of \$23,630 through March 2028. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In 2024, the utility entered into a SBITA contract for the use of OSI Monarch Gold support services. As of December 31, 2025, the value of the subscription liability was \$423,783. The utility is required to recognize annual principal and interest payments of \$114,005 or more through August 31, 2030. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In 2024, the utility entered into a SBITA contract for the use of Ion Wave software and support services. As of December 31, 2025, the value of the subscription liability was \$14,621. The utility is required to recognize annual principal and interest payments of \$15,500 or more through July 31, 2027. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In the current year, the utility entered into a SBITA contract for the use of Pomeroy IT Solutions Vsphere software. As of December 31, 2025, the value of the subscription liability was \$21,987. The utility is required to recognize annual principal and interest payments of \$24,244 or more through November 14, 2027. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In the current year, the utility entered into a SBITA contract for the use of Journyx payroll software. As of December 31, 2025, the value of the subscription liability was \$24,101. The utility is required to recognize annual principal and interest payments of \$25,400 through April 2026. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In the current year, the utility entered into a SBITA contract for the use of Secureworks iSensor software. As of December 31, 2025, the value of the subscription liability was \$21,547. The utility is required to recognize annual principal and interest payments of \$22,194 through December 31, 2026. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

In the current year, the utility entered into a SBITA contract for the use of Associated Computer Systems software. As of December 31, 2025, the value of the subscription liability was \$389,001. The utility is required to recognize annual principal and interest payments of \$209,203 through December 31, 2026. The subscription liability was valued using a discount rate of 4.5% based on the utility's incremental borrowing rate.

A summary of the changes in subscription-based IT liabilities during the year ended December 31, 2025 is as follows:

	Balance			Balance	Due Within
	December 31, 2024	Additions	Payments	December 31, 2025	One Year
Subscription based IT Liabilities	\$1,450,334	\$688,333	(\$605,482)	\$1,533,185	\$632,346

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2025 and 2024

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

Remaining principal and interest payments on subscriptions are as follows:

ELECTRIC UTILITY			WATER UTILITY			COMMUNICATIONS UTILITY			TOTALS		
Years Ending			Years Ending			Years Ending			Years Ending		
December 31,	Principal	Interest	December 31,	Principal	Interest	December 31,	Principal	Interest	December 31,	Principal	Interest
2026	\$ 429,581	\$ 38,018	2026	\$ 69,421	\$ 4,704	2026	\$ 133,344	\$ 9,121	2026	\$ 632,346	\$ 51,843
2027	383,595	19,868	2027	66,505	1,653	2027	129,004	3,233	2027	579,105	24,755
2028	184,592	8,955	2028	6,319	0	2028	11,520	0	2028	202,431	8,955
2029	119,304	3,955	2029	0	0	2029	0	0	2029	119,304	3,955
	\$ 1,117,072	\$ 70,796		\$ 142,245	\$ 6,358		\$ 273,867	\$ 12,354		\$ 1,533,185	\$ 89,509

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## 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 yearend, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

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

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

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

	<u>2025</u>	<u>2024</u>
Plant in Service	\$ 452,166,895	\$ 446,293,048
Construction Work in Progress	1,989,086	7,487,983
Subscription Based IT Assets	13,624,165	1,431,536
Accumulated Depreciation	<u>(385,502,032)</u>	<u>(378,082,427)</u>
Subtotals	<u>82,278,113</u>	<u>77,130,140</u>
Less: Subscription Based IT Arrangements	<u>1,117,072</u>	<u>959,058</u>
Net Investment in Capital Assets	<u>\$ 81,161,041</u>	<u>\$ 76,171,082</u>

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

### NOTE 6 – NET POSITION (CONT.)

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

	2025	2024
Plant in Service	\$ 48,379,471	\$ 45,997,433
Subscription Based IT Assets	313,000	264,817
Construction Work in Progress	411,332	358,107
Accumulated Depreciation	(16,180,624)	(15,133,680)
Subtotals	32,923,180	31,486,677
Less: Capital-Related Debt		
Current portion of capital-related, long-term debt	490,000	470,000
Long-term portion of capital-related, long-term debt	11,080,000	11,570,000
Subscription Based IT Arrangements	142,245	164,457
Unamortized bond premium	260,824	318,428
Subtotals	11,973,070	12,522,885
Net Investment in Capital Assets	\$ 20,950,110	\$ 18,963,792

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

	2025	2024
Plant in Service	\$ 33,240,981	\$ 31,871,757
Subscription Based IT Assets	605,637	523,037
Construction Work in Progress	536,395	563,081
Accumulated Depreciation	(17,080,458)	(15,326,927)
Subtotals	17,302,556	17,630,948
Less: Capital-Related Debt		
Current portion of capital-related, long-term debt	1,551,143	1,509,510
Long-term portion of capital-related, long-term debt	1,178,889	2,730,032
Subscription Based IT Arrangements	273,867	326,819
Subtotals	3,003,900	4,566,361
Net Investment in Capital Assets	\$ 14,298,656	\$ 13,064,587

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT

The utility-administered, single-employer group health insurance defined benefit plan provides coverage to active employees and retirees (or other qualified terminated employees age 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 contribution. The utility, by contributing its portion of the blended premium for active employees, in effect contributes the difference between the blended contribution and a retiree age adjusted contribution. For a small group of grandfathered retirees, the utility pays a \$50 healthcare supplement.

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:

	<b>Measurement date</b>	<b>12/31/2024</b>	<b>12/31/2023</b>
	<b>Fiscal year end</b>	<b><u>12/31/2025</u></b>	<b><u>12/31/2024</u></b>
Active plan members		246	255
Inactive plan members entitled to but not yet receiving benefits		0	0
Retired plan members or beneficiaries currently receiving benefits		<u>17</u>	<u>23</u>
<b>TOTAL</b>		<b><u>263</u></b>	<b><u>278</u></b>

For fiscal years 2025, 2024, and 2023, the utility contributed \$63,101, \$71,723 and \$72,238, 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, 2025.

	<u>2025</u>	<u>2024</u>
Service cost	\$50,347	\$48,234
Interest on net OPEB obligation	51,388	49,950
Differences between expected and actual experience	(55,459)	-
Changes in assumptions	468,066	-
Benefit payments	<u>(63,101)</u>	<u>(71,723)</u>
Net change in total OPEB obligation	451,241	26,461
Total OPEB Obligation - Beginning of Year	<u>\$1,154,141</u>	<u>\$1,127,680</u>
Total OPEB Obligation - End of Year	<b><u>\$1,605,382</u></b>	<b><u>\$1,154,141</u></b>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

For the years ended December 31, 2025 and December 31, 2024, the utility recognized net change in total OPEB liability of \$451,241 and 26,461, respectively. On December 31, 2025, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$519,242	(\$36,672)
Difference between actual and expected experience	9,826	(65,653)
Contributions subsequent to measurement date	63,101	-
	<u>\$592,169</u>	<u>(\$102,325)</u>

On December 31, 2024, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$130,134	\$56,985
Difference between actual and expected experience	20,924	20,021
Contributions subsequent to measurement date	71,723	-
	<u>\$222,781</u>	<u>\$77,006</u>

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

<b>Fiscal Year ending 12/31</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2026	85,468	(20,959)
2027	82,276	(17,829)
2028	78,959	(14,565)
2029	70,354	(13,767)
2030	51,211	(12,000)
Thereafter	160,800	(23,205)
Totals	<u>\$529,068</u>	<u>(\$102,325)</u>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

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

<b><i>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</i></b>			
	<b>1% Decrease 3.08%</b>	<b>Discount Rate 4.08%</b>	<b>1% Increase 5.08%</b>
Total OPEB Liability 12/31/25	\$1,763,834	\$1,605,382	\$1,465,013
<b><i>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</i></b>			
	<b>1% Decrease 3.38%</b>	<b>Discount Rate 4.38%</b>	<b>1% Increase 5.38%</b>
Total OPEB Liability 12/31/24	\$1,260,253	\$1,154,141	\$1,059,844
<b><i>Sensitivity of the Total OPEB Liability to Changes in Healthcare Trend Rate</i></b>			
	<b>1% decrease</b>	<b>Trend Rate</b>	<b>1% Increase</b>
Total OPEB Liability 12/31/25	\$1,450,118	\$1,605,382	\$1,787,565
Total OPEB Liability 12/31/24	\$1,042,519	\$1,154,141	\$1,285,116

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.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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### *ACTUARIAL ASSUMPTIONS*

The total OPEB liability in the report for plan fiscal ending December 31, 2024 and 2025 (measurement period of January 1, 2025 to December 31, 2025) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	4.08% 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 2022 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	2026 – 8.50%; decreasing by 0.50% per year through 2032; 2033 – 5.05%; 2034 – 4.75%; 2035 and thereafter 4.50%
Participation rate	75% of future retirees.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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

#### Aggregate Total OPEB Liability Schedule

	<u>2025</u>	<u>2024</u>
Electric	\$1,178,826	\$843,414
Water	167,280	123,194
Communications	247,363	178,864
MAGIC	11,914	8,669
	<u>\$1,605,382</u>	<u>\$1,154,141</u>

#### Aggregate Deferred Outflows of Resources Schedule

	<u>2025</u>	<u>2024</u>
Electric	\$437,266	\$163,079
Water	59,466	23,427
Communications	91,115	35,120
MAGIC	4,322	1,155
	<u>\$592,169</u>	<u>\$222,781</u>

#### Aggregate Deferred Inflows of Resources Schedule

	<u>2025</u>	<u>2024</u>
Electric	\$74,092	\$55,273
Water	11,527	9,054
Communications	15,920	12,077
MAGIC	785	603
	<u>\$102,325</u>	<u>\$77,006</u>

#### Aggregate OPEB Expense Schedule

	<u>2025</u>	<u>2024</u>
Electric	\$80,045	\$28,177
Water	\$10,521	3,704
Communications	\$16,347	5,754
MAGIC	\$774	273
	<u>\$107,687</u>	<u>\$37,907</u>

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

### 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 Muscatine Water and Electric Employees' Pension Plan (Plan) and additions to and deductions from the 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, 2024 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, 2025 and December 31, 2024 were \$23,353,415 and \$22,900,606, respectively. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is approved and amended by the utility's pension committee with oversight by the Board of Trustees, whose members are nominated by a committee consisting of the mayor, two city council members and the city administrator, then ratified by the city council. There are no non-employer contributing entities, as defined by GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*, for this plan. There are no special funding situations, as defined by GASB 67 and 68, for the Plan. The Plan currently does not issue a stand-alone financial report.

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

	Fiscal year end: <u>12/31/2025</u> <u>12/31/2024</u>	
Active plan members	246	251
Inactive plan members entitled to but not yet receiving benefits	104	99
Disabled plan members entitled to benefits	0	0
Retired plan members or beneficiaries currently receiving benefits	<u>258</u>	<u>252</u>
TOTAL	<u>608</u>	<u>602</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, 2024 measurement date and the end of the December 31, 2025 reporting period.

The starting basis for determining contributions is an actuarially determined contribution (ADC) that is calculated in the plan's Actuarial Valuation Report dated December 31, 2025. 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, 2025 was \$3,464,915, equal to 14.8% of covered valuation payroll; the ADC for the measurement period ending December 31, 2024 was \$3,380,002, equal to 14.8% of covered valuation payroll. Employer contributions for the years ending December 31, 2025 and December 31, 2024 equaled \$3,600,000 and \$3,420,000, respectively. The utility has made contributions to the fund above the actuarially determined ADC amounts.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

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### ACTUARIAL ASSUMPTIONS

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

A measurement period of December 31, 2023 to December 31, 2024 has been used for the fiscal year ending December 31, 2024 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2025 was measured as of December 31, 2024, using the pension liability that was determined by an actuarial valuation as of December 31, 2025. The plan administrator does a comprehensive review of the economic and demographic assumptions. The following were used for the years ending December 31, 2025 and December 31, 2024:

	<u>Rate</u>
Inflation	2.40%
Investment rate of return	6.00%
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	3.50%
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 2024).

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) 2023. 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 2023 is 20 years.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## 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	32.23%	7.80%
US Equity - Mid Cap	8.41%	8.35%
US Equity - Small Cap	4.75%	8.70%
Non-US Equity	19.28%	8.00%
US Private Real Estate	6.04%	6.85%
High Yield Bond	2.44%	6.30%
Core Bond	<u>26.85%</u>	4.40%
Total	<u>100.00%</u>	

The discount rate used to determine the end of period total pension liability was 6.00%. 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 2024 to 2122. Benefit payments after 2122 are projected to be \$0. The long-term rate of return of 6.00% 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 4.08% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the December 31, 2024 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described. The discount rate used to determine the beginning-of-period total pension liability is 5.88%.

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

For the years ended December 31, 2025 and December 31, 2024, the utility recognized pension expense (income) of \$1,685,445 and \$2,276,111, respectively. At December 31, 2025, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of assumptions	\$932,972	\$3,895,977
Difference between actual and expected experience	172,032	107,606
Difference between projected and actual earnings	397,828	-
Contributions subsequent to measurement date	<u>3,600,000</u>	<u>-</u>
	<u>\$5,102,832</u>	<u>\$4,003,583</u>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

At December 31, 2024, the utility (including MAGIC – see Note 17) reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$2,294,139	\$4,105,186
Difference between actual and expected experience	327,633	123,461
Difference between projected and actual earnings	3,617,897	-
Contributions subsequent to measurement date	3,420,000	-
	<u>\$9,659,669</u>	<u>\$4,228,647</u>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

<b>Fiscal Year ending 12/31</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2026	1,959,001	1,810,254
2027	2,573,942	1,768,309
2028	(2,268,571)	425,020
2029	(761,540)	0
Totals	<u>\$1,502,832</u>	<u>\$4,003,583</u>

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

	<b>1% Decrease 5.00%</b>	<b>Discount Rate 6.00%</b>	<b>1% Increase 7.00%</b>
Net Pension Liability/(Asset) 12/31/25	\$17,672,988	\$4,193,387	(\$7,146,358)
	<b>1% Decrease 4.88%</b>	<b>Discount Rate 5.88%</b>	<b>1% Increase 6.88%</b>
Net Pension Liability/(Asset) 12/31/24	\$23,978,586	\$10,439,715	(\$940,108)

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

*SCHEDULE OF CHANGES IN NET PENSION LIABILITY*

	Measurement Period Ending Fiscal Year Ending	12/31/2024 12/31/2025	12/31/2023 12/31/2024
<u>TOTAL PENSION LIABILITY</u>			
Service cost		\$1,924,074	\$2,085,757
Interest		6,347,877	6,033,758
Benefit payments		(5,499,470)	(5,228,235)
Difference between expected and actual experience		(79,609)	342,360
Change in assumptions		<u>(1,536,071)</u>	<u>(5,464,519)</u>
Net Change in Total Pension Liability		\$1,156,801	(\$2,230,879)
Total Pension Liability, beginning of period		<u>\$108,963,406</u>	<u>\$111,194,285</u>
Total Pension Liability, end of period		<u>\$110,120,207</u>	<u>\$108,963,406</u>
 <u>PLAN FIDUCIARY NET POSITION</u>			
Employer contributions		\$3,420,000	\$4,005,000
Net investment income		9,640,908	12,730,081
Benefit payments		(5,499,470)	(5,228,235)
Administration expenses		<u>(158,309)</u>	<u>(158,309)</u>
Net Change in Plan Fiduciary Net Position		\$7,403,129	\$11,348,537
Plan Fiduciary Net Position, beginning of period		<u>\$98,523,691</u>	<u>\$87,175,154</u>
Plan Fiduciary Net Position, end of period		<u>\$105,926,820</u>	<u>\$98,523,691</u>
 NET PENSION LIABILITY (ASSET)		 <u>\$4,193,387</u>	 <u>\$10,439,715</u>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

For the measurement date of December 31, 2025, the following assumptions were updated: (1) the municipal bond rate of 4.29%, (2) the mortality improvement scale is based on MIM-2021-v4 application tool, (3) the discount rate of 6.00% is used to determine the end of period total pension liability, and (4) with regards to future employer contributions, employer normal cost is assumed to continue at 7.77% of payroll and expenses are assumed to start at \$200,000.

As of the measurement dates of December 31, 2025 and December 31, 2024, the following plan members (including MAGIC employees – see Note 17) were covered by the benefit terms:

	<u>12/31/2025</u>	<u>12/31/2024</u>
Active plan members	243	246
Inactive plan members entitled to but not yet receiving benefits	101	104
Disabled plan members entitled to benefits	0	0
Retired plan members or beneficiaries currently receiving benefits	<u>276</u>	<u>258</u>
TOTAL	<u>620</u>	<u>608</u>

Measurement date 12/31/25	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$68,611	\$2,177,761
Difference between actual and expected experience	507,962	42,632
Difference between projected and actual earnings	<u>4,690,442</u>	<u>12,589,995</u>
	<u>\$5,267,015</u>	<u>\$14,810,388</u>

Measurement date 12/31/24	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$932,973	\$3,895,977
Difference between actual and expected experience	172,032	107,606
Difference between projected and actual earnings	<u>9,380,883</u>	<u>8,983,056</u>
	<u>\$10,485,888</u>	<u>\$12,986,639</u>

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

	<b>1% Decrease 5.00%</b>	<b>Discount Rate 6.00%</b>	<b>1% Increase 7.00%</b>
Net Pension Liability/(Asset) 12/31/2025	\$8,150,017	(\$5,702,738)	(\$17,332,327)
	<b>1% Decrease 5.00%</b>	<b>Discount Rate 6.00%</b>	<b>1% Increase 7.00%</b>
Net Pension Liability/(Asset) 12/31/2024	\$17,672,988	\$4,188,387	(\$7,146,358)

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

*SCHEDULE OF CHANGES IN NET PENSION LIABILITY*

Measurement Period & Fiduciary Plan Year Ending	12/31/2025	12/31/2024
<b><u>TOTAL PENSION LIABILITY</u></b>		
Service cost	1,869,975	1,924,074
Interest	6,534,027	6,347,877
Benefit payments	(5,810,896)	(5,499,470)
Difference between expected and actual experience	561,928	(79,609)
Change in assumptions	(36,116)	(1,536,071)
Change in benefit terms	-	-
Net Change in Total Pension Liability	\$3,118,918	\$1,156,801
Total Pension Liability, beginning of period	110,120,207	108,963,406
Total Pension Liability, end of period	\$113,239,125	\$110,120,207
<b><u>FIDUCIARY NET POSITION</u></b>		
Employer contributions	3,600,000	3,420,000
Net investment income	15,379,248	9,640,908
Benefit payments	(5,810,896)	(5,499,470)
Administration expenses	(158,309)	(153,309)
Net Change in Fiduciary Net Position	\$13,010,043	\$7,408,129
Fiduciary Net Position, beginning of period	105,931,820	98,523,691
Fiduciary Net Position, end of period	\$118,941,863	\$105,931,820
<b>NET PENSION LIABILITY/(ASSET)</b>	<b>(\$5,702,738)</b>	<b>\$4,188,387</b>

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2025 and 2024

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

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

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

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

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

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

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

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies the IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. The 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, 2026 of their annual covered salary. The utility is required to contribute 9.44% from July 1, 2018 through June 30, 2026 of employees covered annual salaries. The contributions to IPERS for the years ending December 31, 2025, December 31, 2024 and December 31, 2023 were \$141,804, \$110,137 and \$79,667, respectively, equal to the required contributions for those years. A measurement period of July 1, 2024 to June 30, 2025 has been used for the fiscal year ending December 31, 2025 for GASB 68 reporting.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## 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, 2025 and December 31, 2024, the utility reported a liability of \$344,728 and \$369,181, 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, 2025, the utility’s collective proportion was 0.014117%, which was an increase of 0.00412% from its proportion measured as of June 30, 2024. At June 30, 2024, the utility’s collective proportion was 0.009997%, which was a decrease of 0.00634% from its proportion measured as of June 30, 2023.

For the years ended December 31, 2025 and December 31, 2024, the utility recognized IPERS expense (income) of \$(9,360) and \$77,624, respectively. As of December 31, 2025, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$50,833	\$ -
Changes of assumptions	-	4
Difference between projected and actual earnings	-	41,575
Contributions subsequent to measurement date	72,298	-
Changes in proportion and differences between contributions and proportionate share of contributions	180,044	39,227
	<u>\$303,174</u>	<u>\$80,806</u>

As of December 31, 2024, the utility reported deferred outflows of resources and deferred inflow of resources related to IPERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$29,376	\$229
Changes of assumptions	-	5
Difference between projected and actual earnings	4,617	-
Contributions subsequent to measurement date	61,713	-
Changes in proportion and differences between contributions and proportionate share of contributions	82,349	82,782
	<u>\$178,055</u>	<u>\$83,016</u>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## **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, 2026. 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>
2026	\$86,558	23,041
2027	42,263	23,041
2028	33,346	23,041
2029	31,730	11,684
2030	27,936	-
2031	9,043	-
Totals	<u>\$230,876</u>	<u>\$80,806</u>

There were no non-employer contributing entities at IPERS.

### **ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2025 and June 30, 2024 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, 2025 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

### **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:

<u>Asset Class</u>	<b>As of June 30, 2025</b>		<b>As of June 30, 2024</b>	
	<b>Target</b>		<b>Target</b>	
	<b>Allocation</b>	<b>Rate of return</b>	<b>Allocation</b>	<b>Rate of return</b>
Core-plus fixed income	25.0%	2.84%	25.5%	3.04%
Domestic equity	21.0%	3.33%	21.0%	3.52%
Private equity	17.0%	7.68%	17.0%	8.89%
International equity	13.0%	4.99%	13.0%	5.18%
Private real assets	9.0%	4.62%	9.0%	4.25%
Private credit	6.0%	6.23%	5.5%	4.25%
Global smart beta equity	5.0%	3.87%	5.0%	4.12%
Public credit	3.0%	4.21%	3.0%	4.53%
Cash	<u>1.0%</u>	1.24%	<u>1.0%</u>	1.69%
<b>TOTAL</b>	<b><u>100.0%</u></b>		<b><u>100.0%</u></b>	

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***

	<b>1% Decrease 6.0%</b>	<b>Discount Rate 7.0%</b>	<b>1% Increase 8.0%</b>
Net Pension Liability-IPERS 12/31/25	\$1,133,267	\$344,728	(\$315,183)
Net Pension Liability-IPERS 12/31/24	\$905,965	\$369,181	(\$80,377)

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

At December 31, 2025 and December 31, 2024, the utility reported payables to the defined benefit pension plan of \$11,034 and \$10,328 for legally required employer contributions and \$7,352 and \$6,882 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, 2025 and 2024

## NOTE 11 – AGGREGATE PENSION SCHEDULES

### Aggregate Net Pension Liability Schedule - 2025

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 3,251,897	\$ 103,670	\$ 3,355,567
Water	285,414	233,347	518,761
Communications	610,126	7,710	617,837
MAGIC	45,950	-	45,950
	<u>\$ 4,193,387</u>	<u>\$ 344,728</u>	<u>\$ 4,538,115</u>

### Aggregate Deferred Outflows of Resources Schedule - 2025

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 4,032,258	\$ 91,174	\$ 4,123,432
Water	312,293	205,220	517,513
Communications	723,071	6,781	729,852
MAGIC	35,210	-	35,210
	<u>\$ 5,102,832</u>	<u>\$ 303,174</u>	<u>\$ 5,406,006</u>

### Aggregate Deferred Inflows of Resources Schedule - 2025

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 3,163,631	\$ 24,301	\$ 3,187,932
Water	245,019	54,698	299,717
Communications	567,308	1,807	569,115
MAGIC	27,625	-	27,625
	<u>\$ 4,003,583</u>	<u>\$ 80,806</u>	<u>\$ 4,084,389</u>

### Aggregate Pension Expense Schedule - 2025

	Single-Employer Defined		
	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 1,331,837	\$ (2,815)	\$ 1,329,022
Water	103,149	(6,336)	96,814
Communications	238,828	(209)	238,618
MAGIC	11,630	-	11,630
	<u>\$ 1,685,443</u>	<u>\$ (9,360)</u>	<u>\$ 1,676,083</u>

## MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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

#### Aggregate Net Pension Liability Schedule (Asset) - 2024

##### Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 8,187,745	\$ 112,107	\$ 8,299,852
Water	667,682	250,754	918,436
Communications	1,495,228	6,321	1,501,549
MAGIC	89,060	-	89,060
	<u>\$ 10,439,715</u>	<u>\$ 369,182</u>	<u>\$ 10,808,897</u>

#### Aggregate Deferred Outflows of Resources Schedule - 2024

##### Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 7,633,070	\$ 54,069	\$ 7,687,139
Water	591,165	120,938	712,103
Communications	1,368,772	3,049	1,371,820
MAGIC	66,662	-	66,662
	<u>\$ 9,659,669</u>	<u>\$ 178,055</u>	<u>\$ 9,837,724</u>

#### Aggregate Deferred Inflows of Resources Schedule - 2024

##### Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 3,341,477	\$ 25,209	\$ 3,366,686
Water	258,793	56,385	315,179
Communications	599,199	1,421	600,621
MAGIC	29,178	-	29,178
	<u>\$ 4,228,647</u>	<u>\$ 83,016</u>	<u>\$ 4,311,663</u>

#### Aggregate Pension Expense (Income) Schedule - 2024

##### Single-Employer Defined

	<u>Benefit Pension Plan</u>	<u>IPERS</u>	<u>Total</u>
Electric	\$ 1,798,583	\$ 23,572	\$ 1,822,155
Water	139,298	52,723	192,021
Communications	322,525	1,329	323,854
MAGIC	15,705	-	15,705
	<u>\$ 2,276,111</u>	<u>\$ 77,624</u>	<u>\$ 2,353,735</u>

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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## NOTE 12 – SIGNIFICANT CUSTOMERS

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Approximately \$23,849,000, 20%, in 2025 and \$23,449,000, 26%, in 2024 of the electric utility's operating revenues were derived from sales to one customer. Approximately \$4,402,000, 50%, in 2025 and \$4,556,000, 52%, in 2024 of the water utility's operating revenues were derived from sales to same customer.

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## NOTE 13 – COMMITMENTS AND CONTINGENCIES

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A power purchase agreement for wind energy was originally entered into in December 2013. An amended and restated agreement was executed in June 2016. It is a 20-year agreement that commenced fourth quarter 2016 with the wind farm's December 15, 2016 commercial operation date. The wind farm is located in Jackson County, Minnesota, which is in the utility's Midcontinent Independent System Operator (MISO) local resource zone. 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 408,800 tons of coal in 2026 under one contract with one supplier. If additional tons become necessary, they will be purchased on the OTC market or by directly working with a coal mining company.

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

The utility has a one-year contract for 2026 rail deliveries with the Canadian Pacific Railway Company, which only offers one-year agreements to the utility. The utility's minimum volume commitment (MVC) is 3,400 railcars or under 23 complete unit trains. In the event the utility does not meet that requirement the utility has agreed to an amount equal to the additional amount of freight charges that would have been due had the MVC been met.

The utility entered into a power purchase agreement (PPA) with Nokomis Energy in November 2022 for a 30-year agreement for Nokomis Energy to develop, construct and operate a 24 MW solar project on utility-owned property. The utility is working toward purchasing the project company, MPW Solar 1 LLC, from Nokomis Energy so the utility can take control of the project rather than get the project output via a PPA. After the purchase of the project company, which is planned to occur at the end of March 2026, the utility will work with a contractor to complete the project and will own and operate the Muscatine Solar 1 project. Completion of the project is anticipated to occur in the second half 2027.

The utility is in the process of developing a natural gas-fired combined heat and power (CHP) unit with a nominal generation capacity of approximately 35 MW. The CHP unit will provide process steam to an adjacent customer of the utility and will sell electricity output into MISO, while providing local voltage support to utility. Commitments have been made for the CHP unit as follows:

- The utility entered into an agreement in July 2024 to sell steam to a local customer commencing in 2028, or when the CHP unit begins commercial operations. The agreement will remain in effect for 25 years starting from either the effective date or the commercialization date.
- The utility agreed to purchase a step-up transformer in May 2024 from WEG Transformers USA for \$1.9 million.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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## **NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONT.)**

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- The utility signed an agreement in August 2024 with Solar Turbines Incorporated (Solar Turbines) to manufacture and supply a combustion turbine-generator for \$21.1 million, which was later amended to \$21.4 million.
- The utility signed an agreement with Rentech for the heat recovery steam generator in December 2024 for \$7.6 million, which was later amended to \$7.9 million.

The utility is committed to claiming direct pay tax credits that are available to government entities from the Inflation Reduction Act of 2022 (IRA) for both the CHP unit and the solar project. Those credits, which are anticipated in the calendar year after the unit achieves commercial operations, are anticipated to be in the range of \$8-12 million for the CHP unit and \$16-20 million for the solar project. The utility took steps in 2024 to better ensure compliance with the CHP unit start-of-construction requirements in the IRA. Those requirements are that certain steps toward completion of the CHP unit were necessary by December 31, 2024. With the above steps and other actions, the utility believes it has met the requirements. Nokomis Energy took steps in 2025 to ensure compliance with start-of-construction requirements for the Muscatine Solar 1 project.

The CHP unit is planned for completion in 2027, but no later than the end of 2028. In 2024, the Iowa Utilities Commission (IUC) issued a construction permit for the CHP unit. In 2025, the Iowa Department of Natural Resources issued an air permit, and (2) the IUC issued a permit for the construction of a short natural gas pipeline from the Natural Gas Pipeline Company of America metering station to the CHP unit.

Through the end of 2025, expenditures were funded by available cash held by the electric utility. A \$100 million financing was closed on February 25, 2026, which provided funding for the CHP unit, solar projects and other capital expenditures. that would cover previously expended funds and future capital expenditures.

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## **NOTE 14 – ENVIRONMENTAL REGULATIONS**

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

Per- and polyfluoroalkyl substances (PFAS) regulations could impact the water utility. Compliance costs, if any, are uncertain. Part or all of compliance costs may be covered by funds received from a \$7.6 million settlement from 3M that resulted from the utility's participation in a class-action lawsuit. The water utility received \$4.4 million of the settlement in 2025. The remaining amount, \$3.2 million, will be paid over the years 2026 through 2033 in declining amounts.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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## NOTE 14 – ENVIRONMENTAL REGULATIONS (CONT.)

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Settlement Receivable:

PFAS – In 2025, the water utility recognized \$7.6 million of income from PFAS class action settlements. \$4.4 million was received in 2025 with a remaining settlement receivable split between current and non-current of \$3.2 million in total. Schedule is below.

Year	Amount of Receivable
2026	\$ 597,652
2027	448,239
2028	522,945
2029	466,916
2030	317,503
2031	317,503
2032	280,149
2033	261,473
	<hr/>
	\$ 3,212,379

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## NOTE 15 – INTERFUND AND RELATED PARTY TRANSACTIONS

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The electric utility sold electric services to the water utility amounting to approximately \$1,212,515 in 2025 and \$1,233,719 in 2024. The electric utility sold electric services to the communications utility amounting to approximately \$53,574 in 2025 and \$51,277 in 2024. The electric utility purchased water from the water utility amounting to approximately \$383,619 in 2025 and \$344,660 in 2024. The electric utility purchased communications services from the communications utility amounting to approximately \$192,633 for 2025 and \$89,062 for 2024. The water utility purchased communications services from the communications utility amounting to approximately \$5,709 for 2025 and \$5,898 for 2024.

The electric utility rents space to the water utility and the communications utility at its Administration/Operations Center. Rent amounted to \$89,840 in 2025 and \$87,224 in 2024 for the water utility's rent and \$145,283 in 2025 and \$141,051 in 2024 for the communications utility's rent.

Electric utility accounts receivable from the water utility were \$97,596 and \$99,738 at December 31 of 2025 and 2024, respectively. Electric utility accounts payable to the water utility were \$29,750 and \$28,416 at December 31 of 2025 and 2024, respectively. Electric utility accounts receivable from the communications utility were \$9,042 and \$8,548 at December 31 of 2025 and 2024, respectively. Electric utility accounts payable to the communications utility were \$59,827 and \$2,439 at December 31 of 2025 and 2024, respectively. Water utility accounts payable to the communications utility were \$408 and \$408 at December 31 of 2025 and 2024, respectively.

As of December 31, 2025 there were no outstanding inter-utility loans.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

## NOTE 15 – INTERFUND AND RELATED PARTY TRANSACTIONS (CONT.)

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.

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

## 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.

The health and dental reserves and workers' compensation self-insurance reserves are shown below. These expenses tend to fluctuate based on claims.

(Thousands of dollars)	2025	2024	2023	2022	2021
<b>Health/dental care self-insurance reserve</b>					
Reserve liability, beginning of year	\$ 54	\$ 269	\$ 142	\$ 2,031	\$ 1,592
Add: Provision for reserve, current year	4,888	4,492	4,497	2,825	5,431
Less: Payments on reserve	(4,587)	(4,457)	(4,061)	(4,250)	(4,693)
Total Reserve Liability, end of year	355	305	578	606	2,330
Incurred but not reported claims	(218)	(251)	(309)	(464)	(299)
Non-Current Reserve Liability, End of Year	<u>\$ 137</u>	<u>\$ 54</u>	<u>\$ 269</u>	<u>\$ 142</u>	<u>\$ 2,031</u>
(Thousands of dollars)	2025	2024	2023	2022	2021
<b>Workers' compensation self-insurance reserve</b>					
Reserve liability, beginning of year	\$ 84	\$ 20	\$ 104	\$ 351	\$ 359
Add: Provision for reserve	142	136	30	35	145
Less: Payments on reserve	(82)	(73)	(114)	(282)	(153)
Reserve Liability, End of Year	<u>\$ 144</u>	<u>\$ 84</u>	<u>\$ 20</u>	<u>\$ 104</u>	<u>\$ 351</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.

# MUSCATINE POWER AND WATER

## NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

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### **NOTE 17 – JOINT VENTURE (CONT.)**

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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. The utility's share of MAGIC's operating expenses is expensed as incurred.

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

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State and federal laws and regulations require the electric utility to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 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 \$1.5 million reported as landfill closure and post-closure care liability at December 31, 2025, represents the remaining cumulative amount reported to date based on the use of approximately 68% 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 \$728,590 as the remaining estimated capacity is filled. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The electric utility is required by state and federal laws and regulations to file a statement to demonstrate financial assurance for closure and/or post-closure care costs.

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### **NOTE 19 – POWER PLANT DECOMMISSIONING**

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The utility plans to decommission three power plant units at the generation plant once they are all retired. A plant decommissioning liability was added in 2023 in accordance with GASB Statement No. 62 Accounting and Financial Reporting Guidance and adjusted upward significantly in 2025. Significant costs are expected to decommission the power plants and associated facilities. The electric utility has reflected a liability of \$56.6m million and plans to recognize depreciation expenses in advance of demolition. Electric rates will be set to recover these expenses and ensure adequate available cash reserves to pay for the costs when they are incurred. The electric utility will recognize a deferred outflow to recognize the expenditures for decommissioning over time. The liability will be updated based on such changes as inflation assumptions and decommissioning cost estimates from engineering studies. Depreciation of the deferred outflow based on the liability amount reflects the expected lives of the unit. All future electric cost-of-service studies for setting electric rates will include these estimated costs until decommissioning is completed.

# MUSCATINE POWER AND WATER

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2025 and 2024

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## NOTE 20 – SUBSEQUENT EVENTS

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### *COMMUNICATIONS RATES*

In March 2026, the Board approved the communications utility's recommended MPW TV price adjustments effective May 1, 2026, and authorized the General Manager to continue to be responsible for approving tiers, bulk packages, premium Services, equipment and other fees, promotional packages, and discounts for all MPW's communications services as deemed necessary to ensure the financial viability of the communications utility.

### *POWER SUPPLY PLANNING*

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

The electric utility had been planning a purchase power agreement (PPA) for the output of the Muscatine Solar 1 project. However, the developer's tax-equity partner dropped out of the project. Alternative tax-equity participants would have meant an increase to the PPA price. Therefore, management decided to have the electric utility purchase MPW Solar 1 LLC, which was owned by the Muscatine Solar 1 developer. That transaction closed March 27, 2026 with an associated initial payment of \$10.9 million.

A second solar project (Muscatine Solar 2) is being developed as part of the power supply plan. It will also be a 24 MW project that, if it proceeds, will likely be completed before the end of 2028 if it proceeds. It will be owned and operated by the utility. Muscatine Solar 2 will only be built if the utility is confident it can receive direct pay tax credits for the project.

### *ELECTRIC RATES*

In March 2025, the Board approved an overall 6.0% base rate increase to be effective July 1, 2025 and a 5.1% base rate increase to be effective July 1, 2026 and an adjustment of the EAC deadband to 2.517-2.717¢/kWh from 1.135-2.395¢/kWh effective July 1, 2025. The effective increase was estimated at 3.1% by the consultant who performed the cost-of-service in 2025.

### *WATER RATES*

In March 2025, the Board approved water rate adjustments of 4% effective July 1, 2025 and 4% effective July 1, 2026.

### *BOND FINANCING*

On February 25, 2026 the electric utility closed on \$100 million par amount of long-term revenue bonds. The bonds were issued in two series; Series A (tax-exempt) \$90m par value for 30 years with an average coupon of 5.17% and Series B (taxable) \$10m par value for 7 years with an average coupon of 4.16%. The Series A bonds were issued at a net yield of 4.63% (true interest cost), and the Series B bonds were issued at a net yield of 4.25% (true interest cost). The revenue bonds were rated A1 by Moody's and AA by S&P Global with bond insurance from Assured Guaranty.

**REQUIRED SUPPLEMENTARY INFORMATION**

## MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan  
For the Year Ended December 31, 2025 (unaudited)

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	TOTAL PENSION LIABILITY					
Measurement date	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020
Fiscal Year	12/31/2026	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$1,869,975	\$1,924,074	\$2,085,757	\$1,848,298	\$1,858,620	\$1,578,324
Interest	6,534,027	6,347,877	6,033,758	5,989,274	5,823,219	5,739,672
Benefit payments	(5,810,896)	(5,499,470)	(5,228,235)	(4,904,679)	(4,628,248)	(4,331,785)
Difference between expected and actual experience	561,928	(79,609)	342,360	(154,311)	(157,715)	831,913
Change in assumptions	<u>(36,116)</u>	<u>(1,536,071)</u>	<u>(5,464,519)</u>	<u>3,499,231</u>	<u>147,923</u>	<u>5,529,903</u>
<b>Net Change in Total Pension Liability</b>	\$3,118,918	\$1,156,801	(\$2,230,879)	\$6,277,813	\$3,043,799	\$9,348,027
<b>Total Pension Liability, beginning of period</b>	<u>\$110,120,207</u>	<u>\$108,963,406</u>	<u>\$111,194,285</u>	<u>\$104,916,472</u>	<u>\$101,872,673</u>	<u>\$92,524,646</u>
<b>Total Pension Liability, end of period</b>	<u>\$113,239,125</u>	<u>\$110,120,207</u>	<u>\$108,963,406</u>	<u>\$111,194,285</u>	<u>\$104,916,472</u>	<u>\$101,872,673</u>
<b>PLAN FIDUCIARY NET POSITION</b>						
Employer contributions	\$3,600,000	\$3,420,000	\$4,005,000	\$3,840,000	\$3,823,002	\$3,124,701
Net investment income	15,379,248	9,640,908	12,730,081	(17,414,629)	12,437,361	13,070,517
Benefit payments	(5,810,896)	(5,499,470)	(5,228,235)	(4,904,679)	(4,628,248)	(4,331,785)
Administration expenses	<u>(158,309)</u>	<u>(153,309)</u>	<u>(158,309)</u>	<u>(142,074)</u>	<u>(142,074)</u>	<u>(145,574)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	\$13,010,043	\$7,408,129	\$11,348,537	(\$18,621,382)	\$11,490,041	\$11,717,859
<b>Plan Fiduciary Net Position, beginning of period</b>	<u>\$105,931,820</u>	<u>\$98,523,691</u>	<u>\$87,175,154</u>	<u>\$105,796,536</u>	<u>\$94,306,495</u>	<u>\$82,588,636</u>
<b>Plan Fiduciary Net Position, end of period</b>	<u>\$118,941,863</u>	<u>\$105,931,820</u>	<u>\$98,523,691</u>	<u>\$87,175,154</u>	<u>\$105,796,536</u>	<u>\$94,306,495</u>
<b>NET PENSION LIABILITY</b>	<u>(\$5,702,738)</u>	<u>\$4,188,387</u>	<u>\$10,439,715</u>	<u>\$24,019,131</u>	<u>(\$880,054)</u>	<u>\$7,566,178</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	105.0%	96.2%	90.4%	78.4%	100.8%	92.6%
<b>Covered Valuation Payroll</b>	\$23,561,012	\$23,353,415	\$22,900,606	\$22,684,111	\$21,797,004	\$22,755,120
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	-24.2%	17.9%	45.6%	105.9%	-4.0%	33.3%

See Independent Auditor's Report

## MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan  
For the Year Ended December 31, 2025 (unaudited)

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	TOTAL PENSION LIABILITY			
Measurement date	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Fiscal Year	12/31/2020	12/31/2019	12/31/2018	12/31/2017
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$1,557,289	\$1,470,422	\$1,513,685	\$1,389,645
Interest	5,552,211	5,411,414	5,196,759	5,128,482
Benefit payments	(3,692,986)	(3,443,179)	(3,166,243)	(2,793,981)
Difference between expected and actual experience	(413,970)	942,640	450,770	(1,006,283)
Change in assumptions	<u>(1,597,802)</u>	<u>(201,125)</u>	<u>(347,807)</u>	<u>4,507,826</u>
<b>Net Change in Total Pension Liability</b>	<b>\$1,404,742</b>	<b>\$4,180,172</b>	<b>\$3,647,164</b>	<b>\$7,225,689</b>
<b>Total Pension Liability, beginning of period</b>	<b><u>\$91,119,904</u></b>	<b><u>\$86,939,732</u></b>	<b><u>\$83,292,568</u></b>	<b><u>\$76,066,879</u></b>
<b>Total Pension Liability, end of period</b>	<b><u>\$92,524,646</u></b>	<b><u>\$91,119,904</u></b>	<b><u>\$86,939,732</u></b>	<b><u>\$83,292,568</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$3,345,873	\$3,504,169	\$3,233,148	\$2,781,411
Net investment income	13,147,954	(3,545,522)	9,741,653	3,529,390
Benefit payments	(3,692,986)	(3,443,179)	(3,166,243)	(2,793,981)
Administration expenses	<u>(67,728)</u>	<u>-</u>	<u>-</u>	<u>(4,500)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$12,733,113</b>	<b>(\$3,484,532)</b>	<b>\$9,808,558</b>	<b>\$3,512,320</b>
<b>Plan Fiduciary Net Position, beginning of period</b>	<b><u>\$69,855,523</u></b>	<b><u>\$73,340,055</u></b>	<b><u>\$63,531,497</u></b>	<b><u>\$60,019,177</u></b>
<b>Plan Fiduciary Net Position, end of period</b>	<b><u>\$82,588,636</u></b>	<b><u>\$69,855,523</u></b>	<b><u>\$73,340,055</u></b>	<b><u>\$63,531,497</u></b>
<b>NET PENSION LIABILITY</b>	<b><u>\$9,936,010</u></b>	<b><u>\$21,264,381</u></b>	<b><u>\$13,599,677</u></b>	<b><u>\$19,761,071</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>89.3%</b>	<b>76.7%</b>	<b>84.4%</b>	<b>76.3%</b>
<b>Covered Valuation Payroll</b>	<b>\$21,461,252</b>	<b>\$20,802,753</b>	<b>\$19,722,272</b>	<b>\$19,812,794</b>
<b>Net Pension Liability as a Percentage of Covered Valuation Payroll</b>	<b>46.3%</b>	<b>102.2%</b>	<b>69.0%</b>	<b>99.7%</b>

See Independent Auditor's Report

## MUSCATINE POWER AND WATER

Required Supplementary Information – Single-Employer Defined Benefit Pension Plan  
For the Year Ended December 31, 2025 (unaudited)

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

Actuarial cost method	Entry Age Normal Method
Asset valuation method	Market Value
Investment rate of return	6.00%
Inflation	2.40%
Retirement rate	25% at each age group 62 years – 65 years
Salary increases (age-based)	Age 25 – 6.18%; Age 40 – 4.72%; Age 55 – 3.88%
Wage base	3.50%
Marriage rate	75%
Mortality	Pri-2012 total dataset projected generationally using the Principal Mortality Improvement Scale, Principal 2024

*See Independent Auditor's Report*

## MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System  
For the Year Ended December 31, 2025 (unaudited)

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

	<u>12/31/2025</u>	<u>12/31/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Proportion of the Net Pension Liability	0.014117%	0.009997%	0.009364%	0.010823%	0.010630%
Proportionate share of the Net Pension Liability	\$344,728	\$369,181	\$432,059	\$429,583	\$14,902
Covered Valuation Payroll	\$1,390,034	\$935,495	\$841,327	\$915,758	\$862,746
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	24.8%	39.5%	51.4%	46.9%	1.7%
Plan Fiduciary Net Position as a % of the Total Pension Liability	95.3%	92.3%	90.1%	90.3%	99.6%
	<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>
Proportion of the Net Pension Liability	0.010151%	0.008276%	0.009012%	0.007749%	0.006906%
Proportionate share of the Net Pension Liability	\$708,117	\$482,470	\$570,121	\$483,234	\$343,338
Covered Valuation Payroll	\$799,956	\$634,088	\$579,595	\$551,040	\$476,102
Proportionate share of the Net Pension Liability as a % of its Covered Valuation Payroll	88.5%	76.1%	98.4%	87.7%	72.1%
Plan Fiduciary Net Position as a % of the Total Pension Liability	81.9%	84.4%	83.6%	81.8%	85.2%

The amounts presented were determined as of June 30.

**CHANGES OF BENEFIT AND FUNDING TERMS:**

There are no significant changes in benefit and funding terms.

**CHANGES IN ACTUARIAL ASSUMPTIONS:**

The 2022 valuation implemented the following refinements as a result of a quadrennial experience study:

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

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 3.0% to 2.6%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.

*See Independent Auditor's Report*

## MUSCATINE POWER AND WATER

Required Supplementary Information – Iowa Public Employees' Retirement System  
For the Year Ended December 31, 2025 (unaudited)

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily required contribution	\$141,804	\$110,137	\$79,667	\$82,308	\$81,504
Contributions in relation to the statutorily required contribution	<u>141,804</u>	<u>110,137</u>	<u>79,667</u>	<u>82,308</u>	<u>81,504</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$1,502,160	\$1,166,701	\$843,932	\$871,911	\$863,394
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%	9.44%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$82,972	\$66,922	\$59,468	\$56,861	\$49,963
Contributions in relation to the statutorily required contribution	<u>82,972</u>	<u>66,922</u>	<u>59,468</u>	<u>56,861</u>	<u>49,963</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$878,943	\$708,921	\$648,271	\$636,745	\$559,496
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.17%	8.93%	8.93%

*See Independent Auditor's Report*

## MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan  
For the Year Ended December 31, 2025 (unaudited)

### Schedule of Changes in Net OPEB Liability

	Measurement date	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
	Fiscal Year	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
<b>TOTAL OPEB LIABILITY</b>										
Service cost		\$50,347	\$48,234	\$55,803	\$54,130	\$34,612	\$34,612	\$34,071	\$35,606	\$35,606
Interest		51,388	49,950	36,435	35,874	36,517	36,876	37,603	36,710	36,710
Benefit payments		(63,101)	(71,723)	(72,238)	(74,549)	(62,135)	(83,079)	(44,748)	(44,748)	(44,748)
Difference between expected and actual experience		(55,456)	-	(10,379)	-	(22,287)	14,418	55,389	14,157	67,861
Change in assumptions		468,066	-	(41,231)	-	241,127	(22,224)	(54,416)	-	(135,819)
<b>Net Change in Total OPEB Liability</b>		<b>\$451,244</b>	<b>\$26,461</b>	<b>(\$31,610)</b>	<b>\$15,455</b>	<b>\$227,834</b>	<b>(\$19,397)</b>	<b>\$27,899</b>	<b>\$41,725</b>	<b>(\$40,390)</b>
Total OPEB Liability, beginning of period		<u>\$1,154,141</u>	<u>\$1,127,680</u>	<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>	<u>\$906,164</u>
<b>Total OPEB Liability, end of period</b>		<b><u>\$1,605,385</u></b>	<b><u>\$1,154,141</u></b>	<b><u>\$1,127,680</u></b>	<b><u>\$1,159,290</u></b>	<b><u>\$1,143,835</u></b>	<b><u>\$916,001</u></b>	<b><u>\$935,398</u></b>	<b><u>\$907,499</u></b>	<b><u>\$865,774</u></b>
<b>FIDUCIARY NET POSITION</b>										
Employer contributions		\$63,101	\$71,723	\$72,238	\$74,549	\$62,135	\$83,079	\$44,748	\$44,748	\$44,748
Net investment income		-	-	-	-	-	-	-	-	-
Benefit payments		(63,101)	(71,723)	(72,238)	(74,549)	(62,135)	(83,079)	(44,748)	(44,748)	(44,748)
Administration expenses		-	-	-	-	-	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fiduciary Net Position, beginning of period		-	-	-	-	-	-	-	-	-
Fiduciary Net Position, end of period		-	-	-	-	-	-	-	-	-
<b>NET OPEB LIABILITY</b>		<b><u>\$1,605,385</u></b>	<b><u>\$1,154,141</u></b>	<b><u>\$1,127,680</u></b>	<b><u>\$1,159,290</u></b>	<b><u>\$1,143,835</u></b>	<b><u>\$916,001</u></b>	<b><u>\$935,398</u></b>	<b><u>\$907,499</u></b>	<b><u>\$865,774</u></b>
<b>Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Covered Valuation Payroll</b>		<b>\$23,353,415</b>	<b>\$22,900,606</b>	<b>\$22,684,111</b>	<b>\$21,797,004</b>	<b>\$22,755,120</b>	<b>\$21,461,252</b>	<b>\$20,802,753</b>	<b>\$19,722,272</b>	<b>\$19,812,794</b>
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>		<b>6.9%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>4.3%</b>	<b>4.5%</b>	<b>4.6%</b>	<b>4.4%</b>

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

See Independent Auditor's Report

## MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan  
For the Year Ended December 31, 2025 (unaudited)

### Schedule of Employer (ER) Contributions

Measurement date	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Fiscal Year	12/31/2025	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
<b>CONTRIBUTIONS</b>								
ER contributions	\$63,101	\$71,723	\$72,238	\$74,549	\$62,135	\$83,079	\$44,748	\$44,748
ER contributions received by the plan	\$63,101	\$71,723	\$72,238	\$74,549	\$62,135	\$83,079	\$44,748	\$44,748
Contribution deficiency/(excess)							-	-
<b>RATIOS</b>								
Fiduciary net position as a percentage of total OPEB liability	0%	0%	0%	0%	0%	0%	0%	0%
Covered employee payroll	\$23,353,415	\$22,900,606	\$22,684,111	\$21,797,004	\$22,755,120	\$21,461,252	\$20,802,753	\$19,722,272
Net OPEB liability as a percentage of covered employee payroll	6.9%	5.0%	5.0%	5.3%	5.0%	4.3%	4.5%	4.6%
<b>ADC ASSUMPTIONS</b>								
Long-term rate of return on assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest rate	4.38%	4.38%	4.38%	3.09%	3.09%	3.97%	3.97%	4.09%
Salary increase assumption	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
COLA increase assumption	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Retirement age assumption	Rates	Rates	Rates	Rates	Rates	Rates	Rates	Rates
Plan changes	None	None	None	None	None	None	None	None

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

*See Independent Auditor's Report*

## MUSCATINE POWER AND WATER

Required Supplementary Information – OPEB Plan  
For the Year Ended December 31, 2025 (unaudited)

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

Actuarial cost method	Entry Age Normal Method
Discount rate	4.08%
Mortality rate	Pri-2012 Total dataset base rate mortality table projected generationally using the Principal Mortality Improvement Scale (Principal 2022).
Retirement rates	Ages 62-64 – 25%; Age 65 – 100%
Marriage	75% married; male is 3 years older than the female
Healthcare cost increases	2024 – 7.5%; 2025 – 7.0%; 2026 6.5%; 2027 6.00% decreasing by 0.25% per year through 2033; 2033+ 4.50%/year
Participation rate	75% of future retirees

*See Independent Auditor's Report*

**S U P P L E M E N T A R Y I N F O R M A T I O N**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Muscatine Power and Water (Utility), a component unit of the City of Muscatine, Iowa, as of and for the year ended December 31, 2025, and related notes to the financial statements, which collectively comprise the Utility's basic financial statements and have issued our report thereon dated April 20, 2026.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dubuque, Iowa  
April 20, 2026

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

There were no findings to report.

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

Single audit did not apply for fiscal year 2025.

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

- 2025-IA-A **Adopted Budget** – No instances of noncompliance with the preparation and adoption of the Utility’s budget were noted.
- 2025-IA-B **Questionable Expenditures** – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2025-IA-C **Travel Expense** – No expenditures of the Utility’s money for travel expenses of spouses of Utility officials or employees were noted.
- 2025-IA-D **Business Transactions** – No business transactions between the Utility and Utility officials or employees were noted.
- 2025-IA-E **Bond Coverage** – Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2025-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2025-IA-G **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility’s investment policy were noted.
- 2025-IA-H **Revenue Bonds** – No instances of noncompliance with the provisions of the Utility’s revenue bond resolutions were noted.
- 2025-IA-I **Telecommunications Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 2025-IA-J **Restricted Donor Activity** – No transactions were noted between the Utility and Utility Officials, Utility employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.

## OTHER INFORMATION

**MUSCATINE POWER AND WATER**

Schedule of Insurance Coverage  
December 31, 2025

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
			Coverage	Retention
FM Global Insurance Company	All risks:	4/1/2026		
	Named locations - maximum limit		\$600,000,000	Blanket
	Actual Cash Value Limits (Location 2)			\$1,000,000 Deductible per occurrence
	Generating Unit 9		\$200,000,000	\$2,000,000 Location 2
	Generating Unit 7, 8, & 8A		\$5,000,000	\$3,000,000 Unit 9 Steam-Turbine
	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		\$10,000	
	Cyber event - data service provider property damage		\$10,000	
	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	
	Errors and omission		\$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	
Railroad rolling stock		\$5,000,000		
Service interruption				
Property damage and time element (combined)		\$10,000,000		
Terrorism		\$5,000,000		
Valuable papers and records		\$100,000,000		
Fidelity and Deposit Company of Maryland	Crime and Fidelity Coverage	4/1/2026	\$500,000	\$10,000 per occurrence
	Bonded Employees, Treasurers & Tax Collectors			
Zurich American Insurance Company	Employed Lawyer's Liability & Crime	4/1/2026		
	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

**MUSCATINE POWER AND WATER**

Schedule of Insurance Coverage (cont.)  
December 31, 2025

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
			Coverage	Retention
AEGIS Insurance Services, Inc.	Excess liability:	12/31/2025	\$35,000,000	each occurrence
	Automobile liability		\$70,000,000	general aggregate
	Product liability and completed operations			\$1,000,000
	Pollution liability			
	Medical malpractice			
	Emergency assistance agreements			
	Joint venture liability (pro rata ownership)			
	Employers liability			
	Standards board activity			
	Community service activity			
	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, 2025

Insurer	Type of Coverage	Policy's Expiration Date	Amount of Coverage	
Federal Insurance Company Chubb Group of Insurance Companies	Fiduciary & employee benefit liability	12/31/2025	\$10,000,000	\$250,000
Travelers Casualty & Surety Company of America	Excess fiduciary & employee benefit liability	12/31/2025	\$10,000,000	\$250,000
AEGIS Insurance Services, Inc.	Excess workers' compensation	12/31/2025	\$35,000,000	\$1,000,000 each accident SIR
Tokio Marine Houston Casualty Company	Cyber/network liability	11/1/2026		
	Multimedia Liability Coverage		\$5,000,000	\$100,000
	Security and Privacy Liability Coverage		\$5,000,000	\$100,000
	Privacy Regulatory Defense and Penalties Coverage		\$5,000,000	\$100,000
	PCI DSS Liability Coverage		\$5,000,000	\$100,000
	Bodily Injury Liability Coverage		\$250,000	\$100,000
	Property Damage Liability Coverage		\$50,000	\$100,000
	TCPA Defense Coverage		\$50,000	\$100,000
	Breach Event Costs Coverage		\$5,000,000	\$100,000
	Post Breach Remediation Costs Coverage		\$25,000	\$100,000
	System Failure Coverage		\$5,000,000	\$100,000 per claim greater than 8 hours
	Dependent System Failure Coverage		\$5,000,000	\$100,000 per claim greater than 12 hours
	Cyber Extortion Coverage		\$5,000,000	\$100,000
	Financial Fraud Sublimit		\$250,000	\$100,000
	Telecommunications and Utilities Fraud Sublimit		\$250,000	\$100,000
	Your Phishing Fraud Loss Sublimit		\$250,000	\$100,000
	Client Phishing Fraud Loss Sublimit		\$250,000	\$100,000
	Bricking Loss Coverage		\$5,000,000	\$100,000
	Property Damage Loss Coverage		\$50,000	\$100,000
	Reward Expenses Coverage		\$50,000	\$100,000
	Court Attendance Costs Coverage		\$25,000	None
	Additional Defense Costs Limit		N/A	N/A