

WAVERLY UTILITIES

Component Units of the City of Waverly, Iowa

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2023 and 2022

WAVERLY UTILITIES

Component Units of the City of Waverly, Iowa

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December 31, 2023 and 2022

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Independent Auditor's Report

To the Board of Trustees
Waverly Utilities
Waverly, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Waverly Municipal Electric Utility and Waverly Communications Utility (collectively Waverly Utilities), component units of the City of Waverly, Iowa, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Waverly Utilities' 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 Waverly Municipal Electric Utility and Waverly Communications Utility, as of December 31, 2023 and 2022, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waverly Utilities, 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 Waverly Utilities' 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 Waverly Utilities' 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 Waverly Utilities' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the report. The other information comprises the supplemental and other information section 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 19, 2024, on our consideration of Waverly Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waverly Utilities' 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 Waverly Utilities' internal control over financial reporting and compliance.



Dubuque, Iowa
April 19, 2024

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
December 31, 2023, 2022 and 2021

Waverly Utilities (Waverly Municipal Electric Utility and Waverly Communications Utility) offers this discussion and analysis of our financial performance for the years ending December 31, 2023, 2022, and 2021. Please read this in conjunction with the accompanying financial statements and the notes to the financial statements.

Overview of the Financial Statements

Management's discussion and analysis (MDA) serves as an introduction to the financial statements, and the MDA represents management's examination and analysis of the Utility's financial condition and performance. The financial statements report information about the Utility using the accrual basis of accounting as utilized by similar entities in the private sector.

The Statement of Net Position reports year-end assets, deferred outflows, liabilities, deferred inflows and net position balances based on the original cost adjusted for any depreciation. The Statement of Revenues, Expenses and Changes in Net Position presents information on the change in Net Position from utilities operations. The Statement of Cash Flows reports the changes in cash due to operations, investments, capital improvements and debt service payments.

The notes to the financial statement provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes provide information about the Utility's accounting policies, significant account balances and activities, material risk, obligations, commitments, contingencies, and subsequent events.

Waverly Utilities Overview

Waverly Municipal Electric Utility (WMEU) was placed under operational control of a five-member Board of Trustees (Board) by City of Waverly (City) ordinance dated October 3, 1977. WMEU is responsible for providing electric power to the residents and businesses of the City and certain rural areas. WMEU is considered a component unit of the City under the guidelines established by GASB. WMEU has a governing body appointed by the Mayor and approved by the City Council.

On July 2, 2013, the WMEU Board passed Resolution #01-13, establishing the Waverly Communications Feasibility and Support Delivery Model Task Force and Waverly Communications Utility (WCU). WCU is a separate and distinct business that leases fiber from WMEU and then sells communications services to its customers. WCU is considered a component unit of the City under the guidelines established by GASB. WCU has a governing body appointed by the Mayor and approved by the City Council which has the same members as WMEU. Construction began in 2015 with operations starting in July 2016.

Waverly has a diverse business climate including a private college, a large financial institution, manufacturing businesses of varying sectors and many commercial businesses. The residential population has seen a slight increase the past few years. In 2023, WMEU installed 18 new electric services.

WMEU owns a strategic mix of energy production resources including 10.86 MW of base load coal generation, 2.7 MW of wind generation and 36.25 MW of diesel generation which is used in conjunction with a long-term full requirements energy contract and in emergency situations. In 2023, we purchased 96.1% of our required energy and capacity through a full requirements energy contract. The remaining 3.9% was produced locally by wind resources. The hydro generation was discontinued in 2022 due to its age and was not economically feasible to replace.

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
December 31, 2023, 2022 and 2021

Condensed Statements of Net Position

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022	WMEU 2021	WCU 2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Curent Assets	\$7,729,441	\$2,717,419	\$7,836,980	\$3,139,263	\$7,136,265	\$1,923,605
Non-Curent Assets						
Restricted Assets	1,426,500	-	1,096,999	-	1,696,500	-
Designated Funds	10,552,102	-	7,117,295	-	7,793,282	-
Other Assets	226,180	-	226,180	-	226,180	-
Advance between WMEU and WCU	2,669,169	-	2,712,299	-	2,769,600	-
Lease Receivable	1,957,932	-	2,089,400	-	2,216,692	-
Receivable for Wartburg Green Power	400,000	-	500,000	-	600,000	-
Net Capital Assets	39,412,032	5,924,907	38,843,198	4,935,947	38,351,834	5,066,244
<i>Total Assets</i>	<u>\$64,373,356</u>	<u>\$8,642,326</u>	<u>\$60,422,351</u>	<u>\$8,075,210</u>	<u>\$60,790,353</u>	<u>\$6,989,849</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflow for Pension Plan	300,255	84,609	147,768	40,321	158,538	42,400
Deferred Outflow for Wellness Center	-	-	-	-	120,000	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>300,255</u>	<u>84,609</u>	<u>147,768</u>	<u>40,321</u>	<u>278,538</u>	<u>42,400</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$64,673,611</u>	<u>\$8,726,935</u>	<u>\$60,570,119</u>	<u>\$8,115,531</u>	<u>\$61,068,891</u>	<u>\$7,032,249</u>
LIABILITIES						
Curent Liabilities	2,125,653	663,386	2,494,128	570,030	2,019,728	553,800
Curent Liabilities Payable from Restricted Assets	1,250,000	571,926	1,205,000	548,096	1,183,421	524,266
Grants Received in Advance	-	85,862	-	721,795	-	-
Non-Curent Liabilities						
Advance between WMEU and WCU	-	2,669,169	-	2,712,299	-	2,769,600
Net Pension Liability	1,105,817	311,607	958,659	261,583	35,801	9,575
Other Non-Current Liabilities	11,341,468	3,328,449	7,855,715	3,908,267	9,069,690	4,435,546
Lease Liability	343,082	1,957,932	349,569	2,089,315	355,790	2,216,692
Subscription Liability	31,796	10,041	-	-	-	-
Wellness Center Payable	-	-	-	-	120,000	-
<i>Total Liabilities</i>	<u>16,197,816</u>	<u>9,598,372</u>	<u>12,863,071</u>	<u>10,811,385</u>	<u>12,784,430</u>	<u>10,509,479</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows for Pension Plan	57,229	16,126	199,449	54,422	1,377,933	368,515
Deferred Inflows for Rate Stabilization	1,175,294	-	1,175,294	-	1,175,294	-
Deferred Inflows for Lease Receivable	2,089,400	-	2,216,692	-	2,339,942	-
Deferred Inflows for Wartburg Green Power	400,000	-	500,000	-	600,000	-
<i>Total Deferred Inflows of Resources</i>	<u>3,721,923</u>	<u>16,126</u>	<u>4,091,435</u>	<u>54,422</u>	<u>5,493,169</u>	<u>368,515</u>
NET POSITION						
Net Investment in Capital Assets	30,012,312	7,091	30,797,482	(1,644,780)	29,707,261	(2,162,084)
Restricted for Debt Service and Improvements	354,167	58,091	350,417	57,603	348,619	57,050
Unrestricted	14,387,393	(952,745)	12,467,714	(1,163,099)	12,735,412	(1,740,711)
<i>Total Net Position</i>	<u>44,753,872</u>	<u>(887,563)</u>	<u>43,615,613</u>	<u>(2,750,276)</u>	<u>42,791,292</u>	<u>(3,845,745)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 64,673,611</u>	<u>\$ 8,726,935</u>	<u>\$ 60,570,119</u>	<u>\$ 8,115,531</u>	<u>\$ 61,068,891</u>	<u>\$ 7,032,249</u>

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
December 31, 2023, 2022 and 2021

Condensed Statements of Revenues, Expenses and Changes in Net Position

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022	WMEU 2021	WCU 2021
OPERATING REVENUES	\$19,555,257	\$4,669,934	\$19,350,554	\$4,547,790	\$18,591,943	\$4,299,185
OPERATING EXPENSES						
Operating Expenses	15,334,843	2,845,563	15,616,394	2,801,065	14,946,719	2,620,992
Depreciation Expenses	2,368,556	324,323	2,410,732	328,462	2,337,535	731,521
<i>Total Operating Expenses</i>	<u>\$17,703,399</u>	<u>\$3,169,886</u>	<u>\$18,027,126</u>	<u>\$3,129,527</u>	<u>\$17,284,254</u>	<u>\$3,352,513</u>
Operating Income	<u>\$1,851,858</u>	<u>\$1,500,048</u>	<u>\$1,323,428</u>	<u>\$1,418,263</u>	<u>\$1,307,689</u>	<u>\$946,672</u>
Investment Income	320,234	-	208,876	-	206,782	-
Interest Expense	(347,026)	(278,103)	(249,280)	(323,310)	(273,395)	(340,679)
Gain (Loss) on Sale of Plant	(6,647)	4,835	305,609	516	(48,335)	1,914
Miscellaneous Income	-	-	-	-	-	1,175
<i>Total Non-Operating Revenue (Expenses)</i>	<u>(33,439)</u>	<u>(273,268)</u>	<u>265,205</u>	<u>(322,794)</u>	<u>(114,948)</u>	<u>(337,590)</u>
<i>Income Before Operating Transfers and</i>						
Contributions	1,818,419	1,226,780	1,588,633	1,095,469	1,192,741	609,082
Contributions	53,997	635,933	63,189	-	98,707	4,920
Cash Transfers to the City of Waverly	(734,157)	-	(827,501)	-	(836,444)	-
Change in Net Position	1,138,259	1,862,713	824,321	1,095,469	455,004	614,002
NET POSITION, beginning of year	43,615,613	(2,750,276)	42,791,292	(3,845,745)	42,336,288	(4,459,747)
NET POSITION, End of Year	<u>44,753,872</u>	<u>(887,563)</u>	<u>43,615,613</u>	<u>(2,750,276)</u>	<u>42,791,292</u>	<u>(3,845,745)</u>

WMEU Revenues for 2023 were \$205K higher than 2022 due to a 3% increase in rates.

WMEU's Net Position increased 1.138M in 2023.

WCU Revenues for 2023 were \$122K higher than 2022 due to an increase in subscriber counts.

WCU's Net Position increased \$1.86M in 2023 due to revenues being higher than expenses from the increase in subscriber counts and grant income of \$636K.

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
December 31, 2023, 2022 and 2021

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022	WMEU 2021	WCU 2021
Cash Flows from Operating Activities						
Received from sales to customers	\$19,658,324	\$4,665,341	\$18,986,087	\$4,510,892	\$18,633,176	\$4,286,844
Paid to Suppliers and employees for services	(\$15,453,389)	(2,871,703)	(15,228,290)	(2,646,303)	(14,837,370)	(2,475,439)
Cash Flows from Operating Activities	4,204,936	\$1,793,638	\$3,757,797	\$1,864,589	\$3,795,806	\$1,811,405
Cash Flows from Non-Capital Financing Activities	(691,027)	(43,130)	(770,193)	(57,301)	(851,269)	14,825
Cash Flows from Capital and Related Financing Activities	(176,114)	(2,424,179)	(4,388,748)	(622,190)	(2,829,021)	(1,560,256)
Cash Flows from Investing Activities	320,234	-	208,867	-	206,784	-
NET CHANGE IN CASH AND EQUIVALENTS	3,658,028	(673,671)	(1,192,277)	1,185,098	322,300	265,974
CASH AND CASH EQUIVALENTS - Beginning of year	11,483,661	2,776,684	12,675,938	1,591,586	\$12,353,638	\$1,325,612
CASH AND CASH EQUIVALENTS - END OF YEAR	15,141,689	2,103,013	11,483,661	2,776,684	12,675,938	1,591,586

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
December 31, 2023, 2022, 2021

**Comparison of Revenues, Expenses and Changes in Net Position
Actual and Budget**

	Actual 2023	Budget 2023	Increase (Decrease)	Actual 2023	Budget 2023	Increase (Decrease)
OPERATING REVENUES	\$19,555,257	\$19,998,644	(\$443,387)	\$4,669,934	4,413,993	\$255,941
OPERATING EXPENSES						
Depreciation Expenses	2,368,556	2,529,870	161,314	324,323	363,041	38,718
Operating Expenses	15,334,843	16,538,618	1,203,775	2,845,563	2,910,747	65,184
<i>Total Operating Expenses</i>	<i>\$17,703,399</i>	<i>\$19,068,488</i>	<i>\$1,365,089</i>	<i>\$3,169,886</i>	<i>\$3,273,788</i>	<i>\$103,902</i>
Operating Income	\$1,851,858	\$930,156	\$921,702	\$1,500,048	\$1,140,205	\$359,843
Investment Income	320,234	126,000	194,234	-	-	-
Interest Expense	(347,026)	(231,000)	(116,026)	(278,103)	(229,400)	(48,703)
Gain (Loss) on Sale of Plant	(6,647)	-	(6,647)	4,835		4,835
<i>Total Non-Operating Revenue (Expenses)</i>	<i>(33,439)</i>	<i>(105,000)</i>	<i>71,561</i>	<i>(273,268)</i>	<i>(229,400)</i>	<i>(43,868)</i>
Income Before Operating Transfers and Contributions	1,818,419	825,156	993,263	1,226,780	910,805	315,975
Contributions	53,997	19,475	34,522	635,933	700,000	(64,067)
Cash Transfers to the City of Waverly	(734,157)	(734,157)	-			-
Change in Net Position	1,138,259	110,474	1,027,785	1,862,713	1,610,805	251,908
NET POSITION, beginning of year	43,615,613	43,505,139	110,474	(2,750,276)	(4,361,081)	1,610,805
NET POSITION, End of Year	44,753,872	43,615,613	1,138,259	(887,563)	(2,750,276)	1,862,713

Waverly Utilities' budget is based on its projected long-term financial outlook, current economic conditions and plans for construction, operation and maintenance of the utility. A budget committee, consisting of personnel, review items submitted for consideration by all staff and makes recommendations as to what projects are presented in the proposed budget. The proposed budget is then presented to the Board of Trustees for approval.

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
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WMEU Fund Analysis

Designated Funds

The Vehicle Replacement Fund had a balance of \$351,367, \$351,367, and \$351,367, respectively for 2023, 2022, and 2021. It is used for the replacement of vehicles and aerial trucks. It is funded annually based on a vehicle replacement schedule during the budget process.

WMEU set up an Insurance Recovery Fund to cover the costs of deductibles on property, health insurance and the loss of uninsured electrical lines. The current balance of \$1,417,238 is funded annually at \$60,000 a year. The 2022 and 2021 balances were \$1,357,238 and \$1,345,000 respectively.

The Renewable Energy Fund was established to track donations received from the Green Power Choice program. It is designated to supplement renewable energy through purchases. The fund had a balance of \$444,336, \$364,975, and \$349,077 for 2023, 2022, and 2021, respectively.

The Distribution, Generation and G & A Funds are for funding future replacement of capital items for those departments. The Distribution Fund had a balance of \$100,000 in 2023, 2022, and 2021. The Generation Fund had a balance of \$516,562 in 2023, \$416,562 in 2022, and \$316,562 in 2021. The G & A Fund had a balance of \$0 in 2023, 2022, and 2021. They are funded annually based on the budget process.

The Rate Stabilization Fund was established in 2010 to set aside funds to mitigate customer price increases due to unforeseen circumstances, volatile wholesale price increases, and/or large construction projects. The fund had a balance of \$5,360,621, \$4,433,827, and \$5,270,068 for 2023, 2022, and 2021 respectively.

Restricted Funds

For WMEU, the Sinking, Reserve and Improvement Funds were funded per the requirements of the 2013, 2015, 2016, 2018, and 2023 bond issues. The total of these restricted funds is \$1,561,455, 1,216,936, and \$1,816,823 in 2023, 2022, and 2021, respectively.

During 2022, WCU received \$722K for a Notice of Funding Availability #7 (NOFA) grant to expand the fiber network in currently underserved areas. These funds are restricted until the grant requirements have been met. As of December 31, 2023, the balance of restricted funds for this grant was \$85,862.

Capital Assets

In 2023, WMEU had \$90.6 million of capital assets with a net position value of \$39.4 million. The total includes \$0.9 million in land, \$4.8 million in buildings, \$59.9 million in improvements, \$.4 million intangible right-to-use, \$5.7 million in machinery and equipment, \$13.2 million in Louisa Generating Plant, \$5.6 million in Walter Scott Jr. 4 Generating Plant, and \$0.1 million in construction work in progress.

WMEU's capital improvements for 2023 included land for a solar array, installation of new distribution lines, services, meters, transformers, Louisa Generating Station improvements, WS4 Generating Station improvements and fiber drops.

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
December 31, 2023, 2022 and 2021

In 2023, WCU had \$10.7 million of capital assets with a net position value of \$5.9 million. The total includes \$2.3 million in leasehold improvements, \$2.5M in intangible right-to-use property, \$4.8 million in equipment and \$1.1 million in construction work in progress.

WCU's capital improvements for 2023 included additional headend equipment/optical, customer install related equipment and expansion of the fiber network.

In 2022, WMEU had \$88 million of capital assets with a net position value of \$39 million. The total includes \$0.4 million in land, \$4.7 million in buildings, \$57.5 million in improvements, \$.4 million intangible right-to-use, \$5.5 million in machinery and equipment, \$13.1 million in Louisa Generating Plant, \$5.6 million in Walter Scott Jr. 4 Generating Plant, and \$0.3 million in construction work in progress.

WMEU's capital improvements for 2022 included rebuilding engine, installation of new distribution lines, services, meters, transformers, Louisa Generating Station improvements, WS4 Generating Station improvements and fiber drops.

In 2022, WCU had \$9.6 million of capital assets with a net position value of \$4.9 million. The total includes \$2.3 million in leasehold improvements, \$2.5M in intangible right-to-use property, \$4.8 million in equipment and \$0.0 million in construction work in progress.

WCU's capital improvements for 2022 included additional headend equipment/optical, customer install related equipment and fiber services.

In 2021, WMEU had \$86 million of capital assets with a net position value of \$38 million. The total includes \$0.4 million in land, \$4.6 million in buildings, \$57.5 million in improvements, \$.4 million intangible right-to-use, \$5.4 million in machinery and equipment, \$11.9 million in Louisa Generating Plant, \$5.6 million in Walter Scott Jr. 4 Generating Plant, and \$.03 million in construction work in progress.

WMEU's capital improvements for 2021 included installation of new distribution lines, services, meters, transformers Louisa Generating Station improvements, Walter Scott Jr. 4 Generating Station improvements, fiber drops.

In 2021, WCU had \$9.3 million of capital assets with a net position value of \$5.1 million. The total includes \$2.3 million in leasehold improvements, \$2.5M in intangible right-to-use property, \$4.6 million in equipment and \$0.015 million in construction work in progress.

WCU's capital improvements for 2021 included additional headend equipment, customer install related equipment and fiber services to Rustic Hills, Joplin Ave and West 260th in Bremer County.

WAVERLY UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited
December 31, 2023, 2022 and 2021

Debt Activity

WMEU has \$11.8 million of outstanding debt as of December 31, 2023. This includes \$3.6 million outstanding of 2015 bonds that were issued for the fiber buildout, aerial truck, backhoe, and reimbursement resolution. The 2016 bonds were issued to fund the reimbursement resolution, fiber optic cable drops, switchgear, an aerial truck and a Digger Derrick and have a balance of \$1.8 million. The 2018 bonds were issued to fund the reimbursement resolution, distribution lines, fiber optic cable drops, transformers, meters, and a meter truck. These bonds have a balance of \$1.9 million. In 2023, \$4.5M of bonds were issued to fund the reimbursement resolution, cost of issuance, debt service reserve, digger derrick, switchgear, and a transmission line rebuild.

WMEU maintains a sinking fund, reserve fund and an improvement fund per bond requirements. The balance in these restricted funds for 2023 is \$1,561,455. Debt service for 2023 included \$1,205,000 of principal payments and \$234,241 of interest payments. The 2022 restricted fund balance was \$1,216,936 with debt service of \$1,183,421 of principal payments and \$261,348 of interest payments. The 2021 restricted fund balance was \$1,816,823 with debt service of \$1,153,421 of principal payments and \$284,367 of interest payments.

WCU has \$6.5 million of outstanding debt as of December 31, 2023. This includes \$3.8 million of 2015 bonds issued to fund capital setup of the utility and \$2.7 million of a temporary operational advance from WMEU.

WCU maintains a sinking fund per bond requirements. The balance in the restricted fund for 2023 was \$58,091. Debt service for 2023 included \$591,226 of principal payments and \$229,960 of interest payments. The balance in the restricted fund for 2022 was \$57,603. Debt service for 2022 included \$581,567 of principal payments and \$249,815 of interest payments. The balance in the restricted fund for 2021 was \$57,050. Debt service for 2021 included \$505,201 of principal payments and \$265,229 of interest payments.

At the end of 2022 and 2021 the outstanding debt for WMEU was \$8.5 million and \$9.7 million, respectively.

At the end of 2022 and 2021 the outstanding debt for WCU was \$7.1 million and \$7.7 million, respectively.

Contact Information

This report is designed to provide our customers, creditors and interested parties with an overview of our financial position. Any questions regarding this report or desiring additional information should be addressed to Waverly Utilities, 1002 Adams Parkway, Waverly, IA 50677 or by phone at 319.559.2000.

Statements of Net Position Follow

WAVERLY UTILITIES
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022
CURRENT ASSETS				
Cash and Investments	\$3,028,132	\$1,959,060	\$3,149,430	\$1,997,286
Accounts Receivable	2,272,396	297,372	2,375,464	292,779
Inventory	1,978,195	270,068	1,925,784	20,839
Current Portion-Lease Receivable	131,468	-	127,292	-
Accrued Interest Receivable	10,161	-	3,858	-
Prepaid Expenses	174,134	46,966	135,215	48,961
Restricted Assets				
NOFA 7 Grant Funds	-	85,862	-	721,795
Sinking Fund Accounts				
2013 Bonds	-	-	38,959	-
2015 Bonds	47,067	58,091	32,640	57,603
2016 Bonds	27,092	-	22,900	-
2018 Bonds	25,254	-	25,438	-
2023 Bonds	35,542	-	-	-
Total Current Assets	<u>\$7,729,441</u>	<u>\$2,717,419</u>	<u>\$7,836,980</u>	<u>\$3,139,263</u>
NON-CURRENT ASSETS				
Restricted Assets				
Reserve Fund Accounts				
2013 Bonds	-	-	83,131	-
2015 Bonds	360,500	-	268,119	-
2016 Bonds	175,500	-	188,624	-
2018 Bonds	190,500	-	307,125	-
2023 Bonds	450,000	-	-	-
Improvement Fund	250,000	-	250,000	-
Total Restricted Assets	<u>1,426,500</u>	<u>-</u>	<u>1,096,999</u>	<u>-</u>
Designated Funds				
Vehicle Replacement Fund	351,367	-	351,367	-
Renewed Energy Fund	444,336	-	364,975	-
Generation Fund	516,562	-	416,562	-
Rate Stabilization Fund	5,360,621	-	4,433,827	-
Specified Projects Fund	2,235,481	-	-	-
Insurance Recovery Fund	1,417,238	-	1,357,238	-
Distribution Fund	100,000	-	100,000	-
Decommission Fund	126,497	-	93,326	-
Total Designated Accounts	<u>10,552,102</u>	<u>-</u>	<u>7,117,295</u>	<u>-</u>
Other Assets				
Investment in Quad Cities West	33,351	-	33,351	-
Investment in CAPX	16,209	-	16,209	-
Investment in Grimes Granger	176,620	-	176,620	-
Advance between WMEU and WCU	2,669,169	-	2,712,299	-
Lease Receivable	1,957,932	-	2,089,400	-
Receivable for Wartburg Green Power	400,000	-	500,000	-
Total Other Assets	<u>5,253,281</u>	<u>-</u>	<u>5,527,879</u>	<u>-</u>
Capital Assets				
Land	901,565	-	351,624	-
Buildings	4,801,983	-	4,710,800	-
Improvements	59,918,532	2,357,201	57,551,192	2,335,757
Intangible Right To-Use-Asset	407,233	2,471,862	367,384	2,459,278
Machinery and Equipment	5,689,109	4,832,803	5,520,512	4,840,009
Louisa & Walter Scott 4 Plants	18,812,091	-	18,697,139	-
Construction Work in Progress	81,877	1,082,152	328,017	-
Total Capital Assets	<u>90,612,390</u>	<u>10,744,018</u>	<u>87,526,668</u>	<u>9,635,044</u>
Accumulated Depreciation/Amortization	(51,200,358)	(4,819,111)	(48,683,470)	(4,699,097)
Net Capital Assets	<u>39,412,032</u>	<u>5,924,907</u>	<u>38,843,198</u>	<u>4,935,947</u>
Total Non-Current Assets	<u>56,643,915</u>	<u>5,924,907</u>	<u>52,585,371</u>	<u>4,935,947</u>
TOTAL ASSETS	<u>\$64,373,356</u>	<u>\$8,642,326</u>	<u>\$60,422,351</u>	<u>\$8,075,210</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows for Pension Plan	300,255	84,609	147,768	40,321
DEFERRED OUTFLOWS OF RESOURCES	<u>300,255</u>	<u>84,609</u>	<u>147,768</u>	<u>40,321</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 64,673,611</u>	<u>\$ 8,726,935</u>	<u>\$ 60,570,119</u>	<u>\$ 8,115,531</u>

WAVERLY UTILITIES

STATEMENTS OF NET POSITION

For the Years ended December 31, 2023 and 2022

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022
CURRENT LIABILITIES				
Accounts Payable	\$1,109,108	\$212,781	\$ 1,370,792	\$ 127,589
Accrued Property Taxes	142,818	-	150,996	2,452
Current Portion of Lease Liability	6,487	131,468	6,221	127,292
Current Portion of Subscription Liability	7,444	2,351	-	-
Unearned Revenue-Customer Billings	-	172,392	-	167,178
Other Accrued Expenses	829,008	133,963	837,814	133,590
Accrued Interest	-	10,431	-	11,929
Current Liabilities Payable from Restricted Assets				
Current Portion of Revenue Bonds	1,250,000	571,926	1,205,000	548,096
Grants Received in Advance	-	85,862	-	721,795
Accrued Interest on Revenue Bonds	30,788	-	19,520	-
Total Current Liabilities	<u>\$ 3,375,653</u>	<u>\$ 1,321,174</u>	<u>\$ 3,590,343</u>	<u>\$ 1,839,921</u>
NON-CURRENT ASSETS				
Revenue Bonds	10,515,000	3,244,098	7,265,000	3,816,024
Advance between WMEU and WCU	-	2,669,169	-	2,712,299
Bond Premium	207,892	-	66,926	-
Lease Liability	343,082	1,957,932	349,569	2,089,315
Subscription Liability	31,796	10,041	-	-
Net Pension Liability	1,105,817	311,607	958,659	261,583
Total OPEB Liability	618,576	84,351	632,574	92,243
Total Non-Current Liabilities	<u>12,822,163</u>	<u>8,277,198</u>	<u>9,272,728</u>	<u>8,971,464</u>
TOTAL LIABILITIES	<u>\$ 16,197,816</u>	<u>\$ 9,598,372</u>	<u>\$ 12,863,071</u>	<u>\$ 10,811,385</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows for Rate Stabilization	1,175,294	-	1,175,294	-
Deferred Inflows for Pension Plan	57,229	16,126	199,449	54,422
Deferred Inflows for Lease Receivable	2,089,400	-	2,216,692	-
Deferred Inflows for Wartburg Green Power	400,000	-	500,000	-
Total Deferred Inflows of Resources	<u>3,721,923</u>	<u>16,126</u>	<u>4,091,435</u>	<u>54,422</u>
NET POSITION				
Net Investment in Capital Assets	30,012,312	7,091	30,797,482	(1,644,780)
Restricted for Debt Service and Improvements	354,167	58,091	350,417	57,603
Unrestricted	14,387,393	(952,745)	12,467,714	(1,163,099)
Total Net Position	<u>44,753,872</u>	<u>(887,563)</u>	<u>43,615,613</u>	<u>(2,750,276)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 64,673,611</u>	<u>\$ 8,726,935</u>	<u>\$ 60,570,119</u>	<u>\$ 8,115,531</u>

WAVERLY UTILITIES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years ended December 31, 2023 and 2022

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022
OPERATING REVENUES				
Sales to customers	\$15,646,808	\$4,621,628	\$ 15,484,813	\$ 4,505,301
Miscellaneous	3,908,449	48,306	3,865,741	42,489
Total Operating Revenues	<u>\$ 19,555,257</u>	<u>\$ 4,669,934</u>	<u>\$ 19,350,554</u>	<u>\$ 4,547,790</u>
OPERATING EXPENSES				
Production	12,513,056	-	12,643,986	-
Transmission	176,731	-	202,951	-
Distribution	1,307,816	-	1,442,784	-
Customer Accounts	216,534	-	203,758	-
Administrative and general	829,364	-	826,482	-
Customer information	102,615	-	95,130	-
Community development	100,935	-	106,827	-
Conservation	87,792	-	94,476	-
WCU Operating Expenses	-	2,845,563	-	2,801,065
Depreciation	2,368,556	324,323	2,410,732	328,462
Total Operating Expenses	<u>17,703,399</u>	<u>3,169,886</u>	<u>18,027,126</u>	<u>3,129,527</u>
Operating Income	<u>1,851,858</u>	<u>1,500,048</u>	<u>1,323,428</u>	<u>1,418,263</u>
NONOPERATING REVENUE (EXPENSES)				
Gain (Loss) on sale of plant	(6,647)	4,835	305,609	516
Investment income	320,234	-	208,876	-
Interest expense	(347,026)	(278,103)	(249,280)	(323,310)
Total Nonoperating Revenue (Expenses)	<u>(33,439)</u>	<u>(273,268)</u>	<u>265,205</u>	<u>(322,794)</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS				
	1,818,419	1,226,780	1,588,633	1,095,469
Contributions	53,997	635,933	63,189	-
Transfer to City of Waverly	(734,157)	-	(827,501)	-
CHANGE IN NET POSITION	<u>1,138,259</u>	<u>1,862,713</u>	<u>824,321</u>	<u>1,095,469</u>
NET POSITION- Beginning of year	43,615,613	(2,750,276)	42,791,292	(3,845,745)
NET POSITION - END OF YEAR	<u><u>\$ 44,753,872</u></u>	<u><u>\$ (887,563)</u></u>	<u><u>\$ 43,615,613</u></u>	<u><u>\$ (2,750,276)</u></u>

Statements of Cash Flows Follow

WAVERLY UTILITIES
STATEMENT OF CASH FLOW

For the Years ended December 31, 2023 and 2022

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from sales to customers	\$15,749,875	\$4,617,035	\$15,120,343	\$4,468,601
Received from Misc Operating Revenues	3,908,449	48,306	3,865,741	42,291
Paid to Suppliers for purchased power and transmission	(10,203,860)	-	(10,249,734)	-
Paid to Suppliers and employees for other services	(5,249,529)	(2,871,703)	(4,978,553)	(2,646,303)
Net Cash Flows from Operating Activities	4,204,936	1,793,638	3,757,797	1,864,589
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Payment to City of Waverly for credit to Waverly Wellness Center	-	-	(120,000)	-
Advance between WMEU and WCU	43,130	(43,130)	57,301	(57,301)
Transfer to City of Waverly	(734,157)	-	(707,494)	-
Net Cash Flows from (Used By) Noncapital Financing Activities	(691,027)	(43,130)	(770,193)	(57,301)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of plant and equipment	(3,393,338)	(1,481,667)	(3,438,477)	(371,639)
Capital Contributions	53,997	635,933	63,186	-
Proceeds from the disposal of capital assets	30,000	-	436,365	-
Grant Funds Received in Advance	-	(635,445)	-	721,795
Principal received from bonds	4,500,000	-	-	-
Bond Premium	140,966	-	-	-
Debt issue costs	(101,517)	-	-	-
Principal payments on revenue bonds, leases, subscriptions	(1,171,981)	(663,398)	(1,189,382)	(647,602)
Interest paid	(234,241)	(279,602)	(260,440)	(324,744)
Net Cash Flows from (Used By) Capital and Related Financing Activities	(176,114)	(2,424,179)	(4,388,748)	(622,190)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	320,234	-	208,867	-
Net Change in Cash and Cash Equivalents	3,658,028	(673,671)	(1,192,277)	1,185,098
CASH AND CASH EQUIVALENTS - Beginning of Year	11,483,661	2,776,684	12,675,938	1,591,586
CASH AND CASH EQUIVALENTS - END OF YEAR	15,141,689	2,103,013	11,483,661	2,776,684
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Gain (loss) on sale of plant	(6,647)	4,835	305,609	516

WAVERLY UTILITIES
STATEMENTS OF CASH FLOW

For the Years ended December 31, 2023 and 2022

	WMEU	WCU	WMEU	WCU
	2023	2023	2022	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income	\$ 1,851,858	\$ 1,500,048	\$ 1,323,428	\$1,418,263
Non-Cash items included in Operating Income				
Amortization	11,181	153,914	10,517	153,705
Depreciation	2,368,556	324,323	2,410,732	328,462
Depreciation Cleared	408,119	19,306	395,109	20,286
Changes in Assets and Liabilities				
Accounts Receivable	103,067	(4,593)	(364,463)	(36,897)
Interest Receivable	(6,302)	-	(3,858)	-
Inventory	(52,411)	(249,229)	(276,613)	(1,727)
Prepaid Expenses	(38,919)	1,994	31,479	8,064
Accounts Payable	(261,684)	85,192	247,957	(21,303)
Accrued Property Taxes	(8,178)	(2,452)	19,876	(2,164)
Deferred Outflows for Pension Plan	(152,487)	(44,289)	10,770	2,080
Net Pension Liability	147,158	50,024	922,858	252,008
Deferred Inflows for Pension Plan	(142,219)	(38,296)	(1,178,485)	(314,093)
Unearned Service Revenue	-	5,214	-	10,348
Other Accrued Expenses	(22,804)	(7,518)	208,490	47,557
NET CASH FLOWS FROM OPERATING ACTIVITIES	4,204,936	1,793,638	3,757,797	1,864,589
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION				
Cash and Investments	3,028,132	1,959,060	3,149,430	1,997,286
Restricted Assets				
NOFA 7 Grant	-	85,862	-	721,795
Sinking Fund Accounts				
2013 Bonds	-	-	38,959	-
2015 Bonds	47,067	58,091	32,640	57,603
2016 Bonds	27,092	-	22,900	-
2018 Bonds	25,254	-	25,438	-
2023 Bonds	35,542	-	-	-
Reserve Fund Accounts				
2013 Bonds	-	-	83,131	-
2015 Bonds	360,500	-	268,119	-
2016 Bonds	175,500	-	188,624	-
2018 Bonds	190,500	-	307,125	-
2023 Bonds	450,000	-	-	-
Improvement Fund	250,000	-	250,000	-
Total Cash and Restricted Assets	4,589,587	2,103,013	4,366,366	2,776,684
Designated Accounts				
Vehicle Replacement Fund	351,367	-	351,367	-
Renewable Energy Fund	444,336	-	364,975	-
Generation Fund	516,562	-	416,562	-
Rate Stabilization Fund	5,360,621	-	4,433,827	-
Specified Projects Fund	2,235,481	-	-	-
Insurance Recovery Fund	1,417,238	-	1,357,238	-
Decommission Fund	126,497	-	93,326	-
Distribution Fund	100,000	-	100,000	-
Total Cash and Restricted Assets	10,552,102	-	7,117,295	-
TOTAL CASH AND CASH EQUIVALENTS	15,141,689	2,103,013	11,483,661	2,776,684

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Waverly Utilities (Waverly Municipal Electric Utility (WMEU) and Waverly Communications Utility (WCU)) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to the component unit of government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utilities are described below.

REPORTING ENTITY

WMEU is a separate and distinct city utility and is chartered under Iowa Code Section 388. The utility is a component unit of the City of Waverly. The utility was placed under operational control of a five-member Board of Trustees (Board) by a municipal ordinance dated October 3, 1977. The utility's governing body is appointed by the Mayor and approved by the City Council. The utility is responsible for providing electric power to the residents and businesses within the municipality and certain rural areas. The utility owns 50,306 kilowatts of generating capacity.

On July 2, 2013, the WMEU Board passed Resolution #01-13, establishing the Waverly Communications Feasibility and Support Delivery Model Task Force and WCU. WCU is a separate and distinct entity that provides communications services to its customers. WCU is considered a component unit of the City of Waverly under the guidelines established by GASB. WCU has a governing body appointed by the Mayor and approved by the City Council which has the same members as WMEU. WCU began providing communications services to its customers on July 1, 2016.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

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

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

Deposits and Investments

The utilities have an adopted investment policy which was last approved in 2017. The investment policy states the delegation of authority, instruments eligible for investing, prohibited investments and practices, maturity limitations, diversification, and safekeeping.

The utilities are authorized by Board policy and State statute to invest in interest bearing savings, money-market, checking accounts, obligations of the United States government or its agencies, certificates of deposit, joint investment trusts per Chapter 28E as amended by the Code of Iowa, and repurchase agreements.

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year-end.

Receivables/Payables

The WMEU receivable balances are amounts due from electric utility customers, primarily less than 30 days outstanding, and consist of approximately 40% from residential users in and around the municipality and approximately 60% from commercial and industrial users in the municipality.

Accounts receivable balances at December 31, 2023 and 2022 are considered fully collectible and expected within one year. Any accounts not collectible are expensed to current year operations in the year their status is determined. A reserve for bad debt is not considered material.

WMEU accounts receivable balances at December 31, 2023 and 2022 include: unbilled revenues totaling \$857,324 and \$943,510, customer accounts receivable totaling \$1,169,100 and \$1,030,521, energy cost adjustment (ECA) totaling \$(206,962) and \$(226,072), and other accounts receivable totaling \$452,934 and \$627,505, respectively. The ECA was reinstated in 2016 by resolution #43-15 *Adopt Rate Schedule* and is calculated monthly to reflect the unanticipated changes in total generation and transmission costs.

WCU had receivable balances on December 31, 2023 and 2022 of \$297,372 and \$292,779, respectively.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

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

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

Inventory

Inventories are generally used for construction, operation and maintenance work, not for resale. Supply inventories are valued at average cost and charged to construction or expense when used. Coal and fuel inventories are valued on a first in – first out basis.

The balance of WMEU and WCU inventory is made up as follows:

	WMEU		WCU	
	December 31		December 31	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Local Inventories</u>				
Warehouse Materials	\$ 1,370,612	\$ 1,423,272	\$ 270,068	\$ 20,839
Generating Plant - Diesel Fuel	109,156	120,140		
<u>Louisa Inventories</u>				
Coal	313,175	236,286		
Oil	3,184	3,188		
Materials	68,194	63,410		
<u>WS4 Inventories</u>				
Coal	71,458	38,346		
Oil	7,552	8,811		
Materials	34,864	32,331		
Totals	\$ 1,978,195	\$ 1,925,784	\$ 270,068	\$ 20,839

Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net asset that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

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

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

Other Assets

In 2023 and 2022 the balances consisted of investments in other facilities considered non-utility property.

Capital Assets

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year, except for new electric services, transformers, meters, and customer communication equipment which are always capitalized.

Capital assets of the utility are recorded at cost, except for distribution plant facilities constructed prior to January 1, 1964, which are stated at appraisal valuations. Additions to the distribution plant subsequent to that date are stated at cost or fair market value at the time of contribution to the utility. Major renewals and betterments are capitalized at cost. Maintenance and repairs are expensed as incurred.

WMEU's depreciation expense for the years ended December 31, 2023 and 2022, was \$2,776,675 and \$2,805,841, respectively; of that, \$2,368,556 and \$2,410,732 was expensed and \$408,119 and \$395,109 was capitalized. WCU depreciation expense for the years ended December 31, 2023 and 2022, was \$343,629 and \$348,748, respectively; of that, \$324,323 and \$328,462 was expensed and \$19,306 and \$20,286 was capitalized.

Capital assets in service are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	40 – 50
Improvements	20 – 33
Machinery/equipment	3 – 15
Louisa plant	25 – 50
Communications equipment	5 – 10

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9 for additional information.

Total OPEB Liability

For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the utility's actuary report using the alternative measurement method, in which all changes to the OPEB liability are recognized in the current period. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Other Accrued Expenses

These balances consist of accrued payroll and benefits and Renewable Energy Payable – a fund used for donations for the Green Power Choice Program.

Employee Benefits

Sick Leave

Employees accumulate sick leave hours for subsequent use, but these hours are not payable upon termination, retirement or death. The accumulations are not recognized by the utility until paid.

Vacation Leave

Vacation leave is vested as earned and is included in other accrued expenses.

Longevity Pay

Employees accumulate longevity pay, receivable upon retirement from the utility at the rate of two days per year of service. The liability for this anticipated obligation is included in other accrued expenses at present value amounts.

Retiree Health Insurance

Employees may receive this benefit after they retire until they reach the age of 65 if certain conditions are met. The liability for this anticipated obligation is included in other long-term accounts payable. The cost per employee is capped at \$500 per month.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

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

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

Cafeteria Plan

The utilities have established a cafeteria plan for the benefit of its employees that qualifies under Section 125 of the Internal Revenue Code. The plan is administered by an outside agency and is funded by the participating employees.

LONG-TERM OBLIGATIONS

Long-term debt and other obligations are reported as liabilities.

LEASES

1. Lessee

WMEU was a lessee for a lease related to land on which 2 turbines reside. WMEU recognizes lease liabilities and intangible right-to-use lease assets related to this lease

WCU was a lessee to WMEU for use of a fiber optic communication system. WCU recognizes lease liabilities and intangible right-to-use lease assets related to this lease.

At the commencement of a lease, Waverly Utilities initially measures the lease liability at the present value of payments expected to be made during the lease term. Thereafter, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Thereafter, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how Waverly Utilities determines (a) the discount rate it uses to discount the expected lease payments to present value, (b) lease term, and (c) lease payments.

- a. Waverly Utilities uses the interest rate charged by the lessor as the discount rate. When the interest rate charge by the lessor is not provided, WU generally uses its estimated incremental borrowing rate as the discount rate for leases.
- b. The lease term includes the non-cancelable period of the lease.
- c. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that WU is reasonably certain to exercise.

Waverly Utilities monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of financial position.

2. Lessor

WMEU was a lessor to WCU related to use of a fiber optic communication system. The present value of the lease is recorded as a lease receivable on the Statement of Net Position.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

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

At the commencement of a lease WU initially measures the lease receivable at the present value of payments expected to be received during the lease term. Thereafter, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Thereafter, the deferred inflow of resources is recognized as revenue over the life of the lease.

Key estimates and judgements related to leases include how Waverly Utilities determines (a) the discount rate it uses to discount the expected lease payments to present value, (b) lease term, and (c) lease receipts.

- a. If specified, WU uses the interest rate identified in the contract as the discount rate. If no interest rate is specified, WU uses its estimated incremental borrowing rate as the discount rate for leases.
- b. The lease term includes the non-cancelable period of the lease.
- c. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

Waverly Utilities monitors changes in circumstances that would require a remeasurement of its lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

WMEU and WCU were lessees for a copier lease that falls within the newly implemented GASB 96 guidelines for subscription-based information technology arrangements (SBITA's). WMEU and WCU recognized a lease liabilities and intangible right-to-use lease assets related to this software lease.

DEFERRED INFLOWS OF RESOURCES

A deferred inflow of resources represents an acquisition of net asset that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Deferred Inflows for Rate Stabilization

In December 2014, the Board approved adoption of GASB 62, Regulated Operations, which requires that the effects of the rate-making process be recorded in the financial statements. Accordingly, certain revenues and credits, normally reflected in Change in Net Position as incurred, are recognized when included in rates and recovered from or refunded to customers. WMEU's regulatory credit relating to rate stabilization is intended to defer the need for future rate increases when costs exceed existing rates. At the direction of the Board, amounts may be either transferred into this fund (which reduces revenues), or amounts are transferred out of this fund (which increases revenues). The Board authorizes Rate Stabilization Fund (RSF) on an event driven basis. Earnings in excess to ratio coverages will be deferred to offset higher costs in the future. In 2023, \$0 was transferred to (from) revenue to the RSF which left an ending balance of \$1,175,294. In 2022, \$0 was transferred from the RSF.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

REVENUES AND EXPENSES

The utilities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services, producing and delivering goods in connection with a utility's principal operations. The principal operating revenues of the utility are charges to customers for electric and communication sales and services. Operating expenses include the cost of production, transmission, distribution, sales, services, community development, customer information, general and administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Charges and Services

WMEU billings are rendered and recorded monthly based on metered usage. Revenues are recorded when energy is provided. The utility accrues revenues for usage by customers beyond billing dates. Current electric rates were approved in November 2022 and placed into effect in January 2023.

WCU billings are rendered and recorded monthly based upon requested services. These services are pro-rated by number of days, depending on start and stop date. Services are billed one-month in advance and recorded as unearned revenue when applicable.

Miscellaneous

The significant majority of miscellaneous revenue is revenue received under the supplemental agreement regarding participant owned capacity with Municipal Energy Agency of Nebraska (MEAN) as a member of the joint action agency.

Taxes

WMEU records annual replacement taxes based on the delivery of energy to end-use consumers, generation and the miles of transmission lines owned by the Utility. Municipal utilities are exempt from federal and state income taxes.

Capital Contributions

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

COMPARATIVE DATA

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

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

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

IMPLEMENTATION OF GASB STATEMENT NO. 96

As of January 1, 2022, Waverly Utilities adopted GASB Statement No. 96, Subscription Based Information Technology Arrangements. The object of the Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements by governments. The impact to WU resulted in the reporting of a right of use assets and a subscription liability. There was no effect of the implementation of this standard on the beginning net position.

NOTE 2 – DEPOSITS AND INVESTMENTS

The utilities' deposits in banks at December 31, 2023 and 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The carrying values of the utilities' deposits and investments as of December 31, 2023 and 2022 were comprised of the following:

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022	Risks
Checking	8,132,848	2,103,013	6,366,095	2,776,684	Custodial credit risk
Petty cash	1,437	-	1,600	-	Custodial credit risk
Savings	6,007,405	-	4,115,966	-	Custodial credit risk
Certificate of deposit	1,000,000	-	1,000,000	-	Custodial credit risk
Total Deposits and Investments	<u>15,141,689</u>	<u>2,103,013</u>	<u>11,483,661</u>	<u>2,776,684</u>	
<u>Reconciliation to Financial Statements</u>					
	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022	
Unrestricted cash and investments	3,028,132	1,959,060	3,149,430	1,997,286	
Restricted Cash and investments	1,561,455	143,953	1,216,936	779,398	
Designated cash and investments	10,552,102	-	7,117,295	-	
	<u>15,141,689</u>	<u>2,103,013</u>	<u>11,483,661</u>	<u>2,776,684</u>	

Investment income on commingled investments of the utilities is allocated based on average investment balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the utilities' deposits may not be returned to the utilities. The utilities do not have any deposits exposed to custodial credit risk. Through the State of Iowa, deposits are fully collateralized.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 3 – Restricted Assets

Revenue Bond Accounts

Certain proceeds of WMEU's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants. The following revenue bond accounts are reported as restricted assets:

- Sinking – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the sinking account.
- Improvement – Used to report resources set aside to make up potential future deficiencies in the sinking account or extraordinary operating needs of the utility.

The following calculation supports the amount of WMEU restricted Net Position

	2023	2022
Restricted Assets		
Sinking Funds	134,955	119,937
Reserve Fund	1,176,500	846,999
Improvement fund	250,000	250,000
Total	1,561,455	1,216,936
Less:		
Restricted Assets Not Funded by Revenues	(1,176,500)	(846,999)
Current Liabilities Payable from Restricted Assets	(30,788)	(19,520)
Total Restricted Net Position as Calculated	354,167	350,417

The following calculation supports the amount of WCU restricted Net Position

	2023	2022
Restricted Assets		
NOFA 7 grant funds	85,862	721,795
Sinking fund	58,091	57,603
Total	143,953	779,398
Less:		
Current Liabilities Payable From Grants Received in Advance	(85,862)	(721,795)
Total Restricted Net Position as Calculated	58,091	57,603

Generally accepted accounting principles do not allow negative restricted Net Position. Therefore, no restricted Net Position is reported if the calculation above results in a negative number.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 4 – INTERFUND TRANSFERS/ADVANCES

WMEU has a policy providing for transfers to the City of Waverly. Under that policy, the following amounts were transferred for the years ending December 31, 2023 and 2022.

To	From	2023		2022	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	WMEU	\$ 734,157	Fund Transfer	\$ 707,501	Fund Transfer
Municipality	WMEU	-	W/W Wellness	120,000	W/W Wellness

Since the creation of a separate entity in 2013, Waverly Communications Utility (WCU) dba Waverly Utilities, there were advances from WMEU to WCU for working capital during its initial startup period and is reflected as another asset. This temporary advance agreement was approved by Waverly Utilities Board of Trustees and the City of Waverly City Council in August of 2014. This agreement was to fund working capital of WCU for the initial startup period with an interest rate of 4.38% per annum through August 2019. In August 2019, the Board of Trustees approved lowering the interest rate to 3.28% per annum for the remainder of the agreement with all principal due by December 1, 2033, unless paid sooner. The following is a schedule of interfund advances for the years ending December 31, 2023 and 2022:

Due To	Due From	2023		2022	
		Amount	Principal Purpose	Amount	Principal Purpose
WMEU	WCU	\$ 2,613,681	Temp Transfer	\$ 2,646,852	Temp Transfer
WMEU	WCU	\$ 55,488	Net Monthly Transfer	\$ 65,447	Net Monthly Transfer
WMEU	WCU	\$ 2,669,169	Interfund Total	\$ 2,712,299	Interfund Total

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in WMEU capital assets for 2023 follows:

	Balance 01/01/23	Additions	Deletions	Balance 12/31/23
Capital assets:				
Land ⁽¹⁾	\$ 351,624	\$ 554,941	\$ (5,000)	\$ 901,565
Buildings	4,710,800	91,183	-	4,801,983
Improvements	57,551,192	2,555,862	(188,522)	59,918,532
Intangible Right of Use Asset	367,384	39,849	-	407,233
Equipment	5,520,512	204,442	(35,845)	5,689,109
Louisa plant	13,084,500	147,704	(46,194)	13,186,010
WS4 plant	5,612,639	45,496	(32,054)	5,626,081
Construction in progress ⁽¹⁾	328,017	1,887,770	(2,133,910)	81,877
Less: Accum. amortization	(21,035)	(11,181)	-	(32,216)
Less: Accum. depreciation	(48,662,435)	(2,776,675)	270,968	(51,168,142)
Net Capital Assets	<u>\$ 38,843,198</u>	<u>\$ 2,739,391</u>	<u>\$ (2,170,557)</u>	<u>\$ 39,412,032</u>

(1) – Capital assets not being depreciated.

A summary of changes in WCU capital assets for 2023 follows:

	Balance 01/01/23	Additions	Deletions	Balance 12/31/23
Capital assets:				
Buildings	\$ 1,231,311	\$ -	\$ -	\$ 1,231,311
OH & URD Fiber Lines & Devices	1,104,446	21,444	-	1,125,890
Intangible Right of Use Asset	2,459,278	12,584	-	2,471,862
Equipment	4,840,010	405,688	(412,895)	4,832,803
Construction in progress ⁽¹⁾	-	1,119,153	(37,001)	1,082,152
Less: Accumulated amortization	(307,410)	(153,914)	-	(461,324)
Less: Accumulated depreciation	(4,391,688)	(343,629)	377,530	(4,357,787)
Net Capital Assets	<u>\$ 4,935,947</u>	<u>\$ 1,061,326</u>	<u>\$ (72,366)</u>	<u>\$ 5,924,907</u>

(1) – Capital assets not being depreciated.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 5 – CHANGES IN CAPITAL ASSETS (CONT.)

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

	Balance 01/01/22	Additions	Deletions	Balance 12/31/22
Capital assets:				
Land ⁽¹⁾	\$ 351,624	\$ -	\$ -	\$ 351,624
Buildings	4,621,152	89,648	-	4,710,800
Improvements	57,451,727	1,577,383	(1,477,918)	57,551,192
Intangible Right of Use Asset	367,384	-	-	367,384
Equipment	5,442,380	147,825	(69,693)	5,520,512
Louisa plant	11,860,790	1,277,277	(53,568)	13,084,499
WS4 plant	5,579,180	43,929	(10,470)	5,612,639
Construction in progress ⁽¹⁾	26,514	301,503	-	328,017
Less: Accum. amortization	(10,517)	(10,518)	-	(21,035)
Less: Accum. depreciation	(47,338,400)	(2,805,841)	1,481,806	(48,662,435)
Net Capital Assets	<u>\$ 38,351,834</u>	<u>\$ 621,206</u>	<u>\$ (129,842)</u>	<u>\$ 38,843,198</u>

⁽¹⁾ – Capital assets not being depreciated.

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

	Balance 01/01/22	Additions	Deletions	Balance 12/31/22
Capital assets:				
Buildings	\$ 1,231,311	\$ -	\$ -	\$ 1,231,311
OH & URD Fiber Lines & Devices	1,068,025	36,421	-	1,104,446
Intangible Right of Use Asset	2,459,278	-	-	2,459,278
Equipment	4,573,370	384,944	(118,304)	4,840,010
Construction in progress ⁽¹⁾	14,768	-	(14,768)	-
Less: Accumulated amortization	(153,705)	(153,705)	-	(307,410)
Less: Accumulated depreciation	(4,126,803)	(348,748)	83,863	(4,391,688)
Net Capital Assets	<u>\$ 5,066,244</u>	<u>\$ (81,088)</u>	<u>\$ (49,209)</u>	<u>\$ 4,935,947</u>

⁽¹⁾ – Capital assets not being depreciated.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 6 – LONG-TERM OBLIGATIONS

REVENUE BONDS

The following revenue bonds have been issued:

Date	Purpose	Call Date	Final Maturity	Interest Rates	Original Issue	Outstanding Amount
WMEU						
12/4/2007	Finance two wind turbines	12/1/2022	12/1/2022	0.70%	\$ 2,826,316	\$ -
12/3/2013	Reimbursement resolution, West Sub, 4 generators	12/1/2021	12/1/2023	0.4-2.75%	4,000,000	-
10/27/2015	Finance fiber buildout, backhoe, aerial Truck, reimbursement resolution	12/1/2023	12/1/2030	2.0-4.0%	4,980,000	3,605,000
10/25/2016	Fiber drops, meters, transformers, switchgear, phone system aerial truck, digger derrick & vehicles, Louisa & WS4 facilities	12/1/2024	12/1/2029	2%	2,860,000	1,755,000
12/21/2018	Reimbursement resolution, primary OH/URD lines, transformers, meters, meter truck, & fiber drops	12/1/2025	12/1/2030	3.0-3.2%	3,045,000	1,905,000
12/19/2023	Reimbursement resolution, digger derrick, switchgear and transmission line rebuild	12/1/2030	12/1/2036	4.00%	4,500,000	4,500,000
WCU						
2/26/2015	Communications Utility Setup Capital Expenditures	12/1/2029	12/1/2029	4.3-3.28%	6,672,483	3,816,024

The WMEU 2015 revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2024	455,000	109,804	564,804
2025	475,000	97,860	572,860
2026	495,000	83,610	578,610
2027	515,000	68,760	583,760
2028	535,000	53,310	588,310
2029-2030	1,130,000	55,413	1,185,413
Totals	\$ 3,605,000	\$ 468,757	\$ 4,073,757

This debt is owned by Hutchinson, Shockey, Erley & Co which therefore constitutes a direct borrowing.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

The WMEU 2016 revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2024	290,000	35,100	325,100
2025	290,000	29,300	319,300
2026	290,000	23,500	313,500
2027	290,000	17,700	307,700
2028	295,000	11,900	306,900
2029	300,000	6,000	306,000
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 1,755,000</u>	<u>\$ 123,500</u>	<u>\$ 1,878,500</u>

This debt is owned by Northland Securities, Inc., which therefore constitutes a direct borrowing.

The WMEU 2018 revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2024	245,000	58,050	303,050
2025	255,000	50,700	305,700
2026	260,000	43,050	303,050
2027	270,000	35,250	305,250
2028	280,000	27,150	307,150
2029-2030	595,000	28,510	623,510
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 1,905,000</u>	<u>\$ 242,710</u>	<u>\$ 2,147,710</u>

This debt is owned by Bernardi Securities, Inc., which therefore constitutes a direct borrowing.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

The WMEU 2023 revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2024	260,000	166,500	426,500
2025	265,000	169,600	434,600
2026	280,000	159,000	439,000
2027	295,000	147,800	442,800
2028	310,000	136,000	446,000
2029-2033	1,790,000	481,800	2,271,800
2034-2036	1,300,000	105,800	1,405,800
Totals	<u>\$ 4,500,000</u>	<u>\$1,366,500</u>	<u>\$ 5,866,500</u>

This debt is owned by Robert W. Baird & Co., Inc., which therefore constitutes a direct borrowing.

The WCU 2015 revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2024	571,926	125,166	697,092
2025	595,756	106,406	702,162
2026	619,587	86,866	706,453
2027	648,184	66,543	714,727
2028	676,779	45,283	722,062
2029	703,792	23,084	726,877
Totals	<u>\$ 3,816,024</u>	<u>\$ 453,348</u>	<u>\$ 4,269,373</u>

This debt is owned by Dubuque Bank & Trust which therefore constitutes a direct borrowing.

All utility revenues net of specified operating expenses is pledged as security of the above revenue bonds until the bonds are defeased. WMEU revenues are pledged for WMEU bonds and WCU revenues are pledged for WCU bonds.

WMEU principal and interest paid for 2023 and 2022 were \$1,439,241 and \$1,443,869 respectively. Total customer gross revenues for WMEU as defined for the same periods were \$15,646,808 and \$15,484,813. Annual principal and interest payments are expected to require 9.2% of gross revenues on average.

WCU principal and interest paid for 2023 and 2022 was \$691,239 and \$684,605 respectively. Total customer gross revenues for WCU as defined for the same periods were \$4,621,628 and \$4,505,301.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

RECEIVABLE FOR WARTBURG GREEN POWER / DEFERRED INFLOWS FOR WARTBURG GREEN POWER

This amount relates to payments received by WMEU on behalf of Wartburg. Upon receipt, the amount is remitted directly to the Renewable Energy Fund. As such, a deferred inflow and other asset in the amount of \$400,000 and \$500,000, respectively has been reflected in the Statement of Net Position for 2023 and 2022.

NON-CURRENT LIABILITIES

Long-term Obligations for WMEU for 2023 are as follows:

Debt Issue	Balance			Balance		Current Portion
	12/31/22	Additions	Reductions	12/31/23		
2013 Revenue Bonds	\$ 455,000	\$ -	\$ 455,000	\$ -		
2015 Revenue Bonds	3,880,000	-	275,000	3,605,000	455,000	
2016 Revenue Bonds	1,990,000	-	235,000	1,755,000	290,000	
2018 Revenue Bonds	2,145,000	-	240,000	1,905,000	245,000	
2023 Revenue Bonds	-	4,500,000	-	4,500,000	260,000	
Bond Premium	66,926	150,908	9,942	207,892	-	
Totals	\$ 8,536,926	\$ 4,650,908	\$ 1,214,942	\$ 11,972,892	\$ 1,250,000	

CURRENT LIABILITIES

Long-term Obligations for WCU for 2023 are as follows:

Debt Issue	Balance			Balance		Current Portion
	12/31/22	Additions	Reductions	12/31/23		
2015 Revenue Bonds	\$ 4,364,120	\$ -	\$ 548,096	\$ 3,816,024	\$ 571,926	
WCU Temporary Transfer	2,712,299	-	43,130	2,669,169	-	
Totals	\$ 7,076,419	\$ -	\$ 591,226	\$ 6,485,193	\$ 571,926	

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

Long-term Obligations for WMEU for 2022 are as follows:

Debt Issue	Balance			Current	
	12/31/21	Additions	Reductions	12/31/22	Portion
2007 CREB Revenue Bonds	\$ 188,421	\$ -	\$ 188,421	\$ -	\$ -
2013 Revenue Bonds	890,000	-	435,000	455,000	455,000
2015 Revenue Bonds	4,065,000	-	185,000	3,880,000	275,000
2016 Revenue Bonds	2,130,000	-	140,000	1,990,000	235,000
2018 Revenue Bonds	2,380,000	-	235,000	2,145,000	240,000
Bond Premium	75,901	-	8,975	66,926	-
Totals	\$ 9,729,322	\$ -	\$ 1,192,396	\$ 8,536,926	\$ 1,205,000

Long-term Obligations for WCU for 2022 are as follows:

Debt Issue	Balance			Current	
	12/31/21	Additions	Reductions	12/31/22	Portion
2015 Revenue Bonds	\$ 4,888,386	\$ -	\$ 524,266	\$ 4,364,120	\$ 548,096
WCU Temporary Transfer	2,769,600	-	57,301	\$ 2,712,299	-
Totals	\$ 7,657,986	\$ -	\$ 581,567	\$ 7,076,419	\$ 548,096

Substantially all utility revenue is pledged as security until the bonds are defeased.

NOTE 7 – 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 bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are 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.

Unrestricted Net Position – This component of Net Position consists of Net Position that do not meet the definition of "restricted" or "net investment in capital assets." When both restricted and

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 7 – NET POSITION – (CONT.)

unrestricted resources are available for use, it is the utility's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the Net Investment in Capital Assets:

	WMEU 2023	WCU 2023	WMEU 2022	WCU 2022
Plant in service	\$ 90,530,513	\$ 9,661,866	\$ 87,198,651	\$ 9,635,044
Accumulated depreciation/amort	(51,200,358)	(4,819,111)	(48,683,470)	(4,699,097)
Construction work in progress	81,877	1,082,152	328,017	-
Subtotal	<u>39,412,032</u>	<u>5,924,907</u>	<u>38,843,198</u>	<u>4,935,947</u>
Less: Capital Related Debt				
Current portion of lease liability	6,487	131,468	6,221	127,292
Current portion of subscription liability	7,444	2,351	-	-
Current portion of capital related long-term debt	1,250,000	571,926	1,205,000	548,096
Long-term portion of capital related long-term debt	10,515,000	3,244,098	7,265,000	3,816,024
Long-term portion of lease liability	343,082	1,957,932	349,569	2,089,315
Long-term portion of subscription liability	31,796	10,041	-	-
Unamortized Premium	207,892	-	66,926	-
Subtotal	<u>12,361,701</u>	<u>5,917,816</u>	<u>8,892,716</u>	<u>6,580,727</u>
Add: Reserve from borrowing	1,176,500	-	847,000	-
Unspent bond proceeds	1,785,481	-	-	-
Total Net Investment in Capital Assets	<u>\$ 30,012,312</u>	<u>\$ 7,091</u>	<u>\$ 30,797,482</u>	<u>\$(1,644,780)</u>

NOTE 8 – LEASES

Lease Receivable- WMEU owns a fiber optic system used for Supervisory Control and Data Assess (SCADA). Portions of it have been leased to WCU. Under the lease arrangements, WMEU's responsibility is to own and maintain the fiber optic cable. In 2015, WMEU began construction of building out of the fiber optic system and installing fiber drops for future AMI, SCADA and electrical infrastructure control communications. Fiber drops are continuing to be installed throughout the community.

The entire fiber plant is included in the utility's 2023 assets at a cost of \$8,908,228 less accumulated depreciation of \$2,536,688 for a net value of \$6,371,540. On March 8, 2016, Resolution #12-16 was approved to lease the fiber optic communications distribution system and buildings from WMEU to WCU for a 20-year period commencing April 1, 2016 for \$200,000 annually. Per GASB 87 this lease was recorded as a lease with an annual interest rate of 3.28%. Lease principal payments were received of \$127,292 and \$123,250 in 2023 and 2022 respectively as well as interest income of \$72,708 and \$76,750 for 2023 and 2022 respectively. In addition, WMEU has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. The balance of the deferred inflows of resources for 2023 and 2022 were \$2,089,400 and \$2,216,692 respectively.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 8 – LEASES –(cont.)

Lease Payable-WCU has a lease payable that reflects a fiber optic system lease agreement with WMEU noted above. The balance of the lease liability was \$2,089,400 for 2023 and \$2,216,607 for 2022.

Lease Payable-WMEU entered into two 50-year lease agreements in June 2008 and August 2001 related to land for wind turbines. The contract calls for payments of \$3,886 and \$2,247 in March and September. These payments are increased every 5 years by applying the annual average Consumer Price Index for the preceding five-year period. These leases have been capitalized per GASB 87 as of January 1, 2021 and have an applied interest rate of 1.75%. The value of the lease liability for 2023 was \$349,569 and \$ 355,790 for 2022. The value of the right-to-use asset was \$367,384 for 2023 and 2022 and had accumulated amortization of \$31,552 and \$21,035 respectively.

Year	Wind Turbine Lease			Fiber Lease		
	Principal	Interest	Total	Principal	Interest	Total
2024	6,487	6,089	12,576	131,468	68,532	200,000
2025	6,601	5,975	12,576	135,780	64,220	200,000
2026	6,807	5,859	12,666	140,233	59,767	200,000
2027	7,017	5,739	12,756	144,833	55,167	200,000
2028	7,302	5,615	12,918	149,584	50,416	200,000
2029-2033	39,970	26,062	66,032	824,812	175,188	1,000,000
2034-2038	46,356	22,317	68,673	562,690	37,310	600,000
2039-2043	53,432	17,988	71,420	-	-	-
2044-2048	61,268	13,010	74,277	-	-	-
2049-2053	55,639	6,461	62,099	-	-	-
2054-2058	58,689	3,763	62,452	-	-	-
Totals	349,569	118,877	468,446	2,089,400	510,600	2,600,000

NOTE 9 – PENSION PLAN

Plan Description

IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of Waverly Utilities are provided with pensions through a cost-sharing multiple employers defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – PENSION PLAN (CONT.)

Pension Benefits

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

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

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

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

Disability and Death Benefits

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

Contributions

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

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 9 – PENSION PLAN (CONT.)

Contributions (cont.)

liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Pursuant to the required rate, regular members contributed 6.29% of pay and the Utility contributed 9.44% for a total rate of 15.73% from Jan 1, 2020 to Dec 31, 2023.

WMEU's total contribution to IPERS during the IPERS reporting period for the years ended June 30, 2023 and 2022 were \$205,023 and \$193,297, respectively. WCU's total contribution to IPERS during the IPERS reporting period for the years ended June 30, 2023 and 2022 were \$55,581 and \$52,260, respectively. WMEU's total contributions to IPERS during the Utilities' calendar years ended December 31, 2023 and 2022 were \$204,951 and \$198,303, respectively. WCU's contribution was \$57,753 and \$54,109, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023 and 2022, WMEU reported a liability of \$1,105,817 and \$958,659, respectively for its proportionate share of the net pension liability. WCU's proportionate share at December 31, 2023 and 2022 was \$311,607 and \$261,583, respectively. The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2023, the Utilities collective proportion was 0.030719 percent which is a decrease of 0.000025 percent from its proportion measured as of June 30, 2022.

For the years ended December 31, 2023 and 2022, WMEU recognized pension expense (reduction of pension expense) of \$57,402 and (\$46,554), respectively. WCU recognized pension expense (reduction of pension expense) of \$25,194 and (\$5,896), respectively.

At December 31, 2023 and 2022, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 9 – PENSION PLAN (cont.)

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 119,916	\$ 5,826	\$ 54,093	\$ 16,715
Changes in Assumptions	-	22	1,035	29
Net Difference between projected and actual earnings on IPERS investments	131,270	-	-	130,623
Changes in proportion and differences between Utility Contributions and proportionate share of contributions	3,290	67,507	4,674	106,504
Utility Contributions subsequent to the measurement date	130,388	-	128,287	-
Total Balance	<u>384,864</u>	<u>73,355</u>	<u>188,089</u>	<u>253,871</u>
WMEU	300,255	57,229	147,768	199,449
WCU	84,609	16,126	40,321	54,422
Total Balance	<u>\$ 384,864</u>	<u>\$ 73,355</u>	<u>\$ 188,089</u>	<u>\$ 253,871</u>

IPERS contributions between July 1, 2023 and December 31, 2023 were \$100,884 for WMEU and \$29,504 for WCU. These amounts were reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	WMEU	WCU
December 31,	<u>WMEU</u>	<u>WCU</u>
2024	(47,839)	(13,493)
2025	(93,959)	(26,501)
2026	238,546	67,282
2027	38,884	10,967
2028	5,645	1,592
	<u>141,277</u>	<u>39,847</u>

There were no non-employer contributing entities at IPERS.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 9 – PENSION PLAN (cont.)

Actuarial Assumptions

Actuarial Methods and Assumptions- The total pension Liability (TPL) was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Assumed investment return : 7%
- Projected salary increases: 3.25%-16.25% depending upon years of service
- Mortality tables: PubG-2010 Employee and Healthy Annuitant Tables, using MP-2021 generational adjustments'
- Inflation rate: 2.60%
- Payroll increase assumption: 3.25%

From IPERS Independent Auditor's Report – Schedules of Employer Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	21.0%	4.56%
International equity	16.5	6.22
Global smart beta equity	5.0	5.22
Core-plus fixed income	23.0	2.69
Public credit	3.0	4.38
Cash	1.0	1.59
Private equity	17.0	10.44
Private real assets	9.0	3.88
Private credit	4.5	4.60
Total	<u>100.0%</u>	

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 9 – PENSION PLAN (cont.)

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
WMEU's Proportionate Share of the Net Pension Liability			
2022	1,796,031	958,659	230,735
WCU's Proportionate Share of the Net Pension Liability			
2022	477,426	261,583	61,335
WMEU's Proportionate Share of the Net Pension Liability			
2023	2,369,655	1,105,817	62,641
WCU's Proportionate Share of the Net Pension Liability			
2023	646,591	311,607	17,093

Pension Plan Fiduciary Net Position

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

NOTE 10 – RISK MANAGEMENT

Waverly Utilities is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of actual cash value commercial insurance and WMEU has an insurance recovery fund. The balance in this fund at December 31, 2023 and 2022 was \$1,417,238 and \$1,357,238, respectively. The insurance recovery fund was established for the purpose of subsidizing claims that were caused by extraordinary circumstances. In 2022, there was a claim for \$47,762 related to the deductible for the rebuilding of engine 7. No claims made against this fund in 2023. Waverly Utilities also carries a cyber security coverage plan to protect against transfer fraud, theft of funds, and identity theft.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

Waverly Utilities administers a single-employer benefit plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefit provisions are established through personnel policy guidelines stating that eligible retirees must be 55 years of age, have 10 years of continuous service with Waverly Utilities, and have unpaid sick/vacation leave totaling 960 hours. This allows qualified retirees to receive healthcare insurance paid by Waverly Utilities from retirement until age 65.

As of January 1, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits -	5
Active employees -	<u>28</u>
Total	33

Waverly Utilities' OPEB liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2022.

At December 31, 2023 and 2022, the Utility reported a liability of \$702,927 and \$724,817, respectively for total OPEB liability.

Waverly Utilities' total OPEB liability in the January 1, 2022 actuarial valuation, with rollforward provisions for 2023, was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation:	3% per year
Rates of Salary Increases:	2.75% per year
Discount Rate:	2.06% per year
Healthcare Cost Trend Rate:	Duration 1 – 5.50%
	Duration 2 – 5.25%
	Duration 3 – 5.00%
	Duration 4 – 5.00%
	Duration 5 – 5.00%

As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 2.06% as of January 1, 2023.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

Schedule of Changes in Total OPEB Liability:

	2023	2022
Total OPEB Liability - Beginning of Year	\$ 724,817	\$ 595,215
Service Cost	49,273	47,954
Interest	15,058	14,630
Difference between Expected/Actual Experience		108,824
Changes of Assumptions		23,398
Benefits Payments	(86,221)	(65,204)
Net Change in Total OPEB Liability	(21,890)	129,602
Total OPEB Liability - End of Year	<u>\$ 702,927</u>	<u>\$ 724,817</u>

Alternative Measurement Method valuation was used in accordance with GASB Statement No. 75. Therefore, no deferred outflows of resources or deferred inflows of resources were reported.

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

The following presents the total OPEB liability, calculated using the current discount rate of 2.06%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (1.06%) or 1-percentage point higher (3.06%) than the current rate:

	1% Decrease 1.06%	Current Discount Rate 2.06%	1% Increase 3.06%
Total OPEB Liability	\$ 753,585	\$ 702,927	\$ 659,508

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

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.5% decreasing to 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (4.5% to 4.0%) or 1-percentage point higher (6.5% to 6.0%) than the current rate:

	1% Decrease 4.50% decreasing to 4.0%	Current Healthcare Cost Trend Rate 5.50% decreasing to 5.0%	1% Increase 6.50% decreasing to 6.0%
Total OPEB Liability	\$ 665,688	\$ 702,927	\$ 737,313

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Municipality – Transfers

WMEU makes cash payments to the municipality in an amount determined annually per policy established by the Board. The amount paid for the years ended December 31, 2023 and 2022 was \$734,157 and \$707,501, respectively.

Trees Forever

WMEU helps fund the local Trees Forever program with annual contributions to help further its energy conservation programs. Since 1995, annual contributions of \$10,000 have been made to Trees Forever.

Municipal Energy Agency of Nebraska

On August 7, 2007 WMEU entered into an Electrical Resources Policy agreement with Municipal Energy Agency of Nebraska a joint action agency, as its future power supplier. The utility became a full requirements member effective February 1, 2010. At the same time the utility entered into a Supplemental Agreement regarding participant owned capacity. The utility committed 15 MW of capacity beginning on February 1, 2010. On March 20, 2013, WMEU entered into an Agreement Regarding MISO Generation Agent Arrangement to commit local excess generating capacity to MEAN. From June 1, 2020, to May 31, 2021, 15 MWs were committed to MEAN with an additional 5.0 MWs committed for MEAN to put in to the market.

NOTE 13 – CLAIMS AND JUDGMENTS

From time to time, Waverly Utilities is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the utilities' legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utilities' financial position or results of operations.

NOTE 14 – JOINT VENTURES

LOUISA GENERATING STATION

WMEU, along with other private and municipal utilities, constructed a coal generating plant in Muscatine, Iowa, which began operation on October 12, 1983. The utility's share of ownership is 1.1% of the total, which entitles it to 8.20 megawatts of the generated power. The utility sells to MEAN through a purchase power agreement, Waverly's share of the output of the Louisa Generating Station effective February 2010.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 14 – JOINT VENTURES –(CONT.)

Walter Scott Jr. No. 4

During 2002, WMEU along with other private and municipal utilities entered into agreements to jointly construct a coal generating plant in Council Bluffs, Iowa. Construction was completed in 2007 and placed into operation in June. The utility's share of ownership is 0.4% of the total capacity or about 3.16 MW's. The utility commits to MEAN, Waverly's share of the output of the Walter Scott Jr. No. 4 Generating Station effective June 2007.

NOTE 15 – SIGNIFICANT CUSTOMER

WMEU sales to a significant customer were 8.65% in 2023 and 9.14% in 2022. The utility periodically enters into electric service agreements with larger customers.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events for the utilities have been evaluated through the date that the financial statements were available to be issued.

NOTE 17 – BOND RESERVE REQUIREMENTS

WMEU

2015 BOND RESERVE REQUIREMENTS

Sinking Fund Reserve – Monthly payments are required in an amount sufficient to meet current year principal and interest obligations of the bonds.

Reserve Fund Reserve – This amount was funded from original bond proceeds based on an established formula, with a balance of \$360,500 and \$268,119 at December 31, 2023 and 2022, respectively. The funds are to be used for future year bond obligations if the Sinking Fund Reserve balance is insufficient to pay the principal and interest obligations of the bond.

The annual obligations for these reserves are:

	<u>Sinking Fund Reserve</u>	<u>Reserve Fund Reserve</u>
2024	564,804	-
2025	572,860	-
2026	578,610	-
2027	583,760	-
2028	588,310	-
2029	591,725	-
2030	593,688	-

The Reserve Fund Reserve is fully funded and thus no annual funding requirements exist for these reserves as of December 31, 2023.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 17 – BOND RESERVE REQUIREMENTS (CONT.)

2016 BOND RESERVE REQUIREMENTS

Sinking Fund Reserve – Monthly payments are required in an amount sufficient to meet current year principal and interest obligations of the bonds.

Reserve Fund Reserve – This amount was funded from original bond proceeds based on an established formula, with a balance of \$175,500 at December 31, 2023 and \$188,624 at December 31, 2022. The funds are to be used for future year bond obligations if the Sinking Fund Reserve balance is insufficient to pay the principal and interest obligations of the bond.

The annual obligations for these reserves are:

	Sinking Fund Reserve	Reserve Fund Reserve	
2024	325,100		-
2025	319,300		-
2026	313,500		-
2027	307,700		-
2028	306,900		-
2029	306,000		-

The Reserve Fund Reserve is fully funded and thus no annual funding requirements exist for these reserves as of December 31, 2023.

2018 BOND RESERVE REQUIREMENTS

Sinking Fund Reserve – Monthly payments are required in an amount sufficient to meet current year principal and interest obligations of the bonds.

Reserve Fund Reserve – This amount was funded from original bond proceeds based on an established formula, with a balance of \$190,500 and \$307,125 at December 31, 2023 and 2022, respectively. The funds are to be used for future year bond obligations if the Sinking Fund Reserve balance is insufficient to pay the principal and interest obligations of the bond.

The annual obligations for these reserves are:

	Sinking Fund Reserve	Reserve Fund Reserve	
2024	303,050		-
2025	305,700		-
2026	303,050		-
2027	305,250		-
2028	307,150		-
2029	308,750		-
2030	314,760		

The Reserve Fund Reserve is fully funded and thus no annual funding requirements exist for these reserves as of December 31, 2023.

WAVERLY UTILITIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023, and 2022

NOTE 17 – BOND RESERVE REQUIREMENTS (CONT.)

2023 BOND RESERVE REQUIREMENTS

Sinking Fund Reserve – Monthly payments are required in an amount sufficient to meet current year principal and interest obligations of the bonds.

Reserve Fund Reserve – This amount was funded from original bond proceeds based on an established formula, with a balance of \$450,000 at December 31, 2023. The funds are to be used for future year bond obligations if the Sinking Fund Reserve balance is insufficient to pay the principal and interest obligations of the bond.

The annual obligations for these reserves are:

	<u>Sinking Fund Reserve</u>	<u>Reserve Fund Reserve</u>
2024	426,500	-
2025	434,600	-
2026	439,000	-
2027	442,800	-
2028	446,000	-
2029	448,600	-
2030	450,600	-
2031	452,000	-
2032	457,800	-
2033	462,800	-
2034	462,000	-
2035	470,600	-
2036	473,200	-

REQUIRED SUPPLEMENTAL INFORMATION

WAVERLY UTILITIES

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

		Required Supplementary Information									
		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Utilities' proportion of the net pension liability (asset)		0.0307%	0.0307%	0.0324%	0.0322%	0.0326%	0.0343%	0.0351%	0.0320%	0.0261%	0.0251%
Utilities' proportionate share of the net Pension liability	\$	1,417,424	\$ 1,220,242	\$ 45,376	\$ 2,249,287	\$ 1,898,897	\$ 2,167,557	\$ 2,317,008	\$ 1,995,871	\$ 1,295,332	\$ 1,016,054
Utilities' covered payroll	\$	2,760,628	\$ 2,673,852	\$ 2,627,013	\$ 2,541,134	\$ 2,495,630	\$ 2,574,363	\$ 2,596,405	\$ 2,275,924	\$ 1,796,226	\$ 1,676,439
Utilities' proportionate share of the net Plan Fiduciary net position as a % of the total pension liability		51.34%	45.64%	1.73%	88.52%	76.09%	84.20%	89.24%	87.69%	72.11%	60.61%
		90.13%	91.41%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*The amounts presented in each fiscal year were determined as of June 30 and include both WMEU & WCU.

WAVERLY UTILITIES

Schedule of Utilities Contributions Iowa Public Employees' Retirement System For the Last Ten Fiscal Years*

	Required Supplementary Information									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 260,603	\$ 245,557	\$ 247,990	\$ 239,883	\$ 235,558	\$ 229,891	\$ 231,859	\$ 203,240	\$ 160,403	\$ 149,706
Contribution in relation to the statutorily required contribution	(260,603)	(245,557)	(247,990)	(239,883)	(235,558)	(229,891)	(231,859)	(203,240)	(160,403)	(149,706)
Contribution deficiency(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered payroll	\$ 2,760,625	\$ 2,673,852	\$ 2,627,013	\$ 2,541,134	\$ 2,495,630	\$ 2,574,363	\$ 2,596,405	\$ 2,275,924	\$ 1,796,226	\$ 1,676,439
Contributions as a percentage of covered payroll	9.44%	9.18%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

*The amounts presented in each fiscal year were determined as of June 30 and include both WMEU & WCU.

WAVERLY UTILITIES

Notes to Required Supplementary Information – Pension Liability
Year Ended December 31, 2023

Changes of benefit terms:

None in 2023

Changes of assumptions:

6/30/2022 valuation:

- Mortality assumption was changed to the family of PubG-210 Mortality Tables for all groups, with age setbacks and set forwards, as well as other adjustments. Future mortality improvements are modeled using Scale MP-2021.
- Retirement rates were adjusted to partially reflect observed experience for Regular members only.
- Disability rates were lowered for Regular members only.
- Termination rates were adjusted to partially reflect observed experience for all groups.

These schedules are presented to illustrate the requirements to show information for 10 years.

WAVERLY UTILITIES

Schedule of Changes in the Utilities' Total OPEB Liability and Related Ratios For the Last Six Fiscal Years

	2023	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning of Year	\$ 724,817	\$ 595,215	\$ 557,275	\$ 676,332	\$ 641,277	\$ 606,702
Service Cost	49,273	47,954	37,188	36,193	42,354	41,220
Interest	15,058	14,630	16,078	14,862	22,995	21,800
Difference between Expected/Actual Experience	-	108,824	-	(181,348)	-	-
Changes of Assumptions	-	23,398	-	25,694	-	-
Benefits Payments	(86,221)	(65,204)	(15,326)	(14,458)	(30,294)	(28,445)
Net Change in Total OPEB Liability	(21,890)	129,602	37,940	(119,057)	35,055	34,575
Total OPEB Liability - End of Year	\$ 702,927	\$ 724,817	\$ 595,215	\$ 557,275	\$ 676,332	\$ 641,277
Covered Employee Payroll	\$ 2,522,902	\$ 2,455,379	\$ 2,470,187	\$ 2,404,075	\$ 2,511,424	\$ 2,444,208
Total OPEB Liability as a % of the Covered-Employee Payroll	27.86%	29.52%	24.10%	23.18%	26.93%	26.24%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

SUPPLEMENTAL INFORMATION

WAVERLY UTILITIES

OFFICIALS
December 31, 2023

Board of Trustees

Bob Buckingham, Chairman
Waverly, IA 50677

Jess Kettleon, Vice Chair
Waverly, IA 50677

Jaqueline Hansen
Waverly, IA 50677

Bob Brunkhorst
Waverly, IA 50677

Emily Frederick
Waverly, IA 50677

Interim General Manager
Curt Atkins
Waverly, IA 50677

Director, Telecom
Jeff Magsamen
Waverly, IA 50677

Director, Finance & Customer Services
Kelly Meier
Waterloo, IA 50701

Director, HR & Admin Services/Board
Secretary
Angela Schroeder
Denver, IA 50622

Director, Marketing
Jen Bloker
Denver, IA 50622

WAVERLY UTILITIES

WMEU - Summary of Statements of Revenues, Expenses and Changes in Net Position

	2014 (Restated)	2015	2016	2017	2018	2019	2020	2021 (Restated)	2022	2023
Operating Revenues										
Residential	4,735,758	4,673,309	5,273,596	5,341,918	5,813,167	5,656,612	5,868,713	5,956,301	6,071,590	6,106,996
Commercial	1,445,928	1,450,954	1,576,783	1,605,618	1,668,851	1,612,407	1,505,148	1,507,789	1,532,429	1,678,813
Industrial	6,583,502	6,543,329	7,118,714	7,230,994	7,184,731	6,702,499	6,284,127	6,601,059	6,620,884	6,953,755
Municipal	664,712	675,472	757,796	771,060	796,499	759,079	739,952	766,879	773,243	510,195
Security Lights	44,502	43,996	44,809	45,690	44,869	43,439	42,053	41,158	42,116	42,848
Street Lights	252,302	265,655	272,164	274,138	262,798	258,754	262,034	263,243	273,110	281,094
ECA	-	-	(65,703)	324,988	(275,552)	(69,059)	(78,727)	(233,461)	171,441	19,110
Rate Stabilization	(637,000)	411,706	(800,000)	(500,000)	50,000	-	300,000	-	-	-
Miscellaneous	4,294,478	3,738,843	4,323,918	3,970,478	4,361,326	4,118,737	3,077,846	3,688,975	3,865,741	3,962,446
Total Operating Revenues	\$ 17,384,182	\$ 17,803,264	\$ 18,502,077	\$ 19,064,884	\$ 19,906,689	\$ 19,082,468	\$ 18,001,146	\$ 18,591,943	\$ 19,350,554	\$ 19,555,257
Operating Expenses										
Production	11,964,098	12,357,849	12,705,812	13,116,063	13,108,472	12,233,101	11,403,028	12,346,591	12,643,986	12,513,056
Transmission	167,614	168,091	207,337	155,498	154,944	189,703	169,392	173,989	202,951	176,731
Distribution	1,498,753	1,564,995	1,678,864	1,546,121	1,510,988	1,659,087	1,502,718	1,235,092	1,442,784	1,307,816
Customer Accounts	213,114	241,356	213,784	237,018	322,975	275,458	262,760	188,766	203,758	216,534
Administrative & General	666,310	757,483	766,436	666,999	822,524	839,009	687,157	695,166	826,482	829,364
Customer Information	63,246	74,169	70,861	109,523	100,114	99,153	94,685	96,831	95,130	102,615
Community Development	225,361	104,374	110,168	105,392	116,253	103,444	237,295	113,707	106,827	100,935
Conservation	177,471	166,162	169,612	124,969	771,109	130,046	92,527	96,577	94,476	87,792
Water Heater	(452)	19,187	2,062	(1,703)	292	-	-	-	-	-
Depreciation	1,875,607	1,945,796	2,007,314	2,030,899	2,122,530	2,252,812	2,265,910	2,337,535	2,410,732	2,368,556
Total Operating Expenses	\$ 16,851,122	\$ 17,399,462	\$ 17,932,250	\$ 18,090,779	\$ 19,030,201	\$ 17,781,813	\$ 16,715,472	\$ 17,284,254	\$ 18,027,126	\$ 17,703,399
Operating Income	\$ 533,060	\$ 403,802	\$ 569,827	\$ 974,105	\$ 876,488	\$ 1,300,655	\$ 1,285,674	\$ 1,307,689	\$ 1,323,428	\$ 1,851,858
Non-Operating Income										
Contributions	(166,458)	(288,198)	(242,033)	(114,868)	(68,769)	12,853	(66,409)	(114,948)	265,205	(33,439)
Transfers	(3,388)	(2,306)	(1,750)	(562)	(437)	29,720	155,108	98,707	63,189	53,997
	(861,444)	(854,976)	(855,924)	(861,864)	(864,984)	(855,648)	(860,508)	(836,444)	(827,501)	(734,157)
Change in Net Position	\$ (498,230)	\$ (741,678)	\$ (529,880)	\$ (3,189)	\$ (57,702)	\$ 487,580	\$ 513,865	\$ 455,004	\$ 824,321	\$ 1,138,259

WAVERLY UTILITIES
WMEU - Principal Customers

Type of Business	Revenue % Sales to Customers	
	2023	2022
Beverage Manufacturer	8.65%	9.14%
Private Liberal Arts College	7.99%	7.56%
Machining and Fabrication	4.40%	4.81%
Hospital	2.86%	2.51%
School	2.52%	2.31%

WAVERLY UTILITIES

WMEU – Revenue Bond Coverage

Fiscal Year	Total Operating Revenue	Interest & Investment Income	Total Operating Expense	Depr Expense	Total Revenue Available for Debt Service	Bond Interest Expense	Debt Principal Payments	Coverage
2014	17,384,182	69,521	16,851,122	1,875,607	2,478,188	81,487	1,023,422	2.24
2015	17,803,264	69,211	17,399,462	1,945,796	2,418,809	76,989	1,028,421	2.19
2016	18,502,077	132,418	17,932,250	2,007,314	2,709,559	233,854	663,421	3.02
2017	19,064,884	200,780	18,090,779	2,030,899	3,205,784	275,358	863,421	2.82
2018	19,906,689	232,700	19,030,201	2,122,530	3,231,718	255,734	883,421	2.84
2019	19,082,468	292,198	17,781,813	2,252,812	3,845,665	328,080	1,118,421	2.66
2020	18,001,146	224,801	16,715,472	2,265,910	3,776,385	308,586	1,133,421	2.62
2021	18,591,943	206,782	17,284,254	2,337,535	3,852,006	284,367	1,153,421	2.68
2022	19,350,554	208,876	18,027,126	2,410,732	3,943,036	260,448	1,183,421	2.73
2023	19,555,257	320,234	17,703,399	2,368,556	4,540,648	234,241	1,205,000	3.15



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 Directors
Waverly Utilities
Waverly, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Waverly Municipal Electric Utility and Waverly Communications Utility (collectively Waverly Utilities), component units of the City of Waverly, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Waverly Utilities’ basic financial statements, and have issued our report thereon dated April 19, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly Utilities' 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 Waverly Utilities' operations for the year ended December 31, 2023, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Waverly Utilities 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 have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

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

Dubuque, Iowa
April 19, 2024

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 2023.

Part III: Other Findings Related to Required Statutory Reporting:

- 2023-IA-A **Certified Budget** – Disbursements during the year ended December 31, 2023, did not exceed the amount budgeted.
- 2023-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.
- 2023-IA-C **Travel Expense** – No expenditures of Waverly Utilities’ money for travel expenses of spouses of Utility officials or employees were noted.
- 2023-IA-D **Business Transactions** – No business transactions between Waverly Utilities and Waverly Utilities’ officials or employees were noted.
- 2023-IA-E **Bond Coverage** – Surety bond coverage of Waverly Utilities’ 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.
- 2023-IA-F **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2023-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 Waverly Utilities’ investment policy were noted.
- 2023-IA-H **Revenue Bonds** – No instances of noncompliance with the provisions of Waverly Utilities’ revenue bond resolutions were noted.
- 2023-IA-I **Telecommunications Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 2023-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.