

**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, 2021 and 2020

# WAVERLY UTILITIES

Component Units of the City of Waverly, Iowa

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December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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 May 12, 2022 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  
May 12, 2022

**WAVERLY UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited  
December 31, 2021, 2020, and 2019

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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, 2021, 2020, and 2019. 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 2021, WMEU installed 25 new electric services.

WMEU owns a strategic mix of energy production resources including 10.86 MW of base load coal generation, .495 MW of hydro 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 2021, we purchased 95.61% of our required energy and capacity through a full requirements energy contract. The remaining 4.39% was produced locally by the hydro and wind resources.

**WAVERLY UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited  
December 31, 2021, 2020, and 2019

**Condensed Statements of Net Position**

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020	WMEU 2019	WCU 2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Current Assets	\$ 7,013,015	\$ 1,923,605	\$ 6,685,727	\$ 1,657,363	\$ 7,019,802	\$ 1,225,800
Non-Current Assets						
Restricted Assets	1,696,500		1,696,500		1,696,500	
Designated Funds	7,793,282		7,822,177		7,719,329	
Other Assets	226,180		226,180		226,180	
Advance between WMEU & WCU	2,769,600		2,754,775		2,753,831	
Receivable for Wartburg Green Power	600,000		700,000		800,000	
Net Capital Assets	37,994,967	2,760,671	39,293,561	2,910,743	40,108,648	3,566,301
Total Assets	<u>58,093,544</u>	<u>4,684,276</u>	<u>59,178,920</u>	<u>4,568,106</u>	<u>60,324,290</u>	<u>4,792,101</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflow for Pension Plan	158,538	42,400	339,710	89,026	378,647	98,989
Deferred Outflow for Wellness Center	120,000	-	240,000	-	360,000	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>278,538</u>	<u>42,400</u>	<u>579,710</u>	<u>89,026</u>	<u>738,647</u>	<u>98,989</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 58,372,082</u>	<u>\$ 4,726,676</u>	<u>\$ 59,758,630</u>	<u>\$ 4,657,132</u>	<u>\$ 61,062,937</u>	<u>\$ 4,891,090</u>
<b>LIABILITIES</b>						
Current Liabilities	\$ 1,992,063	\$ 430,550	\$ 2,001,811	\$ 400,816	\$ 2,100,806	\$ 416,134
Current Liabilities Payable from Restricted Assets	1,205,125	524,266	1,177,118	505,201	1,159,078	497,429
Non-Current Liabilities						
Advance between WMEU & WCU		2,769,600		2,754,775		2,753,831
Net Pension Liability	35,801	9,575	1,782,228	467,059	1,505,356	393,541
Other Non-Current Liabilities	9,069,690	4,435,546	10,226,277	4,957,680	11,530,926	5,439,686
Wellness Center Payable	120,000		240,000		360,000	
Total Liabilities	<u>12,422,679</u>	<u>8,169,537</u>	<u>15,427,434</u>	<u>9,085,531</u>	<u>16,656,166</u>	<u>9,500,621</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows for Pension Plan	1,377,933	368,515	119,615	31,347	309,055	80,795
Deferred Inflows for Rate Stabilization	1,175,294		1,175,294		1,475,294	
Deferred Inflows for Wartburg Green Power	600,000		700,000		800,000	
Total Deferred Inflows of Resources	<u>3,153,227</u>	<u>368,515</u>	<u>1,994,909</u>	<u>31,347</u>	<u>2,584,349</u>	<u>80,795</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	29,712,145	(2,127,714)	29,848,344	(2,482,844)	29,716,717	(2,308,657)
Restricted for Debt Service and Improvements	348,619	57,050	346,119	56,843	344,509	56,172
Unrestricted	12,735,412	(1,740,712)	12,141,824	(2,033,745)	11,761,196	(2,437,841)
Total Net Position	<u>42,796,176</u>	<u>(3,811,376)</u>	<u>42,336,287</u>	<u>(4,459,746)</u>	<u>41,822,422</u>	<u>(4,690,326)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 58,372,082</u>	<u>\$ 4,726,676</u>	<u>\$ 59,758,630</u>	<u>\$ 4,657,132</u>	<u>\$ 61,062,937</u>	<u>\$ 4,891,090</u>

**WAVERLY UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited  
December 31, 2021, 2020, and 2019

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020	WMEU 2019	WCU 2019
<b>OPERATING REVENUES</b>	<u>\$ 18,672,608</u>	<u>\$ 4,299,185</u>	<u>\$ 18,001,146</u>	<u>\$ 3,941,409</u>	<u>\$ 19,082,468</u>	<u>\$ 3,501,843</u>
<b>OPERATING EXPENSES</b>						
Operating Expenses	14,948,240	2,667,287	14,449,562	2,630,642	15,529,001	2,482,691
Depreciation Expenses	2,337,535	731,521	2,265,910	841,140	2,252,812	832,217
Total Operating Expenses	<u>17,285,775</u>	<u>3,398,808</u>	<u>16,715,472</u>	<u>3,471,782</u>	<u>17,781,813</u>	<u>3,314,908</u>
Operating Income	<u>1,386,833</u>	<u>900,377</u>	<u>1,285,674</u>	<u>469,627</u>	<u>1,300,655</u>	<u>186,935</u>
Investment Income	132,523		224,801	-	292,198	-
Interest Expense	(273,395)	(260,016)	(297,696)	(275,302)	(317,486)	(346,402)
Gain (Loss) on Sale of Plant	(48,335)	1,914	6,486	3,246	38,141	(14,553)
Miscellaneous Income		1,175				
Total Non-Operating Revenue (Expenses)	<u>(189,207)</u>	<u>(256,927)</u>	<u>(66,409)</u>	<u>(272,056)</u>	<u>12,853</u>	<u>(360,955)</u>
Income Before Operating Transfers and Contributions	1,197,626	643,450	1,219,265	197,571	1,313,508	(174,020)
Contributions	98,707	4,920	155,108	33,009	29,720	24,046
Cash Transfers to the City of Waverly	<u>(836,444)</u>	<u>-</u>	<u>(860,508)</u>	<u>-</u>	<u>(855,648)</u>	<u>-</u>
<b>Change in Net Position</b>	459,889	648,370	513,865	230,580	487,580	(149,974)
NET POSITION, Beginning of Year	<u>42,336,287</u>	<u>(4,459,746)</u>	<u>41,822,422</u>	<u>(4,690,326)</u>	<u>41,334,842</u>	<u>(4,540,352)</u>
<b>NET POSITION, End of Year</b>	<u>\$ 42,796,176</u>	<u>\$ (3,811,376)</u>	<u>\$ 42,336,287</u>	<u>\$ (4,459,746)</u>	<u>\$ 41,822,422</u>	<u>\$ (4,690,326)</u>

WMEU Revenues for 2021 were \$671K higher than 2020 due to an increase in kWh sales as a result of businesses reopening following COVID.

WMEU's Net Position increased \$460K in 2021.

WCU Revenues for 2021 were \$358K higher than 2020 due to an increase in subscriber counts.

WCU's Net Position increased \$648K in 2021 due to revenues being higher than expenses from the increase in subscriber counts.

**WAVERLY UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited  
December 31, 2021, 2020, and 2019

**Condensed Statements of Cash Flows**

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020	WMEU 2019	WCU 2019
Cash Flows from Operating Activities						
Received from sales to customers	\$ 18,713,841	\$ 4,286,844	\$ 18,351,284	\$ 3,929,872	\$ 19,399,908	\$ 3,515,156
Paid to suppliers and employees for services	(14,849,409)	(2,675,438)	(14,742,410)	(2,560,048)	(15,240,166)	(2,290,557)
Cash Flows from Operating Activities	3,864,432	1,611,406	3,608,874	1,369,824	4,159,742	1,224,599
Cash Flows from Non-Capital Financing Activities	(851,269)	14,825	(861,452)	944	(869,301)	13,653
Cash Flows from Capital and Related Financing Activities	(2,823,386)	(1,365,729)	(3,113,122)	(934,366)	(3,305,164)	(888,136)
Cash Flows from Investing Activities	132,523	5,473	6,224,801	6,840	(1,701,096)	6,309
<b>Net Change in Cash and Equivalents</b>	322,300	265,975	5,859,101	443,242	(1,715,819)	356,425
CASH AND CASH EQUIVALENTS – Beginning of Year	12,353,638	1,325,612	6,494,537	882,370	8,210,356	525,945
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>\$ 12,675,938</b>	<b>\$ 1,591,587</b>	<b>\$ 12,353,638</b>	<b>\$ 1,325,612</b>	<b>\$ 6,494,537</b>	<b>\$ 882,370</b>

**WAVERLY UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited  
December 31, 2021, 2020, and 2019

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

	WMEU			WCU		
	Actual 2021	Budget 2021	Variance Favorable (Unfavorable)	Actual 2021	Budget 2021	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>	<u>\$ 18,672,608</u>	<u>\$19,238,395</u>	<u>(\$565,787)</u>	<u>\$ 4,299,185</u>	<u>\$4,288,502</u>	<u>\$10,683</u>
<b>OPERATING EXPENSES</b>						
Depreciation expenses	2,337,535	2,323,821	(13,714)	731,521	859,860	128,339
Other operating expenses	14,948,240	15,406,549	458,309	2,667,287	2,805,118	137,831
Total Operating Expenses	<u>17,285,775</u>	<u>17,730,370</u>	<u>444,595</u>	<u>3,398,808</u>	<u>3,664,978</u>	<u>266,170</u>
Operating Income	<u>1,386,833</u>	<u>1,508,025</u>	<u>(121,192)</u>	<u>900,377</u>	<u>623,524</u>	<u>276,853</u>
Investment income	132,523	126,000	6,523	-	-	-
Interest expense	(273,395)	(281,241)	7,846	(260,016)	(260,372)	356
Gain/(Loss) on sale of plant	(48,335)		(48,335)	1,914	-	1,914
Miscellaneous income				1,175		1,175
Total Non-Operating Expenses	<u>(189,207)</u>	<u>(155,241)</u>	<u>(33,966)</u>	<u>(256,927)</u>	<u>(260,372)</u>	<u>3,445</u>
Income before contributions and operating transfers	1,197,626	1,352,784	(155,158)	643,450	363,152	280,298
Contributions	98,707	-	98,707	4,920	-	4,920
Transfers to City of Waverly	<u>(836,444)</u>	<u>(836,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>459,889</u>	<u>516,340</u>	<u>(56,451)</u>	<u>648,370</u>	<u>363,152</u>	<u>285,218</u>
NET POSITION, Beginning of Year	<u>42,336,287</u>	<u>41,319,126</u>	<u>1,017,161</u>	<u>(4,459,746)</u>	<u>(4,540,352)</u>	<u>80,606</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 42,796,176</u>	<u>\$ 41,835,466</u>	<u>\$ 960,710</u>	<u>\$ (3,811,376)</u>	<u>\$ (4,177,200)</u>	<u>\$ 365,824</u>

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  
December 31, 2021, 2020, and 2019

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### **WMEU Fund Analysis**

#### *Designated Funds*

The Vehicle Replacement Fund had a balance of \$351,367, \$291,367, and \$277,342, respectively for 2021, 2020, and 2019. 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 \$1,345,000 is funded annually at \$60,000 a year. The 2020, 2019, and 2018 balances were \$1,285,000, \$1,225,000 and \$1,165,000 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 \$349,077, \$331,545, and \$312,813, for 2021, 2020, and 2019, 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 2021, 2020, and 2019. The Generation Fund had a balance of \$316,562 in 2021, \$216,562 in 2020, and \$116,562 in 2019. The G & A Fund had a balance of \$0 in 2021, 2020, and 2019. 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 \$5,270,068, \$5,567,593, and \$5,491,930 for 2021, 2020, and 2019 respectively.

The Specified Project Fund was established in 2010 to set aside funds for future projects and bond proceeds. The fund had a balance of \$0 in 2021 and 2020, and \$195,682 in 2019.

#### *Restricted Funds*

The Sinking, Reserve and Improvement Funds were funded per the requirements of the Clean Renewable Energy Bonds (CREB), 2013, 2015, 2016, and 2018 bond issues. The total of these restricted funds is \$1,816,823, \$1,816,316, and \$1,816,666 in 2021, 2020, and 2019, respectively.

### **Capital Assets**

In 2021, WMEU had \$85 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, \$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, WS4 Generating Station improvements and fiber drops.

## WAVERLY UTILITIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

December 31, 2021, 2020, and 2019

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In 2021, WCU had \$6.9 million of capital assets with a net position value of \$2.8 million. The total includes \$2.3 million in leasehold improvements, \$4.6 million in equipment and \$0.015 million in construction work in progress.

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

In 2020, WMEU had \$84 million of capital assets with a net position value of \$39.2 million. The total includes \$0.4 million in land, \$4.6 million in buildings, \$56.5 million in improvements, \$5.4 million in machinery and equipment, \$11.5 million in Louisa Generating Plant, \$5.5 million in Walter Scott Jr. 4 Generating Plant, and \$.003 million in construction work in progress.

WMEU's capital improvements for 2020 included installation of new distribution lines, services, meters, transformers, a new roof on the service center, new overhead doors in the service center, Louisa Generating Station improvements, Walter Scott Jr. 4 Generating Station improvements, fiber drops, two new pickup trucks, and a new dump truck.

In 2020, WCU had \$6.4 million of capital assets with a net position value of \$2.9 million. The total includes \$1.9 million in leasehold improvements, \$4.5 million in equipment and \$0.0 million in construction work in progress.

WCU's capital improvements for 2020 included additional headend equipment, customer install related equipment and fiber services to Cedar Glynn/12<sup>th</sup>/20<sup>th</sup> St in Waverly.

In 2019, WMEU had \$82.5 million of capital assets with a net position value of \$40.1 million. The total includes \$0.4 million in land, \$4.3 million in buildings, \$55.4 million in improvements, \$5.5 million in machinery and equipment, \$11.3 million in Louisa Generating Plant, \$5.5 million in Walter Scott Jr. 4 Generating Plant, and \$0.2 million in construction work in progress.

WMEU's capital improvements for 2019 included installation of new distribution lines, services, meters, transformers, switchgear replacement, Louisa Generating Station improvements, Walter Scott Jr. 4 Generating Station improvements, fiber drops, a new aerial truck, and a new bucket truck.

In 2019, WCU had \$6.2 million of capital assets with a net position value of \$3.6 million. The total includes \$1.8 million in leasehold improvements, \$4.4 million in equipment and \$.025 million in construction work in progress.

WCU's capital improvements for 2019 included additional headend equipment as well as customer install related equipment and services.

### Debt Activity

WMEU has \$9.7 million of outstanding debt as of December 31, 2021. This includes \$0.2 million of 2007 CREB bonds issued to finance two wind turbines, and \$0.9 million for the 2013 bonds outstanding which were issued to fund the reimbursement resolution, 4 Caterpillar generators purchase and installation, and the West Substation construction. Also \$4.1 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

**WAVERLY UTILITIES**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited  
December 31, 2021, 2020, and 2019

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drops, switchgear, an aerial truck and a Digger Derrick and have a balance of \$2.1 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 \$2.4 million.

WMEU maintains a sinking fund, reserve fund and an improvement fund per bond requirements. The balance in these restricted funds for 2021 is \$1,816,823. Debt service for 2021 included \$1,153,421 of principal payments and \$284,367 of interest payments. The 2020 restricted fund balance was \$1,816,316 with debt service of \$1,133,421 of principal payments and \$308,631 of interest payments. The 2019 restricted fund balance was \$1,816,666 with debt service of \$1,118,421 of principal payments and \$328,080 of interest payments.

WCU has \$7.7 million of outstanding debt as of December 31, 2021. This includes \$4.9 million of 2016 bonds issued to fund capital setup of the utility and \$2.8 million of a temporary operational advance from WMEU.

WCU maintains a sinking fund per bond requirements. The balance in the restricted fund for 2021 was \$57,050. Debt service for 2021 included \$536,299 of principal payments and \$265,229 of interest payments. The balance in the restricted fund for 2020 was \$56,843. Debt service for 2020 included \$511,481 of principal payments and \$282,142 of interest payments. The balance in the restricted fund for 2019 was \$56,172. Debt service for 2019 included \$462,307 of principal payments and \$352,710 of interest payments.

At the end of 2020 and 2019 the outstanding debt for WMEU was \$10.9 million and \$12.0 million, respectively.

At the end of 2020 and 2019 the outstanding debt for WCU was \$8.1 million and \$8.6 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  
As of December 31, 2021 and 2020

	<b>ASSETS</b>			
	WMEU		WCU	
	2021	2021	2020	2020
<b>CURRENT ASSETS</b>				
Cash and Investments	\$ 3,065,833	\$ 1,534,536	\$ 2,715,145	\$ 1,268,769
Accounts Receivable	2,010,994	255,882	2,052,227	243,538
Inventory	1,649,171	19,112	1,714,863	23,655
Prepaid Expenses	166,694	57,025	83,676	64,558
Restricted Assets				
Sinking Fund Accounts				
CREB Bonds	15,812	-	15,922	-
2013 Bonds	38,199	-	37,736	-
2015 Bonds	25,487	57,050	25,795	56,843
2016 Bonds	15,217	-	15,025	-
2018 Bonds	25,608	-	25,338	-
Total Current Assets	<u>7,013,015</u>	<u>1,923,605</u>	<u>6,685,727</u>	<u>1,657,363</u>
<b>NON-CURRENT ASSETS</b>				
Restricted Assets				
Reserve Fund Accounts				
CREB Bonds	282,632		282,632	
2013 Bonds	400,000		400,000	
2015 Bonds	268,119		268,119	
2016 Bonds	188,624		188,624	
2018 Bonds	307,125		307,125	
Improvement Fund	250,000		250,000	
Total Restricted Assets	<u>1,696,500</u>	<u>-</u>	<u>1,696,500</u>	<u>-</u>
Designated Funds				
Vehicle Replacement Fund	351,367		291,367	
Renewable Energy Fund	349,077		331,545	
Generation Fund	316,562		216,562	
Rate Stabilization Fund	5,270,068		5,567,593	
Insurance Recovery Fund	1,345,000		1,285,000	
Distribution Fund	100,000		100,000	
Decommission Fund	61,208		30,110	
Total Designated Accounts	<u>7,793,282</u>	<u>-</u>	<u>7,822,177</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	2,769,600		2,754,775	
Receivable for Wartburg Green Power	600,000		700,000	
Total Other Assets	<u>3,595,780</u>	<u>-</u>	<u>3,680,955</u>	<u>-</u>
Capital Assets				
Land	351,624	-	351,624	-
Buildings	4,621,152	-	4,618,182	-
Improvements	57,451,727	2,299,336	56,540,320	1,866,521
Machinery and Equipment	5,442,380	4,573,370	5,415,379	4,495,948
Louisa & Walter Scott 4 Plants	17,439,970	-	17,018,842	-
Construction Work in Progress	26,514	14,768	36,290	-
Total Capital Assets	<u>85,333,367</u>	<u>6,887,474</u>	<u>83,980,637</u>	<u>6,362,469</u>
Accumulated Depreciation	<u>(47,338,400)</u>	<u>(4,126,802)</u>	<u>(44,687,076)</u>	<u>(3,451,726)</u>
Net Capital Assets	<u>37,994,967</u>	<u>2,760,672</u>	<u>39,293,561</u>	<u>2,910,743</u>
Total Non-Current Assets	<u>51,080,529</u>	<u>2,760,672</u>	<u>52,493,193</u>	<u>2,910,743</u>
<b>TOTAL ASSETS</b>	<u>\$ 58,093,544</u>	<u>\$ 4,684,276</u>	<u>\$ 59,178,920</u>	<u>\$ 4,568,106</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows for Wellness Center	120,000	-	240,000	-
Deferred Outflows for Pension Plan	158,538	42,400	339,710	89,026
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>278,538</u>	<u>42,400</u>	<u>579,710</u>	<u>89,026</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 58,372,082</u>	<u>\$ 4,726,676</u>	<u>\$ 59,758,630</u>	<u>\$ 4,657,132</u>

See accompanying notes to financial statements.

## WAVERLY LIGHT AND POWER

### STATEMENTS OF NET POSITION December 31, 2021 and 2020

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 1,122,835	\$ 148,892	\$ 1,090,283	\$ 111,819
Accrued Property Taxes	131,120	4,616	148,022	7,038
Unearned Revenue - Customer Billings	-	156,830	-	155,435
Other Accrued Expenses	738,108	106,850	763,506	111,782
Accrued Interest	-	13,362	-	14,742
Current Liabilities Payable From Restricted Assets				
Current Portion of Revenue Bonds	1,183,421	524,266	1,153,421	505,201
Accrued Interest on Revenue Bonds	21,704	-	23,697	-
Total Current Liabilities	<u>3,197,188</u>	<u>954,816</u>	<u>3,178,929</u>	<u>906,017</u>
<b>NON-CURRENT LIABILITIES</b>				
Revenue Bonds	8,470,000	4,364,120	9,653,421	4,888,386
Advance between WMEU and WCU	-	2,769,600	-	2,754,775
Bond Premium	75,901	-	84,875	-
Net Pension Liability	35,801	9,575	1,782,228	467,059
Total OPEB Liability	523,789	71,426	487,981	69,294
Wellness Center Payable	120,000	-	240,000	-
Total Non-Current Liabilities	<u>9,225,491</u>	<u>7,214,721</u>	<u>12,248,505</u>	<u>8,179,514</u>
<b>TOTAL LIABILITIES</b>	<u>12,422,679</u>	<u>8,169,537</u>	<u>15,427,434</u>	<u>9,085,531</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows for Rate Stabilization	1,175,294	-	1,175,294	-
Deferred Inflows for Pension Plan	1,377,933	368,515	119,615	31,347
Deferred Inflows for Wartburg Green Power	600,000	-	700,000	-
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>3,153,227</u>	<u>368,515</u>	<u>1,994,909</u>	<u>31,347</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	29,712,145	(2,127,714)	29,848,344	(2,482,844)
Restricted for Debt Service and Improvements	348,619	57,050	346,119	56,843
Unrestricted	12,735,412	(1,740,712)	12,141,824	(2,033,745)
Total Net Position	<u>42,796,176</u>	<u>(3,811,376)</u>	<u>42,336,287</u>	<u>(4,459,746)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 58,372,082</u>	<u>\$ 4,726,676</u>	<u>\$ 59,758,630</u>	<u>\$ 4,657,132</u>

## WAVERLY UTILITIES

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

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020
<b>OPERATING REVENUES</b>				
Sales to customers	\$ 14,902,968	\$ 4,225,687	\$ 14,623,300	\$ 3,832,396
Rate stabilization	-	-	300,000	-
Miscellaneous	3,769,640	73,498	3,077,846	109,013
Total Operating Revenues	<u>18,672,608</u>	<u>4,299,185</u>	<u>18,001,146</u>	<u>3,941,409</u>
<b>OPERATING EXPENSES</b>				
Production	12,348,114		11,403,028	
Transmission	173,989		169,392	
Distribution	1,235,092		1,502,718	
Customer accounts	188,766		262,760	
Administrative and general	695,166		687,157	
Customer information	96,831		94,685	
Community development	113,707		237,295	
Conservation	96,575		92,527	
WCU Operating Expenses	-	2,667,287	-	2,630,642
Depreciation	2,337,535	731,521	2,265,910	841,140
Total Operating Expenses	<u>17,285,775</u>	<u>3,398,808</u>	<u>16,715,472</u>	<u>3,471,782</u>
Operating Income (Loss)	<u>1,386,833</u>	<u>900,377</u>	<u>1,285,674</u>	<u>469,627</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Gain (Loss) on sale of plant	(48,335)	1,914	6,486	3,246
Investment income	132,523		224,801	
Interest expense	(273,395)	(260,016)	(297,696)	(275,302)
Micellaneous Income		1,175		
Total Nonoperating Revenue (Expenses)	<u>(189,207)</u>	<u>(256,927)</u>	<u>(66,409)</u>	<u>(272,056)</u>
<b>INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</b>				
	1,197,626	643,450	1,219,265	197,571
Contributions	98,707	4,920	155,108	33,009
Transfer to City of Waverly	(836,444)		(860,508)	-
<b>CHANGE IN NET POSITION</b>	459,889	648,370	513,865	230,580
NET POSITION - Beginning of Year	<u>42,336,287</u>	<u>(4,459,746)</u>	<u>41,822,422</u>	<u>(4,690,326)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 42,796,176</u>	<u>\$ (3,811,376)</u>	<u>\$ 42,336,287</u>	<u>\$ (4,459,746)</u>

**Statements of Cash Flows Follow**

**WAVERLY UTILITIES**

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

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from sales to customers	\$ 14,944,201	\$ 4,213,344	\$ 15,273,438	\$ 3,820,859
Received from Misc Operating Revenues	3,769,640	73,500	3,077,846	109,013
Paid to suppliers for purchased power and transmission	(10,216,409)		(9,832,171)	-
Paid to suppliers and employees for other services	(4,633,000)	(2,675,438)	(4,910,239)	(2,560,048)
<i>Net Cash Flows From Operating Activities</i>	<u>3,864,432</u>	<u>1,611,406</u>	<u>3,608,874</u>	<u>1,369,824</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payment to City of Waverly for credit to Waverly Wellness Center	(120,000)		(120,000)	-
Advance between WMEU and WCU	(14,825)	14,825	(944)	944
Transfers to City of Waverly	(716,444)		(740,508)	-
<i>Net Cash Flows From (Used By) Noncapital Financing Activities</i>	<u>(851,269)</u>	<u>14,825</u>	<u>(861,452)</u>	<u>944</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of plant and equipment	(1,484,310)	(598,577)	(1,826,178)	(202,546)
Capital Contributions	98,707	4,920	155,108	33,009
Principal payments on revenue bonds	(1,153,421)	(505,201)	(1,133,421)	(481,371)
Interest paid	(284,362)	(261,398)	(308,631)	(283,458)
<i>Net Cash Flows From (Used By) Capital and Related Financing Activities</i>	<u>(2,823,386)</u>	<u>(1,360,256)</u>	<u>(3,113,122)</u>	<u>(934,366)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	132,523	-	224,801	6,840
Maturity (Purchase) of Certificate of Deposit	-	-	6,000,000	-
<i>Net Cash Flows From (Used By) Investing Activities</i>	<u>132,523</u>	<u>-</u>	<u>6,224,801</u>	<u>6,840</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>322,300</b>	<b>265,975</b>	<b>5,859,101</b>	<b>443,242</b>
CASH AND CASH EQUIVALENTS - Beginning of Year	12,353,638	1,325,612	6,494,537	882,370
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 12,675,938</b></u>	<u><b>\$ 1,591,587</b></u>	<u><b>\$ 12,353,638</b></u>	<u><b>\$ 1,325,612</b></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Gain (loss) on sale of plant	\$ (48,335)	\$ 1,914	\$ 6,486	\$ 3,246

See accompanying notes to financial statements.

**WAVERLY UTILITIES**  
**STATEMENTS OF CASH FLOWS**  
For the Years ended December 31, 2021 and 2020

<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES</b>	<b>WMEU 2021</b>	<b>WCU 2021</b>	<b>WMEU 2020</b>	<b>WCU 2020</b>
Operating Income (Loss)	\$ 1,386,833	\$ 900,377	\$ 1,285,674	\$ 469,627
Non-cash Items Included in Operating Income				
Depreciation	2,337,535	731,521	2,265,910	841,140
Depreciation Cleared	397,034	20,217	381,841	20,210
Changes in Assets and Liabilities				
Accounts Receivable	41,233	(12,343)	346,004	(11,538)
Interest Receivable	-	-	36,698	-
Inventory	65,692	4,543	(344,369)	(1,019)
Prepaid Expenses	(83,018)	7,533	51,993	24,234
Accounts Payable	32,552	37,073	(118,443)	(60,450)
Accrued Property Taxes	(16,902)	(2,422)	(12,140)	4,189
Deferred Outflows for Pension Plan	181,172	46,626	38,937	9,963
Net Pension Liability	(1,746,427)	(457,482)	276,872	73,518
Deferred Inflows for Pension Plan	1,258,318	337,168	(189,440)	(49,448)
Unearned Service Revenue	-	1,395	-	20,455
Deferred Inflows for Rate Stabilization	-	-	(300,000)	-
Other Accrued Expenses	10,410	(2,800)	(110,663)	28,943

**NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES**

\$ 3,864,432   \$ 1,611,406   \$ 3,608,874   \$ 1,369,824

**RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION**

Cash and Investments	\$ 3,065,833	\$ 1,534,537	\$ 2,715,145	\$ 1,268,769
Restricted Assets				
Sinking Fund Accounts				
CREB Bonds	15,812	-	15,922	-
2013 Bonds	38,199	-	37,736	-
2015 Bonds	25,487	57,050	25,795	56,843
2016 Bonds	15,217	-	15,025	-
2018 Bonds	25,608	-	25,338	-
Reserve Fund Accounts				
CREB Bonds	282,632	-	282,632	-
2013 Bonds	400,000	-	400,000	-
2015 Bonds	268,119	-	268,119	-
2016 Bonds	188,624	-	188,624	-
2018 Bonds	307,125	-	307,125	-
Improvement Fund	250,000	-	250,000	-
Total Cash and Restricted Assets	<u>4,882,656</u>	<u>1,591,587</u>	<u>4,531,461</u>	<u>1,325,612</u>
Designated Accounts				
Vehicle Replacement Fund	351,367	-	291,367	-
Renewable Energy Fund	349,077	-	331,545	-
Generation Fund	316,562	-	216,562	-
Rate Stabilization Fund	5,270,068	-	5,567,593	-
Insurance Recovery Fund	1,345,000	-	1,285,000	-
Decommission Fund	61,208	-	30,110	-
Distribution Fund	100,000	-	100,000	-
Total Designated Accounts	<u>7,793,282</u>	<u>-</u>	<u>7,822,177</u>	<u>-</u>

**TOTAL CASH AND CASH EQUIVALENTS**

\$ 12,675,938   \$ 1,591,587   \$ 12,353,638   \$ 1,325,612

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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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, 2021 and 2020

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

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#### **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, 2021 and 2020 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, 2021 and 2020 include: unbilled revenues totaling \$862,580 and \$838,640, customer accounts receivable totaling \$1,113,217 and \$1,233,406, energy cost adjustment (ECA) totaling \$(397,513) and \$(164,053), and other accounts receivable totaling \$432,710 and \$197,390, 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, 2021 and 2020 of \$255,882 and \$243,538, respectively.

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Local Inventories</u>				
Warehouse Materials	\$ 1,134,497	\$ 885,957	\$ 19,112	\$ 23,655
Generating Plant - Diesel Fuel	63,578	61,854		
<u>Louisa Inventories</u>				
Coal	321,640	590,464		
Oil	3,189	3,205		
Materials	59,500	57,801		
<u>WS4 Inventories</u>				
Coal	30,972	83,000		
Oil	5,181	2,266		
Materials	30,614	30,316		
Totals	\$ 1,649,171	\$ 1,714,863	\$ 19,112	\$ 23,655

##### ***Deferred Outflow of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/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, 2021 and 2020

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

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

##### **Other Assets**

In 2021 and 2020 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, 2021 and 2020, was \$2,734,569 and \$2,647,751, respectively; of that, \$2,337,535 and \$2,265,910 was expensed and \$397,034 and \$381,841 was capitalized. WCU depreciation expense for the years ended December 31, 2021 and 2020, was \$751,739 and \$861,350, respectively; of that, \$731,521 and \$841,140 was expensed and \$20,217 and \$20,210 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, 2021 and 2020

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

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### ***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, 2021 and 2020

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

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#### ***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.

#### ***DEFERRED INFLOWS OF RESOURCES***

A deferred inflow of resources represents an acquisition of net position 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 2021, \$0 was transferred to (from) revenue to the RSF which left an ending balance of \$1,175,294. In 2020, \$300,000 was transferred from the RSF.

#### ***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.

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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

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#### **REVENUES AND EXPENSES (cont.)**

##### **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 October 2018 and placed into effect in January 2019.

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, 2021 and 2020

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

The utilities' deposits in banks at December 31, 2021 and 2020 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, 2021 and 2020 were comprised of the following:

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020	Risks
Checking	\$8,575,780	\$1,591,587	\$8,267,397	\$1,325,612	Custodial credit risk
Petty cash	1,600	-	1,600	-	Custodial credit risk
Saving	4,098,558	-	4,084,641	-	Custodial credit risk
Total Deposits and Investments	\$12,675,938	\$1,591,587	\$12,353,638	\$1,325,612	

#### Reconciliation to Financial Statements

	WMEU 2021	WCU 2021	WMEU 2020	WCU 2020
Unrestricted cash and investments	\$3,065,833	\$1,534,537	\$2,715,145	\$1,268,769
Restricted cash and investments	1,816,823	57,050	1,816,316	56,843
Designated cash and investments	7,793,282	-	7,822,177	-
Total Deposits and Investments	\$12,675,938	\$1,591,587	\$12,353,638	\$1,325,612

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, 2021 and 2020

### 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:

	2021	2020
Restricted Assets		
Sinking funds	\$120,323	\$119,816
Reserve fund	1,446,500	1,446,500
Improvement fund	250,000	250,000
Total Restricted Assets	<u>\$1,816,823</u>	<u>\$1,816,316</u>
Less: Restricted Assets Not Funded by Revenues		
Reserve fund	\$(1,446,500)	\$(1,446,500)
Total Restricted Assets Not Funded by Revenues	<u>(1,446,500)</u>	<u>(1,446,500)</u>
Current Liabilities Payable From Restricted Assets	<u>(21,704)</u>	<u>(23,697)</u>
Total Restricted Net Position as Calculated	<u>\$348,619</u>	<u>\$346,119</u>

The following calculation supports the amount of WCU restricted Net Position:

	2021	2020
Restricted Assets		
Sinking fund	\$57,050	\$56,843
Total Restricted Assets	<u>\$57,050</u>	<u>\$56,843</u>

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, 2021 and 2020

#### **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, 2021 and 2020.

To	From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	WMEU	\$ 716,444	Fund Transfer	\$ 740,508	Fund Transfer
Municipality	WMEU	120,000	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, 2021 and 2020:

Due To	Due From	2021		2020	
		Amount	Principal Purpose	Amount	Principal Purpose
WMEU	WCU	\$ 2,678,970	Temp Transfer	\$ 2,710,068	Temp Transfer
WMEU	WCU	\$ 90,630	Net Monthly Transfer	\$ 44,707	Net Monthly Transfer
WMEU	WCU	\$ 2,769,600	Interfund Total	\$ 2,754,775	Interfund Total

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **NOTE 5 – CHANGES IN CAPITAL ASSETS**

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

	Balance 01/01/21	Additions	Deletions	Transfers	Balance 12/31/21
Capital assets:					
Land <sup>(1)</sup>	\$ 351,624	\$ -	\$ -	\$ -	\$ 351,624
Buildings	4,618,182	7,894	(4,924)	-	4,621,152
Improvements	56,540,320	1,013,358	(101,951)	-	57,451,727
Equipment	5,415,379	27,001	-	-	5,442,380
Louisa plant	11,527,588	348,129	(14,926)	-	11,860,790
WS4 plant	5,491,255	100,823	(12,898)	-	5,579,180
Construction in progress <sup>(1)</sup>	36,290	-	(9,776)	-	26,514
Less: Accum. depreciation	(44,687,076)	(2,734,567)	83,243	-	(47,338,400)
Net Capital Assets	<u>\$ 39,293,561</u>	<u>\$ (1,237,362)</u>	<u>\$ (61,232)</u>	<u>\$ -</u>	<u>\$ 37,994,967</u>

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

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

	01/01/21	Additions	Deletions	12/31/21
Capital assets:				
Buildings	\$ 1,231,311	\$ -	\$ -	\$ 1,231,311
OH & URD Fiber Lines & Devices	635,210	432,815	-	1,068,025
Equipment	4,495,947	157,671	(80,248)	4,573,370
Construction in progress <sup>(1)</sup>	-	14,768	-	14,768
Less: Accumulated depreciation	(3,451,726)	(751,738)	76,662	(4,126,802)
Net Capital Assets	<u>\$ 2,910,742</u>	<u>\$ (146,484)</u>	<u>\$ (3,586)</u>	<u>\$ 2,760,672</u>

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

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **NOTE 5 – CHANGES IN CAPITAL ASSETS (CONT.)**

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

	Balance 01/01/20	Additions	Deletions	Transfers	Balance 12/31/20
Capital assets:					
Land <sup>(1)</sup>	\$ 351,624	\$ -	\$ -	\$ -	351,624
Buildings	4,350,744	278,970	(11,532)	-	4,618,182
Improvements	55,385,011	1,340,165	(184,856)	-	56,540,320
Equipment	5,460,706	181,668	(226,995)	-	5,415,379
Louisa plant	11,314,509	229,077	(15,998)	-	11,527,588
WS4 plant	5,462,720	32,429	(3,894)	-	5,491,255
Construction in progress <sup>(1)</sup>	221,101	17,185	(201,996)	-	36,290
Less: Accum. depreciation	(42,437,767)	(2,647,751)	398,442	-	(44,687,076)
Net Capital Assets	<u>\$ 40,108,648</u>	<u>\$ (568,257)</u>	<u>\$ (246,829)</u>	<u>\$ -</u>	<u>\$ 39,293,562</u>

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

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

	Balance 01/01/20	Additions	Deletions	Balance 12/31/20
Capital assets:				
Buildings	\$ 1,231,311	\$ -	\$ -	\$ 1,231,311
OH & URD Fiber Lines & Devices	522,103	113,107	-	635,210
Equipment	4,432,546	155,492	(92,091)	4,495,948
Construction in progress <sup>(1)</sup>	24,046	-	(24,046)	-
Less: Accumulated depreciation	(2,643,705)	(861,350)	53,329	(3,451,726)
Net Capital Assets	<u>\$ 3,566,301</u>	<u>\$ (592,751)</u>	<u>\$ (62,808)</u>	<u>\$ 2,910,743</u>

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

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **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
<b>WMEU</b>						
12/4/2007	Finance two wind turbines	12/1/2022	12/1/2022	0.70%	\$ 2,826,316	\$ 188,421
12/3/2013	Reimbursement Resolution, West Sub, 4 Generators	12/1/2021	12/1/2023	0.4-2.75%	4,000,000	890,000
10/27/2015	Finance Fiber Buildout, Backhoe, Aerial Truck, Reimburse	12/1/2023	12/1/2030	2.0-4.0%	4,980,000	4,065,000
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	2,130,000
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	2,380,000
<b>WCU</b>						
2/26/2015	Communications Utility Setup Capital Expenditures	12/1/2029	12/1/2029	4.3-3.28%	6,672,483	4,888,386

The WMEU 2007 CREB revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2022	188,421	1,319	189,740
Totals	<u>\$ 188,421</u>	<u>\$ 1,319</u>	<u>\$ 189,740</u>

This debt is owned by JP Morgan which therefore constitutes a direct borrowing.

The WMEU 2013 revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2022	435,000	23,388	458,388
2023	455,000	12,513	467,513
Totals	<u>\$ 890,000</u>	<u>\$ 35,901</u>	<u>\$ 925,901</u>

This debt is owned by Bankers' Bank which therefore constitutes a direct borrowing.

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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#### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

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##### REVENUE BONDS (cont.)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	185,000	120,841	305,841
2023	275,000	116,679	391,679
2024	455,000	109,804	564,804
2025	475,000	97,860	572,860
2026	495,000	83,610	578,610
2027-2030	<u>2,180,000</u>	<u>177,483</u>	<u>2,357,483</u>
Totals	<u>\$ 4,065,000</u>	<u>\$ 706,277</u>	<u>\$ 4,771,277</u>

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	140,000	42,600	182,600
2023	235,000	39,800	274,800
2024	290,000	35,100	325,100
2025	290,000	29,300	319,300
2026	290,000	23,500	313,500
2027-2029	<u>885,000</u>	<u>35,600</u>	<u>920,600</u>
Totals	<u>\$ 2,130,000</u>	<u>\$ 205,900</u>	<u>\$ 2,335,900</u>

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

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **NOTE 6 – LONG-TERM OBLIGATIONS (cont.)**

##### **REVENUE BONDS (cont.)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	235,000	72,300	307,300
2023	240,000	65,250	305,250
2024	245,000	58,050	303,050
2025	255,000	50,700	305,700
2026	260,000	43,050	303,050
2027-2030	<u>1,145,000</u>	<u>90,910</u>	<u>1,235,910</u>
Totals	<u>\$ 2,380,000</u>	<u>\$ 380,260</u>	<u>\$ 2,760,260</u>

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	524,266	160,339	684,605
2023	548,096	143,143	691,239
2024	571,926	125,166	697,092
2025	595,756	106,406	702,162
2026	619,587	86,866	706,453
2027-2029	<u>2,028,755</u>	<u>134,910</u>	<u>2,163,666</u>
Totals	<u>\$ 4,888,386</u>	<u>\$ 756,831</u>	<u>\$ 5,645,217</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 2021 and 2020 were \$1,437,788 and \$1,442,007 respectively. Total customer gross revenues for WMEU as defined for the same periods were \$14,902,968 and \$14,923,300. Annual principal and interest payments are expected to require 9.6% of gross revenues on average.

WCU principal and interest paid for 2021 and 2020 was \$682,111 and \$674,112 respectively. Total customer gross revenues for WCU as defined for the same periods were \$4,225,687 and \$3,832,396.

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **NOTE 6 – LONG-TERM OBLIGATIONS (cont.)**

##### **WELLNESS CENTER PAYABLE / DEFERRED OUTFLOWS FOR WELLNESS CENTER**

##### *Wartburg-Waverly Sports and Wellness Center*

In December 2006, the Board approved funding of \$120,000 per year for the next 15 years, to the City of Waverly for further credit to the Wartburg-Waverly Sports and Wellness Center. The outstanding amount of the Board approved funding at December 31, 2021 and 2020 were \$120,000 and \$240,000, respectively. This amount has been classified in the Statement of Net Position as both a non-current liability and deferred outflow of resources.

Payable obligations to maturity follows:

Year	Principal	Interest	Total
2022	120,000	-	120,000
Totals	\$ 120,000	\$ -	\$ 120,000

##### **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 \$600,000 and \$700,000, respectively has been reflected in the Statement of Net Position for 2021 and 2020.

##### **NON-CURRENT LIABILITIES**

Long-term Obligations for WMEU for 2021 are as follows:

Debt Issue	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Current Portion
2007 CREB Revenue Bonds	\$ 376,842	\$ -	\$ 188,421	\$ 188,421	\$ 188,421
2013 Revenue Bonds	1,310,000	-	420,000	890,000	435,000
2015 Revenue Bonds	4,250,000	-	185,000	4,065,000	185,000
2016 Revenue Bonds	2,265,000	-	135,000	2,130,000	140,000
2018 Revenue Bonds	2,605,000	-	225,000	2,380,000	235,000
Bond Premium	84,875	-	8,974	75,901	-
Totals	\$ 10,891,717	\$ -	\$ 1,162,395	\$ 9,729,322	\$ 1,183,421

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

##### **NON-CURRENT LIABILITIES (CONT.)**

Long-term Obligations for WCU for 2021 are as follows:

Debt Issue	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Current Portion
2015 Revenue Bonds	\$ 5,393,587	\$ -	\$ 505,201	\$ 4,888,386	\$ 524,266
WCU Temporary Transfer	2,754,775	14,825	-	2,769,600	-
<b>Totals</b>	<b>\$ 8,148,362</b>	<b>\$ 14,825</b>	<b>\$ 505,201</b>	<b>\$ 7,657,986</b>	<b>\$ 524,266</b>

Long-term Obligations for WMEU for 2020 are as follows:

Debt Issue	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Current Portion
2007 CREB Revenue bonds	\$ 565,263	\$ -	\$ 188,421	\$ 376,842	\$ 188,421
2013 Revenue Bonds	1,720,000	-	410,000	1,310,000	420,000
2015 Revenue Bonds	4,430,000	-	180,000	4,250,000	185,000
2016 Revenue Bonds	2,400,000	-	135,000	2,265,000	135,000
2018 Revenue Bonds	2,825,000	-	220,000	2,605,000	225,000
Bond Premium	93,850	-	8,975	84,875	-
<b>Totals</b>	<b>\$ 12,034,113</b>	<b>\$ -</b>	<b>\$ 1,142,396</b>	<b>\$ 10,891,717</b>	<b>\$ 1,153,421</b>

Long-term Obligations for WCU for 2020 are as follows:

Debt Issue	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Current Portion
2015 Revenue Bonds	\$ 5,874,959	\$ -	\$ 481,372	\$ 5,393,587	\$ 505,201
WCU Temporary Transfer	2,753,831	944	-	2,754,775	-
<b>Totals</b>	<b>\$ 8,628,790</b>	<b>\$ 944</b>	<b>\$ 481,372</b>	<b>\$ 8,148,362</b>	<b>\$ 505,201</b>

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

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **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 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 2021	WCU 2021	WMEU 2020	WCU 2020
Plant in service	\$ 85,306,853	\$ 6,872,706	\$ 83,944,347	\$ 6,362,469
Accumulated depreciation	(47,338,400)	(4,126,802)	(44,687,076)	(3,451,726)
Construction work in progress	26,514	14,768	36,290	-
Subtotal	37,994,967	2,760,672	39,293,561	2,910,743
Less: Capital Related Debt				
Current portion of capital related long-term debt	1,183,421	524,266	1,153,421	505,201
Long-term portion of capital related long-term debt	8,470,000	4,364,120	9,653,421	4,888,386
Unamortized Premium	75,901		84,875	
Subtotal	9,729,322	4,888,386	10,891,717	5,393,587
Add: Reserve from borrowing	1,446,500		1,446,500	
Unspent Bond Proceeds - Special Projects Fund	-		-	
Subtotal	1,446,500	-	1,446,500	-
Total Net Investment in Capital Assets	\$ 29,712,145	\$ (2,127,714)	\$ 29,848,344	\$ (2,482,844)

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### **NOTE 8 – LEASES**

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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 2021 assets at a cost of \$8,572,032 less accumulated depreciation of \$328,898 for a net value of \$8,243,134. On March 8, 2016, Resolution #12-16 was approved to lease the fiber optic communications distribution system and buildings from WMEU to WCU for 20-year period commencing April 1, 2016 for \$200,000 a year. Lease payments were \$200,000 for 2021 and \$200,000 for 2020.

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### **NOTE 9 – PENSION PLAN**

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#### ***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 employer 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](http://www.ipers.org).

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

#### ***Pension Benefits***

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

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

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### **NOTE 9 – PENSION PLAN (cont.)**

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#### ***Pension Benefits*** (cont.)

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 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, 2019 to Dec 31, 2021.

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### NOTE 9 – PENSION PLAN (cont.)

##### **Contributions** (cont.)

WMEU's total contribution to IPERS during the IPERS reporting period for the years ended June 30, 2021 and 2020 were \$195,912 and \$189,683, respectively. WCU's total contribution to IPERS during the IPERS reporting period for the years ended June 30, 2021 and 2020 were \$52,078 and \$50,190, respectively. WMEU's total contributions to IPERS during the Utilities' calendar years ended December 31, 2021 and 2020 were \$192,235 and \$195,287, respectively. WCU's contribution was \$51,412 and \$51,178, respectively.

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

At December 31, 2021 and 2020, WMEU reported a liability of \$35,801 and \$1,782,228, respectively for its proportionate share of the net pension liability. WCU's proportionate share at December 31, 2021 and 2020 was \$9,575 and \$467,059, respectively. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021, the Utilities collective proportion was 0.032368 percent which is a decrease of 0.00012 percent from its proportion measured as of June 30, 2020.

For the years ended December 31, 2021 and 2020, WMEU recognized pension expense (reduction of pension expense) of (\$124,634) and \$126,369, respectively. WCU recognized pension expense (reduction of pension expense) of (\$33,131) and \$34,032, respectively.

At December 31, 2021 and 2020, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 34,525	\$ 34,665	\$ 2,485	\$ 53,314
Changes in Assumptions	29,680		115,455	-
Net Difference between projected and actual earnings on IPERS investments		1,644,061	126,446	-
Changes in proportion and differences between Utility Contributions and proportionate share of contributions	15,301	67,722	58,575	97,648
Utility Contributions subsequent to the measurement date	121,432		125,775	-
Total Balance	<u>200,938</u>	<u>1,746,448</u>	<u>428,736</u>	<u>150,962</u>
WMEU	158,538	1,377,933	339,710	119,615
WCU	42,400	368,515	89,026	31,347
Total Balance	<u>\$ 200,938</u>	<u>\$ 1,746,448</u>	<u>\$ 428,736</u>	<u>\$ 150,962</u>

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

### NOTE 9 – PENSION PLAN (cont.)

#### **Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)**

IPERS contributions between July 1, 2021 and December 31, 2021 were \$95,809 for WMEU and \$25,623 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, 2022. 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		
December 31,	WMEU	WCU
2022	(330,532)	(87,863)
2023	(334,640)	(88,955)
2024	(302,393)	(80,383)
2025	(352,061)	(93,586)
2026	2,741	729
	<u>(1,316,885)</u>	<u>(350,058)</u>

There were no non-employer contributing entities at IPERS.

#### **Actuarial Assumptions**

Actuarial Methods and Assumptions – The total pension liability (TPL) was determined by an actuarial valuation as of June 30, 2021, 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: RP-2014 Employee and Healthy Annuitant Tables adjusted to 2006 and 2017 with MP-2017 generational adjustments
- Inflation rate: 2.6%
- Payroll increase assumption: 3.25%

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

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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#### NOTE 9 – PENSION PLAN (cont.)

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##### **Actuarial Assumptions** (cont.)

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core-plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

##### **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.

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### NOTE 9 – PENSION PLAN (cont.)

#### ***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			
2020	3,000,397	1,782,228	792,437
WCU's Proportionate Share of the Net Pension Liability			
2020	750,099	467,059	198,109
WMEU's Proportionate Share of the Net Pension Liability			
2021	1,268,756	35,801	(997,408)
WCU's Proportionate Share of the Net Pension Liability			
2021	337,264	9,575	(265,134)

#### ***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](http://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, 2021 and 2020 was \$1,345,000 and \$1,285,000, respectively. The insurance recovery fund was established for the purpose of subsidizing claims that were caused by extraordinary circumstances. There were no claims made against this fund in 2021 or 2020. 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, 2021 and 2020

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### NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

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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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits -	5
Active employees -	<u>25</u>
Total	30

Waverly Utilities' OPEB liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2020.

At December 31, 2021 and 2020, the Utility reported a liability of \$595,215 and \$557,275, respectively for total OPEB liability.

Waverly Utilities' total OPEB liability in the January 1, 2020 actuarial valuation 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:	2.74% per year
Healthcare Cost Trend Rate:	Duration 1 – 6.00%
	Duration 2 – 5.75%
	Duration 3 – 5.50%
	Duration 4 – 5.25%
	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 2.74% as of January 1, 2021.

## WAVERLY UTILITIES

### NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

#### **NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (cont.)**

##### **Schedule of Changes in Total OPEB Liability:**

	2021	2020
Total OPEB Liability - Beginning of Year	\$ 557,275	\$ 676,332
Service Cost	37,188	36,193
Interest	16,078	14,862
Difference between Expected/Actual Experience		(181,348)
Changes of Assumptions		25,694
Benefits Payments	(15,326)	(14,458)
Net Change in Total OPEB Liability	37,940	(119,057)
Total OPEB Liability - End of Year	\$ 595,215	\$ 557,275

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 2.74%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (1.74%) or 1-percentage point higher (3.74%) than the current rate:

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Total OPEB Liability	\$ 631,187	\$ 595,215	\$ 557,905

##### **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 6.0% decreasing to 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (5.0% to 4.0%) or 1-percentage point higher (7.0% to 6.0%) than the current rate:

	1% Decrease 4.75% decreasing to 4.0%	Current Healthcare Cost Trend Rate 5.75% decreasing to 5.0%	1% Increase 6.75% decreasing to 6.0%
Total OPEB Liability	\$ 554,399	\$ 595,215	\$ 642,410

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### NOTE 12 – COMMITMENTS AND CONTINGENCIES

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#### 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, 2021 and 2020 was \$716,444 and \$740,508, 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.

##### ***Local Wind Generation***

In 2001, a 900 kW wind generator was erected on land leased near Waverly. The lease is a 50-year lease with payments to the landowner of \$3,000 per year. This lease is adjusted for inflation every five years. In 2017, the lease payment was adjusted to \$4,041 per year.

In 2008, land was leased near Waverly on which two 900kW wind turbines were erected in 2009. The two leases are 50-year leases with payments to the landowner of \$3,450 for each lease. These leases can be adjusted for inflation every five years. In 2018, these leases were adjusted 5.1% for inflation to \$3,885.

##### ***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.

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### NOTE 13 – CLAIMS AND JUDGMENTS

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From time to time, the 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.

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### **NOTE 14 – JOINT VENTURES**

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#### ***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.

#### ***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.

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### **NOTE 15 – SIGNIFICANT CUSTOMER**

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WMEU sales to a significant customer were 8.25% in 2021 and 8.90% in 2020. The utility periodically enters into electric service agreements with larger customers.

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### **NOTE 16 – SUBSEQUENT EVENTS**

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

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### NOTE 17 – BOND RESERVE REQUIREMENTS

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#### WMEU

##### 2008 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 \$282,632 at December 31, 2021 and 2020. 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.

*Improvement Fund Reserve* – This amount totaling \$250,000 was established by the 1992 bonds. The fund remained intact after the 1992 bonds were retired for the benefit of the 2008, 2012, 2013, 2015, 2016 and 2018 bonds. These funds are to be used for future bond obligations if necessary, or for extraordinary operating needs of the utility.

The annual obligations for these reserves are:

	<u>Sinking Fund Reserve</u>	<u>Reserve Fund Reserve</u>	<u>Improvement Fund Reserve</u>
2022	189,740	-	-

The Reserve Fund Reserve and Improvement Fund Reserves are fully funded and thus no annual funding requirements exist for these reserves as of December 31, 2021.

##### 2013 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 \$400,000 at December 31, 2021 and 2020. 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>
2022	458,388	-
2023	467,513	-

The Reserve Fund Reserve is fully funded and thus no annual funding requirements exist for these reserves as of December 31, 2021.

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### NOTE 17 – BOND RESERVE REQUIREMENTS (cont.)

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#### **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 \$268,119 at December 31, 2021 and 2020. 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>
2022	305,841	-
2023	391,679	-
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, 2021.

#### **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 \$188,624 at December 31, 2021 and 2020. 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.

# WAVERLY UTILITIES

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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### NOTE 17 – BOND RESERVE REQUIREMENTS (cont.)

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#### 2016 BOND RESERVE REQUIREMENTS (cont.)

The annual obligations for these reserves are:

	Sinking Fund Reserve	Reserve Fund Reserve
2022	182,600	-
2023	274,800	-
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, 2021.

#### 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 \$307,125 at December 31, 2021 and 2020. 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
2022	307,300	-
2023	305,250	-
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, 2021.

**REQUIRED SUPPLEMENTAL INFORMATION**

## WAVERLY UTILITIES

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

		Required Supplementary Information							
		2021	2020	2019	2018	2017	2016	2015	2014
Utilities' proportion of the net pension liability (asset)		0.0323680%	0.0322440%	0.0325740%	0.0342630%	0.0350970%	0.0320040%	0.0261250%	0.0251058%
Utilities' proportionate share of the net pension liability	\$	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	\$	2,627,013	\$ 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 pension liability as a percentage of its covered payroll		1.73%	88.52%	76.09%	84.20%	89.24%	87.69%	72.11%	60.61%
Plan Fiduciary net position as a percentage of the total pension liability		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.

Note: GASB Statement No. 68 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.

## WAVERLY UTILITIES

### Schedule of Utilities Contributions Iowa Public Employees' Retirement System For the Last 10 Fiscal Years\*

#### Required Supplementary Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 247,990	\$ 239,883	\$ 235,558	\$ 229,891	\$ 231,859	\$ 203,240	\$ 160,403	\$ 149,706	\$ 150,026	\$ 152,000
Contribution in relation to the statutorily required contribution	(247,990)	(239,883)	(235,558)	(229,891)	(231,859)	(203,240)	(160,403)	(149,706)	(150,026)	(152,000)
Contribution deficiency(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility's covered payroll	\$ 2,627,013	\$ 2,541,134	\$ 2,495,630	\$ 2,574,363	\$ 2,596,405	\$ 2,275,924	\$ 1,796,226	\$ 1,676,439	\$ 1,680,022	\$ 1,753,173

\*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, 2021

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*Changes of benefit terms:*

None in 2021

*Changes of assumptions:*

None in 2021

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 Four Fiscal Years

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	2021	2020	2019	2018
Total OPEB Liability - Beginning of Year	\$ 557,275	\$ 676,332	\$ 641,277	\$ 606,702
Service Cost	37,188	36,193	42,354	41,220
Interest	16,078	14,862	22,995	21,800
Difference between Expected/Actual Exp		(181,348)	-	-
Changes of Assumptions		25,694	-	-
Benefits Payments	(15,326)	(14,458)	(30,294)	(28,445)
Net Change in Total OPEB Liability	37,940	(119,057)	35,055	34,575
Total OPEB Liability - End of Year	\$ 595,215	\$ 557,275	\$ 676,332	\$ 641,277
Covered Employee Payroll	\$ 2,470,187	\$ 2,404,075	\$ 2,511,424	\$ 2,444,208
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	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, 2021

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### **Board of Trustees**

Bob Buckingham, Chairman  
Waverly, IA 50677

Emily Neuendorf, Vice Chair  
Waverly, IA 50677

John Baber  
Waverly, IA 50677

Bob Brunkhorst  
Waverly, IA 50677

Jess Kettleon  
Waverly, IA 50677

CEO  
Darrel Wenzel  
Waverly, IA 50677

Director, Operations  
Curt Atkins  
Waverly, IA 50677

Director, Telecom  
Jeff Magsamen  
Waverly, IA 50647

Director, Finance & Customer Services  
Kasey Lewis  
Plainfield, IA 50666

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

	2012	2013	2014 (Restated)	2015	2016	2017	2018	2019	2020	2021
<b>Operating Revenues</b>										
Residential	4,628,144	4,702,996	4,735,758	4,673,309	5,273,596	5,341,918	5,813,167	5,656,612	5,868,713	5,956,301
Industrial	6,753,474	6,420,537	6,583,502	6,543,329	7,118,714	7,230,994	7,184,731	6,702,499	6,284,127	6,601,059
Commercial	1,435,083	1,462,954	1,445,928	1,450,954	1,576,783	1,605,618	1,668,851	1,612,407	1,505,148	1,507,789
Security Lights	43,817	43,766	44,502	43,996	44,809	45,690	44,869	43,439	42,053	41,158
Street Lights	251,321	252,654	252,302	265,655	272,164	274,138	262,798	258,754	262,034	263,243
Municipal	712,756	706,835	664,712	675,472	757,796	771,060	796,499	759,079	739,952	766,879
ECA	-	-	-	-	(65,703)	324,988	(275,552)	(69,059)	(78,727)	(233,460)
Rate Stabilization	-	-	(637,000)	411,706	(800,000)	(500,000)	50,000	-	300,000	-
Miscellaneous	3,472,120	3,956,572	4,294,478	3,738,843	4,323,918	3,970,478	4,361,326	4,118,737	3,077,846	3,868,346
<b>Total Operating Revenues</b>	<b>\$ 17,296,715</b>	<b>\$ 17,546,314</b>	<b>\$ 17,384,182</b>	<b>\$ 17,803,264</b>	<b>\$ 18,502,077</b>	<b>\$ 19,064,884</b>	<b>\$ 19,906,689</b>	<b>\$ 19,082,468</b>	<b>\$ 18,001,146</b>	<b>\$ 18,771,315</b>
<b>Operating Expenses</b>										
Production	10,226,661	11,135,656	11,964,098	12,357,849	12,705,812	13,116,063	13,108,472	12,233,101	11,403,028	12,348,114
Transmission	192,689	191,784	167,614	168,091	207,337	155,498	154,944	189,703	169,392	173,989
Distribution	1,522,260	1,577,683	1,498,753	1,564,995	1,678,864	1,546,121	1,510,988	1,659,087	1,502,718	1,235,092
Customer Accounts	198,203	199,783	213,114	241,356	213,784	237,018	322,975	275,458	262,760	188,766
Administrative & General	644,857	717,073	666,310	757,483	766,436	666,999	822,524	839,009	687,157	695,166
Customer Information	114,300	101,174	63,246	74,169	70,861	109,523	100,114	99,153	94,685	96,831
Community Development	249,278	272,645	225,361	104,374	110,168	105,392	116,253	103,444	237,295	113,707
Conservation	196,223	131,000	177,471	166,162	169,612	124,969	771,109	130,046	92,527	96,575
Water Heater	116	1,032	(452)	19,187	2,062	(1,703)	292	-	-	-
Depreciation	1,746,726	1,839,595	1,875,607	1,945,796	2,007,314	2,030,899	2,122,530	2,252,812	2,265,910	2,337,535
<b>Total Operating Expenses</b>	<b>\$ 15,091,313</b>	<b>\$ 16,167,425</b>	<b>\$ 16,851,122</b>	<b>\$ 17,399,462</b>	<b>\$ 17,932,250</b>	<b>\$ 18,090,779</b>	<b>\$ 19,030,201</b>	<b>\$ 17,781,813</b>	<b>\$ 16,715,472</b>	<b>\$ 17,285,775</b>
<b>Operating Income</b>	<b>\$ 2,205,402</b>	<b>\$ 1,378,889</b>	<b>\$ 533,060</b>	<b>\$ 403,802</b>	<b>\$ 569,827</b>	<b>\$ 974,105</b>	<b>\$ 876,488</b>	<b>\$ 1,300,655</b>	<b>\$ 1,285,674</b>	<b>\$ 1,485,540</b>
<b>Non-Operating Income</b>										
Contributions	(23,257)	(137,100)	(166,458)	(288,198)	(242,033)	(114,868)	(68,769)	12,853	(66,409)	(189,207)
Transfers	150,238	(1,176)	(3,388)	(2,306)	(1,749)	(562)	(437)	29,720	155,108	-
	(935,152)	(827,316)	(861,444)	(854,976)	(855,924)	(861,864)	(864,984)	(855,648)	(860,508)	(836,444)
<b>Change in Net Position</b>	<b>\$ 1,397,231</b>	<b>\$ 413,297</b>	<b>\$ (498,230)</b>	<b>\$ (741,678)</b>	<b>\$ (529,880)</b>	<b>\$ (3,189)</b>	<b>\$ (57,702)</b>	<b>\$ 487,580</b>	<b>\$ 513,865</b>	<b>\$ 459,889</b>

**WAVERLY UTILITIES**  
WMEU - Principal Customers

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Type of Business	Revenue % Sales to Customers	
	2021	2020
Beverage Manufacturer	8.25%	8.90%
Private Liberal Arts College	7.74%	7.23%
Machining and Fabrication	6.55%	5.60%
Hospital	2.23%	2.66%
School	2.77%	2.32%

**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
2012	17,296,715	92,221	15,091,314	1,746,726	4,044,348	95,713	665,517	5.31
2013	17,546,314	67,839	16,167,425	1,839,595	3,286,323	26,050	658,421	4.80
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	18,672,608	132,523	17,285,775	2,337,535	3,856,891	284,367	1,153,421	2.68



**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, 2021, and the related notes to the financial statements, which collectively comprise Waverly Utilities' basic financial statements, and have issued our report thereon dated May 12, 2022.

**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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

### **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, 2021, 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.

### **Waverly Utilities' Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Waverly Utilities' response to the finding identified in our audit and described in the accompanying schedule of findings and responses. Waverly Utilities' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



Dubuque, Iowa  
May 12, 2022

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

**Significant Deficiency**

**2021-001      Significant Audit Adjustments**

**Criteria** – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition** – During the course of our engagement, we proposed a significant audit adjustment to accounts payable.

**Cause** – The Utilities’ internal controls were limited by a staffing change in the finance department during the accrual period.

**Effect** – The effect of this condition was financial data was not in accordance with generally accepted accounting principles.

**Recommendation** – We recommend staff continue to develop processes and procedures to appropriately document and record accounts payable transactions, especially during periods of transition.

**Response** – Management agrees with the finding and will review processes during staff changes to resolve issues in the future.

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

Single audit did not apply for fiscal year 2021.

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

2021-IA-A      **Certified Budget** – Disbursements during the year ended December 31, 2021, did not exceed the amount budgeted.

2021-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.

2021-IA-C      **Travel Expense** – No expenditures of Waverly Utilities’ money for travel expenses of spouses of Utility officials or employees were noted.

2021-IA-D      **Business Transactions** – No business transactions between Waverly Utilities and Waverly Utilities’ officials or employees were noted.

- 2021-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.
- 2021-IA-F      **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2021-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.
- 2021-IA-H      **Revenue Bonds** – No instances of noncompliance with the provisions of Waverly Utilities’ revenue bond resolutions were noted.
- 2021-IA-I      **Telecommunications Services** – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 2021-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.