

HARLAN MUNICIPAL UTILITIES

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEARS ENDED JUNE 30, 2024 AND 2023

# HARLAN MUNICIPAL UTILITIES

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HARLAN MUNICIPAL UTILITIES  
 Officials  
 June 30, 2024

<u>Trustees</u>	<u>Title</u>	<u>Term Expires</u>
Michelle Erickson	Chairperson	November, 2028
David Tyrrel (Resigned November, 2023)	Chairperson	
Jim Shelton	Vice Chairperson	November, 2027
Nella Seivert (Resigned May, 2024)	Board Member	
Doug Hammer (Resigned August, 2024)	Board Member	
Mike Maass (Appointed November, 2023)	Board Member	November, 2029
Allen Ickes (Appointed June, 2024)	Board Member	November, 2024
Joe Rueschenberg	Chief Executive Officer & Board Secretary	Indefinite
Curt Zimmerman	Director of Accounting & Finance	Indefinite
Law Office of Matt Hudson P.C.	Attorneys at Law	Indefinite

# Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER  
DUSTIN T. VEENSTRA  
FAITH E. HINRICHS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Harlan Municipal Utilities  
Harlan, Iowa

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of Harlan Municipal Utilities (a component unit of the City of Harlan, Iowa) which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Harlan Municipal Utilities as of June 30, 2024 and 2023 and the respective changes in its financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harlan Municipal Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 these 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 Harlan Municipal 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 judgement 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 Harlan Municipal Utilities' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant 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 Harlan Municipal 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 Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utilities' Contributions on pages 3 through 3e and on pages 40 through 44 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees  
Harlan Municipal Utilities

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harlan Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 1 and 45 through 57, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2024 on our consideration of Harlan Municipal Utilities' internal control over financial reporting and 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 Harlan Municipal 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 Harlan Municipal Utilities' internal control over financial reporting and compliance.

*Conrad Wohl, Ben Lyman & P. C.*

Atlantic, Iowa  
October 10, 2024

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of Harlan Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2024 and 2023. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

### 2024 FINANCIAL HIGHLIGHTS

- Operating revenues of the Utilities' activities decreased 0.87%, or \$152,278 from fiscal 2023 to fiscal 2024.
- Operating expenses of the Utilities' activities decreased 3.27%, or \$456,914 from fiscal 2023 to fiscal 2024.
- The Utilities' net position increased 7.57%, or \$3,946,040 from June 30, 2023 to June 30, 2024.

### 2023 FINANCIAL HIGHLIGHTS

- Operating revenues of the Utilities' activities increased 4.56%, or \$765,106 from fiscal 2022 to fiscal 2023.
- Operating expenses of the Utilities' activities increased 5.43%, or \$720,417 from fiscal 2022 to fiscal 2023.
- The Utilities' net position increased 8.29%, or \$3,993,743 from June 30, 2022 to June 30, 2023.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. These statements provide information about the activities of the Utilities on a comparative basis, including resources held by the Utilities but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year, the Utilities' proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the operations of the Utilities and grant activity. The Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Utilities.

## **REPORTING THE UTILITIES' FINANCIAL ACTIVITIES**

### *The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position*

One of the most important questions asked about the Utilities' finances is "Are the Utilities as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Utilities' resources and its activities in a way which helps answer this question. These statements include all assets (restricted and unrestricted), deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Utilities' net position, which is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as one way to measure the Utilities' financial health or financial position. Over time, increases or decreases in the Utilities' net position are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the Utilities' consumer base, changes in legislation and regulations, measures of the quantity and quality of services provided to its consumers and local economic conditions, are also important in making this determination.

### *The Statements of Cash Flows*

The Statements of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.



## FINANCIAL ANALYSIS OF THE UTILITIES

As noted earlier, net position may serve over time as a useful indicator of financial position. The Utilities' net position increased approximately \$3,993,743 (8.29%) from fiscal year 2022 to fiscal year 2023 and increased approximately \$3,946,040 (7.57%) from fiscal year 2023 to fiscal year 2024.

Statements of Net Position			
	2024	June 30, 2023	2022
Current assets	\$ 16,703,339	\$ 15,161,951	\$ 12,225,540
Special purpose funds	5,625,976	5,756,437	6,375,492
Capital assets	47,189,897	40,654,316	40,603,245
Other assets	<u>787,538</u>	<u>831,467</u>	<u>874,199</u>
Total assets	70,306,750	62,404,171	60,078,476
Deferred outflows of resources	457,883	248,256	246,904
Current liabilities	5,069,666	3,713,259	3,240,688
Long-term liabilities	9,420,080	6,466,576	7,555,904
Other liabilities	<u>64,286</u>	<u>61,661</u>	<u>65,650</u>
Total liabilities	14,554,032	10,241,496	10,862,242
Deferred inflows of resources	118,440	264,810	1,310,760
Net position:			
Net investment in capital assets	35,849,702	33,000,469	31,554,909
Restricted:			
Expendable	2,485,509	2,682,346	3,345,688
Unrestricted	<u>17,756,950</u>	<u>16,463,306</u>	<u>13,251,781</u>
Total net position	<u>\$ 56,092,161</u>	<u>\$ 52,146,121</u>	<u>\$ 48,152,378</u>

Restricted expendable net position decreased approximately \$196,837 from fiscal year 2023 to fiscal year 2024. Restricted expendable net position decreased approximately \$663,342 from fiscal year 2022 to fiscal year 2023.

Unrestricted net position increased approximately \$1,293,644 from fiscal year 2023 to fiscal year 2024, primarily due to operations and funding capital asset purchases from restricted net position. Unrestricted net position increased approximately \$3,211,525 from fiscal year 2022 to fiscal year 2023.

The following shows the changes in net position for the Utilities.

Statements of Revenues, Expenses and Changes in Net Position			
	Year ended June 30,		
	2024	2023	2022
Operating revenues:			
Sales to consumers	\$ 15,111,977	\$ 14,985,730	\$ 14,032,564
Other operating revenues	1,450,975	982,586	1,573,129
Other sales - MISO	822,615	1,569,529	1,167,046
Total operating revenues	<u>17,385,567</u>	<u>17,537,845</u>	<u>16,772,739</u>
Operating expenses:			
Plant operation	7,370,359	8,331,922	7,859,273
Distribution operation	1,601,922	1,312,890	1,259,647
Transmission operation	367,389	366,383	305,275
Administrative and general	999,717	1,093,858	1,053,509
Consumer services	18,708	( 7,187)	( 9,889)
Marketing and stakeholder relations	64,211	67,225	72,510
Employee benefits	975,683	749,077	691,495
Depreciation and amortization	2,120,661	2,061,396	2,023,327
Total operating expenses	<u>13,518,650</u>	<u>13,975,564</u>	<u>13,255,147</u>
Operating income	3,866,917	3,562,281	3,517,592
Non-operating revenues (expenses):			
Contributions to City - in lieu of taxes	( 255,833)	( 259,278)	( 260,235)
Litigation settlement	--	700,000	--
Income from investments	588,323	195,226	55,051
Interest expense on revenue notes	( 218,367)	( 169,486)	( 260,223)
Industrial development contribution	( 35,000)	( 35,000)	( 35,000)
Non-operating revenues (expenses),net	<u>79,123</u>	<u>431,462</u>	<u>( 500,407)</u>
Net income	3,946,040	3,993,743	3,017,185
Net position, beginning of year	<u>52,146,121</u>	<u>48,152,378</u>	<u>45,135,193</u>
Net position, end of year	<u>\$ 56,092,161</u>	<u>\$ 52,146,121</u>	<u>\$ 48,152,378</u>

### Operating Income

The first component of the overall change in the Utilities' net position is its operating income, which is the sum of sales to consumers and other operating revenues reduced by the expenses incurred to perform those services. In each of the past three years, the Utilities has reported an operating income. This is consistent with the Utilities' recent operating history as the Utilities were formed and are operated primarily to serve residents of the City of Harlan and the surrounding area.

The operating income for fiscal year 2024 increased \$304,636, or 8.55%, compared to fiscal year 2023.

Non-operating revenues and expenses consist primarily of contributions to City-in lieu of taxes, interest expense and investment income and litigation settlement. Investment income increased \$393,097 in fiscal year 2024 as compared to fiscal year 2023 mainly due to increased investment rates. Interest expense increased \$48,881, or 28.84% primarily due to additional long-term debt being drawn during the year.

### *Statements of Cash Flows*

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing and investing activities. Cash provided by (used in) operating activities includes utility charges reduced by payments to employees and to suppliers. Cash used in noncapital financing activities includes contributions to City - in lieu of taxes. Cash used in capital and related financing activities includes note payments and the purchase of capital assets. Cash provided by (used in) investing activities includes the purchase of investments and interest income.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2024, the Utilities had \$47,189,897 invested in capital assets, net of accumulated depreciation/amortization, as detailed in Note G to the financial statements. In fiscal year 2024 the Utilities acquired or constructed capital assets costing approximately \$8,653,000.

At June 30, 2023, the Utilities had \$40,654,316 invested in capital assets, net of accumulated depreciation/amortization, as detailed in Note G to the financial statements. In fiscal year 2023 the Utilities acquired or constructed capital assets costing approximately \$2,109,000.

### **Long-Term Debt**

At June 30, 2024, the Utilities had outstanding revenue notes totaling approximately \$9,693,000, as detailed in Notes I-L to the financial statements. During 2024 the Utilities entered into a new note of \$50,001 and an additional \$3,551,032 was drawn from the 2023 note. The Utilities paid down debt by \$1,579,393.

At June 30, 2023, the Utilities had outstanding revenue notes totaling approximately \$7,671,400, as detailed in Notes I-L to the financial statements. During 2023 the Utilities entered into a new debt agreement of \$5,364,000 of which \$50,001 was drawn during the year and an additional \$95,117 was drawn from the 2021 note. The Utilities paid down debt by \$1,543,124.

The Utilities' formal debt issuances, revenue notes, are subject to limitations imposed by state law. There have been no changes in the Utilities' debt ratings during the past two years.

## **ECONOMIC FACTORS**

Harlan Municipal Utilities continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Utilities officials. Some of the realities which may potentially become challenges for the Utilities to meet are:

- Natural resource costs will continue to increase.
- Facilities at the Utilities require constant maintenance and upkeep.
- Shortages of qualified employees.

The Utilities anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Utilities' ability to react to unknown issues.

## **CONTACTING THE UTILITIES'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our consumers, suppliers, and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report and or need additional financial information, contact Chief Executive Officer, 2412 Southwest Avenue, Harlan, Iowa 51537-0071.

HARLAN MUNICIPAL UTILITIES  
Statements of Net Position  
June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Electric	Gas	Water
Capital Assets - net of depreciation	\$ 26,001,602	\$ 1,960,060	\$ 16,103,211
Special Purpose Funds:			
Restricted funds	1,629,308	--	669,913
Board designated funds	2,443,405	647,062	--
Total special purpose funds	4,072,713	647,062	669,913
Current Assets:			
Cash	4,446,506	1,095,796	821,311
Certificates of deposit	5,196,743	2,088,828	--
Industrial development fund	153,352	124,474	--
Accrued interest	78,775	32,440	467
Accounts receivable, net	377,918	38,354	210,405
Unbilled usage	270,390	102,733	159,510
Inventory	563,137	29,319	63,441
Prepaid expenses	135,683	66,951	53,080
Notes receivable - Telecommunications	40,703	--	--
Total current assets	11,263,207	3,578,895	1,308,214
Other Assets:			
Note receivable - Telecommunications	773,257	--	--
Other assets	--	--	14,281
Total other assets	773,257	--	14,281
Total assets	42,110,779	6,186,017	18,095,619
Deferred Outflows of Resources	151,842	123,330	127,898
Total assets and deferred outflows of resources	\$ 42,262,621	\$ 6,309,347	\$ 18,223,517

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Long-Term Debt, less current maturities	\$ --	\$ --	\$ 3,616,000
Net Pension Liability	335,540	274,533	284,701
Current Liabilities:			
Current maturities of long-term debt	258,000	--	4,471,034
Checks issued in excess of cash balance	--	--	--
Accounts payable	849,051	101,052	1,376,631
Accrued employee compensation	131,737	69,059	99,768
Accrued property taxes	95,468	--	--
Accrued expenses	48,511	1,815	13,220
Consumer credits	--	6,753	--
Due City of Harlan for collections and fees	--	--	--
Accrued interest	1,219	--	48,351
Total current liabilities	1,383,986	178,679	6,009,004
Other Liabilities:			
Consumer deposits	64,286	--	--
Total liabilities	1,783,812	453,212	9,909,705
Deferred Inflows of Resources - Pension	39,085	31,979	33,163
Net Position:			
Invested in capital assets, net of related debt	25,142,731	1,960,060	6,971,011
Restricted - expendable	1,629,308	--	669,913
Unrestricted	13,667,685	3,864,096	639,725
Total net position	40,439,724	5,824,156	8,280,649
Total liabilities, deferred inflows of resources, and net position	\$ 42,262,621	\$ 6,309,347	\$ 18,223,517

The accompanying notes are an integral part of these statements.

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ 3,125,024	\$ --	\$ 47,189,897
186,288	--	2,485,509
50,000	--	3,140,467
<u>236,288</u>	<u>--</u>	<u>5,625,976</u>
--	182,288	6,545,901
--	--	7,285,571
--	--	277,826
1,835	--	113,517
182,410	108,016	917,103
219	--	532,852
3,471	--	659,368
74,784	--	330,498
--	--	40,703
<u>262,719</u>	<u>290,304</u>	<u>16,703,339</u>
--	--	773,257
--	--	14,281
<u>--</u>	<u>--</u>	<u>787,538</u>
3,624,031	290,304	70,306,750
<u>54,813</u>	<u>--</u>	<u>457,883</u>
<u>\$ 3,678,844</u>	<u>\$ 290,304</u>	<u>\$ 70,764,633</u>
\$ 1,136,257	\$ --	\$ 4,752,257
122,015	--	1,016,789
211,703	--	4,940,737
479,683	--	479,683
105,522	70	2,432,326
50,659	--	351,223
--	--	95,468
5,803	1,186	70,535
--	--	6,753
--	289,065	289,065
5,340	--	54,910
<u>858,710</u>	<u>290,321</u>	<u>8,720,700</u>
--	--	64,286
2,116,982	290,321	14,554,032
14,213	--	118,440
1,775,900	--	35,849,702
186,288	--	2,485,509
( 414,539)	( 17)	17,756,950
<u>1,547,649</u>	<u>( 17)</u>	<u>56,092,161</u>
<u>\$ 3,678,844</u>	<u>\$ 290,304</u>	<u>\$ 70,764,633</u>

HARLAN MUNICIPAL UTILITIES  
Statements of Net Position  
June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Electric	Gas	Water
Capital Assets - net of depreciation	\$ 25,074,935	\$ 1,187,240	\$ 11,076,162
Special Purpose Funds:			
Restricted funds	2,421,905	--	39,713
Board designated funds	2,413,029	623,062	--
Total special purpose funds	4,834,934	623,062	39,713
Current Assets:			
Cash	6,091,195	3,397,946	724,399
Certificates of deposit	2,037,122	--	--
Industrial development fund	153,142	124,303	--
Accrued interest	24,772	8,545	335
Accounts receivable, net	479,584	57,168	203,873
Unbilled usage	286,379	87,401	146,159
Inventory	421,164	26,181	57,098
Prepaid expenses	112,247	42,973	44,634
Notes receivable - Telecommunications	39,393	--	--
Total current assets	9,644,998	3,744,517	1,176,498
Other Assets:			
Note receivable - Telecommunications	813,960	--	--
Other assets	--	--	17,507
Total other assets	813,960	--	17,507
Total assets	40,368,827	5,554,819	12,309,880
Deferred Outflows of Resources	85,629	65,536	67,964
Total assets and deferred outflows of resources	\$ 40,454,456	\$ 5,620,355	\$ 12,377,844

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Long-Term Debt, less current maturities	\$ 258,000	\$ --	\$ 4,056,001
Net Pension Liability	265,523	217,246	225,292
Current Liabilities:			
Current maturities of long-term debt	996,000	--	808,000
Checks issued in excess of cash balance	--	--	--
Accounts payable	229,126	82,910	181,726
Accrued employee compensation	116,892	59,954	93,325
Accrued property taxes	99,204	--	--
Accrued expenses	14,545	1,806	12,646
Consumer credits	--	10,413	--
Due City of Harlan for collections and fees	--	--	--
Accrued interest	5,925	--	38,360
Total current liabilities	1,461,692	155,083	1,134,057
Other Liabilities:			
Consumer deposits	61,661	--	--
Total liabilities	2,046,876	372,329	5,415,350
Deferred Inflows of Resources	85,902	70,284	72,887
Net Position:			
Invested in capital assets, net of related debt	23,820,935	1,187,240	6,229,668
Restricted - expendable	2,421,905	--	39,713
Unrestricted	12,078,838	3,990,502	620,226
Total net position	38,321,678	5,177,742	6,889,607
Total liabilities, deferred inflows of resources, and net position	\$ 40,454,456	\$ 5,620,355	\$ 12,377,844

The accompanying notes are an integral part of these statements.

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ 3,315,979	\$ --	\$ 40,654,316
220,728	--	2,682,346
38,000	--	3,074,091
<u>258,728</u>	<u>--</u>	<u>5,756,437</u>
--	208,117	10,421,657
--	--	2,037,122
--	--	277,445
112	--	33,764
203,867	107,050	1,051,542
413	--	520,352
3,847	--	508,290
72,532	--	272,386
--	--	39,393
<u>280,771</u>	<u>315,167</u>	<u>15,161,951</u>
--	--	813,960
--	--	17,507
<u>--</u>	<u>--</u>	<u>831,467</u>
3,855,478	315,167	62,404,171
<u>29,127</u>	<u>--</u>	<u>248,256</u>
<u>\$ 3,884,605</u>	<u>\$ 315,167</u>	<u>\$ 62,652,427</u>
\$ 1,347,960	\$ --	\$ 5,661,961
96,554	--	804,615
205,393	--	2,009,393
222,386	--	222,386
130,060	--	623,822
74,141	--	344,312
--	--	99,204
8,724	966	38,687
--	--	10,413
--	313,964	313,964
6,793	--	51,078
<u>647,497</u>	<u>314,930</u>	<u>3,713,259</u>
<u>--</u>	<u>--</u>	<u>61,661</u>
2,092,011	314,930	10,241,496
35,737	--	264,810
1,762,626	--	33,000,469
220,728	--	2,682,346
( 226,497)	237	16,463,306
<u>1,756,857</u>	<u>237</u>	<u>52,146,121</u>
<u>\$ 3,884,605</u>	<u>\$ 315,167</u>	<u>\$ 62,652,427</u>



HARLAN MUNICIPAL UTILITIES  
Statements of Revenues, Expenses and Changes in Net Position  
Year ended June 30, 2024

	Electric	Gas	Water
Operating Revenues:			
Sales to consumers	\$ 6,160,559	\$ 3,583,227	\$ 3,366,108
Other operating revenue	771,482	81,119	520,895
Other sales - MISO	822,615	---	--
Total operating revenues	7,754,656	3,664,346	3,887,003
Operating Expenses:			
Plant operation	2,879,951	2,315,961	855,549
Distribution operation	753,614	262,882	415,841
Transmission operation	367,389	--	--
Administrative and general	272,770	235,623	295,180
Consumer services	( 13,732)	1,047	579
Marketing and stakeholder relations	7,677	4,510	6,582
Employee benefits	334,966	129,157	264,972
Depreciation and amortization	1,289,607	107,573	478,538
Total operating expenses	5,892,242	3,056,753	2,317,241
Operating Income (Loss)	1,862,414	607,593	1,569,762
Non-Operating Revenues (Expenses):			
Contributions to City in lieu of taxes	( 166,936)	( 40,658)	( 46,937)
Income from investments	454,074	96,979	19,483
Interest expense on revenue notes	( 14,006)	--	( 151,266)
Industrial development contribution	( 17,500)	( 17,500)	--
Non-Operating Expenses, net	255,632	38,821	( 178,720)
Net income (Loss)	2,118,046	646,414	1,391,042
Net Position, Beginning of Year	38,321,678	5,177,742	6,889,607
Net Position, End of Year	\$ 40,439,724	\$ 5,824,156	\$ 8,280,649

The accompanying notes are an integral part of these statements.

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ 2,002,083	\$ --	\$ 15,111,977
77,479	--	1,450,975
--	--	822,615
<u>2,079,562</u>	<u>--</u>	<u>17,385,567</u>
1,318,898	--	7,370,359
169,585	--	1,601,922
--	--	367,389
196,144	--	999,717
30,560	254	18,708
45,442	--	64,211
246,588	--	975,683
244,943	--	2,120,661
<u>2,252,160</u>	<u>254</u>	<u>13,518,650</u>
( 172,598)	( 254)	3,866,917
( 1,302)	--	( 255,833)
17,787	--	588,323
( 53,095)	--	( 218,367)
--	--	( 35,000)
<u>( 36,610)</u>	<u>--</u>	<u>79,123</u>
( 209,208)	( 254)	3,946,040
<u>1,756,857</u>	<u>237</u>	<u>52,146,121</u>
<u>\$ 1,547,649</u>	<u>\$( 17)</u>	<u>\$ 56,092,161</u>

HARLAN MUNICIPAL UTILITIES  
Statements of Revenues, Expenses and Changes in Net Position  
Year ended June 30, 2023

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
Operating Revenues:			
Sales to consumers	\$ 6,315,365	\$ 3,704,523	\$ 2,929,781
Other operating revenue	804,044	23,652	59,035
Other sales - MISO	<u>1,569,529</u>	<u>--</u>	<u>--</u>
Total operating revenues	<u>8,688,938</u>	<u>3,728,175</u>	<u>2,988,816</u>
Operating Expenses:			
Plant operation	3,326,105	2,740,455	915,853
Distribution operation	725,395	218,997	199,123
Transmission operation	366,383	--	--
Administrative and general	264,318	226,488	388,984
Consumer services	( 9,954)	758	1,105
Marketing and stakeholder relations	7,843	5,051	8,011
Employee benefits	252,606	80,823	201,656
Depreciation and amortization	<u>1,260,134</u>	<u>103,295</u>	<u>454,229</u>
Total operating expenses	<u>6,192,830</u>	<u>3,375,867</u>	<u>2,168,961</u>
Operating Income (Loss)	2,496,108	352,308	819,855
Non-Operating Revenues (Expenses):			
Contributions to City in lieu of taxes	( 174,490)	( 42,683)	( 40,821)
Litigation settlement	--	--	700,000
Income from investments	157,819	29,793	3,882
Interest expense on revenue notes	( 32,750)	--	( 76,720)
Industrial development contribution	<u>( 17,500)</u>	<u>( 17,500)</u>	<u>--</u>
Non-Operating Expenses, net	<u>( 66,921)</u>	<u>( 30,390)</u>	<u>586,341</u>
Net Income (Loss)	2,429,187	321,918	1,406,196
Net Position, Beginning of Year	<u>35,892,491</u>	<u>4,855,824</u>	<u>5,483,411</u>
Net Position, End of Year	<u>\$ 38,321,678</u>	<u>\$ 5,177,742</u>	<u>\$ 6,889,607</u>

The accompanying notes are an integral part of these statements.

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ 2,036,061	\$ --	\$ 14,985,730
95,595	260	982,586
--	--	1,569,529
<u>2,131,656</u>	<u>260</u>	<u>17,537,845</u>
1,349,509	--	8,331,922
169,375	--	1,312,890
--	--	366,383
214,068	--	1,093,858
881	23	( 7,187)
46,320	--	67,225
213,992	--	749,077
243,738	--	2,061,396
<u>2,237,883</u>	<u>23</u>	<u>13,975,564</u>
( 106,227)	237	3,562,281
( 1,284)	--	( 259,278)
--	--	700,000
3,732	--	195,226
( 60,016)	--	( 169,486)
--	--	( 35,000)
<u>( 57,568)</u>	<u>--</u>	<u>431,462</u>
( 163,795)	237	3,993,743
<u>1,920,652</u>	<u>--</u>	<u>48,152,378</u>
<u>\$ 1,756,857</u>	<u>\$ 237</u>	<u>\$ 52,146,121</u>

HARLAN MUNICIPAL UTILITIES  
Statements of Cash Flows  
Year ended June 30, 2024

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
Cash flows from operating activities:			
Cash received from consumers	\$ 6,298,802	\$ 3,582,912	\$ 3,346,395
Cash paid to suppliers	( 4,151,165)	( 2,660,132)	( 1,219,650)
Cash paid to employees	( 618,150)	( 327,583)	( 531,786)
Other operating revenue	<u>1,594,097</u>	<u>81,119</u>	<u>520,895</u>
Net cash provided by (used in) operating activities	3,123,584	676,316	2,115,854
Cash flows from noncapital financing activities:			
Contributions to City - in lieu of taxes	<u>( 166,936)</u>	<u>( 40,658)</u>	<u>( 46,937)</u>
Net cash used in noncapital financing activities	( 166,936)	( 40,658)	( 46,937)
Cash flows from capital and related financing activities:			
Debt proceeds	--	--	3,601,033
Principal payments	( 996,000)	--	( 378,000)
Interest paid on revenue notes	( 14,288)	--	( 141,275)
Capital expenditures	( 1,615,403)	( 880,393)	( 4,442,914)
Increase in checks issued in excess of cash balance	<u>--</u>	<u>--</u>	<u>--</u>
Net cash used in capital and related financing activities	( 2,625,691)	( 880,393)	( 1,361,156)
Cash flows from investing activities:			
Special purpose fund investments:			
Proceeds	212,157	--	--
Certificates of deposit:			
Acquisitions	( 3,159,621)	( 2,088,828)	--
Telecommunications department note proceeds	39,393	--	--
Income from investments	400,071	73,084	19,351
Industrial development contribution	<u>( 17,500)</u>	<u>( 17,500)</u>	<u>--</u>
Net cash provided by (used in) investing activities	<u>( 2,525,500)</u>	<u>( 2,033,244)</u>	<u>19,351</u>
Net increase (decrease) in cash	( 2,194,543)	( 2,277,979)	727,112
Cash at beginning of year	<u>8,804,713</u>	<u>4,145,311</u>	<u>764,112</u>
Cash at end of year	<u>\$ 6,610,170</u>	<u>\$ 1,867,332</u>	<u>\$ 1,491,224</u>

(continued next page)

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ 1,993,550	\$ 1,343,440	\$ 16,565,099
( 1,711,333)	( 1,369,269)	( 11,111,549)
( 341,430)	--	( 1,818,949)
<u>77,479</u>	<u>--</u>	<u>2,273,590</u>
18,266	( 25,829)	5,908,191
<u>( 1,302)</u>	<u>--</u>	<u>( 255,833)</u>
( 1,302)	--	( 255,833)
--	--	3,601,033
( 205,393)	--	( 1,579,393)
( 54,548)	--	( 210,111)
( 52,824)	--	( 6,991,534)
<u>257,297</u>	<u>--</u>	<u>257,297</u>
( 55,468)	--	( 4,922,708)
--	--	212,157
--	--	( 5,248,449)
--	--	39,393
16,064	--	508,570
<u>--</u>	<u>--</u>	<u>( 35,000)</u>
<u>16,064</u>	<u>--</u>	<u>( 4,523,329)</u>
( 22,440)	( 25,829)	( 3,793,679)
<u>212,530</u>	<u>208,117</u>	<u>14,134,783</u>
<u>\$ 190,090</u>	<u>\$ 182,288</u>	<u>\$ 10,341,104</u>

HARLAN MUNICIPAL UTILITIES  
Statements of Cash Flows - Continued  
Year ended June 30, 2024

	Electric	Gas	Water
Reconciliation of cash to the statements of net position:			
Cash in current assets	\$ 4,599,858	\$ 1,220,270	\$ 821,311
Cash in special purpose funds	2,010,312	647,062	669,913
Total cash	\$ 6,610,170	\$ 1,867,332	\$ 1,491,224
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,862,414	\$ 607,593	\$ 1,569,762
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,289,607	107,573	475,312
Amortization	--	--	3,226
Changes in assets and liabilities:			
Receivables	117,655	3,482	( 19,883)
Inventory	( 141,973)	( 3,138)	( 6,343)
Prepaid expenses	( 23,436)	( 23,978)	( 8,446)
Customer credits	--	( 3,660)	--
Deferred outflows of resources - pension	( 70,637)	( 57,794)	( 59,934)
Net pension liability	70,017	57,287	59,409
Accounts payable:			
Trade	19,054	18,142	135,458
Accrued employee compensation	14,845	9,105	6,443
Accrued property taxes	( 3,736)	--	--
Accrued expenses	33,966	9	574
Due to City sewer	--	--	--
Consumer deposits	2,625	--	--
Deferred inflows of resources	( 46,817)	( 38,305)	( 39,724)
Total adjustments	1,261,170	68,723	546,092
Net cash provided by (used in) operating activities	\$ 3,123,584	\$ 676,316	\$ 2,115,854

The accompanying notes are an integral part of these statements.

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ --	\$ 182,288	\$ 6,823,727
<u>190,090</u>	<u>--</u>	<u>3,517,377</u>
<u>\$ 190,090</u>	<u>\$ 182,288</u>	<u>\$ 10,341,104</u>
\$( 172,598)	\$( 254)	\$ 3,866,917
244,943	--	2,117,435
--	--	3,226
21,651	( 966)	121,939
376	--	( 151,078)
( 2,252)	--	( 58,112)
--	--	( 3,660)
( 25,686)	--	( 214,051)
25,461	--	212,174
( 25,702)	70	147,022
( 23,482)	--	6,911
--	--	( 3,736)
( 2,921)	220	31,848
--	( 24,899)	( 24,899)
--	--	2,625
( 21,524)	--	( 146,370)
<u>190,864</u>	<u>( 25,575)</u>	<u>2,041,274</u>
<u>\$ 18,266</u>	<u>\$( 25,829)</u>	<u>\$ 5,908,191</u>



HARLAN MUNICIPAL UTILITIES  
Statements of Cash Flows  
Year ended June 30, 2023

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
Cash flows from operating activities:			
Cash received from consumers	\$ 6,437,725	\$ 3,716,310	\$ 2,874,798
Cash paid to suppliers	( 4,521,275)	( 3,180,946)	( 1,223,005)
Cash paid to employees	( 604,159)	( 279,592)	( 447,528)
Other operating revenue	<u>2,373,573</u>	<u>23,652</u>	<u>59,035</u>
Net cash provided by (used in) operating activities	3,685,864	279,424	1,263,300
Cash flows from noncapital financing activities:			
Contributions to City - in lieu of taxes	( 174,490)	( 42,683)	( 40,821)
Litigation settlement	--	--	700,000
Transfer cash	<u>--</u>	<u>--</u>	<u>( 236,430)</u>
Net cash provided by (used in) noncapital financing activities	( 174,490)	( 42,683)	422,749
Cash flows from capital and related financing activities:			
Debt proceeds	--	--	145,118
Principal payments	( 979,000)	--	( 366,000)
Interest paid on revenue notes	( 32,952)	--	( 109,610)
Capital expenditures	( 875,576)	( 96,877)	( 1,076,564)
Increase in checks issued in excess of cash balance	<u>--</u>	<u>--</u>	<u>--</u>
Net cash used in capital and related financing activities	( 1,887,528)	( 96,877)	( 1,407,056)
Cash flows from investing activities:			
Special purpose fund investments:			
Proceeds	945,473	--	227,000
Certificates of deposit:			
Acquisitions	( 2,037,122)	--	--
Telecommunications department note proceeds	38,124	--	--
Income from investments	133,047	21,248	3,547
Industrial development contribution	<u>( 17,500)</u>	<u>( 17,500)</u>	<u>--</u>
Net cash provided by (used in) investing activities	( 937,978)	3,748	230,547
Net increase (decrease) in cash	685,868	143,612	509,540
Cash at beginning of year	<u>8,118,845</u>	<u>4,001,699</u>	<u>254,572</u>
Cash at end of year	<u>\$ 8,804,713</u>	<u>\$ 4,145,311</u>	<u>\$ 764,112</u>

(continued next page)

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ 2,035,756	\$ 1,355,269	\$ 16,419,858
( 1,722,840)	( 1,383,842)	( 12,031,908)
( 358,302)	--	( 1,689,581)
<u>95,595</u>	<u>260</u>	<u>2,552,115</u>
50,209	( 28,313)	5,250,484
( 1,284)	--	( 259,278)
--	--	700,000
<u>--</u>	<u>236,430</u>	<u>--</u>
( 1,284)	236,430	440,722
--	--	145,118
( 198,124)	--	( 1,543,124)
( 61,415)	--	( 203,977)
( 59,933)	--	( 2,108,950)
<u>222,386</u>	<u>--</u>	<u>222,386</u>
( 97,086)	--	( 3,488,547)
--	--	1,172,473
--	--	( 2,037,122)
--	--	38,124
3,620	--	161,462
<u>--</u>	<u>--</u>	<u>( 35,000)</u>
<u>3,620</u>	<u>--</u>	<u>( 700,063)</u>
( 44,541)	208,117	1,502,596
<u>257,071</u>	<u>--</u>	<u>12,632,187</u>
<u>\$ 212,530</u>	<u>\$ 208,117</u>	<u>\$ 14,134,783</u>

HARLAN MUNICIPAL UTILITIES  
Statements of Cash Flows - Continued  
Year ended June 30, 2023

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
Reconciliation of cash to the statements of net position:			
Cash in current assets	\$ 6,244,337	\$ 3,522,249	\$ 724,399
Cash in special purpose funds	<u>2,560,376</u>	<u>623,062</u>	<u>39,713</u>
Total cash	<u>\$ 8,804,713</u>	<u>\$ 4,145,311</u>	<u>\$ 764,112</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 2,496,108	\$ 352,308	\$ 819,855
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,260,134	103,295	450,712
Amortization	--	--	3,517
Changes in assets and liabilities:			
Receivables	102,172	112,302	( 54,909)
Inventory	( 9,116)	64	4,831
Prepaid expenses	( 964)	( 5,861)	( 6,148)
Customer credits	--	( 100,582)	--
Deferred outflows of resources - pension	( 1,907)	( 1,559)	( 1,617)
Net pension liability	255,674	209,188	216,935
Accounts payable:			
Trade	( 60,655)	( 123,360)	89,414
Accrued employee compensation	( 11,105)	7,038	15,531
Accrued property taxes	10,117	--	--
Accrued expenses	( 17,156)	( 588)	8,105
Due to city sewer	--	--	--
Consumer deposits	( 3,989)	--	--
Deferred inflows of resources	( 333,449)	( 272,821)	( 282,926)
Total adjustments	<u>1,189,756</u>	<u>( 72,884)</u>	<u>443,445</u>
Net cash provided by (used in) operating activities	<u>\$ 3,685,864</u>	<u>\$ 279,424</u>	<u>\$ 1,263,300</u>

The accompanying notes are an integral part of these statements.

<u>Telecommunications</u>	<u>Non-Major Sewer/Landfill</u>	<u>Total</u>
\$ --	\$ 208,117	\$ 10,699,102
<u>212,530</u>	<u>--</u>	<u>3,435,681</u>
<u>\$ 212,530</u>	<u>\$ 208,117</u>	<u>\$ 14,134,783</u>
\$ ( 106,227)	\$ 237	\$ 3,562,281
243,738	--	2,057,879
--	--	3,517
( 85)	( 5,746)	153,734
( 219)	--	( 4,440)
( 51,577)	--	( 64,550)
--	--	( 100,582)
( 693)	--	( 5,776)
92,972	--	774,769
3,944	--	( 90,657)
23,878	--	35,342
--	--	10,117
1,232	966	( 7,441)
--	( 23,770)	( 23,770)
--	--	( 3,989)
( 156,754)	--	( 1,045,950)
<u>156,436</u>	<u>( 28,550)</u>	<u>1,688,203</u>
<u>\$ 50,209</u>	<u>\$ ( 28,313)</u>	<u>\$ 5,250,484</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

1. Reporting Entity

The Harlan Municipal Utilities is made up of enterprise funds (departments) instituted to provide electric, gas, water and telecommunications service to residents of the City and the surrounding area. The Utilities are operated as a separate entity under the direction of a Board of Trustees. The members of the Board are appointed by the Mayor and approved by the City Council.

Harlan Municipal Utilities has been identified as a component unit of the City of Harlan, Iowa. The Utilities, for financial statement purposes, include all of the funds and account groups relevant to the operation of the electric, gas, water and telecommunications services. Harlan Municipal Utilities provides billing and collection of sewer and landfill services for the City of Harlan, however, those amounts have been netted for financial statement purposes. These financial statements do not reflect any activity or transactions of the City of Harlan and do not present consolidated information.

The financial positions and operations of the four departments are accounted for and reported separately in these financial statements. The Utilities report in accordance with Governmental Accounting Standards and Uniform Systems of Accounts prescribed by the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners.

2. Basis of Presentation

The Statements of Net Position display the Utilities' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position:*

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Utilities.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Utilities' policy to use restricted net position first.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

3. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Utilities distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utilities' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Use of Estimates

The 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

5. Capital Assets and Depreciation

The straight-line method is used for computing depreciation with lives on machinery and equipment ranging from five to thirty-five years and lives on buildings of fifty years. Cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties in efficient operating condition are charged to expense. Utility plant accounts are charged with the cost of improvements and replacements of the plant.

6. Accounts Receivable and Revenue Recognition

Billings for electric, water, gas and telecommunications revenues are rendered monthly on a cyclical basis. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Accounts receivable reported in the statements of net position are shown net of the allowances for doubtful accounts (Electric: \$40,000 in 2024 and \$35,000 in 2023) (Gas: \$34,000 in 2024 and \$28,000 in 2023) (Water: \$17,400 in 2024 and \$16,300 in 2023) (Telecommunications: \$4,400 in 2024 and \$56,000 in 2023).

7. Inventory Valuation

Inventories (materials, supplies and fuel) are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out method for materials and supplies and a weighted average basis for fuel.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

8. Investments

Investments are reported at fair value except for short-term highly liquid investments that have maturities of less than one year at the time of purchase. These investments are stated at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned.

9. Purpose of Special Funds

The Utilities have set aside certain assets for specific purposes. The board designated funds represent money designated by the Board of Trustees to be used in the payment of certain potential costs as identified in Note D. The restricted funds, as discussed in Note D, are the result of requirements established in bond issue documents and for consumer deposits. Use of restricted or unrestricted resources for individual projects is determined by the Utility Board of Trustees based on the facts regarding each specific situation.

10. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the Utilities after the measurement date but before the end of the Utilities' reporting period and deferred refunding costs.

11. 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.

12. Compensated Absences

Utility employees earn vacation hours at varying rates depending on years of service. Vacation time accumulates to a maximum of 300 hours. Any excess over 300 hours is lost. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

A limited amount of earned but unused sick leave may be accrued by an employee. Sick leave is payable when used, over maximum, or upon retirement or death. If an employee has accumulated over the maximum 576 hours, one-third of the excess will be paid to the employee each November. An employee forfeits any accrued sick leave if he resigns or is terminated before retirement. The accrued amounts for the one-third have been recognized in the financial statements as of June 30, 2024 and 2023 at current pay rates.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

13. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of the unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

14. Property Taxes

According to Iowa law, the Electric Utility is required to pay property taxes on transmission lines and related Utility property outside the Harlan city limits. The property taxes are recorded as of the date they become a liability.

15. Cash Equivalents

For purposes of the statement of cash flows, the Harlan Municipal Utilities considers all highly liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

16. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2024, disbursements did not exceed the amounts budgeted in the business type activities function.

NOTE B - TRANSACTIONS WITH CITY OF HARLAN, IOWA

The Utilities provide electric, gas, water, and telecommunications services to the City without payment.

The Utilities act as the billing and collection agent for the City in the collection of sewer and landfill fees from the residents of Harlan. This service is provided for no charge to the City.

Following is a summary of activity between the Utilities and City during the year and amounts due to the City at year end:

<u>Sewer/Landfill Department</u>	<u>2024</u>	<u>2023</u>
Sewer Fees Collected for City	\$ <u>1,209,868</u>	\$ <u>1,223,832</u>
Landfill Fees Collected for City	\$ <u>134,792</u>	\$ <u>137,206</u>
Account Payable to City	\$ <u>289,065</u>	\$ <u>313,964</u>



HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE C - TRANSACTIONS BETWEEN ELECTRIC, GAS, WATER, AND  
TELECOMMUNICATIONS DEPARTMENTS

Certain administrative costs are split between the Electric, Gas, Water, and Telecommunications Departments based on a formula applied consistently throughout the years. Other costs and all revenues are separately identified and accounted for within each Department.

Following is information about interdepartment transactions and amounts due between the Electric and Telecommunications Departments at June 30:

	2024	2023
Interest income (Electric) and expense (Telecommunications) during the year	\$ 27,378	\$ 28,646
Interest bearing note due to Electric from Telecommunications Department	\$ 813,960	\$ 853,353
Less current portion	( 40,703)	( 39,393)
	\$ 773,257	\$ 813,960
Current portion of interest bearing note due to Electric from Telecommunications Department	\$ 40,703	\$ 39,393

See Note L for details of the interest bearing note due to Electric from Telecommunications.

NOTE D - SPECIAL PURPOSE FUNDS

Restricted and board designated funds are available for the following purposes:

Electric Department

	2024	2023
Restricted by Bond Resolution for: Payment of principal and interest	\$ 1,001,896	\$ 1,649,904
Restricted by Debt Reserve	581,428	726,196
Consumer Deposit Fund	45,984	45,805
Total restricted	\$ 1,629,308	\$ 2,421,905
Board Designated for:		
Plant improvements, emergency and contingency funds	\$ 1,205,000	\$ 1,205,000
Capital improvements	1,089,739	1,059,363
Replacement funds bond requirement	148,666	148,666
Total board designated	\$ 2,443,405	\$ 2,413,029

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE D - SPECIAL PURPOSE FUNDS - Continued

Gas Department

	2024	2023
Board Designated for: System improvements	\$ 647,062	\$ 623,062
Total board designated	\$ 647,062	\$ 623,062

Water Department

	2024	2023
Restricted:		
Payment of principal and interest	\$ 559,913	\$ 39,713
Debt reserve	110,000	--
Total restricted	\$ 669,913	\$ 39,713

Telecommunications Department

	2024	2023
Restricted:		
Payment of principal and interest	\$ 48,090	\$ 82,530
Debt reserve	138,198	138,198
Total restricted	\$ 186,288	\$ 220,728
Board Designated for:		
System improvements, emergency and contingency funds	\$ 50,000	\$ 38,000
Total board designated	\$ 50,000	\$ 38,000

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE E - DEPOSITS AND INVESTMENTS

The Utilities' deposits at June 30, 2024 and 2023 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Utilities or their agent in the Utilities' name. Investments are stated as indicated in Note A.

The Utilities are authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of restricted and designated assets is as follows:

Electric Department

	2024	2023
Invested Funds:		
Certificates of Deposit	\$ 2,062,401	\$ 2,274,558
Other Interest Bearing Accounts	2,010,312	2,560,376
Total Investments	\$ 4,072,713	\$ 4,834,934

Gas Department

	2024	2023
Invested Funds:		
Other Interest Bearing Accounts	\$ 647,062	\$ 623,062
Total Investments	\$ 647,062	\$ 623,062

Water Department

	2024	2023
Invested Funds:		
Other Interest Bearing Accounts	\$ 669,913	\$ 39,713
Total Investments	\$ 669,913	\$ 39,713

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE E - DEPOSITS AND INVESTMENTS - Continued

Telecommunications Department

	2024	2023
Invested Funds:		
Certificates of Deposit	\$ 46,198	\$ 46,198
Other Interest Bearing Accounts	190,090	212,530
Total Investments	\$ 236,288	\$ 258,728

Interest rate risk - The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

NOTE F - FAIR VALUE MEASUREMENTS

The Utilities' investments are reported at fair value in the accompanying statements of net position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Utilities uses appropriate valuation techniques based on the available inputs to measure the fair value of its note receivable. When available, the Utilities measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 2 inputs were available to the Utilities, therefore, Level 3 inputs were used to value its investments at June 30, 2024 and 2023.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE F - FAIR VALUE MEASUREMENTS - Continued

*Level 3 Fair Value Measurements*

The Electric Department's note receivable is not actively traded and significant other observable inputs are not available. The fair value of the note receivable is based on contract value.

The following tables set forth, by level within the fair value hierarchy, the Utilities' investments at fair value as of June 30, 2024 and 2023:

<u>June 30, 2024</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using: Contract Value (Level 3)</u>
Note receivable	\$ 813,960	\$ 813,960
 <u>June 30, 2023</u>		
Note receivable	\$ 853,353	\$ 853,353

The following table reconciles the beginning and ending balances of fair value measurement for the Utilities' Level 3 assets using unobservable inputs for the years ended June 30, 2024 and 2023:

<u>June 30, 2024</u>	<u>Note Receivable</u>
Beginning balance	\$ 853,353
Collections on note receivable	<u>( 39,393)</u>
Ending balance	<u>\$ 813,960</u>
 <u>June 30, 2023</u>	
Beginning balance	\$ 891,477
Collections on note receivable	<u>( 38,124)</u>
Ending balance	<u>\$ 853,353</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2024 and 2023 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2024</u>
<u>Electric Department</u>				
Plant and Equipment	\$ 58,945,548	\$ 632,218	\$ --	\$ 59,577,766
Depreciation	<u>( 33,990,100)</u>	<u>( 1,289,607)</u>	<u>--</u>	<u>( 35,279,707)</u>
Depreciable Capital Assets, Net	<u>\$ 24,955,448</u>	<u>\$( 657,389)</u>	<u>\$ --</u>	<u>\$ 24,298,059</u>
Construction in Progress	\$ 1,655	\$ 1,632,341	\$ 48,285	\$ 1,585,711
Land and Land Rights	<u>117,832</u>	<u>--</u>	<u>--</u>	<u>117,832</u>
Non-Depreciable Capital Assets	<u>\$ 119,487</u>	<u>\$ 1,632,341</u>	<u>\$ 48,285</u>	<u>\$ 1,703,543</u>
	<u>Balance 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2023</u>
<u>Electric Department</u>				
Plant and Equipment	\$ 58,071,627	\$ 873,921	\$ --	\$ 58,945,548
Depreciation	<u>( 32,729,966)</u>	<u>( 1,260,134)</u>	<u>--</u>	<u>( 33,990,100)</u>
Depreciable Capital Assets, Net	<u>\$ 25,341,661</u>	<u>\$( 386,213)</u>	<u>\$ --</u>	<u>\$ 24,955,448</u>
Construction in Progress	\$ --	\$ 1,655	\$ --	\$ 1,655
Land and Land Rights	<u>117,832</u>	<u>--</u>	<u>--</u>	<u>117,832</u>
Non-Depreciable Capital Assets	<u>\$ 117,832</u>	<u>\$ 1,655</u>	<u>\$ --</u>	<u>\$ 119,487</u>
	<u>Balance 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2024</u>
<u>Gas Department</u>				
Plant and Equipment	\$ 3,632,557	\$ 96,107	\$ --	\$ 3,728,664
Depreciation	<u>( 2,452,817)</u>	<u>( 107,573)</u>	<u>--</u>	<u>( 2,560,390)</u>
Depreciable Capital Assets, Net	<u>\$ 1,179,740</u>	<u>\$( 11,466)</u>	<u>\$ --</u>	<u>\$ 1,168,274</u>
Construction in Progress	\$ --	\$ 784,286	\$ --	\$ 784,286
Land and Land Rights	<u>7,500</u>	<u>--</u>	<u>--</u>	<u>7,500</u>
Non-Depreciable Capital Assets	<u>\$ 7,500</u>	<u>\$ 784,286</u>	<u>\$ --</u>	<u>\$ 791,786</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE G - CAPITAL ASSETS - Continued

	<u>Balance 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2023</u>
<u>Gas Department</u>				
Plant and Equipment	\$ 3,535,680	\$ 96,877	\$ --	\$ 3,632,557
Depreciation	<u>( 2,349,522)</u>	<u>( 103,295)</u>	<u>--</u>	<u>( 2,452,817)</u>
Depreciable Capital Assets, Net	<u>\$ 1,186,158</u>	<u>\$( 6,418)</u>	<u>\$ --</u>	<u>\$ 1,179,740</u>
Land and Land Rights	<u>\$ 7,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,500</u>
Non-Depreciable Capital Assets	<u>\$ 7,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,500</u>
	<u>Balance 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2024</u>
<u>Water Department</u>				
Plant and Equipment	\$ 18,332,100	\$ 164,524	\$ --	\$ 18,496,624
Depreciation	<u>( 8,260,712)</u>	<u>( 475,312)</u>	<u>--</u>	<u>( 8,736,024)</u>
Depreciable Capital Assets, Net	<u>\$ 10,071,388</u>	<u>\$( 310,788)</u>	<u>\$ --</u>	<u>\$ 9,760,600</u>
Construction in Progress	\$ 1,000,324	\$ 5,337,837	\$ --	\$ 6,338,161
Land and Land Rights	<u>4,450</u>	<u>--</u>	<u>--</u>	<u>4,450</u>
Non-Depreciable Capital Assets	<u>\$ 1,004,774</u>	<u>\$ 5,337,837</u>	<u>\$ --</u>	<u>\$ 6,342,611</u>
	<u>Balance 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2023</u>
<u>Water Department</u>				
Plant and Equipment	\$ 17,796,900	\$ 535,200	\$ --	\$ 18,332,100
Depreciation	<u>( 7,810,000)</u>	<u>( 450,712)</u>	<u>--</u>	<u>( 8,260,712)</u>
Depreciable Capital Assets, Net	<u>\$ 9,986,900</u>	<u>\$ 84,488</u>	<u>\$ --</u>	<u>\$ 10,071,388</u>
Construction in Progress	\$ 458,960	\$ 541,364	\$ --	\$ 1,000,324
Land and Land Rights	<u>4,450</u>	<u>--</u>	<u>--</u>	<u>4,450</u>
Non-Depreciable Capital Assets	<u>\$ 463,410</u>	<u>\$ 541,364</u>	<u>\$ --</u>	<u>\$ 1,004,774</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE G - CAPITAL ASSETS - Continued

	Balance 2023	Additions	Disposals	Balance 2024
<u>Telecommunications Department</u>				
Plant and Equipment	\$ 7,671,971	\$ 53,988	\$ --	\$ 7,725,959
Depreciation	( 4,380,232)	( 244,943)	--	( 4,625,175)
Depreciable Capital Assets, Net	<u>\$ 3,291,739</u>	<u>\$( 190,955)</u>	<u>\$ --</u>	<u>\$ 3,100,784</u>
Land and Land Rights	\$ 24,240	\$ --	\$ --	\$ 24,240
Non-Depreciable Capital Assets	<u>\$ 24,240</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 24,240</u>
	Balance 2022	Additions	Disposals	Balance 2023
<u>Telecommunications Department</u>				
Plant and Equipment	\$ 7,612,038	\$ 59,933	\$ --	\$ 7,671,971
Depreciation	( 4,136,494)	( 243,738)	--	( 4,380,232)
Depreciable Capital Assets, Net	<u>\$ 3,475,544</u>	<u>\$( 183,805)</u>	<u>\$ --</u>	<u>\$ 3,291,739</u>
Land and Land Rights	\$ 24,240	\$ --	\$ --	\$ 24,240
Non-Depreciable Capital Assets	<u>\$ 24,240</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 24,240</u>



HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE H - DEFERRED OUTFLOWS OF RESOURCES

The deferred outflows of resources include deferred refunding costs and pension items. The deferred refunding cost is the difference between the reacquisition price and the net carrying amount of the old debt through an advance refunding. The deferred pension items represent the differences between expected and actual experience, changes of assumptions, changes in proportion of contributions and contributions subsequent to the measurement date. A schedule of the balances for the years ended June 30, 2024 and 2023 follows:

<u>June 30, 2024</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Telecommunications</u>	<u>Total</u>
Refunding costs	\$ 1,106	\$ --	\$ --	\$ --	\$ 1,106
Pension	<u>150,736</u>	<u>123,330</u>	<u>127,898</u>	<u>54,813</u>	<u>456,777</u>
	<u>\$ 151,842</u>	<u>\$ 123,330</u>	<u>\$ 127,898</u>	<u>\$ 54,813</u>	<u>\$ 457,883</u>
<u>June 30, 2023</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Telecommunications</u>	<u>Total</u>
Refunding costs	\$ 5,529	\$ --	\$ --	\$ --	\$ 5,529
Pension	<u>80,100</u>	<u>65,536</u>	<u>67,964</u>	<u>29,127</u>	<u>242,727</u>
	<u>\$ 85,629</u>	<u>\$ 65,536</u>	<u>\$ 67,964</u>	<u>\$ 29,127</u>	<u>\$ 248,256</u>

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Electric Department non-current liabilities for the years ended June 30, 2024 and 2023 follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2024</u>
2017 Revenue Capital				
Loan Notes	\$ 1,254,000	\$ --	\$ 996,000	\$ 258,000
Less Current Portion	<u>( 996,000)</u>	<u>( 258,000)</u>	<u>( 996,000)</u>	<u>( 258,000)</u>
Long-Term Debt, Net	258,000	( 258,000)	--	--
Net Pension Liability	265,523	70,017	--	335,540
Consumer Deposits, Net	<u>61,661</u>	<u>2,625</u>	<u>--</u>	<u>64,286</u>
Total Non-Current Liabilities	<u>\$ 585,184</u>	<u>\$ ( 185,358)</u>	<u>\$ --</u>	<u>\$ 399,826</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE I - ELECTRIC DEPARTMENT NON-CURRENT LIABILITIES - Continued

	<u>Balance 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2023</u>
2017 Revenue Capital Loan Notes	\$ 2,233,000	\$ --	\$ 979,000	\$ 1,254,000
Less Current Portion	<u>( 979,000)</u>	<u>( 996,000)</u>	<u>( 979,000)</u>	<u>( 996,000)</u>
Long-Term Debt, Net	1,254,000	( 996,000)	--	258,000
Net Pension Liability	9,849	255,674	--	265,523
Consumer Deposits, Net	<u>65,650</u>	<u>--</u>	<u>3,989</u>	<u>61,661</u>
Total Non-Current Liabilities	<u>\$ 1,329,499</u>	<u>\$ ( 740,326)</u>	<u>\$ 3,989</u>	<u>\$ 585,184</u>

Series 2017 Revenue Capital Loan Notes

The Series 2017 Revenue Capital Loan Notes were issued to advance refund the Series 2010 Revenue Capital Loan Notes. The 2017 Series Revenue Capital Loan Notes constitute a lien on the net income of the Electric Department. They are not general obligations of the City of Harlan. The notes mature in increasing amounts ranging from \$54,000 to \$996,000. Interest rate is 1.89%. The notes mature in October, 2024 and are subject to early redemption at any time.

The annual debt service on the notes is expected to require approximately 30% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately \$1,010,300 and \$3,421,700, respectively.

The resolutions of the Board of Trustees authorizing the issuance of the 2017 Electric Revenue Capital Loan Notes specify the creation and maintenance of a sinking fund, a debt service reserve fund, a capital improvement fund, and a surplus fund. Funding requirements have been fulfilled with the only remaining requirement being monthly accumulation of principal and interest for the next due date. Principal and interest payments required on Electric Department long-term debt during the year ending June 30, 2025 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 258,000	\$ 2,438	\$ 260,438
	<u>\$ 258,000</u>	<u>\$ 2,438</u>	<u>\$ 260,438</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE J - GAS DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Gas Department non-current liabilities for the years ended June 30, 2024 and 2023 follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2024</u>
Net Pension Liability	\$ 217,246	\$ 57,287	\$ --	\$ 274,533
Total Non-Current Liabilities	<u>\$ 217,246</u>	<u>\$ 57,287</u>	<u>\$ --</u>	<u>\$ 274,533</u>
	<u>Balance 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2023</u>
Net Pension Liability	\$ 8,058	\$ 209,188	\$ --	\$ 217,246
Total Non-Current Liabilities	<u>\$ 8,058</u>	<u>\$ 209,188</u>	<u>\$ --</u>	<u>\$ 217,246</u>

NOTE K - WATER DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Water Department non-current liabilities for the years ended June 30, 2024 and 2023 follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2024</u>
2012 Revenue Capital Loan Notes	\$ 4,384,000	\$ --	\$ 378,000	\$ 4,006,000
2021 Planning and Design Loan Note	430,000	--	--	430,000
2023 Water Revenue Capital Loan Notes	50,001	3,551,032	--	3,601,033
2024 Water Revenue Capital Loan Notes	--	50,001	--	50,001
	<u>4,864,001</u>	<u>3,601,033</u>	<u>378,000</u>	<u>8,087,034</u>
Less Current Portion Long-Term Debt, Net	<u>( 808,000)</u>	<u>( 4,041,034)</u>	<u>( 378,000)</u>	<u>( 4,471,034)</u>
	4,056,001	( 440,001)	--	3,616,000
Net Pension Liability	<u>225,292</u>	<u>59,409</u>	<u>--</u>	<u>284,701</u>
Total Non-Current Liabilities	<u>\$ 4,281,293</u>	<u>\$( 380,592)</u>	<u>\$ --</u>	<u>\$ 3,900,701</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE K - WATER DEPARTMENT NON-CURRENT LIABILITIES - Continued

	<u>Balance 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2023</u>
2012 Revenue Capital Loan Notes	\$ 4,750,000	\$ --	\$ 366,000	\$ 4,384,000
2021 Planning and Design Loan Note	334,883	95,117	--	430,000
2023 Water Revenue Capital Loan Notes	<u>--</u>	<u>50,001</u>	<u>--</u>	<u>50,001</u>
	5,084,883	145,118	366,000	4,864,001
Less Current Portion Long-Term Debt, Net	<u>( 366,000)</u>	<u>( 808,000)</u>	<u>( 366,000)</u>	<u>( 808,000)</u>
	4,718,883	( 662,882)	--	4,056,001
Net Pension Liability	<u>8,357</u>	<u>216,935</u>	<u>--</u>	<u>225,292</u>
Total Non-Current Liabilities	<u>\$ 4,727,240</u>	<u>\$( 445,947)</u>	<u>\$ --</u>	<u>\$ 4,281,293</u>

Series 2012 Water Revenue Capital Loan Notes

The Series 2012 Water Revenue Capital Loan Notes were issued to advance refund the Series 1999 Water Revenue Bonds and the Series 2004 Water Revenue Refunding Capital Loan Notes and provide funding for capital needs. The Series 2012 Capital Loan Notes constitute a lien on the net income of the Water Department. They are not general obligations of the City of Harlan. The notes mature in increasing amounts ranging from \$315,000 to \$504,000. The interest rate is 1.75% for the life of the loan. The notes mature in July, 2032 and are subject to early redemption at any point with 30 days notice given to the original purchaser.

Series 2021 Planning and Design Loan Note

The Series 2021 Planning and Design Loan Note was issued to provide funding for capital needs with an agreement with Iowa Finance Authority. The Series 2021 Planning and Design Loan Note constitutes a lien on the net income of the Water Department. They are not general obligations of the City of Harlan. The interest rate is 0% for the life of the loan. The note has a maximum funding of \$430,000. The note was scheduled to mature in June, 2024 and was extended until the end of the project and is expected to be refinanced from a construction loan into a 40 year loan.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE K - WATER DEPARTMENT NON-CURRENT LIABILITIES - Continued

Series 2023 Water Revenue Capital Loan Notes

The Series 2023 Water Revenue Capital Loan Notes were issued to provide funding for capital needs with an agreement with a local bank. The Series 2023 Water Revenue Capital Loan Notes constitutes a lien on the net income of the Water Department. They are not general obligations of the City of Harlan. The interest rate is 4.34% for the life of the loan. The note has a maximum funding of \$5,364,000. The note matures in June, 2025 and is expected to be refinanced from a construction loan into a 40 year loan.

Series 2024 Water Revenue Capital Loan Notes

The Series 2024 Water Revenue Capital Loan Notes were issued to provide funding for additional capital needs with an agreement with a local bank. The Series 2024 Water Revenue Capital Loan Notes constitutes a lien on the net income of the Water Department. They are not general obligations of the City of Harlan. The interest rate is 5.34% for the life of the loan. The note has a maximum funding of \$2,644,000. The note matures in June, 2025 and is expected to be refinanced from a construction loan into a 40 year loan.

The annual debt service on the notes is expected to require approximately 26% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately \$519,300 and \$2,020,800, respectively.

Principal and interest payments required on Water Department long-term debt during each of the five years ending June 30, 2025 through 2029 and thereafter are as follows:

	Principal	Interest	Total
2025	\$ 4,471,034	\$ 66,693	\$ 4,537,727
2026	403,000	59,754	462,754
2027	416,000	52,588	468,588
2028	430,000	45,185	475,185
2029	444,000	37,537	481,537
2030-2033	1,923,000	68,644	1,991,644
	\$ 8,087,034	\$ 330,401	\$ 8,417,435

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE L - TELECOMMUNICATIONS DEPARTMENT NON-CURRENT LIABILITIES

A schedule of changes in Telecommunications Department non-current liabilities for the years ended June 30, 2024 and 2023 follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2024</u>
Due to Electric Department 2018 Revenue Capital Loan Notes	\$ 853,353	\$ --	\$ 39,393	\$ 813,960
	<u>700,000</u>	<u>--</u>	<u>166,000</u>	<u>534,000</u>
	1,553,353	--	205,393	1,347,960
Less Current Portion	<u>( 205,393)</u>	<u>( 211,703)</u>	<u>( 205,393)</u>	<u>( 211,703)</u>
Long-Term Debt, Net	1,347,960	( 211,703)	--	1,136,257
Net Pension Liability	<u>96,554</u>	<u>25,461</u>	<u>--</u>	<u>122,015</u>
Total Non-Current Liabilities	<u>\$ 1,444,514</u>	<u>\$( 186,242)</u>	<u>\$ --</u>	<u>\$ 1,258,272</u>
	<u>Balance 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2023</u>
Due to Electric Department 2018 Revenue Capital Loan Notes	\$ 891,477	\$ --	\$ 38,124	\$ 853,353
	<u>860,000</u>	<u>--</u>	<u>160,000</u>	<u>700,000</u>
	1,751,477	--	198,124	1,553,353
Less Current Portion	<u>( 198,302)</u>	<u>( 205,215)</u>	<u>( 198,124)</u>	<u>( 205,393)</u>
Long-Term Debt, Net	1,553,175	( 205,215)	--	1,347,960
Net Pension Liability	<u>3,582</u>	<u>92,972</u>	<u>--</u>	<u>96,554</u>
Total Non-Current Liabilities	<u>\$ 1,556,757</u>	<u>\$( 112,243)</u>	<u>\$ --</u>	<u>\$ 1,444,514</u>

Series 2018 Telecommunications Revenue Capital Loan Notes

The Series 2018 Telecommunications Revenue Capital Loan Notes were issued to refinance the Series 2012 Communications Revenue Capital Loan Notes. The Series 2018 Capital Loan Notes constitute a lien on the net income of the Telecommunications Department. They are not general obligations of the City of Harlan. The notes mature in April, 2027 with amounts ranging from \$151,000 to \$185,000. Interest rates range from 2.0% to 4.0%.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE L - TELECOMMUNICATIONS DEPARTMENT NON-CURRENT LIABILITIES -  
Continued

Due to Electric Department

The interest bearing note payable to the Electric Department resulted when the Electric Department paid off the Telecommunications Department Capital Loan Notes in 2014 and advanced funds in 2020. The Board set the interest rate on the Note to 3.25%. The note matures in January, 2040.

The annual debt service on the notes is expected to require greater than 100% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately \$259,900 and \$88,800, respectively. The difference is being funded through existing reserves of the Utilities.

Principal and interest payments required on Telecommunications Department long-term debt during each of the five years ending June 30, 2025 through 2029 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 211,703	\$ 47,260	\$ 258,963
2026	220,219	39,072	259,291
2027	228,611	30,559	259,170
2028	45,050	21,720	66,770
2029	46,536	20,234	66,770
2030-2034	256,746	77,105	333,851
2035-2039	301,982	31,869	333,851
2040	<u>37,113</u>	<u>314</u>	<u>37,427</u>
	<u>\$ 1,347,960</u>	<u>\$ 268,133</u>	<u>\$ 1,616,093</u>

NOTE M - DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources include advance of grant proceeds and pension plan earnings. The advance of grant proceeds are to be used to complete updates on C-band. Pension earnings represents the net difference between projected and realized earnings on IPERS' investments.

<u>June 30, 2024</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Telecommunications</u>	<u>Total</u>
Pension earnings	\$ 39,085	\$ 31,979	\$ 33,163	\$ 14,213	\$ 118,440
	<u>\$ 39,085</u>	<u>\$ 31,979</u>	<u>\$ 33,163</u>	<u>\$ 14,213</u>	<u>\$ 118,440</u>
<u>June 30, 2023</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Telecommunications</u>	<u>Total</u>
Advance of grant proceeds	\$ --	\$ --	\$ --	\$ 4,500	\$ 4,500
Pension earnings	85,902	70,284	72,887	31,237	260,310
	<u>\$ 85,902</u>	<u>\$ 70,284</u>	<u>\$ 72,887</u>	<u>\$ 35,737</u>	<u>\$ 264,810</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE N - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the 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 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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



HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE N - PENSION PLAN - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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.

In fiscal years 2024 and 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Utilities contributed 9.44% of covered payroll for a total rate of 15.73%.

The Utilities' contributions to IPERS for the years ended June 30, 2024 and 2023 were \$208,365 and \$186,753, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2024 and 2023, the Utilities reported a liability of \$1,016,789 and \$804,615, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2023, the Utilities' proportion was .022527%, which was an increase of .001230% from its proportion measured as of June 30, 2022.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE N - PENSION PLAN - Continued

For the years ended June 30, 2024 and 2023, the Utilities recognized pension expense (income) of \$51,627 and \$(63,683), respectively. The Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024					
	Electric		Gas		Water	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,387	\$ 1,379	\$ 23,226	\$ 1,128	\$ 24,086	\$ 1,170
Changes of assumptions	--	5	--	4	--	4
Net difference between projected and actual earnings on IPERS investments	31,075	--	25,425	--	26,368	--
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	22,514	37,701	18,420	30,847	19,102	31,989
Utilities contributions subsequent to the measurement date	<u>68,760</u>	<u>--</u>	<u>56,259</u>	<u>--</u>	<u>58,342</u>	<u>--</u>
	<u>\$ 150,736</u>	<u>\$ 39,085</u>	<u>\$ 123,330</u>	<u>\$ 31,979</u>	<u>\$ 127,898</u>	<u>\$ 33,163</u>
			2024			
			Telecommunications	Total All Utilities		
			Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience			\$ 10,323	\$ 501	\$ 86,022	\$ 4,178
Changes of assumptions			--	2	--	15
Net difference between projected and actual earnings on IPERS investments			11,299	--	94,167	--
Changes in proportion and differences between Utilities contributions and proportionate share of contributions			8,187	13,710	68,223	114,247
Utilities contributions subsequent to the measurement date			<u>25,004</u>	<u>--</u>	<u>208,365</u>	<u>--</u>
			<u>\$ 54,813</u>	<u>\$ 14,213</u>	<u>\$ 456,777</u>	<u>\$ 118,440</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE N - PENSION PLAN - Continued

	2023					
	Electric		Gas		Water	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,771	\$ 3,637	\$ 9,630	\$ 2,976	\$ 9,987	\$ 3,086
Changes of assumptions	225	6	185	5	191	5
Net difference between projected and actual earnings on IPERS investments	--	28,423	--	23,255	--	24,117
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	6,476	53,836	5,298	44,048	5,494	45,679
Utilities contributions subsequent to the measurement date	<u>61,628</u>	<u>--</u>	<u>50,423</u>	<u>--</u>	<u>52,292</u>	<u>--</u>
	<u>\$ 80,100</u>	<u>\$ 85,902</u>	<u>\$ 65,536</u>	<u>\$ 70,284</u>	<u>\$ 67,964</u>	<u>\$ 72,887</u>

	2023			
	Telecommunications		Total All Utilities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,280	\$ 1,323	\$ 35,668	\$ 11,022
Changes of assumptions	82	2	683	18
Net difference between projected and actual earnings on IPERS investments	--	10,336	--	86,131
Changes in proportion and differences between Utilities contributions and proportionate share of contributions	2,355	19,576	19,623	163,139
Utilities contributions subsequent to the measurement date	<u>22,410</u>	<u>--</u>	<u>186,753</u>	<u>--</u>
	<u>\$ 29,127</u>	<u>\$ 31,237</u>	<u>\$ 242,727</u>	<u>\$ 260,310</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE N - PENSION PLAN - Continued

Deferred outflows of resources related to pensions of \$208,365 and \$186,753 represent the amount the Utilities contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2025 and June 30, 2024, respectively. 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 June 30,	Electric	Gas	Water	Telecommunications	2024 Total
2025	\$( 17,556)	\$( 14,364)	\$( 14,895)	\$( 6,384)	\$( 53,199)
2026	( 33,932)	( 27,762)	( 28,790)	( 12,339)	( 102,823)
2027	74,181	60,694	62,941	26,975	224,791
2028	16,628	13,605	14,108	6,046	50,387
2029	3,570	2,919	3,029	1,298	10,816
	<u>\$ 42,891</u>	<u>\$ 35,092</u>	<u>\$ 36,393</u>	<u>\$ 15,596</u>	<u>\$ 129,972</u>

Year Ended June 30,	Electric	Gas	Water	Telecommunications	2023 Total
2024	\$( 37,129)	\$( 30,378)	\$( 31,504)	\$( 13,502)	\$( 112,513)
2025	( 33,177)	( 27,145)	( 28,150)	( 12,064)	( 100,536)
2026	( 48,231)	( 39,462)	( 40,923)	( 17,539)	( 146,155)
2027	51,820	42,398	43,969	18,845	157,032
2028	( 713)	( 584)	( 607)	( 260)	( 2,164)
	<u>\$( 67,430)</u>	<u>\$( 55,171)</u>	<u>\$( 57,215)</u>	<u>\$( 24,520)</u>	<u>\$( 204,336)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2023 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE N - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	21.0%	4.56%
International equity	16.5	6.22
Global smart beta equity	5.0	5.22
Core plus fixed income	23.0	2.69
Public credit	3.0	4.38
Cash	1.0	1.59
Private equity	17.0	10.44
Private real assets	9.0	3.88
Private credit	4.5	4.60
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Electric	\$ 713,433	\$ 335,540	\$ 18,860
Gas	583,718	274,533	15,430
Water	605,337	284,701	16,002
Telecommunications	259,430	122,015	6,858
Utilities' proportionate share of the net pension liability - June 30, 2024	<u>\$ 2,161,918</u>	<u>\$ 1,016,789</u>	<u>\$ 57,150</u>

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE N - PENSION PLAN - Continued

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Electric	\$ 494,701	\$ 265,523	\$ 63,554
Gas	404,755	217,246	51,999
Water	419,746	225,292	53,924
Telecommunications	179,891	96,554	23,110
Utilities' proportionate share of the net pension liability - June 30, 2023	\$ 1,499,093	\$ 804,615	\$ 192,587

IPERS' Fiduciary Net Position - Detailed information about IPERS' 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).

Payables to IPERS - At June 30, 2024 and 2023, the Utilities reported payables to IPERS of \$16,366 and \$ - 0 - , respectively, for legally required employer contributions and \$10,905 and \$ - 0 - , respectively, for legally required employee contributions withheld from employee wages which had not yet remitted to IPERS.

NOTE O - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The Utilities operate a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. At June 30, 2024 and 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the Utilities and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement. The following employees were covered by the benefit terms:

	June 30, 2024	June 30, 2023
Inactive employees or beneficiaries currently receiving benefit payments	0	0
Active employees	29	29
Total	29	29

Net OPEB Obligation: Management of the Utilities consider any OPEB obligation, which may exist, to be immaterial. No liability has been recorded.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE P - COMMITMENTS AND CONTINGENCIES

Power Supply

The Electric Utility participates with several other utility companies in the operation of a power plant located in Louisa and Muscatine Counties in Iowa to supply power. The project represents an ongoing commitment to provide operating and construction funds as they are needed to maintain and update the facility. The share applicable to Harlan is approximately 0.8% of the total costs.

Electric Department Construction in Progress

The construction in progress is for an overhead to underground project in and around Harlan. The Utilities has spent \$1,585,711 on this project. This project has an estimated total cost to complete of approximately \$2,270,000. Funds for the costs will be provided through existing and internally generated funds.

Gas Department Construction in Progress

The construction in progress is for construction cost for facility improvement projects in and around Harlan. The Utilities has spent \$784,286 on this project. This project is substantially paid, but some work is being completed before it can be put into service. Funds for the costs were provided through existing and internally generated funds.

Water Department Construction in Progress

The construction in progress is for engineering and construction cost for a waterwell water treatment development project in and around Harlan. The Utilities has spent \$6,338,161 on this project. This project has an estimated total cost to complete of approximately \$3,300,000. Funds for the costs will be provided through issuing capital loan notes and internally generated funds.

Risk Management

The Utilities are exposed to common business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Concentration of Credit Risk

Accounts receivable are due for electric, gas, water and telecommunications charges to customers of Harlan, Iowa and the surrounding area. None of the receivables are collateralized. To date, these concentrations of credit risk have not had an adverse effect on the results of operations of the Utilities.

Environmental Regulations

The Utilities are subject to various federal and state environmental regulations. These regulations are continuously revised and updated, resulting in ongoing compliance requirements. Management has determined that the facility is currently in compliance with the applicable regulations. The Utilities anticipate that any future cost incurred relating to environmental regulations will be recovered through rates charged to customers.

HARLAN MUNICIPAL UTILITIES  
Notes to Financial Statements  
June 30, 2024 and 2023

NOTE Q - LITIGATION SETTLEMENT

In 2023, the Utilities received proceeds of \$700,000 from a litigation settlement over issues with prior year water system improvements. This settlement is noted on the statement of revenues, expenses and changes in net position in the non-operating revenues (expenses) section.

NOTE R - SUBSEQUENT EVENTS

Subsequent Events

The Utilities has evaluated all subsequent events through October 10, 2024, the date the financial statements were available to be issued.

\* \* \*



REQUIRED SUPPLEMENTARY INFORMATION

HARLAN MUNICIPAL UTILITIES  
 Budgetary Comparison Schedule  
 Year Ended June 30, 2024

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a comparison of reported amounts to the cash basis budget for the year ended June 30, 2024.

	Total Proprietary Funds-Actual	Budget Adjustments	Budget Basis	Final Budget Amounts	Variance Favorable (Unfavorable)
Operating Revenues	\$ 17,385,567	\$ --	\$ 17,385,567	\$ 17,329,878	\$ 55,689
Operating Expenses:					
Plant operation	7,370,359	--	7,370,359	7,973,315	602,956
Distribution operation	1,601,922	--	1,601,922	2,059,371	457,449
Transmission operation	367,389	--	367,389	345,356	( 22,033)
Administrative and general	999,717	--	999,717	2,099,197	1,099,480
Consumer services	18,708	--	18,708	20,254	1,546
Marketing and relations	64,211	--	64,211	85,617	21,406
Employee benefits	975,683	--	975,683	--	( 975,683)
Amortization and depreciation	2,120,661	( 2,120,661)	--	--	--
Total operating expenses	<u>13,518,650</u>	<u>( 2,120,661)</u>	<u>11,397,989</u>	<u>12,583,110</u>	<u>1,185,121</u>
Operating Income	3,866,917	2,120,661	5,987,578	4,746,768	1,240,810
Other Revenues (Expenses), Net	<u>79,123</u>	<u>--</u>	<u>79,123</u>	<u>( 450,965)</u>	<u>530,088</u>
Change in Net Position	3,946,040	<u>\$ 2,120,661</u>	<u>\$ 6,066,701</u>	<u>\$ 4,295,803</u>	<u>\$ 1,770,898</u>
Total Net Position, Beginning	<u>52,146,121</u>				
Total Net Position, Ending	<u>\$ 56,092,161</u>				

See accompanying independent auditor's report.

HARLAN MUNICIPAL UTILITIES  
Notes to Required Supplementary Information - Budgetary Reporting  
Year Ended June 30, 2024

The Harlan Municipal Utilities (Utilities) prepares a budget on the cash basis of accounting for all funds, except sewer and landfill fees collected for and remitted to the City, and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes the Utilities, on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions, not by fund. The Utilities disbursements are budgeted in the business type activities function. During the year, there were no budget amendments.

During the year ended June 30, 2024, disbursements did not exceed the amounts budgeted.

See accompanying independent auditor's report.

HARLAN MUNICIPAL UTILITIES  
Schedule of the Utilities' Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Ten Years

Required Supplementary Information

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Utilities' proportion of the net pension liability	0.022527%	0.021297%	(0.008645%)	0.023271%
Utilities' proportionate share of the net pension liability	\$ 1,017,000	\$ 805,000	\$ 30,000	\$ 1,635,000
Utilities' covered payroll	\$ 1,978,000	\$ 1,715,000	\$ 1,728,000	\$ 1,847,000
Utilities' proportionate share of the net pension liability as a percentage of its covered payroll	51.42%	46.94%	1.74%	88.52%
IPERS' net position as a percentage of the total pension liability	90.13%	91.40%	100.81%	82.90%

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year-end. Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.024839%	0.023409%	0.023192%	0.025655%	0.025010%	0.025386%
\$ 1,438,000	\$ 1,481,000	\$ 1,545,000	\$ 1,615,000	\$ 1,235,000	\$ 1,007,000
\$ 1,890,000	\$ 1,759,000	\$ 1,731,000	\$ 1,841,000	\$ 1,713,000	\$ 1,661,000
76.08%	84.20%	89.25%	87.72%	72.10%	60.63%
85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

HARLAN MUNICIPAL UTILITIES  
Schedule of Utilities' Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years

Required Supplementary Information

	2024	2023	2022	2021
Statutorily required contribution	\$ 208,000	\$ 187,000	\$ 162,000	\$ 163,000
Contributions in relation to the statutorily required contribution	<u>( 208,000)</u>	<u>( 187,000)</u>	<u>( 162,000)</u>	<u>( 163,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Utilities' covered payroll	\$ 2,207,000	\$ 1,978,000	\$ 1,715,000	\$ 1,728,000
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%

Note - Amounts are rounded.

See accompanying independent auditor's report.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 174,000	\$ 178,000	\$ 157,000	\$ 155,000	\$ 164,000	\$ 153,000
<u>( 174,000)</u>	<u>( 178,000)</u>	<u>( 157,000)</u>	<u>( 155,000)</u>	<u>( 164,000)</u>	<u>( 153,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,847,000	\$ 1,890,000	\$ 1,759,000	\$ 1,731,000	\$ 1,841,000	\$ 1,713,000
9.44%	9.44%	8.93%	8.95%	8.91%	8.93%

HARLAN MUNICIPAL UTILITIES  
Notes to Required Supplementary Information - Pension Liability  
Year Ended June 30, 2024

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

\* \* \*

See accompanying independent auditor's report.



SUPPLEMENTARY INFORMATION

HARLAN MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Operating Expenses  
Year ended June 30,

	<u>2024</u>	<u>2023</u>
<b>Plant Operation:</b>		
Cost of power and line fees	\$ 2,028,112	\$ 2,127,608
Cost of other sales	483,335	869,423
Salaries and wages	56,207	16,918
Repairs and maintenance	16,065	21,611
Utilities	55,525	57,996
Insurance	73,269	66,252
Property taxes	91,901	109,469
Other	<u>75,537</u>	<u>56,828</u>
Total plant operation	2,879,951	3,326,105
<b>Distribution Operation:</b>		
Salaries and wages	393,676	406,279
Engineering	2,775	45,290
Repairs and maintenance	126,005	84,400
Other	<u>231,158</u>	<u>189,426</u>
Total distribution operation	753,614	725,395
<b>Transmission Operation:</b>		
Salaries and wages	257	2,627
Outside contracts	<u>367,132</u>	<u>363,756</u>
Total transmission operation	367,389	366,383
<b>Administration and General:</b>		
Salaries and wages	174,211	155,313
Office supplies	61,034	48,442
Education and travel	2,300	2,835
Professional	3,451	24,753
Other	<u>31,774</u>	<u>32,975</u>
Total administrative and general	272,770	264,318
<b>Consumer Services:</b>		
Salaries and wages	6,856	10,013
Bad debts (recoveries)	( 20,588)	( 20,188)
Other	<u>--</u>	<u>221</u>
Total consumer services	( 13,732)	( 9,954)
<b>Marketing and Stakeholder Relations:</b>		
Salaries and wages	1,788	1,904
Advertising	3,681	4,347
Other	<u>2,208</u>	<u>1,592</u>
Total marketing and stakeholder relations	7,677	7,843

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HARLAN MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Operating Expenses - Continued  
Year ended June 30,

	2024	2023
Employee Benefits:		
Payroll taxes	\$ 120,141	\$ 115,083
Health insurance	154,247	133,723
Compensated absences	108,014	83,481
Pension expense	( 47,436)	( 79,681)
Total employee benefits	334,966	252,606
Depreciation and Amortization:		
Depreciation	1,289,607	1,260,134
Total operating expenses	\$ 5,892,242	\$ 6,192,830

See accompanying independent auditor's report.

HARLAN MUNICIPAL UTILITIES  
GAS DEPARTMENT  
Operating Expenses  
Year ended June 30,

	2024	2023
<b>Plant Operation:</b>		
Cost of gas	\$ 2,168,255	\$ 2,595,032
Salaries and wages	25,855	19,485
Repairs and maintenance	858	5,990
Utilities	28,368	29,794
Insurance	55,189	49,931
Other	37,436	40,223
Total plant operation	2,315,961	2,740,455
<b>Distribution Operation:</b>		
Salaries and wages	156,689	130,546
Repairs and maintenance	2,612	5,907
Other	103,581	82,544
Total distribution operation	262,882	218,997
<b>Administration and General:</b>		
Salaries and wages	152,419	134,992
Office supplies	12,823	10,692
Education and travel	1,645	2,857
Professional	2,551	20,322
Other	66,185	57,625
Total administrative and general	235,623	226,488
<b>Consumer Services:</b>		
Salaries and wages	910	825
Bad debts	137	( 67)
Total consumer services	1,047	758
<b>Marketing and Stakeholder Relations:</b>		
Salaries and wages	815	782
Advertising	3,687	4,259
Other	8	10
Total marketing and stakeholder relations	4,510	5,051

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HARLAN MUNICIPAL UTILITIES  
 GAS DEPARTMENT  
 Operating Expenses - Continued  
 Year ended June 30,

	<u>2024</u>	<u>2023</u>
Employee Benefits:		
Payroll taxes	\$ 61,421	\$ 51,946
Health insurance	69,140	61,695
Compensated absences	37,408	32,374
Pension expense	<u>( 38,812)</u>	<u>( 65,192)</u>
Total employee benefits	129,157	80,823
Depreciation and Amortization:		
Depreciation	<u>107,573</u>	<u>103,295</u>
Total operating expenses	<u>\$ 3,056,753</u>	<u>\$ 3,375,867</u>

See accompanying independent auditor's report.

HARLAN MUNICIPAL UTILITIES  
WATER DEPARTMENT  
Operating Expenses  
Year ended June 30,

	2024	2023
<b>Plant Operation:</b>		
Cost of chemicals	\$ 319,685	\$ 336,133
Salaries and wages	195,814	182,709
Repairs and maintenance	1,610	6,679
Utilities	194,942	203,002
Insurance	57,586	51,780
Other	85,912	135,550
Total plant operation	855,549	915,853
<b>Distribution Operation:</b>		
Salaries and wages	147,276	106,230
Repairs and maintenance	21,117	16,023
Other	247,448	76,870
Total distribution operation	415,841	199,123
<b>Administration and General:</b>		
Salaries and wages	192,749	171,355
Office supplies	15,327	11,211
Education and travel	3,800	3,684
Professional	18,586	142,842
Other	64,718	59,892
Total administrative and general	295,180	388,984
<b>Consumer Services:</b>		
Salaries and wages	749	1,031
Bad debts	( 170)	74
Total consumer services	579	1,105
<b>Marketing and Stakeholder Relations:</b>		
Salaries and wages	1,641	1,734
Advertising	2,826	4,460
Other	2,115	1,817
Total marketing and stakeholder relations	6,582	8,011

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HARLAN MUNICIPAL UTILITIES  
WATER DEPARTMENT  
Operating Expenses - Continued  
Year ended June 30,

	2024	2023
Employee Benefits:		
Payroll taxes	\$ 102,512	\$ 85,167
Health insurance	126,721	123,890
Compensated absences	75,988	60,207
Pension expense	( 40,249)	( 67,608)
Total employee benefits	264,972	201,656
Depreciation and Amortization:		
Amortization	3,226	3,517
Depreciation	475,312	450,712
Total depreciation and amortization	478,538	454,229
Total operating expenses	\$ 2,317,241	\$ 2,168,961

See accompanying independent auditor's report.

HARLAN MUNICIPAL UTILITIES  
TELECOMMUNICATIONS DEPARTMENT  
Operating Expenses  
Year ended June 30,

	2024	2023
<b>Plant Operation:</b>		
Cost of programming fees	\$ 1,010,796	\$ 1,001,141
Salaries and wages	75,568	127,968
Repairs and maintenance	5,000	10,765
Utilities	16,204	17,652
Insurance	23,525	22,191
Other	187,805	169,792
Total plant operation	1,318,898	1,349,509
<b>Distribution Operation:</b>		
Salaries and wages	74,574	66,753
Repairs and maintenance	6,272	11,577
Other	88,739	91,045
Total distribution operation	169,585	169,375
<b>Administration and General:</b>		
Salaries and wages	129,593	149,142
Office supplies	1,033	988
Education and travel	2,664	4,305
Professional	11,158	8,548
Other	51,696	51,085
Total administrative and general	196,144	214,068
<b>Consumer Services:</b>		
Salaries and wages	376	661
Bad debts	30,184	243
Total consumer services	30,560	904
<b>Marketing and Stakeholder Relations:</b>		
Salaries and wages	37,837	37,656
Advertising	6,009	7,598
Other	1,596	1,066
Total marketing and stakeholder relations	45,442	46,320

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HARLAN MUNICIPAL UTILITIES  
 TELECOMMUNICATIONS DEPARTMENT  
 Operating Expenses - Continued  
 Year ended June 30,

	2024	2023
Employee Benefits:		
Payroll taxes	\$ 69,699	\$ 70,320
Health insurance	111,833	119,775
Compensated absences	82,305	52,872
Pension expense	( 17,249)	( 28,975)
Total employee benefits	246,588	213,992
Depreciation and Amortization:		
Depreciation	244,943	243,738
Total operating expenses	\$ 2,252,160	\$ 2,237,906

See accompanying independent auditor's report.

HARLAN MUNICIPAL UTILITIES  
ELECTRIC DEPARTMENT  
Comparative Statements of Income  
Year ended June 30,

	<u>2024</u>	<u>2023</u>
Operating Revenue:		
Sale of electricity	\$ 6,160,559	\$ 6,315,365
Other operating revenue	<u>1,594,097</u>	<u>2,373,573</u>
Total operating revenue	7,754,656	8,688,938
Operating Expenses (Not Including Depreciation and IPERS Adjustment)	<u>4,650,071</u>	<u>5,012,377</u>
Operating Income Before Depreciation and IPERS Adjustment	3,104,585	3,676,561
IPERS Adjustment	<u>47,436</u>	<u>79,681</u>
Operating Income Before Depreciation	3,152,021	3,756,242
Provision for Depreciation	<u>1,289,607</u>	<u>1,260,134</u>
Operating Income	1,862,414	2,496,108
Non-Operating Revenues (Expenses), Net	<u>255,632</u>	<u>( 66,921)</u>
Net Income	<u>\$ 2,118,046</u>	<u>\$ 2,429,187</u>
Net Income as a Percent of Total Operating Revenue	<u>27.31%</u>	<u>27.96%</u>

See accompanying independent auditor's report.

<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 5,965,723	\$ 5,982,270	\$ 6,059,352
<u>2,437,027</u>	<u>1,524,035</u>	<u>1,162,844</u>
8,402,750	7,506,305	7,222,196
<u>4,767,020</u>	<u>4,234,344</u>	<u>3,949,712</u>
3,635,730	3,271,961	3,272,484
<u>103,348</u>	<u>( 23,853)</u>	<u>( 29,172)</u>
3,739,078	3,248,108	3,243,312
<u>1,228,679</u>	<u>1,289,495</u>	<u>1,139,262</u>
2,510,399	1,958,613	2,104,050
<u>( 195,347)</u>	<u>( 206,067)</u>	<u>( 122,035)</u>
<u>\$ 2,315,052</u>	<u>\$ 1,752,546</u>	<u>\$ 1,982,015</u>
<u>27.55%</u>	<u>23.35%</u>	<u>27.44%</u>

HARLAN MUNICIPAL UTILITIES  
GAS DEPARTMENT  
Comparative Statements of Income  
Year ended June 30,

	<u>2024</u>	<u>2023</u>
Operating Revenue:		
Sale of gas	\$ 3,583,227	\$ 3,704,523
Other operating revenue	81,119	23,652
Total operating revenue	<u>3,664,346</u>	<u>3,728,175</u>
Operating Expenses (Not Including Depreciation and IPERS Adjustment)	<u>2,987,992</u>	<u>3,337,764</u>
Operating Income Before Depreciation and IPERS Adjustment	676,354	390,411
IPERS Adjustment	<u>38,812</u>	<u>65,192</u>
Operating Income Before Depreciation	715,166	455,603
Provision for Depreciation	<u>107,573</u>	<u>103,295</u>
Operating Income	607,593	352,308
Non-Operating Revenues (Expenses), Net	<u>38,821</u>	<u>( 30,390)</u>
Net Income	<u>\$ 646,414</u>	<u>\$ 321,918</u>
Net Income as a Percent of Total Operating Revenue	<u>17.64%</u>	<u>8.63%</u>

See accompanying independent auditor's report.

<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 3,505,617	\$ 4,068,340	\$ 2,654,117
<u>175,667</u>	<u>3,544</u>	<u>3,746</u>
3,681,284	4,071,884	2,657,863
<u>3,197,104</u>	<u>3,839,439</u>	<u>2,396,301</u>
484,180	232,445	261,562
<u>84,559</u>	<u>( 19,516)</u>	<u>( 23,868)</u>
568,739	212,929	237,694
<u>87,517</u>	<u>74,931</u>	<u>71,093</u>
481,222	137,998	166,601
<u>( 58,871)</u>	<u>( 63,962)</u>	<u>( 24,870)</u>
<u>\$ 422,351</u>	<u>\$ 74,036</u>	<u>\$ 141,731</u>
<u>11.47%</u>	<u>1.82%</u>	<u>5.33%</u>

HARLAN MUNICIPAL UTILITIES  
WATER DEPARTMENT  
Comparative Statements of Income  
Year ended June 30,

	<u>2024</u>	<u>2023</u>
Operating Revenue:		
Sale of water	\$ 3,366,108	\$ 2,929,781
Other operating revenue	520,895	59,035
Total operating revenue	<u>3,887,003</u>	<u>2,988,816</u>
Operating Expenses (Not Including Depreciation and IPERS Adjustment)	<u>1,878,952</u>	<u>1,782,340</u>
Operating Income Before Depreciation and IPERS Adjustment	2,008,051	1,206,476
IPERS Adjustment	<u>40,249</u>	<u>67,608</u>
Operating Income Before Depreciation	2,048,300	1,274,084
Provision for Depreciation	<u>478,538</u>	<u>454,229</u>
Operating Income	1,569,762	819,855
Non-Operating Revenues (Expenses), Net	<u>( 178,720)</u>	<u>586,341</u>
Net Income	<u>\$ 1,391,042</u>	<u>\$ 1,406,196</u>
Net Income as a Percent of Total Operating Revenue	<u>35.79%</u>	<u>47.05%</u>

See accompanying independent auditor's report.

<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 2,442,054	\$ 2,282,986	\$ 2,176,442
<u>    --</u>	<u>    83,665</u>	<u>    11,638</u>
2,442,054	2,366,651	2,188,080
<u>1,642,292</u>	<u>1,670,113</u>	<u>1,488,646</u>
799,762	696,538	699,434
<u>87,691</u>	<u>( 20,239)</u>	<u>( 24,753)</u>
887,453	676,299	674,681
<u>431,127</u>	<u>412,017</u>	<u>391,582</u>
456,326	264,282	283,099
<u>( 179,914)</u>	<u>( 195,499)</u>	<u>( 190,302)</u>
<u>\$ 276,412</u>	<u>\$ 68,783</u>	<u>\$ 92,797</u>
<u>11.32%</u>	<u>2.91%</u>	<u>4.24%</u>

HARLAN MUNICIPAL UTILITIES  
TELECOMMUNICATIONS DEPARTMENT  
Comparative Statements of Income  
Year ended June 30,

	<u>2024</u>	<u>2023</u>
Operating Revenue:		
Sale of telecommunications	\$ 2,002,083	\$ 2,036,061
Other operating revenue	<u>77,479</u>	<u>95,595</u>
Total operating revenue	<u>2,079,562</u>	<u>2,131,656</u>
Operating Expenses (Not Including Depreciation and IPERS Adjustment)	<u>2,024,466</u>	<u>2,023,120</u>
Operating Income Before Depreciation and IPERS Adjustment	55,096	108,536
IPERS Adjustment	<u>17,249</u>	<u>28,975</u>
Operating Income Before Depreciation	72,345	137,511
Provision for Depreciation	<u>244,943</u>	<u>243,738</u>
Operating Income (Loss)	( 172,598)	( 106,227)
Non-Operating Revenues (Expenses), Net	<u>( 36,610)</u>	<u>( 57,568)</u>
Net Income (Loss)	<u>\$( 209,208)</u>	<u>\$( 163,795)</u>
Net Income (Loss) as a Percent of Total Operating Revenue	<u>( 10.06%)</u>	<u>( 7.68%)</u>

See accompanying independent auditor's report.



<u>2022</u>	<u>2021</u>	<u>2020</u>
\$ 2,119,170	\$ 2,176,879	\$ 2,181,677
<u>127,481</u>	<u>116,447</u>	<u>32,824</u>
2,246,651	2,293,326	2,214,501
<u>1,938,583</u>	<u>1,999,356</u>	<u>2,045,872</u>
308,068	293,970	168,629
<u>37,581</u>	<u>( 8,675)</u>	<u>( 10,608)</u>
345,649	285,295	158,021
<u>276,004</u>	<u>270,465</u>	<u>202,353</u>
69,645	14,830	( 44,332)
<u>( 66,275)</u>	<u>( 68,808)</u>	<u>( 27,003)</u>
<u>\$ 3,370</u>	<u>\$( 53,978)</u>	<u>\$( 71,335)</u>
<u>0.15%</u>	<u>( 2.35%)</u>	<u>( 3.22%)</u>

HARLAN MUNICIPAL UTILITIES  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760		\$ 4,880,379
<i>Total U.S. Department of Agriculture</i>			4,880,379
Total Expenditures of Federal Awards			\$ 4,880,379

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Harlan Municipal Utilities under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Harlan Municipal Utilities, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Harlan Municipal Utilities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - SUBRECIPIENTS

No federal grant awards were passed through to subrecipients during the year ended June 30, 2024.

NOTE D - INDIRECT COST RATE

Harlan Municipal Utilities has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE E - WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES PROGRAM

Harlan Municipal Utilities had outstanding loans of \$4,081,034 as of June 30, 2024.

See accompanying independent auditor's report.

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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

To the Board of Trustees  
Harlan Municipal Utilities  
Harlan, 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 business-type activities, each major fund and the aggregate remaining fund information of Harlan Municipal Utilities as of and for the years ended June 30, 2024 and 2023, and the related notes to financial statements which collectively comprise the Utilities basic financial statements, and have issued our report thereon dated October 10, 2024.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harlan Municipal 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 Harlan Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Harlan Municipal 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 Utilities' 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 were not 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 Part II of the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a significant deficiency.

To the Board of Trustees  
Harlan Municipal Utilities

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harlan Municipal Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

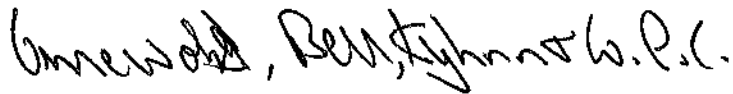
Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2024 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Harlan Municipal Utilities' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Harlan Municipal Utilities' responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Harlan Municipal Utilities' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## Purpose of this Report

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



Atlantic, Iowa  
October 10, 2024

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Independent Auditor's Report on Compliance for  
Each Major Federal Program and on Internal Control  
Over Compliance Required by the Uniform Guidance

To the Board of Trustees  
Harlan Municipal Utilities  
Harlan, Iowa

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Harlan Municipal Utilities' compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Utilities' major federal program for the year ended June 30, 2024. The Utilities' major federal program is identified in the Summary of the Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Harlan Municipal Utilities complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards), and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harlan Municipal Utilities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Utilities' compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Harlan Municipal Utilities' federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harlan Municipal Utilities' compliance based on our audit. 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, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Harlan Municipal Utilities' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Harlan Municipal Utilities' compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harlan Municipal Utilities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Harlan Municipal Utilities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

To the Board of Trustees  
Harlan Municipal Utilities

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gene Wald, Rev. John & Co., P. C.*

Atlantic, Iowa  
October 10, 2024



HARLAN MUNICIPAL UTILITIES  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with accounting principles generally accepted in the United States of America.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 10.760 - Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Harlan Municipal Utilities did not qualify as a low-risk auditee.

HARLAN MUNICIPAL UTILITIES  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

Part II - Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

2024-001 Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Utilities' financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Utilities has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Utilities' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Utilities to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Utilities to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

\* \* \*

HARLAN MUNICIPAL UTILITIES  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

Part III - Findings and Questioned Costs for Federal Awards

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

\* \* \*

HARLAN MUNICIPAL UTILITIES  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

Part IV - Other Findings Related to Required Statutory Reporting

2024-A Certified Budget: Disbursements during the year ended June 30, 2024 did not exceed amounts budgeted in this business type activity function.

2024-B Questionable Expenditure: During the audit, we noted no expenditure of the Utilities' funds without proper documentation of public purpose.

2024-C Travel Expense: No expenditures of Utilities' money for travel expenses of spouses of Utilities' officials and/or employees were noted.

2024-D Business Transactions: No business transactions between the Utilities and Utilities' officials and/or employees were noted.

2024-E Restricted Donor Activity: No transactions were noted between the Utilities, Utilities officials, Utilities employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2024-F Bond Coverage: Surety bond coverage of the Utilities' officials and employees appears to be in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2024-G Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

2024-H Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Utilities' investment policy.

2024-I Revenue Notes: No violations of revenue note resolution requirements were noted.

2024-J Telecommunications Services: Chapter 388.10 of the Code of Iowa prohibits the use of funds or revenues generated from electric, gas, or water services for the ongoing support or subsidy of a telecommunications system. At times during the year, the telecommunications fund had a negative cash balance and had a negative cash balance at year end in the amount of \$429,683. As a result, the other funds provided an interim subsidy to the telecommunications fund.

Recommendation: We recommend that the Utilities investigate options and implement a plan to ensure that the telecommunications fund expenditures are not subsidized by the other utility funds.

Response: The Utilities is investigating various alternatives to develop a plan to increase operating reserves in the Telecommunication Fund sufficient to cover all cash expenses.

Conclusion: Response accepted.

HARLAN MUNICIPAL UTILITIES  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2024

Part IV - Other Findings Related to Required Statutory Reporting (Continued)

2024-K Economic Development: During the year ended June 30, 2024, the Utilities paid \$35,000 to the Shelby County Chamber of Commerce & Industry. The Utilities Board has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Board should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

\* \* \*