

CLARKSVILLE CONNECTED UTILITIES

Independent Auditors' Report

And

Financial Statements

September 30, 2021 and 2020

CLARKSVILLE CONNECTED UTILITIES
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Clarksville Connected Utilities
City of Clarksville
Clarksville, Arkansas

We have audited the accompanying financial statements of Clarksville Connected Utilities, a component unit of the City of Clarksville, Arkansas, as of and for the years ended September 30, 2021 and 2020 and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Clarksville Connected Utilities Retirement Plan with Lincoln Financial, a defined benefit plan, was not audited. Therefore, we were unable to obtain sufficient appropriate audit evidence regarding the Net Pension Liability and related disclosures.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Clarksville Connected Utilities, a component unit of the City of Clarksville, Arkansas, as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Clarksville Connected Utilities, taken as a whole. The accompanying financial information listed as departmental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Clarksville Connected Utilities. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of the Clarksville Connected Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Clarksville Connected Utilities' internal control over financial reporting and compliance.

King Jacobs & Lorfing, CPAs, PA

King Jacobs & Lorfing, CPAs, PA

October 31, 2022

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Clarksville Connected Utilities
City of Clarksville
Clarksville, Arkansas

We have audited the financial statements and the related notes of the Clarksville Connected Utilities, a component unit of the City of Clarksville, Arkansas, as of and for the year ended September 30, 2021, and have issued our report thereon dated October 31, 2022. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarksville Connected Utilities', a component unit of the City of Clarksville, Arkansas, internal control over financial reporting (internal control) to determine the 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 effectiveness of Clarksville Connected Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Clarksville Connected Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items Finding No. 2021-1 and Finding No. 2021-4 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items Finding No. 2021-2 and Finding No. 2021-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarksville Connected Utilities', a component unit of the City of Clarksville, Arkansas, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

King Jacobs & Lorfing, CPAs, PA

King Jacobs & Lorfing, CPAs, PA
October 31, 2022

CLARKSVILLE CONNECTED UTILITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
09/30/2021

Finding No. 2021-1: The Accounting Department's internal controls and procedures over review and reconciling the general ledger accounts did not detect materially misstated account balances.

Repeat Finding: No

Material Weakness

Criteria: Internal controls over financial reporting are controls specifically designed to address risks related to financial reporting. These controls are designed to provide reasonable assurance that the company's financial statements are reliable and prepared in accordance with Generally Accepted Accounting Principles. Internal control procedures affect an organization's ability to process financial transactions that are authorized and accurate.

Conditions:

- Cash was understated by \$148,336.
Bank accounts were not routinely reconciled to the general ledger during the year or at year end.
- Accounts and Other Receivables were understated by \$535,308.
Accounts Receivable and Other Receivables subsidiary ledgers were not routinely reconciled during the year or at year end to supporting documentation.
- Accrued Interest Receivable was overstated by \$57,482.
Accrued Interest Receivable was not adjusted during the year or at year end to supporting documentation.
- Inventory was understated by \$45,246.
Departments that did not have a perpetual inventory system in place were not adjusted to physical inventory counts at year end. Physical counts were performed, but general ledger was not adjusted to actual counts.
- Prepaid Expenses were understated by \$609,822.
Prepaid Expenses were not analyzed for proper posting and account balances were not adjusted during the year or at year end to supporting documentation.
- Net Capital Assets were overstated by \$78,257.
Costs of \$281,410 were posted to construction in progress that should have been posted to Accounts Receivable-Other as these costs were being billed to a customer. \$1,113,681 of costs were posted to the wrong construction in progress job. Construction in progress was not analyzed for proper posting and account balances were not adjusted or reconciled to the general ledger during the year or at year end.
- Other Assets were understated by \$11,904.
Investment in other electric cooperative certificates of equity was not reviewed and adjusted to supporting documentation.
- Deferred Outflows of Resources were understated by \$99,177.
Deferred Outflows of Resources were not analyzed and adjusted to supporting documentation.

- Accounts Payable was understated by \$397,919.
An Accounts Payable check run (\$99,849) after the year end was posted in the previous year. A bank reconciliation would have shown this error. Checks written subsequent to 09/30/21 totaling \$335,409 that were for the year ended 09/30/21 were not recorded in accounts payable at year end. Other errors in accounts payable include an invoice being entered twice and a prior year audit entry not being reversed. The account balance was not reviewed and reconciled to supporting documentation.
- Accrued Expenses were understated by \$186,021.
Accrued Payroll was not analyzed and adjusted to supporting documentation.
- Accrued Interest Payable was overstated by \$3,280.
Accrued Interest Payable was not analyzed and adjusted to supporting documentation.
- Current Due on Long Term Debt was understated by \$580,000. Long Term Debt was overstated by \$580,000. These accounts were not reviewed and adjusted to supporting documentation.
- Early Retirement Payable was understated by \$249,428.
Early retirement benefits payable was not adjusted to supporting documentation.
- Other Postemployment Benefits Obligations was understated by \$637,661.
Other Postemployment benefits were not analyzed and adjusted to actuarial reports.
- Net Pension Liability was understated by \$142,563.
Net pension liability and related accounts were not analyzed and adjusted to actuarial reports.
- Net Operating Revenues were understated by \$250,738.
Misstatement of assets and liabilities caused operating revenues to be misstated.
- Direct Operating Expenses were understated by \$274,805.
Misstatement of assets and liabilities caused direct operating expenses to be misstated.
- General and Administrative Expenses were understated by \$227,740.
Misstatement of assets and liabilities caused general and administrative expenses to be misstated.
- Non-Operating Revenues were overstated by \$57,793.
Misstatement of assets and liabilities caused nonoperating revenues to be misstated.
- Non-Operating Expenses were understated by \$3,324.
Misstatement of assets and liabilities caused nonoperating expenses to be misstated.
- Total Assets and Deferred Outflow of Resources were understated by \$1,314,053. Total Liabilities and Deferred Inflow of Resources were understated by \$1,626,977. Net Loss was understated by \$312,924.

Cause: The Accounting Department management did not have adequate procedures for reviewing and reconciling the organization's general ledger account detail to supporting documentation throughout the year or at year end. This caused the financial statements to be misstated. The problem was pervasive.

Recommendations:

- Develop and implement detailed procedures for reviewing and correcting the general ledger account balances and reconcile to supporting documentation on a continuing basis.
- Communicate and assign reconciling and reviewing procedures to personnel including expectations of when procedures are to be performed.
- Develop controls to review financial statement preparation procedures to ensure accurate and supported financial reporting including expectations of when procedures are to be performed.
- Develop effective internal control over financial reporting procedures to provide reasonable assurance that financial reports are accurate and supported.

- Take continuing education to evaluate risk of material misstatement, to enhance knowledge and assist in development of internal control activities over financial statement preparation.
- Take continuing education in Generally Accepted Accounting Principles and Governmental Accounting Standards Board Codification in order to understand accounting and reporting requirements.

Views of Management: Management concurs with this finding.

Management Response:

- CCU hired an outside accounting consultant to assist in correcting errors, review general ledger accounts, and reconcile accounts to supporting documentation.
- CCU has changed accounting personnel and rearranged accounting duties to enhance controls to prevent this from happening in the future.
- CCU is developing written internal control procedures over financial reporting and communicating those procedures with expectations of completion to assigned personnel.
- CCU management will monitor that procedures are followed and expectations are met in a timely manner.

Finding No. 2021-2: Funds were not deposited into the revenue fund.

Repeat Finding: No

Significant Deficiency

Criteria: CCU standard procedures, segregation of duties procedures, and the 2019 Bond Issue requires the company maintain a revenue fund in which all revenues will be deposited.

Conditions: A new bank account was opened and refunds from health insurance premiums were deposited in the new bank account. The funds were not received by the customer service representative, were not deposited in the revenue fund, and were not recorded on the general ledger. Management override of controls resulted in the transaction not being recorded and in inadequate separation of duties.

Cause: Management did not follow their control procedures of depositing all funds to the revenue fund which caused the receipt to not be recorded. The new bank account was not reconciled which would have caught the error.

Recommendations: Follow established internal control procedures regarding the receipt and deposit of company funds. Reconcile all bank accounts to supporting documentation monthly.

Views of Management: Management concurs with this finding.

Management Response: Management will review and communicate existing internal controls procedures regarding receipt of funds with employees to ensure proper recording and strengthen controls.

Finding No. 2021-3: A large project accounts payable invoice was not timely submitted to the accounts payable department for recording in the proper period.

Repeat Finding: No

Significant Deficiency

Criteria: CCU internal control procedures require that invoices and supporting documentation be sent to the accounts payable department for processing in a timely manner.

Conditions: Accounts Payable was understated regarding this invoice.

Cause: Part of the total Accounts Payable misstatement was due to one invoice of \$313,449. The amount of the invoice was being questioned by management. Due to this issue, the invoice was not recorded at all even though the majority of the invoice charge was not in dispute. The amount that was known should have been recorded in Accounts Payable.

Recommendations: Follow established internal control procedures regarding submitting invoices to accounts payable department timely to properly record payable in the correct period.

Views of Management: Management concurs with this finding.

Management Response: Management will review and communicate existing internal controls procedures regarding recording payables with employees to ensure proper recording and strengthen controls.

Finding No. 2021-4: CCU was not adequately prepared for the financial statement audit which resulted in untimely delays and costs in the issuance of the financial statements.

Repeat Finding: No

Material Weakness

Criteria: 2019 Bond Issue requires an annual report and audited books and records to be provided to the bond trustee within 6 months after the end of the fiscal year.

Conditions: Due to the above previously stated findings and corrective procedures implemented, the preparation and audit of the financial statements required additional time to complete.

Cause: Due to the above previously stated findings and corrective procedures implemented, the financial statements were not issued timely.

Recommendations: Implement internal controls as recommended in findings above.

Views of Management: Management concurs with this finding.

Management Response: Management has implemented and is working on implementing additional internal controls to ensure timely recording of transactions and timely preparation of complete and accurate financial statements.

Questioned Costs: None



Clarksville Connected Utilities
Management Discussion & Analysis
Fiscal Year 2021

BACKGROUND

Clarksville Connected Utilities (CCU) is owned by the City of Clarksville, Arkansas and operates under a Commission form of governance. The history of the utility goes back to 1913 when the electric, water and sewerage operations started providing utility services to the community. At the time, Clarksville was considered one of the most progressive towns in Arkansas. CCU's current governing structure was established in 1947 when the City Council appointed the Commission to act as an agency of the City. The Commission was charged with the responsibility of administering the utility in the best interest of the citizens of Clarksville. That tradition continues today with Clarksville Connected Utilities and the current commissioners are: Dave Calhoun, Pam Cockrum, Thomas Pennington, Rick Weaver, and Joshua Wilson.

CUSTOMERS

Clarksville Connected Utilities presently serves approximately 4,500 residences and businesses within the Clarksville city limits, providing electricity, water, wastewater treatment services, and broadband services. CCU has now become an internet services provider (ISP) within the community via its fiber optic network. Additionally, water is supplied on a wholesale basis to the cities of Coal Hill, Lamar, Hartman, Knoxville, and Scranton as well as to Horsehead, Ludwig and East Johnson County water associations.

SALES & EXPENSES

Clarksville Connected Utilities total annual operating revenues for fiscal year 2021 were \$24,565,043, which was \$1,315,835 higher than the previous year. Direct and Indirect operating expenses were also up over the same period by \$1,332,986 and \$423,312 respectively. The financials resulted in an approximate \$982,442 loss for the fiscal year after non-operational revenues and expenses compared to a loss of \$371,378 for 2020. The primary drivers in revenue were the increase in cost of power along with the electric and water consumption rebounding from COVID pandemic slowdowns. Another factor was the increasing number of customers connecting to the new CCU fiber optic internet network. CCU's fiber to the home (FTTx) revenues rose nearly \$370,000 in fiscal year 2021. This period marked the first full year of turning customers up on the network. The cost of power did increase significantly over this time impacting the bottom line and the growth of the FTTx network also came with higher expenses as the build out took place. Other expenses impacting the overall financials were inflationary pressures on supplies and chemicals along with some payroll duplications as the utility has been preparing for

the retirement and the need get staff in place and trained prior to retirement dates. CCU also added to staff to support the growth of the broadband network as well as provided the marketing and a public relations function.

ABOUT THE ELECTRIC UTILITY

Electric revenues for 2021 were \$16,486,342, up \$772,022 (4.91%) across all customer categories of residential, commercial, and industrial. Electricity kilowatt hours sold during 2021 were 216,632,541, up 21,245,231 (10%) compared to 195,387,310 kilowatt hours the previous year. 2020 was the first COVID pandemic year and there was a rebound in consumption. but it had still not returned to normal patters for fiscal year 2021. The number of kilowatt hours in 2019 was 231,058,580, so the consumption remained low compared to a non-pandemic year. CCU's peak demand did rebound a bit in 2021 to 47.8 megawatts up from 46.3 megawatts in 2020. This may have been caused by the loosening of the pandemic restrictions during 2021 compared to the previous fiscal year. The 2021 negative electric utility financial results were primarily caused by a fuel adjustment formula rate that was low after months of low-cost hydro power. With the rate structure that was in place for fiscal year 2021, the formula lags behind the increase or decrease because of the six-month rolling average component of the formula. In other words, it takes several months for the rate to adjust impacting the billing and revenues. The cost for power rose after historic lows following two years of heavy rains and it rose faster than the fuel adjustment rate. 2021 did include some supplemental power, but not as much as in 2020. The other impact related to costs for 2021 was the severe cold weather labeled winter storm "Uri" that griped the mid portions of the continent. During one week in February, extreme cold caused the Southwest Power Pool (SPP) regional transmission organization to implement power curtailment protocols as demand began to outstrip electric supply. This was the first time in its 85-year history this type of action had taken place with SPP. This was caused by wind, coal, and natural generation resources not being available because of freezing conditions at the time where the need for power was very high for winter heat. There were times during this one event that the price for natural gas went from around \$2 a MMBtu to nearly \$24 a MMBtu or 10 times the current market price. The cost for electricity went from a spot market price of \$30 a megawatt to consistently over \$300 a megawatt. Furthermore, the spot market for power occasionally spiked upwards of \$3,000 a megawatt. In regards to rates, the Commission and then the City Council did approve a change to the electric rates beginning in October of fiscal year 2022. The changes were fundamental to the utility and to a structure which had not had a significant change since the early 2000's. The base rate per kW was increased for each customer class. The fuel adjustment base was increased which reduced both the percentage of the bill made up of fuel adjustment expenses and the new formula will be adjustment based upon the cost of power on a month-to-month basis rather than a six-month rolling average. Another change was the fixed customer charges increased across all customer categories. The overall impact of this structural change will to a small degree lower industrial rates and to a larger degree increase residential rates. As with any change like this, once the results coming in for fiscal year 2021, rates may need adjusted to a lesser degree in the future.

WHOLESALE POWER PROVIDERS

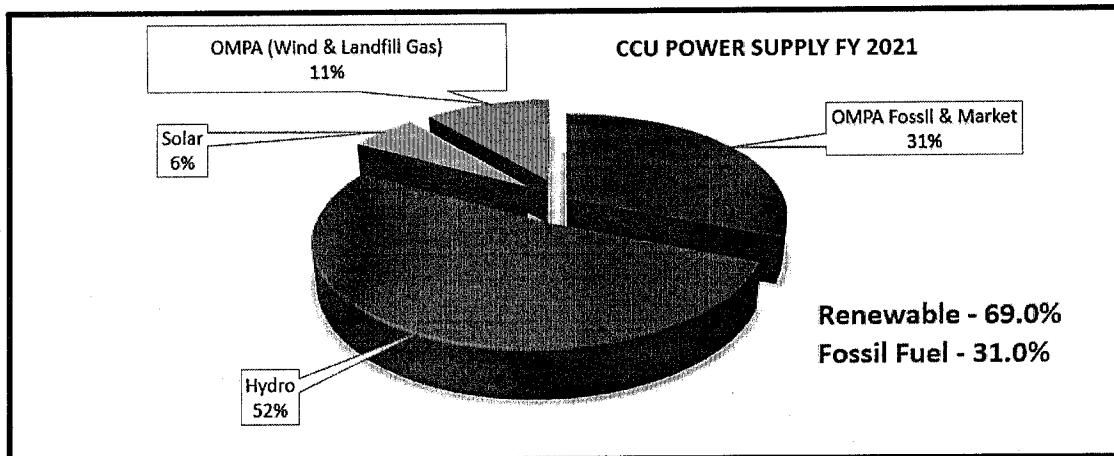
Clarksville's largest power provider, Oklahoma Municipal Power Authority (OMPA) furnished approximately 42% in terms of MWh's of our supply in 2021 which was similar to 2020. However, the average cost of power increased 6.4%, from \$59.11 to \$63.14 from one period to another. In addition to the purchase of energy, OMPA provides ancillary services to Clarksville Connected Utilities by scheduling, tagging, balancing, and performing other tasks in accordance with the Southwest Power Pool (SPP) transmission and generation requirements. OMPA is a joint action agency formed by the Oklahoma legislature in 1981 specifically to provide power for municipal utilities across Oklahoma. Clarksville and Paris, Arkansas are OMPA's only Arkansas customers. Joint action allows for the collective resources to be pooled related to generation facilities and power contracts to the benefit of individual members.

Clarksville Connected Utilities continues to receive hydro peaking power from the Southwestern Power Administration (SWPA) and supplemental energy. SWPA % of CCU supply in terms of megawatt hours in 2021 was 27% down from 31% in 2020. Of the 27% the peaking was 10%, and the supplemental was 17% of our supply in terms of MWhs. SWPA's portion of our supply in 2020 was 31% was being peaking energy at 10% and supplemental at 21%. Although this is still a high percentage of the supply and a substantial amount of supplemental energy, replacing the low-cost \$9.40 supplemental at MWh with \$63 a MWh power is a big change.

The third supplier, Independence County Hydroelectric, furnished approximately 25% of the supply in terms of MWhs in 2021 up 2.0% from 2020, of Clarksville Connected Utilities power purchased. The supply contract for this power is in its sixth year with the term ending in December of 2023. We intend to begin negotiating to extend the agreement and/or looking for supply alternatives during the beginning of fiscal year 2023, which starts in October of 2022.

During fiscal year 2021, CCU had its third full year of solar generation from the Power Plant #I, a 5.2-Megawatt plant with Scenic Hill Solar (SHS). The projected output of this facility was estimated to be 9,557 MWh's for the fiscal year. Solar PP I made up 4% of our total supply in 2021. Beginning in January of 2020, Power Plant #II came on line. 2021 was the first full year of production for this facility and it produced 4,054 MWh's. Power Plant II made up 2% of CCU's supply in 2021.

The overall average cost per MWh for all of CCU supply was \$49.30 before the cost of transmission of \$6.44 a MWh for a total of delivered energy being \$55.74 a MWh. This was approximately \$2.79 higher per MWh than the previous year. Another significant item to note for the current reporting period is the CCU power supply mix in FY 2021 was made up of 69.0% non-emitting/renewable energy versus 31% fossil fuel and market purchases. It is likely very few municipal utilities, especially in the mid-south, have a renewable power supply portfolio as high as CCU.



ABOUT THE WATER AND WASTEWATER UTILITIES

In 2021, water had positive earnings of \$130,352 and wastewater ended up with loss of \$260,353. Water revenues were \$5,313,990, up by \$185,632 in 2021 (3.6%) and Sewer revenues were \$2,095,080, down by \$10,985 (-.5%) in 2021 versus 2020. Water consumption volumes move up slightly by 2,621,154 gallons compared to 2020 but remained low compared to the year 2019 prior to COVID. This meant that wastewater volumes also remained low. Expenses were up on both utilities during this reporting period despite a slight rate increase from the previous year based upon the cost-of-living index. Another factor that impacted the wastewater utility was the indirect expense allocations were adjusted for fiscal year 2021 to account for the growing broadband utility. Management believes we over allocated a share of the indirect expenses to the wastewater utility and it should be lowed in future reporting periods.

ABOUT THE BROADBAND UTILITY/FIBER OPTIC NETWORK

This was the second year CCU separated out the financials for the new fiber/broadband utility from the electric department. It was also the first full year of installing drops to residential and business customers signing up for internet and voice service to the new Fiber-To-The-Home/Business (FTTx) network. By the end of the fiscal year, CCU had installed approximately 1,100 locations, which was the equal to a 25.6% connected take rate for the service. This included nearly 1,000 homes and over 100 businesses. The total revenues for the broadband utility are \$669,631 for the fiscal year end and the orders as well as the scheduled installs appear to be on a strong pace for the fiscal year 2022. After expenses, the losses for this new utility were \$68,697. This was less than expected for starting this new business. The anticipated losses for year two of the project was well into six figures. As the infrastructure and the number of connected customers continues to expand, we expect the need for more bandwidth for the internet backbone to increase as well as the depreciation expenses.

Another thing that happened during this fiscal year was the Clarksville School District upgraded their dedicated metro network bandwidth to 40 Gigabytes. CCU also partnered

with the Clarksville Housing Authority (CHA) to create a special network just for their residents. This unique solution leveraged CARES Act funds that came to the Housing Authority to prepay for some of the equipment needed for their unique network. In return, the CHA received a discounted pricing and agreed to cover the monthly cost of the service to all 173 dwelling units across their three locations in Clarksville. This project has achieved recognition for housing authority at state and federal level HUD events and training programs as an innovative solution and an excellent application for COVID grant funds.

One interesting thing to note on the CCU fiber network is the product mix in regards to the packages ordered by the customer base. The CCU business case anticipated that the percentage of customers ordering the 100 Mbps package would be 65% and the 1 Gbps (Gig) package would only be 5%. The actual result was only 44% of the non-Clarksville Housing Authority Customers ordered the 100 Mbps package and 22.5% ordered the 1 Gbps package. Given the high number of children in the local school system on the free and reduced lunch program, this percentage of orders for the faster packages is a bit of a surprise. We are assuming that the vast majority of our fiber customers are “cutting the cable TV” cord and are now streaming their video content, so they are still likely saving money.

CCU continues to believe that our network is off to an excellent start. It is possible, if the order and install pace continues, we can achieve a billing take rate of nearly 40% after only two years of doing drops. This may even happen while competitors are continually offering special deals. Thus far the number of customers who have disconnected is only 78 and the majority of these disconnects are residential customers who are moving rather than customers going to a different provider because of price or service problem.

Long term, this network has the ability to differentiate Clarksville, Arkansas and position this community to win high tech service and manufacturing jobs. It also allows small business access to the global marketplace and even permits individuals work from home while living in a small town where it is still affordable and has a high quality of life. In closing, we also believe this robust network has far reaching community and economic development opportunities for Clarksville.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (on pages 18 to 20) provide information regarding the activities of the Clarksville Connected & Utilities Company as a whole. Net position represents the difference in what the Company owns (assets) and in what the Company owes (liabilities). These two statements report net position and changes in net position. Over time, increases or decreases in net position are one indication of the Company’s financial health. Departmental schedules begin on page 23. These schedules provide a more detailed picture of the Company’s revenues and expenses.

The Statement of Cash Flows (on pages 21 and 22) presents an overview of the cash received and expended during the year. It provides an insight into the sources of cash received, the uses of that cash, and the increase or decrease in cash on hand at the end of the year.

Financial ratios may be used to analyze relationships between items on the financial statements. Short-term liquidity can be demonstrated using the Current Ratio and Quick Ratio. The Current Ratio is calculated by dividing current assets by current liabilities. The Quick Ratio is similar to the Current Ratio but excludes inventory because inventory is normally the least liquid current asset. The Current and Quick Ratios for the year ended September 30, 2021 are 2.80 and 2.49 respectively. This means, for example, that for every \$2.80 in current assets, the Company has \$1.00 in current liabilities. These ratios were 4.11 and 3.67 respectively for the year ended September 30, 2020.

Comparison of Financial Data	2021	2020	Net Change
Current Assets	14,463,676	14,825,195	(361,519)
Restricted Fund Assets	646,062	1,522,601	(875,539)
Net Capital Assets	59,701,309	58,052,120	1,649,189
Other Assets	3,187,413	3,175,509	11,904
Deferred Outflow of Resources	2,125,594	2,026,417	99,177
Total Assets & Deferred Outflows	80,124,054	79,601,842	522,212
Current Liabilities	5,165,150	3,608,538	1,556,612
Net Long-Term Debt	10,573,150	11,350,552	777,402
Other Liabilities	3,964,169	2,987,028	977,141
Deferred Inflow of Resources	216,415	235,750	-19,335
Total Liabilities & Deferred Inflows	19,918,883	18,181,868	1,737,015
Net Assets Invested in Capital Assets, Net of Related Debt	48,358,159	46,511,568	1,846,591
Net Position Restricted	646,062	1,522,601	(876,539)
Net Position Unrestricted	11,200,948	13,385,805	(2,184,857)
Total Net Position	60,205,169	61,419,974	(1,214,805)
Operating Revenues	24,565,043	23,249,208	1,315,835
Direct Operating Expenses	21,461,813	20,128,827	1,332,986
General and Administrative Expenses	4,126,746	3,703,433	423,313
Non-Operating Revenues (Expenses)	41,074	211,674	(170,600)
Total Expenses (Direct & Indirect)	25,288,559	23,832,260	1,456,299
Income Before Contributions and Transfers	(982,442)	(371,378)	(611,064)
Contributions by Developers	-	-	-
Transfers to the City	(232,363)	(224,704)	(7,659)
Changes in Net Position	(1,214,805)	(596,082)	(618,723)
Ending Net Position	60,205,169	61,419,974	(1,214,805)
Cash Balance and Cash Equivalents	9,485,611	11,015,874	(1,530,263)

There was a decrease of \$1,214,805 in net position during the year to \$60,205,169. There was a decrease in long term debt of \$777,402. The \$9,485,611 cash balance at year-end was \$1,530,263 lower than 2020.

Overall, the 2021 net loss before contributions and transfers of \$982,442 increased \$611,064 when compared to 2020. Operating revenues are up \$1,315,835, power costs increased \$804,633 and other expenses show a net increase of \$528,353.

Departmental Operating Summary

Electric Department operating revenues of \$16,486,342 are up \$772,022 from 2020 revenues. The cost of power purchased increased \$804,633 and other expenses increased \$209,977. This resulted in a \$434,576 increase in electric net loss compared to 2020 for a total loss of \$783,924 for the year 2021.

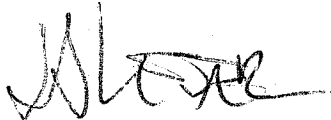
Water Department operating revenues increased \$185,632 to \$5,313,990. Expenses increased \$59,254 and the net income of \$130,532 reflects an increase in earnings of \$88,971 compared to 2020.

Sewer Department operating revenues of \$2,095,080 down \$10,985 compared to 2020. Expenses increased \$37,647 and the net loss of \$260,353 reflects an increase in losses of \$105,012 when compared to 2020.

Broadband Department operating revenues of \$669,631 up \$369,166. Expenses increased \$485,896 and the net loss of \$68,697 reflects a change of \$160,447 in earnings when compared to 2020.

Construction projects completed during the year added \$89,021, \$150,760, \$7,195 and \$17,122,548 to the electric, water, sewer, and broadband systems, respectively.

Equipment additions for the current year totaled \$255,369.



John Lester
General Manager



Edie Perryman
Finance Officer

CLARKSVILLE CONNECTED UTILITIES

Statements of Net Position September 30, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash	\$ 8,839,549	\$ 9,493,273
Accounts Receivable net of allowance for doubtful accounts of \$82,281 for 2021 and \$65,334 for 2020	2,483,904	2,201,510
Unbilled Receivables	1,344,157	1,161,358
Accrued Interest Receivable	1,010	205,024
Inventories	1,618,540	1,592,725
Prepaid Expenses	176,516	171,305
Total Current Assets	<u>14,463,676</u>	<u>14,825,195</u>
Restricted Assets		
Bond Funds	646,062	1,522,601
Total Restricted Assets	<u>646,062</u>	<u>1,522,601</u>
Capital Assets		
Land	1,180,950	1,180,950
Buildings	2,800,196	2,786,653
Electric System	29,351,988	29,253,456
Water System	61,890,931	61,689,441
Sewer System	15,601,070	15,566,155
Broadband System	17,705,286	582,739
Transportation Equipment	2,389,799	2,350,661
Office Equipment	1,551,418	1,537,851
Generation Equipment	956,655	956,655
Other Equipment	3,627,353	3,526,193
Construction in Progress	1,825,843	14,352,868
	<u>138,881,489</u>	<u>133,783,622</u>
Less Accumulated Depreciation	<u>(79,180,180)</u>	<u>(75,731,502)</u>
Net Capital Assets	<u>59,701,309</u>	<u>58,052,120</u>
Other Assets		
Investments - Electric Cooperative Certificates	187,413	175,509
Scenic Hills Solar Prepayment Deposit	3,000,000	3,000,000
Total Other Assets	<u>3,187,413</u>	<u>3,175,509</u>

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES

Statements of Net Position (continued)

September 30, 2021 and 2020

	2021	2020
Deferred Outflow of Resources		
Deferred Outflow of Resources - Pension Contributions	-	615,005
Deferred Outflow of Resources - Pension Actuarial	890,415	754,598
Deferred Outflow of Resources - OPEB Actuarial	1,235,179	656,814
Total Deferred Outflow of Resources	2,125,594	2,026,417
Total Assets and Deferred Outflow of Resources	\$ 80,124,053	\$ 79,601,842

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts Payable	\$ 3,163,241	\$ 2,237,454
Accrued Expenses	1,117,533	1,064,728
Accrued Interest Payable (Payable from restricted funds)	114,376	116,356
Current Due on Long Term Debt (Payable from restricted funds)	770,000	190,000
Total Current Liabilities	5,165,150	3,608,538
Other Liabilities		
Early Retirement Payable	278,440	147,369
Meter Deposits	426,397	396,552
Net Other Postemployment Benefit Obligations	1,511,603	837,942
Net Pension Liability	1,747,728	1,605,165
Total Other Liabilities	3,964,169	2,987,028
Long-Term Debt, Net of Current Maturities	10,573,150	11,350,552
Deferred Inflow of Resources - Pension Actuarial	216,415	235,750
Total Liabilities and Deferred Inflow of Resources	19,918,883	18,181,868
Net Position		
Net Investment in Capital Assets, Net of Related Debt	48,358,159	46,511,568
Restricted	646,062	1,522,601
Unrestricted	11,200,948	13,385,805
Total Net Position	60,205,169	61,419,974
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 80,124,053	\$ 79,601,842

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenue		
Electric Revenue	\$ 16,486,342	\$ 15,714,320
Water Revenue	5,313,990	5,128,358
Sewer Revenue	2,095,080	2,106,065
Broadband Revenue	669,631	300,465
Total Operating Revenue	<u>24,565,043</u>	<u>23,249,208</u>
Direct Operating Expenses	<u>(21,461,813)</u>	<u>(20,128,827)</u>
Operating Revenue less Direct Operating Expenses	3,103,230	3,120,381
General and Administrative Expense	<u>(4,126,746)</u>	<u>(3,703,433)</u>
Operating Income (Loss)	<u>(1,023,516)</u>	<u>(583,052)</u>
Non-Operating Revenues (Expenses)		
Interest Income	109,632	282,545
Interest Expense	<u>(68,558)</u>	<u>(70,871)</u>
Total Non-Operating Revenues (Expenses)	<u>41,074</u>	<u>211,674</u>
Income before Contributions and Transfers	<u>(982,442)</u>	<u>(371,378)</u>
Transfers to the City of Clarksville	<u>(232,363)</u>	<u>(224,704)</u>
Changes in Net Position	<u>(1,214,805)</u>	<u>(596,082)</u>
Net Position - Beginning of Year	61,419,974	62,016,056
Net Position - End of Year	<u><u>\$ 60,205,169</u></u>	<u><u>\$ 61,419,974</u></u>

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 24,099,850	\$ 23,248,281
Cash Paid to Employees, Payroll Taxes, and Employee Benefits, Net of Capitalized Labor	(5,148,687)	(5,553,097)
Cash Paid to Suppliers for Operations and General & Administrative Expenses	(15,428,799)	(14,296,303)
Net Cash Provided by Operating Activities	<u>3,522,364</u>	<u>3,398,881</u>
Cash Flows From Non-Capital Financing Activities:		
Increase (Decrease) in Meter Deposits	29,845	16,679
Net Cash Provided by Non-Capital Financing Activities	<u>29,845</u>	<u>16,679</u>
Cash Flows from Capital & Related Financing Activities:		
Payments on Debt Obligations	(190,000)	(190,000)
Interest Paid on Debt Obligations, Net of Capitalized Interest	(77,941)	(81,275)
Net Cash used for Financing Activities	<u>(267,941)</u>	<u>(271,275)</u>
Cash Flows from Investing Activities:		
Investment Income	313,646	153,612
Transfers to the City of Clarksville	(232,363)	(224,704)
Capital Expenditures	(4,895,814)	(10,675,189)
Net Cash Provided by Investing Activities	<u>(4,814,531)</u>	<u>(10,746,281)</u>
Net Increase (Decrease) in Cash	(1,530,263)	(7,601,996)
Cash at Beginning of Year	11,015,874	18,617,870
Cash at End of Year	<u>\$ 9,485,611</u>	<u>\$ 11,015,874</u>

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
Statements of Cash Flows (continued)
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Earnings from Operations to		
Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (1,023,516)	\$ (583,052)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	3,448,679	3,487,452
Change in Operating Assets, Deferred Outflows of Resources		
and Liabilities:		
(Increase) Decrease in Accounts Receivables	(282,394)	187,030
(Increase) Decrease in Unbilled Receivables	(182,799)	(187,957)
(Increase) Decrease in Inventory	(25,815)	19,953
(Increase) Decrease in Prepaid Expenses	(5,211)	(29,972)
(Increase) Decrease in Certificates of Equity	(11,904)	(14,138)
(Increase) Decrease in Deferred Outflows-Pension Contributions	615,005	(27,057)
(Increase) Decrease in Deferred Outflows-Pension Actuarial	(135,817)	71,417
(Increase) Decrease in Deferred Outflows-OPEB Actuarial	(578,365)	(656,814)
Increase (Decrease) in Accounts Payable	723,736	663,091
Increase (Decrease) in Accrued Expenses	52,805	107,051
Increase (Decrease) in Early Retirement Payable	131,071	(8,925)
Increase (Decrease) in Accrued OPEB Liability	673,661	492,658
Increase (Decrease) in Net Pension Liability	142,563	(79,625)
Increase (Decrease) in Deferred Inflows-Pension Actuarial	(19,335)	(42,231)
Net Cash Provided by Operating Activities	<u>\$ 3,522,364</u>	<u>\$ 3,398,881</u>
Non-Cash Investing, Capital & Financing Activities:		
Capital Assets Included in Accounts Payable at Year End	<u>\$ 418,221</u>	<u>\$ 216,170</u>
Cash Paid during the year for:		
Interest	<u>\$ 348,309</u>	<u>\$ 358,661</u>

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
DEPARTMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

CLARKSVILLE CONNECTED UTILITIES
Departmental Statement of Revenues and Expenses
For the Year Ended September 30, 2021

	Electric	Water	Sewer	Broadband	Total
Operating Revenue					
Electric	\$ 16,486,342	\$ -	\$ -	\$ -	\$ 16,486,342
Water	-	5,313,990	-	-	5,313,990
Sewer	-	-	2,095,080	-	2,095,080
Broadband	-	-	-	669,631	669,631
Total Operating Revenue	16,486,342	5,313,990	2,095,080	669,631	24,565,043
Direct Operating Expenses	(15,615,974)	(3,801,277)	(1,641,680)	(402,882)	(21,461,813)
Operating Revenue less					
Direct Operating Expenses	870,368	1,512,713	453,400	266,749	3,103,230
General and Administrative					
Expenses	(1,696,620)	(1,342,940)	(732,799)	(354,387)	(4,126,746)
Operating Income (Loss)	(826,252)	169,773	(279,399)	(87,638)	(1,023,516)
Non-Operating					
Revenue (Expenses)					
Interest Income	42,328	36,719	19,046	11,539	109,631
Interest Expense	-	(75,960)	-	7,403	(68,558)
Total Non-Operating					
Revenue (Expenses)	42,328	(39,242)	19,046	18,941	41,074
Income (Loss) before					
contributions & transfers	\$ (783,924)	\$ 130,532	\$ (260,353)	\$ (68,697)	\$ (982,442)

CLARKSVILLE CONNECTED UTILITIES
Schedule of Direct Operating Expenses
For the Year Ended September 30, 2021

	Electric	Water	Sewer	Broadband	Total
Bandwidth Purchased	\$ -	\$ -	\$ -	\$ 204,508	\$ 204,508
Depreciation	890,892	1,836,093	566,588	44,132	3,337,705
Education, Meetings, and Travel	8,890	4,209	786	84	13,968
Employee Benefits	288,105	185,030	115,493	63,916	652,544
Fuel	21,675	13,750	11,088	5,518	52,031
Generation Costs	51,317	-	-	-	51,317
Labor	916,923	725,603	580,699	300,618	2,523,843
Labor - Construction in Progress	(33,843)	(23,076)	(3,178)	(215,002)	(275,098)
Maintenance	151,488	158,886	26,027	10,390	346,791
Equip Exp. - Const. in Progress	(24,737)	(19,532)	(3,439)	(63,198)	(110,906)
Payroll Taxes	62,982	52,713	43,376	12,341	171,412
Pension Expense	113,794	96,287	96,287	35,286	341,654
Power Purchased	13,144,712	-	-	-	13,144,712
Supplies	-	363,883	39,808	-	403,692
Uniforms	13,724	5,748	5,639	3,596	28,707
Utilities	9,023	398,539	160,710	-	568,272
Use Tax	1,030	3,144	1,796	693	6,663
Total	<u>\$ 15,615,974</u>	<u>\$ 3,801,277</u>	<u>\$ 1,641,680</u>	<u>\$ 402,882</u>	<u>\$ 21,461,813</u>

CLARKSVILLE CONNECTED UTILITIES
Schedule of General and Administrative Expense
For the Year Ended September 30, 2021

	Electric	Water	Sewer	Broadband	Total
Advertising and Promotion	\$ 17,099	\$ 7,408	\$ 3,672	\$ 9,527	\$ 37,705
Bad Debts	50,464	14,300	6,500	-	71,264
Customer Online Payment Fees	19,607	16,117	8,289	3,223	47,235
Depreciation	25,256	22,099	11,365	4,420	63,140
Dues and Subscriptions	71,288	44,300	29,753	20,958	166,299
Education, Travel, and Meetings	8,542	9,622	5,011	2,335	25,511
Employee Benefits	205,683	183,913	93,599	43,728	526,923
Fuel	2,918	2,966	1,525	593	8,002
Insurance	103,670	90,712	46,652	18,142	259,176
Inventory Variances	(3,341)	(697)	(81)	(71)	(4,190)
Lab Fees and Tests	417	951	18,224	-	19,591
Labor	684,840	597,039	309,205	121,017	1,712,101
Maintenance	176,192	121,802	62,009	70,228	430,231
Miscellaneous	10,536	4,195	13,422	2,296	30,449
Office Supplies	30,521	25,446	13,669	5,617	75,253
Payroll Taxes	48,963	41,062	20,656	17,333	128,014
Pension	94,536	94,537	47,268	-	236,342
Professional Services	67,315	27,625	17,378	26,422	138,740
Supplies	19,118	21,784	15,280	3,309	59,490
Uniforms	6,096	5,319	2,757	1,067	15,239
Utilities	56,901	12,442	6,646	4,243	80,231
Total	<u>\$ 1,696,620</u>	<u>\$ 1,342,940</u>	<u>\$ 732,799</u>	<u>\$ 354,387</u>	<u>\$ 4,126,746</u>

CLARKSVILLE CONNECTED UTILITIES
DEPARTMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CLARKSVILLE CONNECTED UTILITIES
Departmental Statement of Revenues and Expenses
For the Year Ended September 30, 2020

	Electric	Water	Sewer	Broadband	Total
Operating Revenue					
Electric	\$ 15,714,320	\$ -	\$ -	\$ -	\$ 15,714,320
Water	-	5,128,358	-	-	5,128,358
Sewer	-	-	2,106,065	-	2,106,065
Broadband	-	-	-	300,465	300,465
Total Operating Revenue	15,714,320	5,128,358	2,106,065	300,465	23,249,208
Direct Operating Expenses	(14,601,364)	(3,758,141)	(1,581,072)	(188,250)	(20,128,827)
Operating Revenue less					
Direct Operating Expenses	1,112,956	1,370,217	524,993	112,215	3,120,381
General and Administrative					
Expenses	(1,537,729)	(1,326,821)	(755,760)	(83,123)	(3,703,433)
Operating Income (Loss)	(424,773)	43,396	(230,767)	29,092	(583,052)
Non-Operating					
Revenue (Expenses)					
Interest Income	75,425	76,650	75,426	55,044	282,545
Interest Expense	-	(78,485)	-	7,614	(70,871)
Total Non-Operating					
Revenue (Expenses)	75,425	(1,835)	75,426	62,658	211,674
Income (Loss) before					
contributions & transfers	\$ (349,348)	\$ 41,561	\$ (155,341)	\$ 91,750	\$ (371,378)

CLARKSVILLE CONNECTED UTILITIES
Schedule of Direct Operating Expenses
For the Year Ended September 30, 2020

	Electric	Water	Sewer	Broadband	Total
Bandwidth Purchased	\$ -	\$ -	\$ -	\$ 78,791	\$ 78,791
Depreciation	885,789	1,878,131	566,643	24,895	3,355,458
Education, Meetings, and Travel	4,508	281	1,110	9,988	15,887
Employee Benefits	208,653	153,305	94,025	53,309	509,292
Fuel	19,630	11,070	9,513	4,425	44,638
Generation Costs	51,546	-	-	-	51,546
Labor	896,070	764,495	576,342	287,375	2,524,282
Labor - Construction in Progress	(100,315)	(26,086)	(16,106)	(208,922)	(351,429)
Maintenance	156,839	62,657	31,499	4,600	255,595
Equip Exp. - Const. in Progress	(57,679)	(14,111)	(16,281)	(111,509)	(199,580)
Payroll Taxes	66,994	56,267	41,783	16,581	181,625
Pension Expense	106,244	95,278	95,278	24,518	321,318
Power Purchased	12,340,079	-	-	-	12,340,079
Supplies	-	439,278	34,428	-	473,706
Uniforms	12,848	6,753	6,604	4,199	30,404
Utilities	9,265	327,961	154,740	-	491,966
Use Tax	893	2,862	1,494	-	5,249
Total	<u>\$ 14,601,364</u>	<u>\$ 3,758,141</u>	<u>\$ 1,581,072</u>	<u>\$ 188,250</u>	<u>\$ 20,128,827</u>

CLARKSVILLE CONNECTED UTILITIES
Schedule of General and Administrative Expense
For the Year Ended September 30, 2020

	Electric	Water	Sewer	Broadband	Total
Advertising and Promotion	\$ 10,601	\$ 9,012	\$ 4,262	\$ 37	\$ 23,912
Bad Debts	52,938	10,313	5,500	-	68,751
Customer Online Payment Fees	16,360	16,360	7,903	-	40,623
Depreciation	28,054	28,054	28,054	-	84,162
Dues and Subscriptions	43,043	24,745	18,521	3,730	90,039
Education, Travel, and Meetings	16,306	16,495	8,246	3,060	44,107
Employee Benefits	81,010	80,100	39,134	5,969	206,213
Fuel	4,531	4,531	2,265	-	11,327
Insurance	98,082	96,180	48,090	-	242,352
Inventory Variances	1,464	1,519	725	(59)	3,649
Lab Fees and Tests	2,371	816	25,253	-	28,440
Labor	688,963	677,462	334,419	-	1,700,844
Maintenance	172,139	126,196	91,627	57,820	447,782
Miscellaneous	3,541	3,523	2,565	3,792	13,421
Office Supplies	23,925	23,891	11,938	464	60,218
Payroll Taxes	45,246	44,034	21,846	4,383	115,509
Pension	86,030	86,030	43,015	-	215,075
Professional Services	84,672	32,066	35,274	495	152,507
Supplies	18,815	23,397	15,327	-	57,539
Uniforms	7,153	7,153	3,576	-	17,882
Utilities	52,486	14,944	8,219	3,432	79,081
Total	<u>\$ 1,537,730</u>	<u>\$ 1,326,821</u>	<u>\$ 755,759</u>	<u>\$ 83,123</u>	<u>\$ 3,703,433</u>

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Clarksville Connected Utilities is a component unit of the City of Clarksville, Arkansas. The Company is governed by a Board of Commissioners appointed by the Mayor and approved by the City Council. The Company is a business-type activity of the City of Clarksville, Arkansas and is responsible for the operation and maintenance of the city-owned electric, water, sewer, and broadband systems. The Company renders services to the general public on a user-charge basis. The Board of Commissioners is composed of five members who are appointed for terms of five years on a staggered basis so that only one new member is appointed each year.

Basis of Accounting

The Company is accounted for as an enterprise fund, which is considered a proprietary fund type. Enterprise funds account for activities that are financed and operated in a manner similar to private business enterprises or for which periodic determination of revenues, expenses and net income is desirable. These funds render services to the general public on a user-charge basis. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenues (expenses) items. Operating revenues generally result from providing services in connection with the Company's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues (expenses), but remain a major component of the overall revenues and expenses of the Company.

Clarksville Connected Utilities incurs direct departmental expenses as well as indirect general and administrative expenses in the daily operations of the Company. Direct expenses are charged to the department to which they relate. Indirect general and administrative expenses are charged to the departments based on a predetermined percentage rate.

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 amount of assets and liabilities and disclosures 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.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2021 and 2020

Cash and Cash Equivalents

For purposes of the statement of cash flows, Clarksville Connected Utilities considers all highly liquid investments with a maturity of three months or less when purchased, cash, and certificates of deposits to be cash equivalents whether restricted or unrestricted.

Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. The allowance for uncollectible accounts was \$82,281 for the year ended September 30, 2021 and \$65,334 for the year ended September 30, 2020. The allowance of uncollectible accounts is based on historical trends and the periodic aging of accounts receivable.

Inventory Valuation

Material and supplies inventories are stated at the lower of average cost or market.

Capital Assets and Depreciation

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from five to sixty-six years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but are charged to expense as incurred. Acquisitions of property and equipment in excess of \$1,000 and with a useful life over one year are capitalized at cost or fair market value at the time of the acquisition.

Capitalized Interest

The Company capitalizes interest costs as part of the cost of constructing various electric, water, and sewer projects when material. Capitalized interest for the years ended September 30, 2021 and 2020 was \$274,869 and \$277,386, respectively.

Equity Classifications

The Company classifies net position into the following three components:

Net Investments in Capital Assets, Net of Related Debt – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Consists of amounts which have external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations imposed by law.

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Notes to Financial Statements

September 30, 2021 and 2020

Unrestricted Net Position – Consists of net assets that do not meet the definition of “Investment in Capital Assets, Net of Related Debt” or “Restricted Net Position”.

Income Taxes

As a municipally owned utility, the Company is exempt from federal and state income taxes.

Contributions

For the years ended September 30, 2021 and 2020, there were no contributions in aid of construction.

Compensated Absences

The Company policies permit most employees to accumulate vacation and sick leave benefits based on length of service that may be realized as paid time off or, in limited circumstances, as a cash payment. The expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. There was a change in the vacation and sick leave policies as of June 20, 2011 that combined these policies into a paid time off policy. The employee's sick leave as of the time of the change was converted to a Medical Leave Bank which can be used in certain circumstances. Employees with over 240 hours in the Medical Leave Bank may receive payment for the excess at the time of termination of employment at 50% of regular pay rate.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions/deductions from the Plans' fiduciary net position have been determined on the basis as reported by Lincoln Financial Group. The measurement dates of the Plan are January 31, 2021 and 2020. Plan investments are reported at fair market value.

Other Postemployment Benefit (OPEB) Plan

The Other Postemployment Benefit Plan adopted Governmental Accounting Standards Board No. 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The OPEB Liability is based on the September 30, 2021 actuarial report.

NOTE 2 - CASH AND INVESTMENTS

Deposits and Investments

All monies received by the Company shall be deposited in such a depository or depositories, as may be lawfully designated by the Board of Commissioners; subject to the giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation (FDIC).

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2021 and 2020

The bank balances and carrying amounts of the Company's deposits and short-term investments held as of September 30, 2021 were as follows:

Description	Bank Balance	Book Balance
Cash on Hand	\$ -	\$ 950
Demand Deposits	4,509,145	3,899,061
Certificates of Deposit	5,085,838	5,083,348
Federated Hermes Treasury Obligations Fund	379,984	379,984
FDIC Insured Cash Sweep Funds	122,268	122,268
Total	<u>\$ 10,097,235</u>	<u>\$ 9,485,611</u>

Money market mutual funds were held by the Company as of September 30, 2021 of \$379,984 in the Federated Hermes Treasury Obligations Fund in the Bond Fund held at Citizens Bank of Batesville. This fund is not insured or guaranteed by FDIC or any other government agency, but holds 100% of its holdings in U.S. Treasury Debt or U.S. Treasury Repurchase Agreements. This fund is rated AAA by Standard and Poor's.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U. S. agencies instrumentalities or the State of Arkansas; bonds of any city, county, school district of the State of Arkansas; bonds of any state; or a surety bond having aggregate value at least equal to the amount of the deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to it. The Company's policy is that deposits be insured or collateralized at a minimum of 100% of the deposits fair value. As of September 30, 2021, all deposits were either collateralized, FDIC insured, or held in qualifying government securities. As of September 30, 2021, the Company's bank balances were \$10,097,235. As of September 30, 2021, the following collateral has been pledged for deposits over \$250,000:

Collateralized:

Collateral held by the pledging bank's trust	
department or agent in the Company's name	\$ 9,201,173
	<u>\$ 9,201,173</u>

NOTE 3 - RESTRICTED FUNDS

When both restricted and unrestricted resources are available for use, generally it is the Company's policy to use restricted resources first and to transfer unrestricted funds as needed. Total restricted funds were \$646,062 as of September 30, 2021 and \$1,522,601 as of September 30, 2020.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2021 and 2020

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of customers. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's customer base being made up of a large number of customers, thus spreading the trade credit risk. The Company generally does not require collateral other than the required customer deposit to support accounts receivables.

NOTE 5 - MAJOR CUSTOMERS AND SUPPLIERS

The following table set forth the major customers for Clarksville Connected Utilities for the years ended September 30, 2021 and 2020. Amounts are presented in dollars and percent of total revenues. Accounts receivable from the following customers represent 37% of total accounts receivable as of September 30, 2021 and 39% of total accounts receivable as of September 30, 2020.

Customer	Year Ended 9/30/21		Year Ended 9/30/20	
	\$Gross	% of Total	\$Gross	% of Total
	Revenues	Revenues	Revenues	Revenues
Tyson Foods	\$ 5,508,143	22%	\$ 5,838,341	25%
Hanesbrand Inc	\$ 1,608,633	7%	\$ 1,616,992	7%
Wal Mart Supercenter and Distribution Center	\$ 2,051,762	8%	\$ 1,396,920	6%
	<u>\$ 9,168,538</u>	<u>37%</u>	<u>\$ 8,852,252</u>	<u>39%</u>

CLARKSVILLE CONNECTED UTILITIES

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The following tables set forth the major power suppliers for Clarksville Connected Utilities for the years ended September 30, 2021 and 2020. Amounts are presented in dollars and percent of total power purchased and of Direct Operating Expenses. Accounts payable to the following suppliers represent 67% of total accounts payable as of September 30, 2021 and 57% of total accounts payable as of September 30, 2020.

Supplier	Year Ended 9/30/2021		Year Ended 9/30/2020	
	\$ Power Purchases	% of Total Power	\$ Power Purchases	% of Total Power
Independence County	\$ 2,847,648	22%	\$ 2,536,236	21%
Southwestern Power Administration	\$ 1,777,047	14%	\$ 1,865,838	15%
Oklahoma Municipal Power Association	\$ 6,223,445	47%	\$ 5,720,458	46%
Trillium HoldCo	\$ 234,606	2%	\$ 143,339	1%
Scenic Hills Solar	\$ 525,681	4%	\$ 517,167	4%
Southwestern Power Pool	\$ 1,510,509	12%	\$ 1,557,805	13%
	<u>\$ 13,118,937</u>	<u>100%</u>	<u>\$ 12,340,841</u>	<u>100%</u>
<u>Total Power Purchased to</u>	<u>\$ 13,118,937</u>		<u>\$ 12,340,841</u>	
<u>Direct Operating Expenses</u>	<u>\$ 21,363,056</u>	61%	<u>\$ 20,353,348</u>	61%

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2021 and 2020

NOTE 6 - CAPITAL ASSETS

	Balance 9/30/20	Additions	Deletions	Balance 9/30/21
Nondepreciable Assets				
Land - Electric	\$ 433,699	\$ -	\$ -	\$ 433,699
Land - Water	531,037	-	-	531,037
Land - Sewer	216,214	-	-	216,214
Constr in Progress-Electric	140,699	313,293	(346,539)	107,454
Constr in Progress-Water	312,278	1,502,893	(150,760)	1,664,411
Constr in Progress-Sewer	6,801	9,679	(7,195)	9,285
Constr in Progress-Broadband	13,893,090	3,274,151	(17,122,548)	44,693
Total Nondepreciable Assets	15,533,818	5,100,016	(17,627,041)	3,006,793
Depreciable Assets				
Office Building	1,242,597	12,045	-	1,254,642
Buildings - Electric	36,629	1,499	-	38,128
Warehouse	1,507,427	-	-	1,507,427
Electric System	29,253,456	98,532	-	29,351,988
Water System	61,689,441	201,489	-	61,890,930
Sewer System	15,566,155	34,916	-	15,601,071
Broadband System	582,739	17,122,548	-	17,705,287
Transportation Equipment	2,350,661	39,137	-	2,389,798
Generation Equipment	956,655	-	-	956,655
Office Equipment	1,537,851	13,567	-	1,551,418
Lab Equipment	79,184	-	-	79,184
Construction Equipment	968,832	36,727	-	1,005,559
Maintenance Equipment	1,930,399	61,478	-	1,991,877
Plant & Shop Equipment	547,778	2,955	-	550,733
Total Depreciable Assets	118,249,804	17,624,893	-	135,874,697
Total Assets at Historical Cost	133,783,622	22,724,909	(17,627,041)	138,881,489
Less: Accumulated Depreciation	(75,731,502)	(3,448,678)	-	(79,180,180)
Total Capital Assets, Net	\$ 58,052,120	\$ 19,276,231	\$ (17,627,041)	\$ 59,701,309

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2021 and 2020

Depreciation expense was charged to departments as follows:

Direct Operating Expense - Electric	890,892
Direct Operating Expense - Water	1,836,093
Direct Operating Expense - Sewer	566,588
Direct Operating Expense - Broadband	44,132
Direct Operating Expense - Generation Costs	47,833
General & Administrative Expense - Electric	25,256
General & Administrative Expense - Water	22,099
General & Administrative Expense - Sewer	11,365
General & Administrative Expense - Broadband	4,420
	<u>3,448,678</u>

NOTE 7 – OPERATING LEASES

Clarksville Connected Utilities leases office equipment under operating leases expiring at various dates. Lease expense incurred under these operating leases for the years ending September 30, 2021 and 2020 was \$16,049 and \$15,907, respectively.

Future minimum lease payments for non-cancellable operating leases at September 30, 2021 were approximately:

2022	14,174
2023	13,727
2024	9,152
2025	-
2026	-
Total	<u>\$ 37,053</u>

NOTE 8 – LONG TERM DEBT

On June 25, 2013, the City of Clarksville, Arkansas issued \$4,220,000 in Utility Revenue Construction Bonds Series 2013 with interest rates ranging from 1.0% to 3.6% for construction of improvements to the water and sewer systems secured by a pledge of the revenues of Clarksville Connected Utilities. Final maturity is in 2032.

On May 21, 2019, the City of Clarksville, Arkansas issued \$8,995,000 in Utility Revenue Improvement Bonds Series 2020 with interest rates ranging from 3.0% to 3.125% for construction of improvements to the electric, water, and fiber optic systems secured by a pledge of the revenues of Clarksville Connected Utilities. Final maturity is in 2034.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

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	9/30/2020 Balance	Increases	Decreases	9/30/2021 Balance	Due in One Year
Utility Revenue Construction Bonds Series 2013	\$2,445,000	\$ -	\$ (190,000)	\$2,255,000	\$195,000
Utility Revenue Construction Bonds Series 2019	8,995,000	-	-	8,995,000	-
	11,440,000	-	(190,000)	11,250,000	195,000
Unamortized Bond Premium	100,552	-	(7,403)	93,149	
	<u>\$11,540,552</u>	<u>\$ -</u>	<u>\$ (197,403)</u>	<u>\$11,343,149</u>	<u>\$ 195,000</u>

The maturity schedule is as follows:

	Principal	Interest
2021 - 2022	770,000	343,129
2022 - 2023	795,000	321,199
2023 - 2024	815,000	298,148
2024 - 2025	840,000	274,109
2025 - 2026	865,000	248,909
2026 - 2031	4,745,000	829,084
2031 - 2035	2,420,000	150,892
	<u>\$ 11,250,000</u>	<u>\$ 2,465,470</u>

NOTE 9 - RELATED PARTIES

Clarksville Connected Utilities and the City of Clarksville mutually agreed upon a rate at which the City would be billed for utility services. On a monthly basis utility services provided to the City are recorded as revenue. The City transfers cash from the Company in the amount of their utility bill to pay for their utilities. The transfer recorded as a distribution of equity for the year ended September 30, 2021 was \$232,363. The amount included in accounts receivable at September 30, 2021 from the City of Clarksville is \$21,355. The transfer recorded as a distribution of equity for the year ended September 30, 2020 was \$224,704. The amount included in accounts receivable at September 30, 2020 from the City of Clarksville is \$18,547.

NOTE 10 – RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omission; injuries to employees; natural disasters; and employee health, dental and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption. Settled claims have not exceeded coverage in any of the three preceding years and there has been no significant reduction

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Notes to Financial Statements

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in coverage in fiscal years 2021 and 2020.

NOTE 11 – OTHER COMMITMENTS

On May 20, 2019, Clarksville Connected Utilities entered into an agreement with Scenic Hill Solar III, LLC for the construction, operation and maintenance of a solar electric generating facility (the “facility”) by Scenic Hill Solar III on real property owned by Clarksville Connected Utilities. On May 20, 2019, the Company and Scenic Hill Solar III, LLC also entered into a power purchase agreement whereby Clarksville Connected Utilities will purchase all power generated by the facility. This agreement also sets forth the terms and conditions for Clarksville Connected Utilities’ option to purchase the facility. As of December 30, 2019, this facility was interconnected to and operating with the Clarksville Connected Utilities electric power system.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been reviewed through October 31, 2022 which is the date that the financial statements were available to be issued.

NOTE 13 - DEFINED CONTRIBUTION PLAN

The Clarksville Connected Utilities 457(b) Plan is a defined contribution plan which covers substantially all employees who elect to participate who have completed at least six months of service. The Company does not contribute to the plan. Participant’s salary reduction contributions require a minimum of \$20 per pay period. Modifications to salary reductions may be made quarterly. Age 50 catch-up contributions are allowed. The plan does not permit salary reduction contributions from accumulated paid time off or back pay. The plan was administered by Lincoln Financial Group. The Company has the right at any time and from time to time to amend this Plan and Trust Agreement and its Adoption Agreement in any manner it deems necessary or advisable in order to continue the status of this Plan as an Eligible 457 Plan; and to amend this Plan and Trust Agreement and its Adoption Agreement in any other manner, including deletion, substitution or modification of any Plan, Trust or Adoption Agreement provision.

Contributions made by plan members for fiscal years 2021 and 2020 were \$75,635 and \$105,870.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

The Company sponsors and administers an informal early retirement benefit and a single-employer defined benefit healthcare plan. The Company does not issue stand-alone financial statements of the plan; however, all required information is presented in this report. The Other Post Employment Benefit Plan has no assets and is funded on a pay-as-you-go basis.

Early Retirement

The primary purpose of this early retirement policy is to bridge the gap from retirement to Social Security eligibility (age 62), and Medicare eligibility (age 65). Early retirement is in addition to

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(separate from) any benefits available from the pension plan. Disability retirement, which is covered by its own provisions, is excluded from parts (1), (2), and (3) below. The Clarksville Connected Utilities Commission may amend or rescind this policy at its sole discretion without liability to any active employee. 100% of the early retirement benefits are paid by the employer.

- 1) Employees, age 59 or older, with a minimum of 10 years of service, may elect early retirement under provisions of this policy. Benefits begin the first day of the month following retirement and are payable monthly, by the fifteenth day of the month. These benefits do not apply to the spouse of an employee and do not transfer to an heir at the time of death.

The early retirement monthly benefit to Social Security eligibility at age 62 is one-twelfth the annual benefit computed as the product of:

- Annual Wages at Retirement (computed as regular hourly rate x 2,080 hours)
- Benefit Factor (defined as 1.25%)
- Years of Service at Date of Retirement

This benefit will end at age 62. Seven retirees participated in this early retirement benefit in 2021 and five retirees participated in 2020. The expenditures for these retirees were \$113,987 and \$86,087 for the years ended September 30, 2021 and 2020.

- 2) An employee who has reached the age of 55, with at least 25 years of service and whose position will not be backfilled, the following benefit will be available:
 - Annual Wages at Retirement (computed as regular hourly rate x 2080 hours)
 - Benefit Factor (defined as 1.50%)
 - Years of Service at Date of Retirement

This benefit ends at age 62. One retiree participated in the position elimination early retirement benefit during 2020. The expenditures for this retiree were \$5,614 and \$22,426 for the years ended September 30, 2021 and 2020. This participant's benefit ended December 31, 2020.

Sections 1) and 2) above are considered termination benefits and an estimated liability of \$278,440 has been accrued for future payments through July 31, 2024 and are measured at the actual amount expected to be paid.

- 3) Health insurance coverage to Medicare eligibility at age 65 will be provided for the retiree. The retiree may elect to pay the difference in cost to carry a family plan rather than single coverage. If a retiree declines coverage, or if the Company's group health insurance policy does not permit continuation of coverage for retirees, the cost of single coverage as of the date of retirement may be paid directly to the retiree on a monthly basis. If coverage is initially provided and later terminated because of changes to the health insurance policy, the benefit payable to the retiree will be the amount paid for single coverage at the time of the change. The benefit will end at age 65, or earlier if Medicare eligibility occurs before age 65. Twelve retirees participated in the health insurance coverage benefit as of September 30, 2021. Nine retirees participated as of September 30, 2020. The expenditures for the health insurance coverage for the retirees participating under this benefit option were \$74,332 in 2021 and \$57,278 in 2020. The accrued liability for the health

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insurance coverage benefit is discussed below under Accounting Disclosure Report for Other Postemployment Benefits.

Extended Medical Coverage

For those retirees who qualify, Clarksville Connected Utilities will provide a benefit payable to the retiree equal to Medicare Supplement F Standard Plan coverage, not to exceed \$200 per month. This benefit has been discontinued as of October 1, 2013. The only retirees that qualify for this benefit are those individuals who were already receiving this benefit or were qualified to receive it at retirement, but have not yet used the benefits as of the discontinuance date. Supplemental medical insurance is defined as the medical insurance coverage that helps pay Medicare co-payments and deductibles.

In order to qualify for this benefit an employee must have completed 15 years or more of continual service and retired from the Company at the age of 59 or older. Therefore, if an employee terminates for any reason prior to reaching retirement age he is disqualified.

Benefits are not retroactive and will not begin until proof of supplemental medical insurance coverage is furnished to the Company. Early retirees may apply to the Company for this benefit at the time they become Medicare eligible. This benefit does not apply to the spouse of retiree, nor would any benefit transfer to an heir at the time of death. This benefit terminates when and if the qualified retiree elects not to carry supplemental medical insurance as defined in this policy. Currently, five retirees are participating in the extended medical coverage benefit. The amount paid to retirees for extended medical coverage benefit for years ended September 30, 2021 was \$11,605 and September 30, 2020 was \$11,373. The accrued liability for the extended medical coverage benefit is discussed below under Accounting Disclosure Report for Other Postemployment Benefits.

Accounting Disclosure Report for Other Postemployment Benefits

Employees may be compensated in variety of forms in exchange for their services. In addition to a salary, employees earn benefits over their years of service that will not be received until after their employment with the Company ends. The most common type of postemployment benefits is a pension, but other postemployment benefits (OPEB) are those benefits other than pensions such as health insurance. OPEB are a part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Therefore, the cost of these future benefits is a part of the cost of providing services today.

The Early Retirement benefit part 3) and the Extended Medical Coverage benefit listed above meets the definition of a single employer Postemployment Benefit Plans Other Than Pension Plans and require additional actuarial disclosures. The Extended Medical Coverage benefit was discontinued as of October 1, 2013 except for those retirees already receiving benefits or qualified to receive benefits at their retirement date. An Actuarial Valuation Report Under GASB Statement 75 prepared by Hildi Incorporated, A Division of USI Consulting Group, an independent actuary, for the measurement period of October 1, 2019 to October 31, 2020 has been used for the fiscal year ending September 30, 2021 reporting. Copies of this report may be obtained by contacting the Company. As allowed by Governmental Accounting Standards Board (GASB) Statement No. 75 – Accounting and Financial

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Reporting for Postemployment Benefit Plans Other Than Pension Plans, the actuarial valuation is prepared on a biennial basis. A stand-alone financial statement is not issued for this plan.

The Governmental Accounting Standards Board (GASB) Statement 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans establishes uniform accounting and financial reporting standards for state and local governments related to postemployment benefits other than pensions. The Company has adopted GASB 75 as of September 30, 2020. The calculations reported herein are consistent with our understanding of the provisions of GASB Statement 75.

OPEB benefits have historically been funded on a pay-as-you-go basis. Under GASB 75, plan sponsors may set a trust fund and pre-fund the benefits. There is no requirement to pre-fund benefits under GASB 75. Results reported assume continued funding on a pay-as-you-go basis.

There are no nonemployer contributing entities as defined by GASB 75 for this plan. There are no special funding situations as defined by GASB 75 for this plan.

The Plan is governed by the Clarksville Connected Utilities Commission of the City of Clarksville, Arkansas which may amend plan provisions, and which is responsible for the management of plan assets.

Plan Membership

Measurement Date	10/1/2020
Fiscal Year End	9/30/2021
Active Plan Members	67
Retirees Receiving Payments	13
Total	<u>80</u>

Plan Changes – None

Method Changes - None

Cost Method - The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age. The portion of the present value allocated to a year is the service cost. No changes were made in the method.

Plan Experience –

- Healthcare claims for retired employees are assumed to be based on active employee premiums, increased for the difference in average age, resulting in the measurement of an implicit rate subsidy liability.
- There was a liability loss of \$401,913 due to updated census data and the implicit rate subsidy.
- There was a liability loss of \$296,156 due to claims and premiums higher than expected.

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Notes to Financial Statements

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Assumption Changes –

- The healthcare trend rates were changes to better anticipate short term and long-term medical increases.
- The mortality tables were update to the Pri-2012 Total Dataset Mortality Table with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the same table as the pension valuation.
- The discount rate was changed from 3.55% to 2.3%
- These changes decreased the liability by \$29,618.

Projected benefits are based on projected salary and projected service.

Long Term Rate of Return – None. No plan assets.

A. Statement of Fiduciary Net Position

There are no plan assets.

B. State of Changes in Fiduciary Net Position and Net OPEB Liability

Statement of Changes in Fiduciary Net Position

Measurement Date	10/1/2020	9/1/3019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Reporting Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Employer Contributions	\$ 91,526	\$ 68,651	\$ 43,734	\$ 33,615	\$ 25,364	\$ 20,134	\$ 21,258	\$ 21,230
Benefit Payments	(91,526)	(68,651)	(43,734)	(33,615)	(25,364)	(20,134)	(21,258)	(21,230)
Net Change	-	-	-	-	-	-	-	-
Fiduciary Net Position, Beginning of Period	-	-	-	-	-	-	-	-
Fiduciary Net Position, End of Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Statement of Changes in Net OPEB Liability

Net OPEB Liability - Beginning of Year	\$ 837,942	\$ 345,284	\$ 396,696	\$ 439,263	\$ 475,053	\$ 506,747	\$ 541,429	\$ 578,051
Service Cost	66,248	-	15,109	15,109	15,109	15,679	15,679	15,679
Interest on Net OPEB Obligation	30,488	10,359	11,901	13,177	14,252	15,202	16,243	17,342
Changes in Actuarial Assumptions	(29,618)	550,950	(34,688)	(37,238)	(39,787)	(42,441)	(45,346)	(48,413)
Difference in Expected & Actual Experience	698,069	-	-	-	-	-	-	-
Net Changes	765,187	561,309	(7,678)	(8,952)	(10,426)	(11,560)	(13,424)	(15,392)
Contributions and Payments	(91,526)	(68,651)	(43,734)	(33,615)	(25,364)	(20,134)	(21,258)	(21,230)
Increase (Decrease) in Net OPEB Liability	673,661	492,658	(51,412)	(42,567)	(35,790)	(31,694)	(34,682)	(36,622)
Net OPEB Liability - End of Year	\$ 1,511,603	\$ 837,942	\$ 345,284	\$ 396,696	\$ 439,263	\$ 475,053	\$ 506,747	\$ 541,429

CLARKSVILLE CONNECTED UTILITIES

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C. Sensitivity to Changes in Discount Rate

	1% Decrease	Discount Rate	1% Increase
	1.30%	2.30%	3.30%
Net OPEB Liability	\$ 1,601,620	\$ 1,511,603	\$ 1,424,606

D. Sensitivity to Changes in Healthcare Trend Rate

	1% Decrease	Trend Rate	1% Increase
	5.50%	6.50%	7.50%
Net OPEB Liability	\$ 1,199,134	\$ 1,511,603	\$ 1,392,333

E. Statement of OPEB Expenses for GASB 75 Reporting

The OPEB Expense under GASB 75 for fiscal year ending 9/30/2020 is \$174,176. Actual OPEB benefit payment contributions for the supplemental insurance and health insurance was \$68,652.

The OPEB Expense under GASB 75 for fiscal year ending 9/30/2021 is \$332,434. Actual OPEB benefit payment contributions for the supplemental insurance and health insurance was \$121,191 which includes an implicit subsidy calculation.

Components of OPEB Expense

Service Cost	\$ 66,248
Interest Cost	30,488
Liability Gain or Loss	145,246
Assumption Changes	90,452
Projected Investment Return	-
Investment Gain or Loss	-
Administrative Expenses	-
Plan Changes	-
Total	<u>\$ 332,424</u>

CLARKSVILLE CONNECTED UTILITIES

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F. Statement of Deferred Outflow and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 701,745	\$ -
Effects of changes in assumptions	412,243	25,538
Employer contributions	121,191	-
Total deferred outflows and inflows of resources	<u>\$ 1,235,179</u>	<u>\$ 25,538</u>

in the OPEB expense as follows:

Fiscal year ending 9/30	Amount to be recognized
2021	N/A
2022	\$235,698
2023	235,698
2024	235,698
2025	232,748
2026	148,608
Thereafter	-

GASB 75 Amortization Schedule

Outstanding amortization bases for Deferred (Inflows) and Outflows of Resources as of the employer fiscal year-end:

Date Established	Type	Original Amount	Original Years	Amortization Amount	Remaining Amount as of 9/30/2021	Remaining Years as of 9/30/2021
10/1/2020	Liability (Gain)/Loss	\$19,552	4.31	\$4,537	\$15,015	3.31
10/1/2020	Assumption Change	(1,117)	4.31	(260)	(857)	3.30
10/1/2020	Liability (Gain)/Loss	129,370	5.31	24,364	105,006	4.31
10/1/2020	Assumption Change	507,892	5.31	95,649	412,243	4.31
10/1/2020	Liability (Gain)/Loss	698,069	6.00	116,345	581,724	5.00
10/1/2020	Assumption Change	(29,618)	6.00	(4,937)	(24,681)	5.00

G. Summary of Significant Accounting Policies of the OPEB Plan

Method Used to Value Investments - This plan is unfunded.

Net Fiduciary Position – The net position and changes in fiduciary position have been determined on the same basis for GASB 75 reporting purposes.

CLARKSVILLE CONNECTED UTILITIES

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Contributions – The contributions for the period ending 9/30/2021 is \$91,526.

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

H. Assumptions & Methods Prescribed by GASB – used to determine the total OPEB liability and discount rate

Valuation/Census Data Date	October 1, 2020	
Measurement Date	October 1, 2020	
Actuarial Cost Method	Entry Age, level percentage of pay	
Actuarial Assets	None	
Amortization of Deferred Resource Flows	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.	
Discount Rate	2.30%	
20-Year Municipal Bond Yield	2.30%	
Salary Increases	Table S-5 plus 2.0% plus an additional amount based on	
	service: Age	Rate as %
	25	6.18%
	40	4.72%
	55	3.88%
	Salary increases used only for cost attribution and not for the determination of plan benefits.	
Medical Trend Rate	Pre-65: 6.50% as of October 1, 2020 grading to 5.00% over 6 years and then to 4.00% over the next 48 years	
	Post-65: 4.00%	
Mortality	Pri-2012 Total Dataset Mortality Table with MP-2021 Generational Improvement Scale	
Disability	None	
Withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.50	
Retirement	Age	Rate as %
	59	15%
	60	20%
	61-62	25%
	63-64	10%
	65	100%

CLARKSVILLE CONNECTED UTILITIES

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	65	100%
Expenses	Assumed paid outside of Plan	
Percent Married	N/A	
Age Difference	N/A	
Retiree Plan Participation	Future Retirees Electing Coverage:	
	Pre-65 subsidy available:	100%
	Pre-65 subsidy not available:	N/A
Percent of Married Retirees	N/A	
Electing Spouse Coverage		

NOTE 15 – CLARKSVILLE CONNECTED UTILITIES RETIREMENT PLAN WITH LIFE INSURANCE (Unaudited)

A. General Information about the Pension Plan

Plan Description

The Clarksville Connected Utilities Retirement Plan with Life Insurance is a single-employer defined benefit plan sponsored by Clarksville Connected Utilities. The Plan is governed by the Clarksville Connected Utilities Commission of the City of Clarksville, Arkansas which may amend plan provisions, and which is responsible for the management of plan assets. The Clarksville Connected Utilities Commission has delegated the authority to manage plan assets to Principal Financial Group. No changes have occurred in the Plan between the measurement date and the financial statement date that have a significant effect on net pension liability. The Plan does not issue an audited stand-alone financial report.

Eligibility and Benefits Provided

The Plan covers substantially all full-time employees who attained age 21 and have completed at least one year of service in which at least 1,000 hours were worked. The normal retirement benefit is a monthly annuity guaranteed for five years and life thereafter after the later of attaining age 65 or five years after the plan entry date. The monthly annuity is 60% of average compensation multiplied by short service percentage, multiplied by accrued benefit adjustment as defined in the plan. An early retirement benefit is available for employees who have attained age 55 and completed 10 years of vesting service at a reduced benefit amount depending on the number of years the early retirement date precedes the normal retirement date. The Plan also provides for a death benefit of the greater of a survivor annuity death benefit or whole life insurance death benefit. This reflects the provisions of the plan dated January 31, 2014. There have been no changes in plan provisions during the measurement period. There have been no changes in plan provisions between the January 31, 2021 measurement date and the date of this report.

Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation Report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan

CLARKSVILLE CONNECTED UTILITIES

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members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. Employees are currently required to contribute 2.50% of salary and plan assumptions projects this rate in the future.

The actuarially determined employer contribution for the measurement period ending January 31, 2021 was \$638,889 and the employee contributions were \$95,005. The actual employer contribution made was \$615,005. Amounts payable to the plan by the employer as of September 30, 2020 is \$615,005 and is recorded in accounts payable. This represents the employer contributions for the plan year ending February 1, 2021.

The actuarially determined employer contribution for the measurement period ending January 31, 2022 is \$739,872 which has not been made as of the date of the audit report.

The actuarially determined employer contribution for the measurement period ending January 31, 2020 was \$587,948 and the employee contributions were \$85,936.

The plan funding policy assumes 100% of the estimated actuarially determined contribution amount is contributed midway during each projection period. Employer normal cost is assumed to be 11.67% of payroll throughout the projection period based on the 2/1/21 actuarial valuation report.

Allocated Insurance Contracts

Benefits paid during the prior plan year were \$682,540. The obligation for the payment of retirement benefits for these members has been transferred to the annuity contracts. The plan has no further obligation for these members.

Employees Covered **9/30/2021**

Active plan members	61
Terminated vested	16
Retirees	<u>0</u>
Total	<u>77</u>

CLARKSVILLE CONNECTED UTILITIES

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B. Net Pension Liability

The historical information required to be disclosed is as follows:

Actuarial Valuation Date	(1) Fiduciary's Net Position	(2) Total Pension Liability	(3) Net Pension Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Net Pension Liability as % of Payroll (3)/(5)
02/01/21	\$ 7,077,923	\$ 8,825,651	\$ 1,747,728	80%	\$ 4,029,477	43%
02/01/20	\$ 6,866,993	\$ 8,472,158	\$ 1,605,165	81%	\$ 3,438,160	47%
02/01/19	\$ 6,621,103	\$ 8,296,268	\$ 1,675,165	80%	\$ 3,220,409	52%
02/01/18	\$ 6,683,189	\$ 8,609,960	\$ 1,926,771	78%	\$ 3,378,654	57%
02/01/17	\$ 6,118,243	\$ 8,067,346	\$ 1,949,103	76%	\$ 3,309,601	59%
02/01/16	\$ 5,985,322	\$ 7,286,733	\$ 1,301,411	82%	\$ 3,310,615	39%
02/01/15	\$ 5,119,134	\$ 6,871,556	\$ 1,752,422	74%	\$ 3,114,072	56%
02/01/14	\$ 4,117,792	\$ 5,895,347	\$ 1,777,555	70%	\$ 3,296,874	54%
02/01/13	\$ 3,623,125	\$ 5,426,419	\$ 1,803,294	67%	\$ 3,381,052	53%
02/01/12	\$ 3,102,083	\$ 4,982,048	\$ 1,879,965	62%	\$ 3,209,305	59%

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the total pension liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, total pension liability, and net pension liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the total pension liability (column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the plan is becoming financially stronger or weaker, generally, the greater this percentage, the stronger the plan.

Trends in the net pension liability and annual covered payroll are both affected by inflation. Expressing the net pension liability as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is a net pension liability, the smaller this percentage, the stronger the plan.

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Annual required employer contributions for the Plan as reported by the Principal Financial Group are reported as follows:

<u>Plan Year Ending</u>	(1) Actuarially Determined Contribution	(2) Actual Plan Contribution	(3) Difference (1)-(2)	(4) Annual Covered Payroll	(5) % Contributions as % Covered Payroll (2)/(4)
1/31/2021	\$ 638,889	\$ 615,005	\$ (23,884)	\$ 4,029,477	15%
1/31/2020	\$ 587,948	\$ 587,948	\$ -	\$ 3,438,160	17%
1/31/2019	\$ 596,786	\$ 596,786	\$ -	\$ 3,220,409	19%
1/31/2018	\$ 569,857	\$ 473,615	\$ (96,242)	\$ 3,378,654	14%
1/31/2017	\$ 451,996	\$ 451,996	\$ -	\$ 3,309,601	14%
1/31/2016	\$ 422,124	\$ 819,213	\$ 397,089	\$ 3,310,615	25%
1/31/2015	\$ 262,529	\$ 984,986	\$ 722,457	\$ 3,114,072	32%
1/31/2014	\$ 319,213	\$ 319,213	\$ -	\$ 3,296,874	10%
1/31/2013	\$ 326,027	\$ 326,027	\$ -	\$ 3,381,052	10%
1/31/2012	\$ 253,745	\$ 253,745	\$ -	\$ 3,209,305	8%

CLARKSVILLE CONNECTED UTILITIES

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Summary of Methods and Assumptions

Summary of Methods

Census Data Date	February 1, 2021
Measurement Date	January 31, 2021
Actuarial Cost Method	GASB Accounting: Entry Age Normal Actuarially Determined Contribution: Entry Age Normal
Actuarial Assets	Trustee value as of the measurement date
Amortization of Deferred Resource Flows	Level dollar amount on a closed basis. For GASB 68, the amortization basis is as described in GASB Statement 68. For the Actuarially Determined Contribution, the amortization period is 20 years.

Economic Assumptions

Discount Rate	GASB Accounting: 3.75% (net of investment expenses) Plan Funding: 3.75%								
Expected Long-Term Investment Return	3.75%								
20-Year Municipal Bond Yield	2.10%								
Period of Projected Benefits	2021- 2106								
Salary Increase	Table S-5 plus 2.0% plus an additional amount based on service: <table><tr><td>Age</td><td>Rate as %</td></tr><tr><td>25</td><td>6.18%</td></tr><tr><td>40</td><td>4.72%</td></tr><tr><td>55</td><td>3.88%</td></tr></table>	Age	Rate as %	25	6.18%	40	4.72%	55	3.88%
Age	Rate as %								
25	6.18%								
40	4.72%								
55	3.88%								
Cost of Living Increases	None								

Other Assumptions

Mortality Table	Pre-Commencement: RP-2006 with MP-2021 Post-Commencement: 1971 Group Annuity Table (male) with projection, Principal Life Insurance Company Modification(setback5 for females)
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.50
Retirement	100% at Normal Retirement Date
Expenses	Actual Expenses Used
Percent Married	Males 75%, Females 75%
Age Difference	Males assumed to be 3 years older than females
Form of Payment	5 year certain and life annuity.

CLARKSVILLE CONNECTED UTILITIES

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C. Schedule of Changes in Net Pension Liability

Measurement Period Ending	1/31/2021	1/31/2020	1/31/2019	1/31/2018	1/31/2017	1/31/2016	1/31/2015
Fiscal Year Ending	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability							
Service cost	\$ 418,181	\$ 379,556	\$ 388,773	\$ 379,811	\$ 351,998	\$ 335,823	\$ 303,951
Interest	320,590	314,352	320,918	312,149	302,759	300,400	293,822
Benefit payments	(682,540)	(555,782)	(798,371)	(123,530)	(564,759)	(267,216)	(151,406)
Differences between expected and actual experience	-	(406)	(220,582)	(20,981)	74,376	66,855	(105,922)
Changes in assumptions	422	38,170	(4,430)	(4,835)	616,239	(20,685)	635,769
Gain or Loss	296,840	-	-	-	-	-	-
Net change in Total Pension Liability	353,493	175,890	(313,692)	542,614	780,613	415,177	976,214
Balance, beginning of period	8,472,158	8,296,268	8,609,960	8,067,346	7,286,733	6,871,556	5,895,352
Balance, end of period	\$ 8,825,651	\$ 8,472,158	\$ 8,296,268	\$ 8,609,960	\$ 8,067,346	\$ 7,286,733	\$ 6,871,566
Fiduciary Net Position							
Employee contributions	\$ 95,657	\$ 85,936	\$ 85,983	\$ 84,812	\$ 77,537	\$ 88,419	\$ 79,851
Employer contributions	615,005	587,948	596,786	473,615	451,996	819,213	978,957
Other contributions	-	-	-	-	-	-	-
Net investment income	257,965	170,807	224,330	185,689	223,519	254,428	174,941
Benefit payments	(682,540)	(555,782)	(798,371)	(123,530)	(564,759)	(267,216)	(151,406)
Administrative expenses	(4,000)	-	(8,000)	-	(4,000)	-	-
Gain or Loss	(71,157)	-	-	-	-	-	(450)
Other deductions	-	(33,394)	(172,439)	(55,640)	(51,372)	(28,386)	(80,552)
Net Change in Fiduciary Net Position	210,930	255,515	(71,711)	564,946	132,921	866,458	1,001,341
Balance, beginning of period	6,866,993	6,611,478	6,683,459	6,118,513	5,985,592	5,119,134	4,117,793
Balance, end of period	\$ 7,077,923	\$ 6,866,993	\$ 6,611,748	\$ 6,683,459	\$ 6,118,513	\$ 5,985,592	\$ 5,119,134
Net Pension Liability	\$ 1,747,728	\$ 1,605,165	\$ 1,684,520	\$ 1,926,501	\$ 1,948,833	\$ 1,301,141	\$ 1,752,432
End of Period Assumptions							
Long-term rate of return	3.75%	3.75%	3.75%	3.75%	3.75%	4.25%	4.25%
Discount rate	3.75%	3.75%	3.75%	3.75%	3.75%	4.25%	4.25%
Salary increase assumption	S5 + 2.0%	S5 + 2.0%	S5 + 2.0%	S5 + 2.0%	S5 + 2.0%	S5 + 2.5%	S5 + 2.5%
Retirement age assumption	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Plan changes	none	none	none	none	none	none	none

CLARKSVILLE CONNECTED UTILITIES

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Sensitivity to Changes in Discount Rate	1% decrease	Discount Rate	1% increase
	2.75%	3.75%	4.75%
Net Pension Liability	\$3,089,521	\$1,747,728	\$600,477

D. Pension Expenses

The Pension Expenses for the fiscal years ended September 30, 2021 and 2020 are \$577,996 and \$536,392. Below are the components of pension expenses.

Components of Pension Expense	9/30/2021	9/30/2020
Service cost	\$ 418,181	\$ 379,556
Interest cost	320,590	314,352
Contributions from employees	(95,657)	(85,936)
Expected investment income	(257,965)	(244,218)
Other expenses	4,000	-
Other deductions	-	33,394
Recognition of deferred outflows and inflows due to:		
Differences between expected and actual experience	4,798	(24,886)
Changes in assumptions	139,777	139,734
Investment Gain or Loss	44,272	24,396
Total Pension Expense	<u>\$ 577,996</u>	<u>\$ 536,392</u>

Rates used to determine pension expenses

Discount Rate	3.75%	3.75%
Long Term Rate of Return	3.75%	3.75%

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E. Deferred Outflows and Inflows of Resources Related to Pensions

Recognition of Deferred Outflows and Inflows - Actuarial

Date Established	Type	Initial or Prior Year Balance	Current Amount Recognized	Deferred Balance	Upcoming Amount Recognized	Years Remaining
9/30/2021	Investment Income	\$ 71,158	\$ 14,232	\$ 56,926	\$ 14,232	4.00
9/30/2021	Assumption	422	43	379	43	8.81
9/30/2021	Experience	296,840	29,684	267,156	29,684	9.00
9/30/2020	Experience	(358)	(48)	(310)	(48)	6.46
9/30/2020	Assumption	33,700	4,470	29,230	4,470	6.54
9/30/2020	Investment Income	58,729	14,682	44,047	14,682	3.00
9/30/2019	Experience	(167,684)	(26,449)	(141,235)	(26,449)	5.34
9/30/2019	Assumption	(3,368)	(531)	(2,837)	(531)	5.34
9/30/2019	Investment Income	9,994	3,331	6,663	3,331	2.00
9/30/2018	Experience	(13,721)	(2,420)	(11,301)	(2,420)	4.67
9/30/2018	Assumption	(3,161)	(558)	(2,603)	(558)	4.66
9/30/2018	Investment Income	17,977	8,988	8,989	8,988	1.00
9/30/2017	Experience	40,872	8,376	32,496	8,376	3.88
9/30/2017	Assumption	338,655	69,396	269,259	69,396	3.88
9/30/2017	Investment Income	3,036	3,036	-	-	0.00
9/30/2016	Experience	30,950	7,181	23,769	7,181	3.31
9/30/2016	Assumption	(9,575)	(2,222)	(7,353)	(2,222)	3.31
9/30/2015	Experience	(36,766)	(11,526)	(25,240)	(11,526)	2.19
9/30/2015	Assumption	220,685	69,179	151,506	69,179	2.19
	Total	<u>\$ 888,385</u>	<u>\$ 188,844</u>	<u>\$ 699,541</u>	<u>\$ 185,808</u>	

CLARKSVILLE CONNECTED UTILITIES

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Amounts reported as deferred outflows and inflows of resources related to changes in assumptions and differences between expected and actual experience will be recognized in the pension expense as follows:

Fiscal Year ending 09/30	Amount to be Recognized
2022	\$185,808
2023	176,820
2024	126,790
2025	88,393
2026	5,181
Thereafter	116,544

Deferred Outflow of Resources – Pension Contribution

No pension contributions have been paid after the measurement date of 1/31/2021. Pension contributions received after the measurement date of 1/31/2020 were \$615,005.

F. Investments

Investment policy

A general listing of plan assets as of the measurement dates is shown below.

	1/31/2021	1/31/2020
Principal Financial Group	\$ 6,723,274	\$ 6,516,056
Whole Life Insurance Reserves	354,649	350,937
Total Plan Assets	<u>\$ 7,077,923</u>	<u>\$ 6,866,993</u>

Plan funds are held in the General Account of the Principal Life Insurance Company, according to the terms of the Deposit Administration Group Annuity Contract #103297, and in whole life insurance reserves. Investment policies, strategies, and allocations within the General Account are made by Principal Life. The Deposit Administration contract guarantees expense charges, annuity purchase rates, and minimum crediting rates.

The investment strategy as stated by Principal Life Insurance Company of the General Investment Account is as follows. “Our promises (other than those related to separate accounts) under your contract and others like it are supported by the entire general account of Principal Life Insurance Company. A segment of the general account has been established to allow us to support your contract’s “best efforts” return. This segment includes a broadly diversified portfolio that primarily consists of intermediate-term, fixed income investments, such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and U.S. government and agency-backed securities. Our obligations to you are set out in the contract. While you do not have an interest in the general account or the segment that was set up to specifically support your contract, it is important that you know about the operation of this segment

CLARKSVILLE CONNECTED UTILITIES

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as it directly affects the return under your contract.”

Long Term Returns	Year to Date	1 Year	3 Year	5 Year	10 Year
Total Return %	6.03%	6.03%	3.65%	4.73%	4.41%

Annual Returns	2020	2019	2018	2017	2016
Total Return %	6.03%	8.65%	-3.33%	7.49%	5.25%

Portfolio Information

Composition as of 12/31/2020

	% of Assets
U.S. Bonds	55.80%
Non-U.S. Bonds	25.50%
Commercial Mortgages	16.90%
Other	1.50%
Cash	0.20%
Stocks	0.10%

Concentrations

As of the measurement dates, the following are investments (other than US Government and US Government guaranteed obligations) in any one organization that represents 5 percent or more of the pension plan's fiduciary net position.

	<u>9/30/2021</u>	<u>9/30/2020</u>
Principal Financial Group	\$ 6,866,993	\$ 6,611,478

Method used to value investments

Investments are valued as of the measurement date. Investments in separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities and are valued at fair market value.

Investments in the General Investment Account at The Principal Financial Group are valued at contract value, per GASB Statement 31 paragraph 8. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefit or administrative expenses.

CLARKSVILLE CONNECTED UTILITIES

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Rate of Return

The rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expenses. The annual rate of return on plan investments for the measurement period of 02/01/2020 to 01/31/2021 is 2.7% and 02/01/2019 to 01/31/2020 is 2.6%. The actual date and amount of each contribution benefit payment, and administrative expense payment was used in the calculation of the rate of return.