

**CLARKSVILLE CONNECTED UTILITIES**

**Independent Auditors' Report**

**And**

**Financial Statements**

**September 30, 2023**

**CLARKSVILLE CONNECTED UTILITIES**  
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# King & Jacobs & Lorfing

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## **INDEPENDENT AUDITORS' REPORT**

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

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

#### **Qualified Opinion**

We have audited the financial statements of the business-type activities of Clarksville Connected Utilities (CCU), a component unit of the City of Clarksville, Arkansas, as of and for the years ended September 30, 2023 and the related notes to the financial statements, which collectively comprise CCU's basic financial statements as listed in the table of contents.

In our opinion, except for the effects as described 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 the business type activities of CCU as of September 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Qualified Opinion**

The CCU 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.

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

#### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only CCU and do not purport to, and do not, present fairly the financial position of the City of Clarksville, Arkansas, and the changes in their financial position, or where applicable, their cash flows in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 10 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.

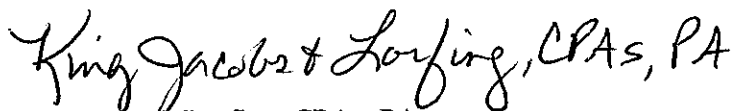
### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CCU's basic financial statements. The Departmental Statement of Revenues and Expenses, Schedule of Direct Operating Expenses, and the Schedule of General and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statement.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024 on our consideration of the CCU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing 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 CCU's internal control over financial reporting and compliance.



King Jacobs & Lorfing, CPAs, PA  
Clarksville, Arkansas  
June 21, 2024

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clarksville Connected Utilities (CCU), a component unity of the City of Clarksville, Arkansas, which comprise of the Statement of Net Position as of September 30, 2023, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 21, 2024.

### **Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit

we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

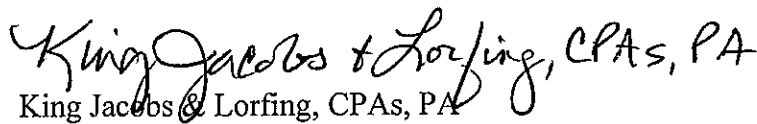
As part of obtaining reasonable assurance about whether CCU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-1.

### **Clarksville Connected Utilities Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on CCU's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. CCU's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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  
Clarksville, Arkansas  
June 21, 2024

**CLARKSVILLE CONNECTED UTILITIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
09/30/2023**

**Finding No. 2023-1: Fuel Adjustment**

**Repeat Finding:** No

**Condition:** The fuel adjustment rate was overstated due to a power billing error. During a rate study in 2023, a billing error from 2018 was discovered on a OMPA power bill.

**Criteria and Cause:** The White River KWh was not removed from the billed usage which caused an overbilling by OMPA.

**Effect:** This resulted in an overpayment. OMPA credited CCU for the billing error, but the credit was not applied to the fuel adjustment calculations. The unapplied credits were \$174,208.

**Recommendation:** We recommend that the credits be applied to the fuel adjustment calculations.

**Management Response:** Management will communicate to billing personnel the credits for the overpayment so that it can be properly accounted for in the fuel adjustment calculations.

**Questioned Costs:** None



Clarksville Connected Utilities  
**Management Discussion & Analysis**  
Fiscal Year 2023

**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, charged with the responsibility of administering the utility in the best interest of the citizens of Clarksville. The current commissioners are: Freeman Wish, Jennifer Risinger, Jack Duncan, Ethan Powell, and LaShainea Pollander.

**Customers**

CCU serves approximately 4,500 residences and businesses within the Clarksville city limits, providing electricity, water, wastewater treatment, and broadband services. 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**

CCU's total annual operating revenues for fiscal year 2023 were \$27,287,520, which was \$816,862 lower than the previous year.

Electric revenues for 2023 were \$17,552,237 down 2.91% or a total of \$1,430,181 in residential, commercial, and industrial accounts. Electricity kilowatt hours sold during 2023 were 218,401,049 down 0.03% as compared to 218,476,872 kilowatt hours the previous year.

Water revenues were \$5,556,516 up by \$36,636 (0.66%) and sewer revenues were \$2,323,530 up by \$150,335 (6.92%) from the prior year. Water sold during 2023 was down to 1,855,796,000 gallons from 1,923,923,000 gallons in 2022.

Broadband revenues from the fiscal year were \$1,855,237 and were up \$426,348 (30%) from prior year, which is related to the growth of the relatively new department which continues to expand.

## **ABOUT THE ELCTRIC UTILITY**

### **Wholesale Power Providers**

Clarksville's largest power provider, Oklahoma Municipal Power Authority (OMPA) furnished approximately 51% in terms of MWh's of our supply in 2023 which is down from 59% of MWh in 2022. 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.

CCU 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 2023 was 18%.

Independence County Hydroelectric, furnished approximately 25% of the supply in terms of MWhs in 2023. These 'run of the river' units near Batesville, Arkansas continues to produce power more reliably compared to previous years.

### **Fuel Adjustment/Rates**

Electric rates are established in reference to a base rate for the cost of a kilowatt-hour of power purchased. When the cost of power differs from the base rate, the difference goes into the calculation of a fuel adjustment to be applied to each customer's bill. The fuel adjustment is calculated on a six-month moving average basis. This means that it will take six months for CCU to recover the difference in the base cost of power and what was actually paid to purchase that power. Historically, this time gap can and has resulted in significant swings in CCU's reported net income. The difference between the 2023 and 2022 results are an example of this. Additionally, substantial cash reserves are required to finance this delay in cost recovery.

## **ABOUT THE WATER UTILITIES**

CCU's existing water treatment plant capacity is capable of 16 MGD. In addition, when the last major expansion took place many of the larger components of the expansion were sized for 24 MGD. If demand grows the plant can achieve that higher production capacity with a few additional investments. Another milestone in the supply was the US Army Corp of Engineers changed the CCU permit to allow the utility to withdraw up to 24 MGD from its primary intake at Piney Bay if emergency drought conditions do not exist.

## **ABOUT THE BROADBAND UTILITY/FIBER OPTIC NETWORK**

The fiber/broadband utility has been installing drops to residential and business customers offering Fiber-To-The-Home/Business (FTTx) network and also phone services (VOIP) since August 2020. Contractors and CCU employees have installed approximately 2,890 drops to homes and business throughout Clarksville. At the end of the fiscal year 2023, CCU had approximately a total of 1,954 connected locations, which is equal to a 45% take rate for the service. This included over 1,522 homes and over 432 businesses.

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. 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 11 to 13) provide information regarding the activities of the Clarksville Connected Utilities as a whole. Net position represents the difference in what CCU owns (assets) and in what CCU 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 CCU's financial health. Departmental schedules begin on page 16. These schedules provide a more detailed picture of CCU's revenues and expenses.

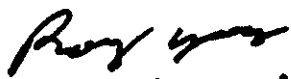
The Statement of Cash Flows (on pages 14 and 15) presents an overview of the cash received and expended during the year. It provides an insight into the sources of cash received, the uses of that cash, and the increase or decrease in cash on hand at the end of the year.

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, 2023 are 3.84 and 3.23 respectively. This means, for example, that for every \$3.84 in current assets, CCU has \$1.00 in current liabilities. These ratios were 3.10 and 2.70 respectively for the year ended September 30, 2022.

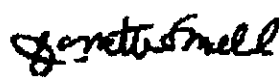
| Comparison of Financial Data                               | 2023       | 2022        | Net Change  |
|------------------------------------------------------------|------------|-------------|-------------|
| Current Assets                                             | 14,023,797 | 14,244,305  | (220,508)   |
| Restricted Fund Assets                                     | 529,722    | 589,820     | (60,098)    |
| Net Capital Assets                                         | 52,907,781 | 54,979,604  | (2,071,823) |
| Other Assets                                               | 3,193,386  | 3,305,800   | (112,414)   |
| Deferred Outflow of Resources                              | 3,262,336  | 2,453,766   | 808,570     |
| Total Assets & Deferred Outflows                           | 73,917,021 | 75,573,295  | (1,656,274) |
| Current Liabilities                                        | 3,655,958  | 4,602,276   | (946,318)   |
| Net Long-Term Debt                                         | 8,948,344  | 9,770,747   | (822,403)   |
| Other Liabilities                                          | 3,758,495  | 4,738,066   | (979,571)   |
| Deferred Inflow of Resources                               | 2,231,148  | 287,335     | 1,943,813   |
| Total Liabilities & Deferred Inflows                       | 18,593,945 | 19,398,424  | (804,479)   |
| Net Assets Invested in Capital Assets, Net of Related Debt | 43,144,437 | 44,303,615  | (1,159,178) |
| Net Position Restricted                                    | 529,722    | 589,853     | (60,131)    |
| Net Position Unrestricted                                  | 11,648,918 | 11,281,403  | 367,515     |
| Total Net Position                                         | 55,323,076 | 56,174,871  | (851,795)   |
| Operating Revenues                                         | 27,287,520 | 28,104,382  | (816,862)   |
| Direct Operating Expenses                                  | 22,858,308 | 25,357,809  | (2,499,501) |
| General and Administrative Expenses                        | 4,926,491  | 4,226,579   | 699,912     |
| Non-Operating Revenues (Expenses)                          | (115,707)  | (317,853)   | 202,146     |
| Total Expenses (Direct & Indirect)                         | 27,900,505 | 29,902,241  | (2,001,735) |
| Income Before Contributions and Transfers                  | (612,985)  | (1,797,859) | 1,184,874   |
| Transfers to the City                                      | (238,807)  | (224,108)   | (14,699)    |
| Changes in Net Position                                    | (851,792)  | (2,021,967) | 1,170,175   |
| Ending Net Position                                        | 55,323,076 | 56,174,871  | (851,795)   |
| Cash Balance and Cash Equivalents                          | 8,381,670  | 7,956,447   | 425,223     |

There was a decrease of \$851,795 in net position during the year to \$55,323,076. There was a decrease in long term debt of \$822,403. The \$8,381,670 cash balance at year-end was \$425,223 higher than 2022.

Overall, the 2023 net loss before contributions and transfers of \$612,985 decreased \$1,184,874 when compared to 2022. Operating revenues are down \$816,862, power costs decreased \$2,631,014 and other operating expenses show a net increase of \$131,513.



**Roy Young**  
Interim General Manager



**Jeanette Small**  
Finance Officer

**CLARKSVILLE CONNECTED UTILITIES**  
**Statements of Net Position**  
**September 30, 2023**

**ASSETS**

|                                                                                        | <u>2023</u>                 |
|----------------------------------------------------------------------------------------|-----------------------------|
| Current Assets                                                                         |                             |
| Cash and Cash Equivalents                                                              | \$ 7,851,948                |
| Accounts Receivable<br>net of allowance for doubtful accounts<br>of \$141,865 for 2023 | 2,426,817                   |
| Unbilled Receivables                                                                   | 1,212,134                   |
| Accrued Interest Receivable                                                            | 106,382                     |
| Inventories                                                                            | 2,209,456                   |
| Prepaid Expenses                                                                       | 217,059                     |
| Total Current Assets                                                                   | <u>14,023,797</u>           |
| Restricted Assets                                                                      |                             |
| Bond Funds                                                                             | <u>529,722</u>              |
| Capital Assets                                                                         |                             |
| Land                                                                                   | 1,175,833                   |
| Buildings                                                                              | 2,833,807                   |
| Electric System                                                                        | 29,992,958                  |
| Water System                                                                           | 63,742,797                  |
| Sewer System                                                                           | 15,681,783                  |
| Broadband System                                                                       | 16,841,657                  |
| Transportation Equipment                                                               | 2,445,314                   |
| Office Equipment                                                                       | 1,555,527                   |
| Generation Equipment                                                                   | 956,655                     |
| Other Equipment                                                                        | 3,784,153                   |
| Construction in Progress                                                               | 545,650                     |
|                                                                                        | <u>139,556,135</u>          |
| Less Accumulated Depreciation                                                          | <u>(86,648,354)</u>         |
| Net Capital Assets                                                                     | <u>52,907,781</u>           |
| Other Assets                                                                           |                             |
| Investments - Electric Cooperative Certificates                                        | 193,386                     |
| Scenic Hills Solar Prepayment Deposit                                                  | 3,000,000                   |
| Total Other Assets                                                                     | <u>3,193,386</u>            |
| Deferred Outflow of Resources                                                          |                             |
| Deferred Outflow of Resources - Pension Contributions                                  | 750,000                     |
| Deferred Outflow of Resources - Pension Actuarial                                      | 1,457,509                   |
| Deferred Outflow of Resources - OPEB Actuarial                                         | 1,054,827                   |
| Total Deferred Outflow of Resources                                                    | <u>3,262,336</u>            |
| Total Assets and Deferred Outflow of Resources                                         | <u><u>\$ 73,917,021</u></u> |

See accompanying notes to financial statements.

**CLARKSVILLE CONNECTED UTILITIES**  
**Statements of Net Position**  
**September 30, 2023**

**LIABILITIES AND NET POSITION**

|                                                                   |                      |
|-------------------------------------------------------------------|----------------------|
| Current Liabilities                                               |                      |
| Accounts Payable                                                  | \$ 1,435,757         |
| Accrued Expenses                                                  | 1,143,013            |
| Accrued Interest Payable (Payable from restricted funds)          | 102,638              |
| Current Due on Long Term Debt (Payable from restricted funds)     | 815,000              |
| Current Due on Early Retirement Payable                           | 159,549              |
| Total Current Liabilities                                         | <u>3,655,958</u>     |
| Other Liabilities                                                 |                      |
| Early Retirement Payable (Long-Term)                              | 177,225              |
| Meter Deposits                                                    | 537,815              |
| Net Other Postemployment Benefit Obligations                      | 1,614,798            |
| Net Pension Liability                                             | 1,428,657            |
| Total Other Liabilities                                           | <u>3,758,495</u>     |
| Long-Term Debt, Net of Current Maturities                         | <u>8,948,344</u>     |
| Deferred Inflow of Resources - Pension Actuarial                  | <u>2,231,148</u>     |
| Total Liabilities and Deferred Inflow of Resources                | <u>18,593,945</u>    |
| Net Position                                                      |                      |
| Net Investment in Capital Assets, Net<br>of Related Debt          | 43,144,437           |
| Restricted                                                        | 529,722              |
| Unrestricted                                                      | 11,648,918           |
| Total Net Position                                                | <u>55,323,076</u>    |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 73,917,021</u> |

See accompanying notes to financial statements.

**CLARKSVILLE CONNECTED UTILITIES**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2023**

|                                           | <u>2023</u>                 |
|-------------------------------------------|-----------------------------|
| Operating Revenue                         |                             |
| Electric Revenue                          | \$ 17,552,237               |
| Water Revenue                             | 5,556,516                   |
| Sewer Revenue                             | 2,323,530                   |
| Broadband Revenue                         | 1,855,237                   |
| Total Operating Revenue                   | <u>27,287,520</u>           |
| Operating Expenses                        |                             |
| Direct Operating Expenses                 | (22,858,308)                |
| General and Administrative Expense        | (4,926,491)                 |
| Total Operatomg Expenses                  | <u>(27,784,799)</u>         |
| Operating Income (Loss)                   | <u>(497,279)</u>            |
| Non-Operating Revenues (Expenses)         |                             |
| Interest Income                           | 193,485                     |
| Interest Expense                          | (309,192)                   |
| Total Non-Operating Revenues (Expenses)   | <u>(115,707)</u>            |
| Income before Contributions and Transfers | (612,985)                   |
| Transfers to the City of Clarksville      | (238,807)                   |
| Changes in Net Position                   | (851,792)                   |
| Net Position - Beginning of Year          | 56,174,869                  |
| Net Position - End of Year                | <u><u>\$ 55,323,076</u></u> |

See accompanying notes to financial statements.

**CLARKSVILLE CONNECTED UTILITIES**  
**Statements of Cash Flows**  
**Years Ended September 30, 2023**

|                                                                                           | <u>2023</u>                |
|-------------------------------------------------------------------------------------------|----------------------------|
| Cash Flows from Operating Activities:                                                     |                            |
| Cash Received from Customers                                                              | \$ 28,488,232              |
| Cash Paid to Employees, Payroll Taxes, and<br>Employee Benefits, Net of Capitalized Labor | (6,537,752)                |
| Cash Paid to Suppliers for<br>Operations and General & Administrative Expenses            | (18,666,371)               |
| Net Cash Provided by Operating Activities                                                 | <u>3,284,108</u>           |
| Cash Flows From Non-Capital Financing Activities:                                         |                            |
| Increase (Decrease) in Meter Deposits                                                     | 65,979                     |
| Net Cash Provided by Non-Capital Financing Activities                                     | <u>65,979</u>              |
| Cash Flows from Capital & Related Financing Activities:                                   |                            |
| Payments on Debt Obligations                                                              | (795,000)                  |
| Interest Paid on Debt Obligations, Net of Capitalized Interest                            | (324,198)                  |
| Net Cash used for Financing Activities                                                    | <u>(1,119,198)</u>         |
| Cash Flows from Investing Activities:                                                     |                            |
| Investment Income                                                                         | 91,760                     |
| Investment in electric cooperative certificates                                           | 2,414                      |
| Investment in Southwest Power Pool Deposit                                                | 110,000                    |
| Transfers to the City of Clarksville                                                      | (238,807)                  |
| Capital Expenditures                                                                      | (1,771,033)                |
| Net Cash Provided by Investing Activities                                                 | <u>(1,805,666)</u>         |
| Net Increase (Decrease) in Cash                                                           | 425,223                    |
| Cash at Beginning of Year                                                                 | 7,956,447                  |
| Cash at End of Year                                                                       | <u><u>\$ 8,381,670</u></u> |

See accompanying notes to financial statements.

**CLARKSVILLE CONNECTED UTILITIES**  
**Statements of Cash Flows (continued)**  
**Years Ended September 30, 2023**

|                                                                                             | <u>2023</u>         |
|---------------------------------------------------------------------------------------------|---------------------|
| Reconciliation of Earnings from Operations to<br>Net Cash Provided by Operating Activities: |                     |
| Operating Income (Loss)                                                                     | \$ (497,279)        |
| Adjustments to Reconcile Operating Income to<br>Net Cash Provided by Operating Activities:  |                     |
| Depreciation                                                                                | 3,712,790           |
| Amortization of bond premium                                                                | (7,403)             |
| Change in Operating Assets, Deferred Outflows of Resources<br>and Liabilities:              |                     |
| (Increase) Decrease in Accounts Receivables                                                 | 718,870             |
| (Increase) Decrease in Unbilled Receivables                                                 | 481,842             |
| (Increase) Decrease in Inventory                                                            | (370,638)           |
| (Increase) Decrease in Prepaid Expenses                                                     | (22,518)            |
| (Increase) Decrease in Certificates of Equity                                               | 112,414             |
| (Increase) Decrease in Deferred Outflows-Pension Actuarial                                  | (1,053,322)         |
| (Increase) Decrease in Deferred Outflows-OPEB Actuarial                                     | 174,752             |
| Increase (Decrease) in Accounts Payable                                                     | (674,746)           |
| Increase (Decrease) in Bank Overdraft                                                       | (374,190)           |
| Increase (Decrease) in Accrued Expenses                                                     | 25,723              |
| Increase (Decrease) in Early Retirement Payable                                             | 185,200             |
| Increase (Decrease) in Accrued OPEB Liability                                               | (218,803)           |
| Increase (Decrease) in Net Pension Liability                                                | (852,398)           |
| Increase (Decrease) in Deferred Inflows-Pension Actuarial                                   | 1,943,813           |
| Net Cash Provided by Operating Activities                                                   | <u>\$ 3,284,108</u> |
| Non-Cash Investing, Capital & Financing Activities:                                         |                     |
| Capital Assets Included in Accounts Payable at Year End                                     | <u>\$ 80,088</u>    |
| Cash Paid during the year for:                                                              |                     |
| Interest                                                                                    | <u>\$ 321,199</u>   |

See accompanying notes to financial statements.

**CLARKSVILLE CONNECTED UTILITIES**  
**DEPARTMENTAL INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**CLARKSVILLE CONNECTED UTILITIES**  
**Departmental Statement of Revenues and Expenses**  
**For the Year Ended September 30, 2023**

|                                                | Electric      | Water     | Sewer        | Broadband    | Total         |
|------------------------------------------------|---------------|-----------|--------------|--------------|---------------|
| Operating Revenue                              |               |           |              |              |               |
| Electric                                       | \$ 17,552,237 | \$ -      | \$ -         | \$ -         | \$ 17,552,237 |
| Water                                          | -             | 5,556,516 | -            | -            | \$ 5,556,516  |
| Sewer                                          | -             | -         | 2,323,530    | -            | \$ 2,323,530  |
| Broadband                                      | -             | -         | -            | 1,855,237    | \$ 1,855,237  |
| Total Operating Revenue                        | 17,552,237    | 5,556,516 | 2,323,530    | 1,855,237    | \$ 27,287,520 |
| Direct Operating Expenses                      | 15,686,937    | 3,769,508 | 1,910,971    | 1,490,892    | \$ 22,858,308 |
| General and Administrative                     | 2,008,109     | 1,723,247 | 539,345      | 655,790      | \$ 4,926,491  |
| Total Operating Expense                        | 17,695,047    | 5,492,755 | 2,450,316    | 2,146,681    | 27,784,799    |
| Operating Income (Loss)                        | (142,809)     | 63,761    | (126,786)    | (291,444)    | (497,279)     |
| Non-Operating                                  |               |           |              |              |               |
| Revenue (Expenses)                             |               |           |              |              |               |
| Interest Income                                | 71,802        | 74,110    | 17,739       | 29,834       | \$ 193,485    |
| Interest Expense                               | -             | (64,847)  | -            | (244,345)    | \$ (309,192)  |
| Total Non-Operating                            | 71,802        | 9,263     | 17,739       | (214,511)    | \$ (115,707)  |
| Income (Loss) before contributions & transfers | \$ (71,007)   | \$ 73,024 | \$ (109,047) | \$ (505,955) | \$ (612,985)  |

**CLARKSVILLE CONNECTED UTILITIES**  
**Schedule of Direct Operating Expenses**  
**For the Year Ended September 30, 2023**

|                                  | Electric             | Water               | Sewer               | Broadband           | Total                |
|----------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| Bandwidth Purchased              | \$ -                 | \$ -                | \$ -                | \$ 368,313          | \$ 368,313           |
| Depreciation                     | 766,093              | 1,780,157           | 526,635             | 542,253             | 3,615,137            |
| Education, Meetings, and Travel  | 5,224                | 9,805               | 12,125              | 105                 | 27,259               |
| Employee Benefits                | 304,533              | 151,091             | 327,210             | 67,968              | 850,801              |
| Fuel                             | 45,310               | 24,720              | 19,802              | 10,817              | 100,649              |
| Generation Costs                 | 40,641               | -                   | -                   | -                   | 40,641               |
| Labor                            | 1,119,665            | 681,265             | 681,997             | 360,802             | 2,843,729            |
| Labor - Construction in Progress | (130,522)            | (10,630)            | (20,087)            | (133,186)           | (294,424)            |
| Maintenance                      | 256,735              | 109,292             | 17,033              | 198,937             | 581,997              |
| Equip Exp. - Const. in Progress  | (93,195)             | (9,015)             | (17,592)            | (48,575)            | (168,376)            |
| Payroll Taxes                    | 82,090               | 48,422              | 47,706              | 23,278              | 201,496              |
| Pension Expense                  | 141,891              | 103,570             | 101,783             | 46,439              | 393,683              |
| Power Purchased                  | 13,100,906           | -                   | -                   | -                   | 13,100,906           |
| Supplies                         | -                    | 424,835             | 53,223              | -                   | 478,058              |
| Uniforms                         | 20,191               | 7,405               | 8,628               | 5,116               | 41,340               |
| Utilities                        | 9,000                | 443,900             | 151,123             | -                   | 604,023              |
| Use Tax                          | 18,376               | 4,691               | 1,385               | 2,069               | 26,521               |
| Wholesale Voice                  | -                    | -                   | -                   | 46,556              | 46,556               |
| Total                            | <u>\$ 15,686,937</u> | <u>\$ 3,769,508</u> | <u>\$ 1,910,971</u> | <u>\$ 1,490,892</u> | <u>\$ 22,858,308</u> |

**CLARKSVILLE CONNECTED UTILITIES**  
**Schedule of General and Administrative Expense**  
**For the Year Ended September 30, 2023**

|                                 | Electric            | Water               | Sewer             | Broadband         | Total               |
|---------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| Advertising and Promotion       | \$ 3,851            | \$ 3,318            | \$ 1,308          | \$ 3,425          | \$ 11,902           |
| Bad Debts                       | 55,822              | 45,855              | 12,439            | 10,272            | 124,387             |
| Customer Online Payment Fees    | 27,414              | 27,413              | 6,853             | 6,853             | 68,534              |
| Depreciation                    | 24,043              | 24,043              | 6,011             | 6,011             | 60,107              |
| Dues and Subscriptions          | 61,444              | 51,158              | 20,413            | 148,292           | 281,306             |
| Education, Travel, and Meetings | 13,459              | 14,444              | 6,479             | 4,988             | 39,371              |
| Employee Benefits               | 174,470             | 174,123             | 43,965            | 50,977            | 443,535             |
| Fuel                            | 7,403               | 7,403               | 1,851             | 1,676             | 18,334              |
| Insurance                       | 125,838             | 122,130             | 37,391            | 29,235            | 314,594             |
| Inventory Variances             | 1,091               | 1,091               | 355               | 273               | 2,810               |
| Lab Fees and Tests              | 901                 | 229                 | 12,156            | -                 | 13,286              |
| Labor                           | 699,127             | 699,127             | 169,012           | 180,551           | 1,747,818           |
| Maintenance                     | 371,654             | 213,496             | 122,020           | 128,436           | 835,606             |
| Miscellaneous                   | 27,701              | 31,953              | 8,133             | 7,724             | 75,511              |
| Office Supplies                 | 39,094              | 32,135              | 8,015             | 10,596            | 89,839              |
| Payroll Taxes                   | 50,989              | 49,113              | 12,267            | 15,410            | 127,778             |
| Pension                         | 92,646              | 92,646              | 30,425            | 15,898            | 231,614             |
| Physical Inventory Variances    | 310                 | 481                 | 29                | 13                | 833                 |
| Professional Services           | 148,958             | 82,752              | 19,401            | 23,808            | 274,919             |
| Supplies                        | 25,821              | 30,966              | 13,875            | 4,979             | 75,641              |
| Uniforms                        | 6,557               | 6,557               | 1,629             | 1,650             | 16,394              |
| Utilities                       | 49,517              | 12,813              | 5,320             | 4,722             | 72,372              |
| Total                           | <u>\$ 2,008,109</u> | <u>\$ 1,723,247</u> | <u>\$ 539,345</u> | <u>\$ 655,790</u> | <u>\$ 4,926,491</u> |

# **CLARKSVILLE CONNECTED UTILITIES**

## **Notes to Financial Statements**

**September 30, 2023**

### **NOTE 1 – NATURE OF ACTIVITIES**

Clarksville Connected Utilities (CCU) is a component unit of the City of Clarksville, Arkansas (the City). CCU is governed by a Board of Commissioners appointed by the Mayor and approved by the City Council. CCU is a business-type activity of the City and is responsible for the operation and maintenance of the city-owned electric, water, sewer, and broadband systems. CCU 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.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

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

CCU accounts for its activities in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

CCU incurs direct departmental expenses as well as indirect general and administrative expenses in the daily operations of CCU. 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, 2023**

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include checking accounts, savings accounts, money market accounts, certificates of deposit, and short-term investments with maturities of three months or less in which the organization can effectively deposit or withdraw cash at any time without significant prior notice or penalty.

### **Receivables and Uncollectible Accounts**

Significant receivables include amounts due from customers primarily for utility services. The allowance for uncollectible accounts was \$141,865 for the year ended September 30, 2023. The allowance of uncollectible accounts is based on historical trends and the periodic aging of accounts receivable. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past due accounts are charged a ten percent penalty. Customers are required to make a deposit, and deposits can be offset against the receivable.

### **Inventory**

Inventory is stated at the lower of average cost or market. Inventory consists of construction and maintenance supplies related to the water, sewer, electric, and broadband systems.

### **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 \$5,000 and with a useful life over one year are capitalized at cost or fair market value at the time of the acquisition.

### **Compensated Absences**

CCU 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. The balance of accrued compensated absences as of September 30, 2023 is \$744,262.

### **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 estimated to comply with the plan's accounting and reporting requirements and should not be used for estimating plan termination liability or any other related purpose. The measurement date of the Plan is January 31, 2023. Plan investments are reported by Lincoln Financial Group at fair market value.

# **CLARKSVILLE CONNECTED UTILITIES**

## **Notes to Financial Statements**

**September 30, 2023**

### **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, 2023 actuarial report.

### **Deferred Inflows and Outflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. CCU has two items that qualify for reporting in this category.

In addition to liability, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. CCU has one item that qualify for reporting in this category.

### **Net Position Classifications**

CCU 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 other governments.

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.”

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, CCU’s policy is to make payment from unrestricted funds and generally take reimbursement from restricted funds.

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

### Current Accounting Developments

*GASB Statement No. 100, Accounting Changes and Error Corrections* (GASB 100): The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 is effective for periods beginning after June 15, 2023, with earlier application encouraged.

*GASB Statement No. 101, Compensated Absences* (GASB 101): The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. GASB 101 is effective for periods beginning after December 15, 2023, with earlier application encouraged.

*GASB Statement No. 102, Certain Risk Disclosures* (GASB 102): The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 is effective for periods beginning after June 15, 2024, with earlier application encouraged.

Management is currently evaluating the impact of implementation of these statements to the financial statements of CCU and does not expect the implementation to significantly impact the financial statements of CCU.

### Adoption of GASB Statements

*GASB Statement No. 96, Subscription-Based Information Technology Arrangements* (GASB 96), is effective for CCU for the year ended September 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The adoption of GASB 96 had no impact on CCU's financial statements.

### Income Taxes

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

## NOTE 3 - CASH AND INVESTMENTS

### Deposits and Investments

All monies received by CCU 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, 2023

The bank balances and carrying amounts of CCU's deposits and short-term investments held as of September 30, 2023 were as follows:

| Description                                | Bank<br>Balance     | Book<br>Balance     |
|--------------------------------------------|---------------------|---------------------|
| Cash on Hand                               | \$ -                | \$ 950              |
| Demand Deposits                            | 4,047,668           | 3,907,645           |
| Certificates of Deposit                    | 4,175,650           | 4,087,163           |
| Federated Hermes Treasury Obligations Fund | 385,912             | 385,912             |
| Total                                      | <u>\$ 8,609,230</u> | <u>\$ 8,381,670</u> |

Money market mutual funds were held by CCU as of September 30, 2023 of \$385,912 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, CCU's deposits may not be returned to it. CCU's policy is that deposits be insured or collateralized at a minimum of 100% of the deposits fair value. As of September 30, 2023, all deposits were either collateralized, FDIC insured, or held in qualifying government securities. As of September 30, 2023, CCU's bank balances were \$8,609,230. As of September 30, 2023, the following collateral has been pledged for deposits over \$250,000:

#### Collateralized:

Collateral held by the pledging bank's trust  
department or agent in CCU's name

\$ 8,109,230

### NOTE 4 – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject CCU 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 CCU's customer base being made up of a large number of customers, thus spreading the trade credit risk. CCU generally does not require collateral other than the required customer deposit to support accounts receivables.

**CLARKSVILLE CONNECTED UTILITIES****Notes to Financial Statements****September 30, 2023****NOTE 5 - MAJOR CUSTOMERS AND SUPPLIERS**

The following table set forth the major customers for CCU for the years ended September 30, 2023. Amounts are presented in dollars and percent of total revenues. Accounts receivable from the following customers represent 34% of total accounts receivable as of September 30, 2023.

| <b>Customer</b>                             | <b>\$ Gross</b>     | <b>% of Total</b> |
|---------------------------------------------|---------------------|-------------------|
|                                             | <b>Revenues</b>     | <b>Revenues</b>   |
| Tyson Foods                                 | \$ 5,412,314        | 20%               |
| Hanesbrand Inc                              | 2,006,547           | 7%                |
| Walmart Supercenter and Distribution Center | 1,553,868           | 6%                |
|                                             | <u>\$ 8,972,729</u> | <u>33%</u>        |

The following tables set forth the major power suppliers for CCU for the years ended September 30, 2023. Amounts are presented in dollars and percent of total power purchased and of Direct Operating Expenses. Accounts payable to the following suppliers represent 81% of total accounts payable as of September 30, 2023.

| <b>Supplier</b>                   | <b>\$ Power Purchases</b> | <b>% of Total</b> |
|-----------------------------------|---------------------------|-------------------|
|                                   |                           | <b>Power</b>      |
| Independence County               | \$ 2,875,605              | 22%               |
| Southwestern Power Administration | 1,601,401                 | 12%               |
| Oklahoma Municipal Power          | 6,710,611                 | 51%               |
| Trillium HoldCo                   | 559,980                   | 4%                |
| Scenic Hills Solar                | 235,086                   | 2%                |
| Southwestern Power Pool           | 1,118,223                 | 9%                |
|                                   | <u>\$ 13,100,906</u>      | <u>100%</u>       |
| <u>Total Power Purchased to</u>   | <u>\$ 13,100,906</u>      | 57%               |
| Direct Operating Expenses         | \$ 22,858,308             |                   |

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

### NOTE 6 - CAPITAL ASSETS

|                                 | Balance<br>9/30/22 | Additions    | Deletions      | Balance<br>9/30/23 |
|---------------------------------|--------------------|--------------|----------------|--------------------|
| <b>Nondepreciable Assets</b>    |                    |              |                |                    |
| Land - Electric                 | \$ 431,342         | \$ 273       | \$ -           | \$ 431,615         |
| Land - Water                    | 528,529            | -            | -              | 528,529            |
| Land - Sewer                    | 215,689            | -            | -              | 215,689            |
| Constr in Progress-Electric     | 273,457            | 369,213      | (636,636)      | 6,034              |
| Constr in Progress-Water        | 1,782,511          | 603,300      | (1,846,195)    | 539,616            |
| Constr in Progress-Sewer        | 15,019             | 41,868       | (56,887)       | -                  |
| Constr in Progress-Broadband    | 717,116            | 597,265      | (1,314,381)    | -                  |
| Total Nondepreciable Assets     | 3,963,663          | 1,611,919    | (3,854,099)    | 1,721,483          |
| <b>Depreciable Assets</b>       |                    |              |                |                    |
| Office Building                 | 1,282,142          | 6,800        | -              | 1,288,942          |
| Buildings - Electric            | 37,222             | -            | -              | 37,222             |
| Warehouse                       | 1,507,643          | -            | -              | 1,507,643          |
| Electric System                 | 15,642,374         | 1,199,283    | -              | 16,841,657         |
| Water System                    | 29,361,135         | 631,824      | -              | 29,992,958         |
| Sewer System                    | 61,903,255         | 1,839,541    | -              | 63,742,797         |
| Broadband System                | 15,624,897         | 56,887       | -              | 15,681,783         |
| Transportation Equipment        | 2,405,224          | 40,090       | -              | 2,445,314          |
| Generation Equipment            | 956,655            | -            | -              | 956,655            |
| Office Equipment                | 1,555,527          | -            | -              | 1,555,527          |
| Lab Equipment                   | 73,909             | -            | -              | 73,909             |
| Construction Equipment          | 1,025,788          | 27,848       | -              | 1,053,636          |
| Maintenance Equipment           | 2,047,497          | 80,874       | -              | 2,128,371          |
| Plant & Shop Equipment          | 528,237            | -            | -              | 528,237            |
| Total Depreciable Assets        | 133,951,505        | 3,883,146    | -              | 137,834,652        |
| Total Assets at Historical Cost | 137,915,169        | 5,495,066    | (3,854,099)    | 139,556,135        |
| Less: Accumulated Depreciation  | (82,935,564)       | (3,712,790)  | -              | (86,648,354)       |
| Total Capital Assets, Net       | \$ 54,979,605      | \$ 1,782,275 | \$ (3,854,099) | \$ 52,907,781      |

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

Depreciation expense was charged to departments as follows:

|                                              |                     |
|----------------------------------------------|---------------------|
| Direct Operating Expense - Electric          | \$ 766,093          |
| Direct Operating Expense - Water             | 1,780,157           |
| Direct Operating Expense - Sewer             | 526,635             |
| Direct Operating Expense - Broadband         | 542,253             |
| Direct Operating Expense - Generation Costs  | 37,546              |
| General & Administrative Expense - Electric  | 24,043              |
| General & Administrative Expense - Water     | 24,043              |
| General & Administrative Expense - Sewer     | 6,011               |
| General & Administrative Expense - Broadband | 6,011               |
| Total Depreciation Expense                   | <u>\$ 3,712,790</u> |

### NOTE 7 – 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 CCU. 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 CCU. Final maturity is in 2034.

Following is a summary of changes in long-term debt:

|                                                   | Balance<br>9/30/2022 | Increases   | Decreases           | Balance<br>9/30/2023 | Due in<br>One Year |
|---------------------------------------------------|----------------------|-------------|---------------------|----------------------|--------------------|
| Utility Revenue Construction<br>Bonds Series 2013 | \$2,060,000          | \$ -        | \$ (200,000)        | \$1,860,000          | \$205,000          |
| Utility Revenue Construction<br>Bonds Series 2019 | 8,420,000            | -           | (595,000)           | 7,825,000            | 610,000            |
|                                                   | <u>\$10,480,000</u>  | <u>-</u>    | <u>(795,000)</u>    | <u>\$9,685,000</u>   | <u>815,000</u>     |
| Unamortized Bond Premium                          | 85,747               | -           | (7,403)             | 78,344               |                    |
|                                                   | <u>\$10,565,747</u>  | <u>\$ -</u> | <u>\$ (802,403)</u> | <u>\$9,763,344</u>   | <u>\$ 815,000</u>  |

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

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Principal and interest maturity schedule of CCU bonds are as follows:

| <u>Year ending<br/>September 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|--------------------------------------|---------------------|---------------------|----------------------|
| 2024                                 | 815,000             | 298,148             | 1,113,148            |
| 2025                                 | 840,000             | 274,109             | 1,114,109            |
| 2026                                 | 865,000             | 248,909             | 1,113,909            |
| 2027                                 | 890,000             | 222,529             | 1,112,529            |
| 2028                                 | 920,000             | 195,378             | 1,115,378            |
| 2029 - 2033                          | 4,535,000           | 536,444             | 5,071,444            |
| 2034                                 | 820,000             | 25,625              | 845,625              |
|                                      | <u>\$ 9,685,000</u> | <u>\$ 1,801,142</u> | <u>\$ 11,486,142</u> |

### NOTE 8 - RELATED PARTIES

CCU 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 CCU 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, 2023 was \$238,809. The amount included in accounts receivable at September 30, 2023 from the City of Clarksville is \$23,229.

### NOTE 9 – RISK MANAGEMENT

CCU 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 in coverage during the year ending September 30, 2023.

### NOTE 10 – OTHER COMMITMENTS

On May 20, 2019, CCU 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 CCU. On May 20, 2019, CCU and Scenic Hill Solar III, LLC also entered into a power purchase agreement whereby CCU will purchase all power generated by the facility. This agreement also sets forth the terms and conditions for CCU’s option to purchase the facility. This facility is interconnected to and operating with the CCU’s electric power system.

## CLARKSVILLE CONNECTED UTILITIES

### Notes to Financial Statements

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#### NOTE 11 - DEFINED CONTRIBUTION PLAN

The CCU 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. CCU 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. CCU 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 the year ending September 30, 2023 were \$66,945. Effective January 1, 2024 the plan document was amended and restated.

#### NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

CCU sponsors and administers an informal early retirement benefit and a single-employer defined benefit healthcare plan. CCU 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 (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 CCU 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 2023. The expenditures for these retirees were \$204,150 for the years ended September 30, 2023.

## CLARKSVILLE CONNECTED UTILITIES

### Notes to Financial Statements

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- 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 will end at age 62. No retiree participated in the position elimination early retirement benefit during year ending September 30, 2023.

Sections 1) and 2) above are considered termination benefits and an estimated liability of \$336,774 has been accrued for future payments through August 31, 2026 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 CCU'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. Thirteen retirees participated in the health insurance coverage benefit as of September 30, 2023. The expenditures for the health insurance coverage for the retirees participating under this benefit option were \$106,454 during year ending September 30, 2023. The accrued liability for the health insurance coverage benefit is discussed below under Accounting Disclosure Report for Other Postemployment Benefits.

#### Extended Medical Coverage

For those retirees who qualify, CCU 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 CCU at the age of 59 or older. Therefore, if an employee terminates for any reason prior to reaching retirement age he is disqualified.

**CLARKSVILLE CONNECTED UTILITIES**  
**Notes to Financial Statements**  
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Benefits are not retroactive and will not begin until proof of supplemental medical insurance coverage is furnished to CCU. Early retirees may apply to CCU 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, 2023 was \$11,026. 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 (Unaudited)**

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 CCU 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, 2021 to October 31, 2022 has been used for the fiscal year ending September 30, 2023 reporting. Copies of this report may be obtained by contacting CCU. As allowed by Governmental Accounting Standards Board (GASB) Statement No. 75 – Accounting and Financial 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. CCU 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 non-employer contributing entities as defined by GASB 75 for this plan. There are no special funding situations as defined by GASB 75 for this plan.

## CLARKSVILLE CONNECTED UTILITIES

### Notes to Financial Statements

September 30, 2023

The Plan is governed by the CCU Commission which may amend plan provisions, and which is responsible for the management of plan assets.

#### Plan Participants

|                    |           |
|--------------------|-----------|
| Active             | 72        |
| Retirees           | 18        |
| Total Participants | <u>86</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 \$63,098 due to updated census data.
- There was a liability gain of \$42,589 due to claims and premiums lower than expected.

Assumption Changes –

- The healthcare trend rates were changes to better anticipate short term and long-term medical increases.
- The discount rate was changed from 2.3% to 4.4%.
- These changes decreased the liability by \$195,992.

Projected benefits are based on projected healthcare costs and projected service.

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

#### **A. Statement of Fiduciary Net Position**

There are no plan assets.

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

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

#### Statement of Changes in Fiduciary Net Position

| Measurement Date                            | 9/30/2022  | 9/30/2021  | 9/30/2020 | 9/1/2019  | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---------------------------------------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Reporting Date                              | 9/30/2023  | 9/30/2022  | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 |
| Employer Contributions                      | \$ 145,354 | \$ 121,191 | \$ 91,526 | \$ 68,651 | \$ 43,734 | \$ 33,615 | \$ 25,364 | \$ 20,134 |
| Benefit Payments                            | (145,354)  | (121,191)  | (91,526)  | (68,651)  | (43,734)  | (33,615)  | (25,364)  | (20,134)  |
| 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     | \$ 1,833,601 | \$ 1,511,603 | \$ 837,942   | \$ 345,284 | \$ 396,696 | \$ 439,263 | \$ 475,053 | \$ 506,747 |
| Service Cost                               | 60,140       | 79,979       | 66,248       | -          | 15,109     | 15,109     | 15,109     | 15,679     |
| Interest on Net OPEB Obligation            | 41,894       | 35,221       | 30,488       | 10,359     | 11,901     | 13,177     | 14,252     | 15,202     |
| Changes in Actuarial Assumptions           | (195,992)    | 250,484      | (29,618)     | 550,950    | (34,688)   | (37,238)   | (39,787)   | (42,441)   |
| Difference in Expected & Actual Experience | 20,509       | 77,505       | 698,069      | -          | -          | -          | -          | -          |
| Net Changes                                | (73,449)     | 443,189      | 765,187      | 561,309    | (7,678)    | (8,952)    | (10,426)   | (11,560)   |
| Contributions and Payments                 | (145,354)    | (121,191)    | (91,526)     | (68,651)   | (43,734)   | (33,615)   | (25,364)   | (20,134)   |
| Increase (Decrease) in Net OPEB Liability  | (218,803)    | 321,998      | 673,661      | 492,658    | (51,412)   | (42,567)   | (35,790)   | (31,694)   |
| Net OPEB Liability - End of Year           | \$ 1,614,798 | \$ 1,833,601 | \$ 1,511,603 | \$ 837,942 | \$ 345,284 | \$ 396,696 | \$ 439,263 | \$ 475,053 |

### C. Sensitivity to Changes in Discount Rate

|                    | 1% Decrease<br>3.40% | Discount Rate<br>4.40% | 1% Increase<br>5.40% |
|--------------------|----------------------|------------------------|----------------------|
| Net OPEB Liability | \$ 1,713,039         | \$ 1,614,798           | \$ 1,522,351         |

### D. Sensitivity to Changes in Healthcare Trend Rate

|                    | 1% Decrease<br>5.50% | Trend Rate<br>6.50% | 1% Increase<br>7.50% |
|--------------------|----------------------|---------------------|----------------------|
| Net OPEB Liability | \$ 1,500,561         | \$ 1,614,798        | \$ 1,745,728         |

### E. Statement of OPEB Expenses for GASB 75 Reporting

The OPEB Expense under GASB 75 for fiscal year ending September 30, 2023 is \$359,520. Actual OPEB benefit payment contributions for the supplemental insurance and health insurance was \$170,775, which includes an implicit subsidy calculation.

**CLARKSVILLE CONNECTED UTILITIES**  
**Notes to Financial Statements**  
**September 30, 2023**

Components of OPEB Expense

|                        |                   |
|------------------------|-------------------|
| Service Cost           | \$ 60,140         |
| Interest Cost          | 41,894            |
| Liability Gain or Loss | 159,249           |
| Assumption Changes     | 98,237            |
| Total                  | <u>\$ 359,520</u> |

**F. Statement of Deferred Outflow and Inflows of Resources**

|                                                    | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|----------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ 484,191                                | \$ -                                     |
| Effects of changes in assumptions                  | 399,861                                   | 183,137                                  |
| Employer contributions                             | 170,775                                   | -                                        |
| Total deferred outflows and inflows of resources   | <u>\$ 1,054,827</u>                       | <u>\$ 183,137</u>                        |

Amounts reported as deferred outflow and inflow of resources related to OPEB Expense will be recognized in the OPEB expense as follows:

| <u>Year ending<br/>September 30,</u> | <u>Amount to be<br/>recognized</u> |
|--------------------------------------|------------------------------------|
| 2024                                 | \$ 257,486                         |
| 2025                                 | 254,536                            |
| 2026                                 | 170,396                            |
| 2027                                 | 21,788                             |
| 2028                                 | 21,778                             |
| Thereafter                           | (25,069)                           |

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

| <u>Date<br/>Established</u> | <u>Type</u>           | <u>Original<br/>Amount</u> | <u>Original<br/>Years</u> | <u>Amortization<br/>Amount</u> | <u>Remaining<br/>Amount as of<br/>September 30, 2023</u> | <u>Remaining<br/>Amount as of<br/>September 30, 2023</u> |
|-----------------------------|-----------------------|----------------------------|---------------------------|--------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| 10/1/2020                   | Liability (Gain)/Loss | \$ 19,552                  | 4.31                      | \$ 4,537                       | \$ 5,941                                                 | 1.31                                                     |
| 10/1/2020                   | Assumption Change     | (1,117)                    | 4.31                      | (260)                          | (337)                                                    | 1.30                                                     |
| 10/1/2020                   | Liability (Gain)/Loss | 129,370                    | 5.31                      | 24,364                         | 56,278                                                   | 2.31                                                     |
| 10/1/2020                   | Assumption Change     | 507,892                    | 5.31                      | 95,649                         | 220,945                                                  | 2.31                                                     |
| 10/1/2020                   | Liability (Gain)/Loss | 698,069                    | 6                         | 116,345                        | 349,034                                                  | 3                                                        |
| 10/1/2020                   | Assumption Change     | (29,618)                   | 6                         | (4,937)                        | (14,807)                                                 | 3                                                        |
| 10/1/2021                   | Liability (Gain)/Loss | 77,505                     | 7                         | 11,073                         | 55,359                                                   | 5                                                        |
| 10/1/2021                   | Assumption Change     | 250,484                    | 7                         | 35,784                         | 178,916                                                  | 5                                                        |
| 10/1/2022                   | Liability (Gain)/Loss | 20,509                     | 7                         | 2,930                          | 17,579                                                   | 6                                                        |
| 10/1/2022                   | Assumption Change     | (195,992)                  | 7                         | (27,999)                       | (167,993)                                                | 6                                                        |

# CLARKSVILLE CONNECTED UTILITIES

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### 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.

Contributions – The contributions for the period ending September 30, 2023 were \$145,354.

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, 2022                                                                                                                                                                                                                            |            |                  |       |       |       |       |       |       |    |      |
| Measurement Date                        | October 1, 2022                                                                                                                                                                                                                            |            |                  |       |       |       |       |       |       |    |      |
| 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                           | 4.40%                                                                                                                                                                                                                                      |            |                  |       |       |       |       |       |       |    |      |
| 20-Year Municipal Bond Yield            | 4.40%                                                                                                                                                                                                                                      |            |                  |       |       |       |       |       |       |    |      |
| Inflation Rate                          | 2.5%                                                                                                                                                                                                                                       |            |                  |       |       |       |       |       |       |    |      |
| Salary Increases                        | Table S-5 plus 2.0% plus an additional amount based on service: <table><tr><td><u>Age</u></td><td><u>Rate as %</u></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> | <u>Age</u> | <u>Rate as %</u> | 25    | 6.18% | 40    | 4.72% | 55    | 3.88% |    |      |
| <u>Age</u>                              | <u>Rate as %</u>                                                                                                                                                                                                                           |            |                  |       |       |       |       |       |       |    |      |
| 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, 2022 grading to 5.00% over 6 years and then to 4.00% over the next 48 years<br>Post-65: 4.50%                                                                                                               |            |                  |       |       |       |       |       |       |    |      |
| 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                              | <table><tr><td><u>Age</u></td><td><u>Rate as %</u></td></tr><tr><td>59-60</td><td>20%</td></tr><tr><td>61-62</td><td>30%</td></tr><tr><td>63-64</td><td>40%</td></tr><tr><td>65</td><td>100%</td></tr></table>                             | <u>Age</u> | <u>Rate as %</u> | 59-60 | 20%   | 61-62 | 30%   | 63-64 | 40%   | 65 | 100% |
| <u>Age</u>                              | <u>Rate as %</u>                                                                                                                                                                                                                           |            |                  |       |       |       |       |       |       |    |      |
| 59-60                                   | 20%                                                                                                                                                                                                                                        |            |                  |       |       |       |       |       |       |    |      |
| 61-62                                   | 30%                                                                                                                                                                                                                                        |            |                  |       |       |       |       |       |       |    |      |
| 63-64                                   | 40%                                                                                                                                                                                                                                        |            |                  |       |       |       |       |       |       |    |      |
| 65                                      | 100%                                                                                                                                                                                                                                       |            |                  |       |       |       |       |       |       |    |      |

## CLARKSVILLE CONNECTED UTILITIES

### Notes to Financial Statements

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|                             |                                    |
|-----------------------------|------------------------------------|
| 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    |                                    |
| Benefits Not Included       | None                               |

#### NOTE 13 - CCU RETIREMENT PLAN WITH LIFE INSURANCE

##### A. General Information about the Pension Plan

###### Plan Description

The CCU Retirement Plan with Life Insurance (the Plan) is a single-employer defined benefit plan sponsored by CCU. The Plan is governed by the CCU's Commission, which may amend plan provisions, and which is responsible for the management of plan assets. The CCU's Commission has delegated the authority to manage plan assets to Lincoln 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, 2023 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 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.

**CLARKSVILLE CONNECTED UTILITIES**  
**Notes to Financial Statements**  
**September 30, 2023**

The actuarially determined employer contribution for the measurement period ending January 31, 2023 was \$622,679 and the employee contributions were \$89,818.

**Benefits Paid**

Benefits paid during the prior plan year were \$221,965.

**B. Net Pension Liability**

The historical information required to be disclosed is as follows:

| Actuarial<br>Valuation<br>Date | (1)<br>Fiduciary's<br>Net<br>Position | (2)<br>Total<br>Pension<br>Liability | (3)<br>Net<br>Pension<br>Liability<br>(2)-(1) | (4)<br>Funded<br>Ratio<br>(1)/(2) | (5)<br>Annual<br>Covered<br>Payroll | (6)<br>Net Pension<br>Liability as<br>% of<br>Payroll<br>(3)/(5) |
|--------------------------------|---------------------------------------|--------------------------------------|-----------------------------------------------|-----------------------------------|-------------------------------------|------------------------------------------------------------------|
| 02/01/23                       | \$ 5,899,567                          | \$ 7,328,224                         | \$ 1,428,657                                  | 81%                               | \$ 3,338,532                        | 43%                                                              |
| 02/01/22                       | \$ 6,482,384                          | \$ 8,763,439                         | \$ 2,281,055                                  | 74%                               | \$ 3,903,758                        | 58%                                                              |
| 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%                                                              |

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.

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

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

| Plan Year Ending | (1)<br>Actuarially<br>Determined<br>Contribution | (2)<br>Actual<br>Plan<br>Contribution | (3)<br>Difference<br>(1)-(2) | (4)<br>Annual<br>Covered<br>Payroll | (5)<br>% Contributions<br>as%<br>Covered Payroll<br>(2)/(4) |
|------------------|--------------------------------------------------|---------------------------------------|------------------------------|-------------------------------------|-------------------------------------------------------------|
| 1/31/2023        | \$ 622,679                                       | \$ -                                  | \$ (622,679)                 | \$ 3,338,532                        | 0%                                                          |
| 1/31/2022        | 834,822                                          | 7,528                                 | (827,294)                    | 3,903,758                           | 0%                                                          |
| 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%                                                         |

### Summary of Methods and Assumptions

Census Data Date February 1, 2023

Measurement Date January 31, 2023

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.

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

### Economic Assumptions

|                                      |                                                                 |                  |
|--------------------------------------|-----------------------------------------------------------------|------------------|
| Discount Rate                        | GASB Accounting: 5.50% (net of investment expenses)             |                  |
|                                      | Plan Funding: 5.50%                                             |                  |
| Expected Long-term Investment Return | 5.50%                                                           |                  |
| 20-Year Municipal Bond Yield         | 4.00%                                                           |                  |
| Salary Increases                     | Table S-5 plus 2.0% plus an additional amount based on service: |                  |
|                                      | <u>Age</u>                                                      | <u>Rate as %</u> |
|                                      | 25                                                              | 6.18%            |
|                                      | 40                                                              | 4.72%            |
|                                      | 55                                                              | 3.88%            |
| Cost of Living Increase              | None                                                            |                  |

### Other Assumptions

|                 |                                                                                            |
|-----------------|--------------------------------------------------------------------------------------------|
| Mortality       | RP-2006 with MP-2021                                                                       |
| 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 | Male 75%, Female 75%                                                                       |
| Age Difference  | Male assumed to be 3 years older than females                                              |
| Form of Payment | 5 Year certain and life annuity                                                            |

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

### C. Schedule of Changes in Net Pension Liability

| Measurement Period Ending<br>Fiscal Year Ending       | 1/31/2023<br>9/30/2023 | 1/31/2022<br>9/30/2022 | 1/31/2021<br>9/30/2021 | 1/31/2020<br>9/30/2020 | 1/31/2019<br>9/30/2019 | 1/31/2018<br>9/30/2018 | 1/31/2017<br>9/30/2017 | 1/31/2016<br>9/30/2016 | 1/31/2015<br>9/30/2015 |
|-------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total Pension Liability                               |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Service cost                                          | \$ 487,188             | \$ 468,925             | \$ 418,181             | \$ 379,556             | \$ 388,773             | \$ 379,811             | \$ 351,998             | \$ 335,823             | \$ 303,951             |
| Interest                                              | 402,144                | 331,949                | 320,590                | 314,352                | 320,918                | 312,149                | 302,759                | 300,400                | 293,822                |
| Benefit payments                                      | (221,965)              | (885,217)              | (682,540)              | (555,782)              | (798,371)              | (123,530)              | (564,759)              | (267,216)              | (151,406)              |
| Differences between expected<br>and actual experience | -                      | -                      | -                      | (406)                  | (220,582)              | (20,981)               | 74,376                 | 66,855                 | (105,922)              |
| Plan Changes                                          | -                      | (344,406)              | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Changes in assumptions                                | (1,397,804)            | 501,395                | 422                    | 38,170                 | (4,430)                | (4,835)                | 616,239                | (20,685)               | 635,769                |
| Gain or Loss                                          | (704,778)              | (134,858)              | 296,840                | -                      | -                      | -                      | -                      | -                      | -                      |
| Net change in Total Pension Liability                 | (1,435,215)            | (62,212)               | 353,493                | 175,890                | (313,692)              | 542,614                | 780,613                | 415,177                | 976,214                |
| Balance, beginning of period                          | 8,763,439              | 8,825,651              | 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                                | \$7,328,224            | \$8,763,439            | \$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                                | \$ 89,818              | \$ 95,045              | \$ 95,657              | \$ 85,936              | \$ 85,983              | \$ 84,812              | \$ 77,537              | \$ 88,419              | \$ 79,851              |
| Employer contributions                                | -                      | 7,528                  | 615,005                | 587,948                | 596,786                | 473,615                | 451,996                | 819,213                | 978,957                |
| Net investment income                                 | 288,734                | 250,673                | 257,965                | 170,807                | 224,330                | 185,689                | 223,519                | 254,428                | 174,941                |
| Benefit payments                                      | (221,965)              | (885,217)              | (682,540)              | (555,782)              | (798,371)              | (123,530)              | (564,759)              | (267,216)              | (151,406)              |
| Administrative expenses                               | -                      | (4,000)                | (4,000)                | -                      | (8,000)                | -                      | (4,000)                | -                      | -                      |
| Gain or Loss                                          | (739,404)              | (59,568)               | (71,157)               | -                      | -                      | -                      | -                      | -                      | (450)                  |
| Other deductions                                      | -                      | -                      | -                      | (33,394)               | (172,439)              | (55,640)               | (51,372)               | (28,386)               | (80,552)               |
| Net Change in Fiduciary Net Position                  | (582,817)              | (595,539)              | 210,930                | 255,515                | (71,711)               | 564,946                | 132,921                | 866,458                | 1,001,341              |
| Balance, beginning of period                          | 6,482,384              | 7,077,923              | 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                                | \$5,899,567            | \$6,482,384            | \$7,077,923            | \$6,866,993            | \$6,611,748            | \$6,683,459            | \$6,118,513            | \$5,985,592            | \$5,119,134            |
| Net Pension Liability                                 | \$1,428,657            | \$2,281,055            | \$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                              | 5.50%                  | 4.50%                  | 3.75%                  | 3.75%                  | 3.75%                  | 3.75%                  | 3.75%                  | 4.25%                  | 4.25%                  |
| Discount rate                                         | 5.50%                  | 4.50%                  | 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 + 2.0%              | S5 + 2.0%              | S5 + 2.5%              | S5 + 2.5%              |
| Retirement age assumption                             | NRA                    | NRA                    | NRA                    | NRA                    | NRA                    | NRA                    | NRA                    | NRA                    | NRA                    |
| Plan changes                                          | none                   | See below              | none                   | none                   | none                   | none                   | none                   | none                   | none                   |

a) The plan has exited their annuity contract and the distribution expense load has been eliminated.

b) The plan has exited an insurance contract which measured some plan assets at book value.

Effective January 31, 2022, the plan's assets are measured at fair market value.

c) Post-retirement mortality based on best estimate rates instead of annuity contract rates.

d) Life insurance contract has ended. Death benefit for non-vested and unmarried participants is a return of employee contributions with interest.

|                       |                      |                        |                      |
|-----------------------|----------------------|------------------------|----------------------|
|                       | 1% decrease<br>4.50% | Discount Rate<br>5.50% | 1% increase<br>6.50% |
| Net Pension Liability | \$ 2,687,042         | \$ 1,428,657           | \$ 385,810           |

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

### D. Pension Expenses

The Pension Expenses for the fiscal years ended September 30, 2023 \$625,297. Below are the components of pension expenses.

| Components of Pension Expense                        | 9/30/2023         |
|------------------------------------------------------|-------------------|
| Service cost                                         | \$ 487,188        |
| Interest cost                                        | 402,144           |
| Contributions from employees                         | (89,818)          |
| Projected Investment Return                          | (288,734)         |
| Recognition of deferred outflows and inflows due to: |                   |
| Differences between expected and actual experience   | (98,285)          |
| Changes in assumptions                               | 20,762            |
| Investment Gain or Loss                              | <u>192,040</u>    |
| Total Pension Expense                                | <u>\$ 625,297</u> |
| Rates used to determine pension expenses             |                   |
| Discount Rate                                        | 5.50%             |
| Long Term Rate of Return                             | 5.50%             |

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

### E. Deferred Outflows and Inflows of Resources Related to Pensions

#### Recognition of Deferred Outflows and Inflows - Actuarial

| Date<br>Established | Type             | Original<br>Amount | Original<br>Years | Remaining<br>Amount | Years<br>Remaining |
|---------------------|------------------|--------------------|-------------------|---------------------|--------------------|
| 10/1/2014           | Assump Outflow   | \$ 635,759         | 9.19              | \$ 13,145           | 0.19               |
| 10/1/2014           | Liab GL Inflow   | (105,922)          | 9.19              | (2,188)             | 0.19               |
| 10/1/2015           | Assump Inflow    | (20,685)           | 9.31              | (2,909)             | 1.31               |
| 10/1/2015           | Liab GL Outflow  | 66,855             | 9.31              | 9,407               | 1.31               |
| 10/1/2016           | Assump Outflow   | 616,239            | 8.88              | 130,464             | 1.88               |
| 10/1/2017           | Liab GL Outflow  | 74,376             | 8.88              | 15,744              | 1.88               |
| 10/1/2017           | Assump Inflow    | (4,835)            | 8.66              | (1,484)             | 2.65               |
| 10/1/2017           | Liab GL Inflow   | (20,981)           | 8.67              | (6,461)             | 2.67               |
| 10/1/2018           | Asset GL Outflow | 16,656             | 5.00              | -                   | 0.00               |
| 10/1/2018           | Assump Inflow    | (4,430)            | 8.34              | (1,772)             | 3.33               |
| 10/1/2018           | Liab GL Inflow   | (220,582)          | 8.34              | (88,337)            | 3.34               |
| 10/1/2019           | Asset GL Outflow | 73,411             | 5.00              | 14,680              | 1.00               |
| 10/1/2019           | Assump Outflow   | 38,170             | 8.54              | 20,290              | 4.54               |
| 10/1/2019           | Liab GL Inflow   | (406)              | 8.46              | (214)               | 4.46               |
| 10/1/2020           | Liab GL Outflow  | 296,840            | 10.00             | 207,788             | 7.00               |
| 10/1/2020           | Assump Outflow   | 422                | 10.00             | 293                 | 6.81               |
| 10/1/2020           | Asset GL Outflow | 71,158             | 5.00              | 28,462              | 2.00               |
| 10/1/2021           | Liab GL Inflow   | (134,858)          | 9.00              | (104,888)           | 7.00               |
| 10/1/2021           | Assump Outflow   | 501,395            | 9.00              | 389,973             | 7.00               |
| 10/1/2021           | Asset GL Outflow | 59,568             | 5.00              | 35,740              | 3.00               |
| 10/1/2022           | Liab GL Inflow   | (704,778)          | 8.00              | (616,680)           | 7.00               |
| 10/1/2022           | Assump Inflow    | (1,397,804)        | 8.00              | (1,223,078)         | 7.00               |
| 10/1/2022           | Asset GL Outflow | 739,404            | 5.00              | 591,523             | 4.00               |
| Total               |                  | <u>\$ 574,972</u>  |                   | <u>\$ (590,502)</u> |                    |

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:

| <u>Year ending<br/>September 30, 2023</u> | <u>Amount to be<br/>Recognized</u> |
|-------------------------------------------|------------------------------------|
| 2024                                      | \$64,487                           |
| 2025                                      | 26,090                             |
| 2026                                      | (57,124)                           |
| 2027                                      | (49,235)                           |
| 2028                                      | (189,983)                          |
| Thereafter                                | (384,737)                          |

#### Deferred Outflow of Resources – Pension Contribution

Pension contributions of \$750,000 have been paid after the measurement date of 1/31/2023.

# CLARKSVILLE CONNECTED UTILITIES

## Notes to Financial Statements

September 30, 2023

### F. Investments

#### Investment policy

An actuarial value of plan assets as of the measurement date is shown below.

|                         |                     |
|-------------------------|---------------------|
|                         | <u>1/31/2023</u>    |
| Lincoln Financial Group | <u>\$ 5,899,567</u> |

A summary of annual returns and portfolio composition is as follows:

| Annual Returns | 1/31/2023 | 1/31/2022 | 1/31/2021 | 1/31/2020 | 1/31/2019 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| Total Return % | -7.00%    | 2.90%     | 6.03%     | 8.65%     | -3.33%    |

#### Portfolio Information -

##### Composition as of December 31, 2022

|          | % of Assets |
|----------|-------------|
| Cash     | 1.00%       |
| Fixed    |             |
| Income   | 68.00%      |
| Equities | 33.00%      |

#### Concentrations

As of December 31, 2022, the following are investments (other than US Government and US Government guaranteed obligations) in any one fund that represents 5 percent or more of the pension plan's fiduciary net position of \$5,899,867.

|                                |                     |
|--------------------------------|---------------------|
| Managed Prin Prot PT SAPP      | \$ 1,709,698        |
| Stadion Cyclical Trend SAS4    | 551,830             |
| Stadion Domestic Equity SAS1   | 715,334             |
| Stadion Dynamic Equity SAS3    | 581,218             |
| Stadion Internatnl Equity SAS2 | 469,633             |
| Stadion LonDur Fixed SAS5      | <u>1,610,075</u>    |
|                                | <u>\$ 5,637,788</u> |

#### Method used to value investments

Investments are valued as of the measurement date at fair market value.

#### 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

## **CLARKSVILLE CONNECTED UTILITIES**

### **Notes to Financial Statements**

**September 30, 2023**

annual rate of return on plan investments for the measurement period of February 1, 2022 to January 31, 2023 is -7.0%. The actual date and amount of each contribution benefit payment, and administrative expense payment was used in the calculation of the rate of return.

#### **NOTE 14 - SUBSEQUENT EVENTS**

Subsequent events have been reviewed through June 21, 2024 which is the date that the financial statements were available to be issued.