

CLARKSVILLE CONNECTED UTILITIES
Independent Auditors' Report
And
Financial Statements

September 30, 2024 and 2023

CLARKSVILLE CONNECTED UTILITIES
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the 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, 2024 and 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 above present fairly, in all material respects, the financial position of the business-type activities of CCU as of September 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years 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 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 6 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

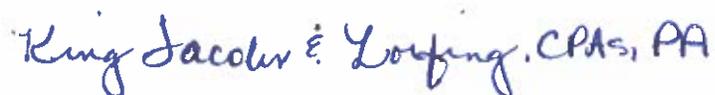
economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying 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 statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 March 17, 2025 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
March 17, 2025

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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 unit of the City of Clarksville, Arkansas, which comprise of the Statement of Net Position as of September 30, 2024, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 17, 2025.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

King Jacobs & Lorfing, CPAs, PA
Clarksville, Arkansas
March 17, 2025



MANAGEMENT'S DISCUSSION & ANALYSIS
Fiscal Year 2024

Background

Clarksville Connected Utilities (CCU) is owned by the City of Clarksville, Arkansas and operates under a Commission form of government. The history of the utility goes back to 1913 when electric, water and sewer 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 a 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: Ethan Powell, LaShaina Pollander, Freeman Wish, Jennifer Risinger, and Roger Brooks.

Customers

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

Sales

CCU's total annual operating revenues for fiscal year 2024 were \$26,019,896, which was \$1,267,624 lower than the previous year.

Electric revenues for 2024 were \$15,750,173, down 10.26% or a total of \$1,802,064 in residential, commercial, and industrial accounts. Electricity kilowatt hours sold during 2024 were 195,501,254 down 10.36% as compared to 218,401,049 kilowatt hours the previous year.

Water revenues were \$5,758,865 up \$202,349 (3.64%) and sewer revenues were \$2,200,763 down by \$122,767 (5.28%) in 2024 vs. 2023. Water sold during 2024 was down to 1,872,593,000 gallons from 1,855,796,000 gallons in 2023.

Broadband revenues for the fiscal year were \$2,310,096 and were up \$454,859 (24.52%) compared to \$1,855,237 in 2023 related to the growth of the relatively new department which continues to expand.

ABOUT THE ELECTRIC UTILITY

Wholesale Power Providers

On August 27, 2024, CCU sent its largest power provider, Oklahoma Municipal Power Authority (OMPA) a notice of termination of services effective February 28, 2026. CCU is currently looking at options to replace OMPA's services.

OMPA furnished approximately 49.2% of MWh, down from 50.4% in 2023, power purchases. In addition to the purchase of energy, OMPA provides ancillary services 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 Arkansas is OMPA's only Arkansas customer. 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, comprising approximately 16.3% in 2024, compared to 18.2% in 2023.

Independence County Hydroelectric furnished approximately 28.5% in 2024, compared to 25.1% in 2023. These 'run of the river' units near Batesville, Arkansas continues to produce power more reliably compared to previous years.

The remaining 6% in 2024, compared to 6.3% in 2023, came from the Solar fields located in Clarksville.

Power Cost Adjustment

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 that base rate, the difference goes into the calculation of a fuel adjustment to be applied to each customer's bill. The Power Cost Adjustment is calculated on a six-month moving average basis.

ABOUT THE WATER UTILITY

CCU's existing water treatment plant capacity is 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 that 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

In 2015, CCU started building out its fiber/broadband utility. Currently the installations of drops to residential and business customers offering internet and phone services (VOIP) are approximately 3,100, which is around 70.6% and approximately 2,300 or 52.6% are active subscribers. These calculations are based off the number of electric meters in service at CCU.

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 10 to 12) provide information regarding the activities of Clarksville Connected Utilities as a whole. The Net position represents the difference between what the Company owns (assets) and what the Company owes (liabilities). These two statements report on the net position and changes in net position. Over time, increases or decreases in net position are one indication of the Company's financial health. Departmental schedules begin on page 15. These schedules provide a more detailed picture of the Company's revenues and expenses.

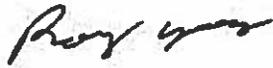
The Statement of Cash Flows (on pages 13 and 14) presents an overview of the cash received and expended during the year. It provides an insight into the sources of cash received, the uses of that cash, and the increase or decrease in cash on hand at the end of the year.

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 like 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, 2024, are 4.08 and 3.39 respectively. This means, for example, that for every \$4.08 in current assets, CCU has \$1.00 in current liabilities. These ratios were 3.84 and 3.23 respectively for the year ended September 30, 2023.

Comparison of Financial Data	2024	2023	Net Change
Current Assets	14,835,005	14,023,797	811,208
Restricted Fund Assets	534,421	529,722	4,699
Net Capital and Subscription Assets	51,685,037	52,907,781	(1,222,744)
Other Assets	3,204,810	3,193,386	11,424
Deferred Outflow of Resources	2,338,940	3,262,336	(923,396)
Total Assets & Deferred Outflows	72,598,213	73,917,021	(1,318,808)
Current Liabilities	3,635,685	3,655,958	(20,273)
Net Long-Term Debt	8,169,549	8,948,344	(778,795)
Other Liabilities	2,395,544	3,758,495	(1,362,951)
Deferred Inflow of Resources	2,388,919	2,231,148	157,771
Total Liabilities & Deferred Inflows	16,589,697	18,593,945	(2,004,248)
Net Assets Invested in Capital Assets, Net of Related Debt	42,528,905	43,144,437	(615,532)
Net Position Restricted	534,421	529,722	4,699
Net Position Unrestricted	12,945,191	11,648,918	1,296,273
Total Net Position	56,008,516	55,323,076	685,440
Operating Revenues	26,019,896	27,287,520	(1,267,624)
Direct Operating Expenses	20,552,873	22,858,308	(2,305,435)
General and Administrative Expenses	4,795,125	4,926,491	(131,366)
Non-Operating Revenues (Expenses)	226,566	(115,707)	342,273
Total Expenses & Non-Operating Revenues/(Expenses)	25,121,432	27,900,506	(2,779,074)
Income Before Contributions and Transfers	898,465	(612,985)	1,511,450
Transfers to the City	(213,025)	(238,807)	25,782
Changes in Net Position	685,440	(851,792)	1,537,232
Ending Net Position	56,008,516	55,323,076	685,440
Cash Balance and Cash Equivalents	9,289,138	8,381,670	907,468

There was an increase of \$685,440 in net position during the year to \$56,008,516. There was a decrease in long-term debt of \$778,795. The \$9,289,178 cash balance at year end was \$907,508 higher than 2023.

Overall, the 2024 net profit before contributions and transfers of \$898,465 increased \$1,511,450 when compared to 2023. Operating revenues are down \$1,267,624, and power costs decreased \$1,215,787 and other operating expenses show a net decrease of \$1,089,649.



Roy Young
General Manager



Jeanette Small
Chief Financial Officer

CLARKSVILLE CONNECTED UTILITIES
Statements of Net Position
September 30, 2024 and 2023

ASSETS

	2024	2023
Current Assets		
Cash and Cash Equivalents	\$ 8,754,757	\$ 7,851,948
Accounts Receivable net of allowance for doubtful accounts of \$132,957 for 2024 and \$141,865 for 2023	2,313,986	2,426,817
Unbilled Receivables	1,167,475	1,212,134
Accrued Interest Receivable	21,872	106,382
Inventories	2,506,704	2,209,456
Prepaid Expenses	70,211	217,059
Total Current Assets	14,835,005	14,023,797
Restricted Assets		
Bond Funds	534,421	529,722
Capital Assets		
Land	1,175,833	1,175,833
Buildings	2,833,807	2,833,807
Electric System	30,608,439	29,992,958
Water System	64,433,600	63,742,797
Sewer System	16,022,534	15,681,783
Broadband System	17,572,251	16,841,657
Transportation Equipment	2,492,383	2,445,314
Office Equipment	1,555,527	1,555,527
Generation Equipment	956,655	956,655
Other Equipment	3,683,199	3,784,153
Construction in Progress	202,517	545,650
	141,536,748	139,556,135
Less Accumulated Depreciation	(89,998,294)	(86,648,354)
Net Capital Assets	51,538,454	52,907,781
Subscription Based Information Technology Arrangement, Net	146,583	-
Other Assets		
Investments - Electric Cooperative Certificates	204,810	193,386
Scenic Hills Solar Prepayment Deposit	3,000,000	3,000,000
Total Other Assets	3,204,810	3,193,386
Deferred Outflow of Resources		
Deferred Outflow of Resources - Pension Contributions	400,000	750,000
Deferred Outflow of Resources - Pension Actuarial	1,123,137	1,457,509
Deferred Outflow of Resources - OPEB Contributions	183,793	170,775
Deferred Outflow of Resources - OPEB Actuarial	632,010	884,052
Total Deferred Outflow of Resources	2,338,940	3,262,336
Total Assets and Deferred Outflow of Resources	\$ 72,598,213	\$ 73,917,021

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
Statements of Net Position (continued)
September 30, 2024 and 2023

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts Payable	\$ 1,383,296	\$ 1,435,757
Accrued Expenses	1,088,386	1,143,013
Accrued Interest Payable (Payable from restricted funds)	103,129	102,638
Current Due on Long Term Debt (Payable from restricted funds)	840,000	815,000
Current Due on Early Retirement Payable	161,518	159,549
Current Due on Subscription Based Information Technology Arrangement	59,356	-
Total Current Liabilities	<u>3,635,685</u>	<u>3,655,958</u>
Other Liabilities		
Early Retirement Payable (Long-Term)	140,135	177,225
Meter Deposits	615,421	537,815
Net Other Postemployment Benefit Obligations	1,617,067	1,614,798
Net Pension Liability	22,920	1,428,657
Total Other Liabilities	<u>2,395,544</u>	<u>3,758,495</u>
Long-Term Liabilities		
Long-Term Debt on Current Maturities, Net	8,100,942	8,948,344
Long-Term Debt on Subscription Based Information Technology Arrangeme	68,607	-
Total Long-Term Liabilities	<u>8,169,549</u>	<u>8,948,344</u>
Deferred Inflow of Resources - Pension Actuarial	2,238,978	2,048,011
Deferred Inflow of Resources -OPEB Actuarial	149,941	183,137
	<u>2,388,919</u>	<u>2,231,148</u>
Total Liabilities and Deferred Inflow of Resources	<u>16,589,697</u>	<u>18,593,945</u>
Net Position		
Net Investment in Capital Assets, Net of Related Debt	42,528,905	43,144,437
Restricted	534,421	529,722
Unrestricted	12,945,191	11,648,918
Total Net Position	<u>56,008,516</u>	<u>55,323,076</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 72,598,213</u>	<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, 2024 and 2023

	2024	2023
Operating Revenue		
Electric Revenue	\$ 15,750,173	\$ 17,552,237
Water Revenue	5,758,865	5,556,516
Sewer Revenue	2,200,763	2,323,530
Broadband Revenue	2,310,096	1,855,237
Total Operating Revenue	26,019,896	27,287,520
Operating Expenses		
Direct Operating Expenses	(20,552,873)	(22,858,308)
General and Administrative Expense	(4,795,125)	(4,926,491)
Total Operating Expenses	(25,347,998)	(27,784,799)
Operating Income (Loss)	671,899	(497,279)
Non-Operating Revenues (Expenses)		
Interest Income	479,078	193,485
Interest Expense	(292,457)	(309,192)
Gain (Loss) on sale of Assets	39,946	-
Total Non-Operating Revenues (Expenses)	226,566	(115,707)
Income before Contributions and Transfers	898,465	(612,985)
Transfers to the City of Clarksville	(213,025)	(238,807)
Changes in Net Position	685,440	(851,792)
Net Position - Beginning of Year	55,323,076	56,174,869
Net Position - End of Year	\$ 56,008,516	\$ 55,323,076

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 26,177,387	\$ 28,488,232
Cash Paid to Employees, Payroll Taxes, and Employee Benefits, Net of Capitalized Labor	(6,317,874)	(6,537,752)
Cash Paid to Suppliers for Operations and General & Administrative Expenses	(16,099,827)	(18,666,371)
Net Cash Provided by Operating Activities	3,759,686	3,284,108
Cash Flows From Non-Capital Financing Activities:		
Increase (Decrease) in Meter Deposits	77,607	65,979
Net Cash Provided by Non-Capital Financing Activities	77,607	65,979
Cash Flows from Capital & Related Financing Activities:		
Payments on Debt Obligations	(815,000)	(795,000)
Payments on SBITA Obligations	(63,311)	-
Interest Paid on Debt Obligations, Net of Capitalized Interest	(299,369)	(324,198)
Net Cash used for Financing Activities	(1,177,680)	(1,119,198)
Cash Flows from Investing Activities:		
Investment Income	563,587	91,760
Redemption of Electric Cooperative Certificates	12,087	2,414
Investment in Southwest Power Pool Deposit	-	110,000
Transfers to the City of Clarksville	(213,025)	(238,807)
Proceeds from the Sale of Assets	143,500	-
Capital Expenditures	(2,258,254)	(1,771,033)
Net Cash Provided by Investing Activities	(1,752,105)	(1,805,666)
Net Increase (Decrease) in Cash	907,507	425,223
Cash at Beginning of Year	8,381,670	7,956,447
Cash at End of Year	\$ 9,289,178	\$ 8,381,670

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
Statements of Cash Flows (continued)
Years Ended September 30, 2024 and 2023

	2024	2023
Reconciliation of Earnings from Operations to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 671,899	\$ (497,279)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,528,973	3,712,790
Amortization	73,292	-
Amortization of bond premium	-	(7,403)
Change in Operating Assets, Deferred Outflows of Resources and Liabilities:		
(Increase) Decrease in Accounts Receivables	112,832	718,870
(Increase) Decrease in Unbilled Receivables	44,659	481,842
(Increase) Decrease in Inventory	(297,249)	(370,638)
(Increase) Decrease in Prepaid Expenses	146,849	(22,518)
(Increase) Decrease in Certificates of Equity	(11,424)	112,414
(Increase) Decrease in Deferred Outflows-Pension Actuarial	684,372	(1,053,322)
(Increase) Decrease in Deferred Outflows-OPEB Actuarial	239,024	174,752
Increase (Decrease) in Accounts Payable	(98,095)	(674,746)
Increase (Decrease) in Bank Overdraft	-	(374,190)
Increase (Decrease) in Accrued Expenses	(54,627)	25,723
Increase (Decrease) in Early Retirement Payable	(35,121)	185,200
Increase (Decrease) in Accrued OPEB Liability	2,269	(218,803)
Increase (Decrease) in Net Pension Liability	(1,405,737)	(852,398)
Increase (Decrease) in Deferred Inflows-Pension Actuarial	157,771	1,943,813
 Net Cash Provided by Operating Activities	 \$ 3,759,686	 \$ 3,284,108
Non-Cash Investing, Capital & Financing Activities:		
Capital Assets Included in Accounts Payable at Year End	\$ 125,721	\$ 80,088
Cash Paid during the year for:		
Interest	\$ 299,369	\$ 321,199

See accompanying notes to financial statements.

CLARKSVILLE CONNECTED UTILITIES
DEPARTMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

CLARKSVILLE CONNECTED UTILITIES
Departmental Statement of Revenues and Expenses
For the Year Ended September 30, 2024

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Broadband</u>	<u>Total</u>
Operating Revenue					
Electric	\$ 15,750,173	\$ -	\$ -	\$ -	\$ 15,750,173
Water	-	5,758,865	-	-	\$ 5,758,865
Sewer	-	-	2,200,763	-	\$ 2,200,763
Broadband	-	-	-	2,310,096	\$ 2,310,096
Total Operating Revenue	<u>15,750,173</u>	<u>5,758,865</u>	<u>2,200,763</u>	<u>2,310,096</u>	<u>\$ 26,019,896</u>
Direct Operating Expenses	13,920,565	3,727,100	1,582,103	1,323,104	\$ 20,552,873
General and Administrative	<u>2,053,841</u>	<u>1,359,451</u>	<u>508,320</u>	<u>873,512</u>	<u>\$ 4,795,125</u>
Total Operating Expense	<u>15,974,406</u>	<u>5,086,551</u>	<u>2,090,424</u>	<u>2,196,617</u>	<u>\$ 25,347,998</u>
Operating Income (Loss)	<u>(224,233)</u>	<u>672,314</u>	<u>110,339</u>	<u>113,479</u>	<u>671,899</u>
Non-Operating					
Revenue (Expenses)					
Interest Income	207,858	142,765	46,191	82,264	\$ 479,078
Gain on Sale of Assets	35,279	2,333	2,333	-	\$ 39,946
Interest Expense	<u>(3,803)</u>	<u>(63,154)</u>	<u>(845)</u>	<u>(224,655)</u>	<u>\$ (292,457)</u>
Total Non-Operating	<u>239,335</u>	<u>81,944</u>	<u>47,679</u>	<u>(142,391)</u>	<u>\$ 226,566</u>
Income (Loss) before					
contributions & transfers	<u>\$ 15,101</u>	<u>\$ 754,258</u>	<u>\$ 158,018</u>	<u>\$ (28,912)</u>	<u>\$ 898,465</u>

CLARKSVILLE CONNECTED UTILITIES
Schedule of Direct Operating Expenses
For the Year Ended September 30, 2024

	Electric	Water	Sewer	Broadband	Total
Bandwidth Purchased	\$ -	\$ -	\$ -	\$ 356,772	\$ 356,772
Depreciation	733,301	1,617,054	501,855	610,079	3,462,289
Education, Meetings, and Travel	19,531	6,085	5,925	24	31,564
Employee Benefits	196,307	159,734	100,816	72,023	528,880
Fuel	36,603	20,627	18,185	9,026	84,440
Generation Costs	9,823	-	-	-	9,823
Labor	1,062,252	662,021	625,462	266,491	2,616,226
Labor - Construction in Progress	(253,428)	(22,437)	(6,414)	(103,834)	(386,113)
Maintenance	236,722	161,075	33,127	43,085	474,009
Equip Exp. - Const. in Progress	(203,078)	(23,224)	(6,596)	(58,128)	(291,026)
Payroll Taxes	71,083	47,223	45,431	21,731	185,469
Pension Expense	75,540	42,146	30,718	24,585	172,989
Power Purchased	11,885,119	-	-	-	11,885,119
Supplies	-	653,430	71,419	-	724,849
Uniforms	16,915	9,955	10,703	4,189	41,761
Utilities	9,000	391,886	142,558	-	543,444
Use Tax	24,876	1,524	8,916	897	36,212
Wholesale Voice	-	-	-	76,166	76,166
Total	\$ 13,920,565	\$ 3,727,100	\$ 1,582,103	\$ 1,323,104	\$ 20,552,873

CLARKSVILLE CONNECTED UTILITIES
Schedule of General and Administrative Expense
For the Year Ended September 30, 2024

	Electric	Water	Sewer	Broadband	Total
Advertising and Promotion	\$ 925	\$ 749	\$ 447	\$ 226	\$ 2,347
Amortization	32,981	21,987	7,329	10,994	73,292
Bad Debts	34,951	12,605	4,584	5,157	57,296
Customer Online Payment Fees	33,277	22,184	7,395	13,749	76,605
Depreciation	25,854	17,713	6,859	9,573	59,999
Dues and Subscriptions	57,465	26,203	15,790	204,692	304,150
Education, Travel, and Meetings	6,392	3,096	1,364	1,406	12,258
Employee Benefits	260,332	177,632	58,321	103,912	600,197
Fuel	7,903	5,298	1,945	2,515	17,661
Insurance	163,858	124,812	53,440	42,834	384,944
Inventory Variances	6,453	2,310	827	(9,845)	(255)
Lab Fees and Tests	2,085	1,789	24,369	174	28,417
Labor	885,971	597,165	197,433	339,309	2,019,879
Maintenance	180,971	133,274	67,161	65,684	447,090
Miscellaneous	6,935	5,088	2,279	3,450	17,752
Office Supplies	17,439	13,801	2,952	5,762	39,954
Payroll Taxes	59,261	41,121	12,732	20,854	133,968
Pension	41,012	33,913	9,661	12,028	96,613
Physical Inventory Variances	781	(20)	(8)	3	757
Professional Services	127,817	33,440	10,748	14,845	186,849
Supplies	43,906	68,017	15,533	17,929	145,385
Uniforms	9,627	6,193	2,064	3,096	20,981
Utilities	47,645	11,078	5,095	5,166	68,984
Total	\$ 2,053,841	\$ 1,359,451	\$ 508,320	\$ 873,512	\$ 4,795,125

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

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Broadband</u>	<u>Total</u>
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	<u>17,552,237</u>	<u>5,556,516</u>	<u>2,323,530</u>	<u>1,855,237</u>	<u>\$ 27,287,520</u>
Direct Operating Expenses	15,686,937	3,769,508	1,910,971	1,490,892	\$ 22,858,308
General and Administrative	<u>2,008,109</u>	<u>1,723,247</u>	<u>539,345</u>	<u>655,790</u>	<u>\$ 4,926,491</u>
Total Operating Expense	<u>17,695,046</u>	<u>5,492,755</u>	<u>2,450,316</u>	<u>2,146,682</u>	<u>\$ 27,784,799</u>
Operating Income (Loss)	<u>(142,809)</u>	<u>63,761</u>	<u>(126,786)</u>	<u>(291,445)</u>	<u>(497,279)</u>
Non-Operating					
Revenue (Expenses)					
Interest Income	71,802	74,110	17,739	29,834	\$ 193,485
Interest Expense	<u>-</u>	<u>(64,847)</u>	<u>-</u>	<u>(244,345)</u>	<u>\$ (309,192)</u>
Total Non-Operating	<u>71,802</u>	<u>9,263</u>	<u>17,739</u>	<u>(214,511)</u>	<u>\$ (115,707)</u>
Income (Loss) before contributions & transfers	<u>\$ (71,007)</u>	<u>\$ 73,024</u>	<u>\$ (109,047)</u>	<u>\$ (505,956)</u>	<u>\$ (612,985)</u>

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

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Broadband</u>	<u>Total</u>
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, 2024 and 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.

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.

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, 2024 and 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 \$132,957 for the year ended September 30, 2024 and \$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.

Subscription Assets and Amortization

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made to the subscription-based information technology arrangement (SBITA) vendor at the commencement of the SBIT term, plus capitalized initial implementation costs. Subscription assets are amortized on a straight-line basis over the SBIT term.

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, 2024 is \$760,240 and as of September 30, 2023 was \$744,262.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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, 2024 and 2023. Plan investments are reported by Lincoln Financial Group at fair market value.

Other Postemployment Benefit (OPEB) Plan

The Other Postemployment Benefit Plan adopted Governmental Accounting Standards Board No. 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The OPEB Liability is based on the September 30, 2024 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 four 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 two items that qualify for reporting in this category.

Due to changes in actuarial assumptions, the changes of Deferred Outflow and Inflow of Resources for the pension plan affected the pension expense for the year ending September 30, 2024. These changes resulted in a net decrease of pension expense from the prior year of \$355,695.

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.”

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

Current Accounting Developments

GASB Statement No. 103, Financial Reporting Model Improvements (GASB 103): Improve key components of the financial reporting model to make it more effective for decision making and assessing a government's accountability. GASB 103 is effective for periods beginning after June 15, 2025, with earlier application encouraged.

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

Adoption of GASB Statements

GASB Statement No. 101, Compensated Absences (GASB 101), is effective for CCU for the year ended September 30, 2024. 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. The adoption of GASB 101 had no impact on CCU's financial statements.

GASB Statement No. 104, Disclosure of Certain Capital Assets (GASB 104) is effective for CCU for the year ended September 30, 2024. The primary objective of this Statement is to provide detailed information about capital assets in notes to financial statements including additional disclosures for capital assets held for sale. The adoption of GASB 104 required additional disclosures for capital assets 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, 2024 and 2023

The bank balances and carrying amounts of CCU’s deposits and short-term investments held as of September 30, 2024 were as follows:

<u>Description</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Cash on Hand	\$ -	\$ 950
Demand Deposits	4,643,424	4,522,249
Certificates of Deposit	4,375,367	4,375,429
Federated Hermes Treasury Obligations Fund	390,549	390,549
Total	<u>\$ 9,409,341</u>	<u>\$ 9,289,177</u>

Money market mutual funds were held by CCU as of September 30, 2024 of \$390,549 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, 2024, all deposits were either collateralized, FDIC insured, or held in qualifying government securities. As of September 30, 2024, CCU’s bank balances were \$9,409,341. As of September 30, 2024, 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	<u>\$ 8,624,982</u>
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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, 2024 and 2023

NOTE 5 - MAJOR CUSTOMERS AND SUPPLIERS

The following table set forth the major customers for CCU for the years ended September 30, 2024 and 2023. Amounts are presented in dollars and percent of total revenues. Accounts receivable from the following customers represent 30% of total accounts receivable as of September 30, 2024 and 33% of total accounts receivable as of September 30, 2023.

Customer	Year Ended 9/30/24		Year Ended 9/30/23	
	\$ Gross Revenues	% of Total Revenues	\$ Gross Revenues	% of Total Revenues
Tyson Foods	\$ 5,324,769	20%	\$ 5,412,314	20%
Hanesbrand Inc			2,006,547	7%
Walmart Supercenter & DC	1,398,776	5%	1,553,868	6%
University of the Ozarks	993,111	4%		
	<u>\$ 7,716,656</u>	<u>30%</u>	<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, 2024 and 2023. Amounts are presented in dollars and percent of total power purchased and of Direct Operating Expenses. Accounts payable to the following suppliers represent 80% of total accounts payable as of September 30, 2024 and 81% of total accounts payable as of September 30, 2023.

Supplier	Year Ended 9/30/2024		Year Ended 9/30/2023	
	\$ Power Purchases	% of Total Power	\$ Power Purchases	% of Total
Independence County	\$ 3,041,748	26%	\$ 2,875,605	22%
Southwestern Power Administration	1,497,501	13%	1,601,401	12%
Oklahoma Municipal Power	5,647,806	48%	6,710,611	51%
Trillium HoldCo	234,231	2%	559,980	4%
Scenic Hills Solar	536,643	5%	235,086	2%
Southwestern Power Pool	927,190	8%	1,118,223	9%
	<u>\$ 11,885,119</u>	<u>100%</u>	<u>\$ 13,100,906</u>	<u>100%</u>
<u>Total Power Purchased to</u>	<u>\$ 11,885,119</u>		<u>\$ 13,100,906</u>	
<u>Direct Operating Expenses</u>	<u>\$ 20,552,873</u>	58%	<u>\$ 22,858,308</u>	57%

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

NOTE 6 - CAPITAL AND SUBSCRIPTION ASSETS

Capital asset activity for the year ended September 30, 2024 is as follows:

	Balance 9/30/23	Additions	Deletions	Balance 9/30/24
Nondepreciable Assets				
Land - Electric	\$ 431,615	\$ -		\$ 431,615
Land - Water	528,529	-		528,529
Land - Sewer	215,689	-		215,689
Constr in Progress-Electric	6,034	1,027,670	(859,775)	173,929
Constr in Progress-Water	539,616	79,494	(590,522)	28,588
Constr in Progress-Sewer	-	243,552	(243,552)	-
Constr in Progress-Broadband	-	280,900	(280,900)	-
Total Nondepreciable Assets	1,721,483	1,631,616	(1,974,749)	1,378,350
Depreciable Assets				
Office Building	1,288,942	-	-	1,288,942
Buildings - Electric	37,222	-	-	37,222
Warehouse	1,507,643	-	-	1,507,643
Broadband System	16,841,657	730,594	-	17,572,251
Electric System	29,992,958	1,065,175	(449,694)	30,608,439
Water System	63,742,797	690,804	-	64,433,600
Sewer System	15,681,783	340,751	-	16,022,534
Transportation Equipment	2,445,314	47,070	-	2,492,383
Generation Equipment	956,655	-	-	956,655
Office Equipment	1,555,527	-	-	1,555,527
Lab Equipment	73,909	-	-	73,909
Construction Equipment	1,053,636	123,694	-	1,177,330
Maintenance Equipment	2,128,371	57,938	(282,586)	1,903,723
Plant & Shop Equipment	528,237	-	-	528,237
Total Depreciable Assets	137,834,652	3,056,026	(732,280)	140,158,397
Total Assets at Historical Cost	139,556,135	4,687,642	(2,707,029)	141,536,747
Less: Accumulated Depreciation	(86,648,354)	(3,528,972)	179,032	(89,998,294)
Total Capital Assets, Net	\$ 52,907,781	\$ 1,158,670	\$ (2,527,997)	\$ 51,538,453

There were no capital assets held for sale as of September 30, 2024.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

Depreciation expense was charged to departments as follows:

Direct Operating Expense - Electric	\$ 733,301
Direct Operating Expense - Water	1,617,054
Direct Operating Expense - Sewer	501,855
Direct Operating Expense - Broadband	610,079
Direct Operating Expense - Generation Costs	6,685
General & Administrative Expense - Electric	25,854
General & Administrative Expense - Water	17,713
General & Administrative Expense - Sewer	6,859
General & Administrative Expense - Broadband	9,573
Total Depreciation Expense	<u>\$ 3,528,972</u>

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96) addresses the accounting for the costs related to subscription-based information technology arrangements. The standard defines a subscription-based information technology arrangement (SBITA), establishes that a SBITA would result in a right-to use information technology asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset to amortization expense (which may be combined with depreciation expense). Subsequent SBITA payments are accounted for consistent with how debt service payments on long-term debt are recorded, including segregating the SBITA payments between interest and principal. The current portion of the subscription liability is also segregated from the long-term portion.

Subscription asset activity for the year ended September 30, 2024 is as follows:

	Balance			Balance	
	9/30/2023	Additions	Deletions	9/30/2024	
Subscription IT asset	\$ -	\$ 219,874	\$ -	\$ 219,874	
Less accumulated amortization	<u>-</u>	<u>(73,292)</u>	<u>-</u>	<u>(73,292)</u>	
Subscription assets, net	<u>\$ -</u>	<u>\$ 146,582</u>	<u>\$ -</u>	<u>\$ 146,582</u>	

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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 9/30/2023	Increases	Decreases	Balance 9/30/2024	Due in One Year
Utility Revenue Construction Bonds Series 2013	\$1,860,000	\$ -	\$ (205,000)	\$1,655,000	\$210,000
Utility Revenue Construction Bonds Series 2019	7,825,000	-	(610,000)	7,215,000	630,000
	<u>\$9,685,000</u>	-	<u>(815,000)</u>	<u>\$8,870,000</u>	<u>840,000</u>
Unamortized Bond Premium	78,344	-	(7,403)	70,942	
	<u>\$9,763,344</u>	<u>\$ -</u>	<u>\$ (822,403)</u>	<u>\$8,940,942</u>	<u>\$ 840,000</u>

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

Year ending September 30,	Principal	Interest	Total
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	950,000	167,319	1,117,319
2030 - 2034	4,405,000	394,750	4,799,750
	<u>\$ 8,870,000</u>	<u>\$ 1,502,994</u>	<u>\$ 10,372,994</u>

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

NOTE 8 – SUBSCRIPTION LIABILITIES

CCU has one SBITA which expires September 30, 2026. The following is a schedule by year of payments under the SBITA:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 59,356	\$ 9,219	\$ 68,575
2026	68,607	4,768	73,375
	<u>\$ 127,963</u>	<u>\$ 13,987</u>	<u>\$ 141,950</u>

NOTE 9 - 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 transfers recorded as a distribution of equity for the year ended September 30, 2024 was \$213,025. The City then pays their utility bill. The amount included in accounts receivable at September 30, 2024 from the City of Clarksville is \$25,522. 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 10 – 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, 2024 and 2023.

NOTE 11 – OTHER COMMITMENTS AND CONTINGENCIES

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.

On October 20, 2023, CCU entered into an agreement with Terex Financial Services, Inc. (TFS) in conjunction with Terex Utilities for a Terex LTM40 (bucket truck). The bucket truck is in the process of being manufactured and a lease will begin when the bucket truck is available for use. The cost of the bucket truck is \$289,697 and the lease is for six (6) years with a monthly payment of \$4,746, including principal and interest.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

NOTE 12 - 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 fiscal years 2024 and 2023 were \$73,180 and \$66,945.

NOTE 13 - 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

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

This benefit will end at age 62. Ten retirees participated in this early retirement benefit in 2024. The expenditures for these retirees were \$181,075 for the years ended September 30, 2024. 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.

- 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, 2024.

Sections 1) and 2) above are considered termination benefits and an estimated liability of \$301,653 has been accrued for future payments through February 28, 2027 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. Sixteen retirees participated in the health insurance coverage benefit as of September 30, 2024. 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 \$102,660 during year ending September 30, 2024 and \$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.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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 they are disqualified.

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, 2024 was \$11,341 and 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, 2022 to October 31, 2023 has been used for the fiscal year ending September 30, 2024 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

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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.

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	70
Retirees	<u>18</u>
Total Participants	<u>88</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 \$34,850 due to updated census data.
- There was a liability gain of \$5,961 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 4.4% to 4.5%.
- These changes increased the liability by \$4,270.

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

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

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

A. Statement of Fiduciary Net Position

There are no plan assets.

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

Statement of Changes in Fiduciary Net Position

Measurement Date	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/1/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Reporting Date	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Employer Contributions	\$ 170,775	\$ 145,354	\$ 121,191	\$ 91,526	\$ 68,651	\$ 43,734	\$ 33,615	\$ 25,364	\$ 20,134	\$ 21,258
Benefit Payments	(170,775)	(145,354)	(121,191)	(91,526)	(68,651)	(43,734)	(33,615)	(25,364)	(20,134)	(21,258)
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	\$ 1,614,798	\$ 1,833,601	\$ 1,511,603	\$ 837,942	\$ 345,284	\$ 396,696	\$ 439,263	\$ 475,053	\$ 506,747	\$ 541,429
Service Cost	58,073	60,140	79,979	66,248	-	15,109	15,109	15,109	15,679	15,679
Interest on Net OPEB Obligation	69,890	41,894	35,221	30,488	10,359	11,901	13,177	14,252	15,202	16,243
Changes in Actuarial Assumptions	4,270	(195,992)	250,484	(29,618)	550,950	(34,688)	(37,238)	(39,787)	(42,441)	(45,346)
Difference in Expected & Actual Experience	40,811	20,509	77,505	698,069	-	-	-	-	-	-
Net Changes	173,044	(73,449)	443,189	765,187	561,309	(7,678)	(8,952)	(10,426)	(11,560)	(13,424)
Contributions and Payments	(170,775)	(145,354)	(121,191)	(91,526)	(68,651)	(43,734)	(33,615)	(25,364)	(20,134)	(21,258)
Increase (Decrease) in Net OPEB Liability	2,269	(218,803)	321,998	673,661	492,658	(51,412)	(42,567)	(35,790)	(31,694)	(34,682)
Net OPEB Liability - End of Year	\$ 1,617,067	\$ 1,614,798	\$ 1,833,601	\$ 1,511,603	\$ 837,942	\$ 345,284	\$ 396,696	\$ 439,263	\$ 475,053	\$ 506,747

C. Sensitivity to Changes in Discount Rate

	1% Decrease 3.50%	Discount Rate 4.50%	1% Increase 5.50%
Net OPEB Liability	\$ 1,714,699	\$ 1,617,067	\$ 1,525,064

D. Sensitivity to Changes in Healthcare Trend Rate

	1% Decrease 5.50%	Trend Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	\$ 1,504,099	\$ 1,617,067	\$ 1,746,324

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

E. Statement of OPEB Expenses for GASB 75 Reporting

The OPEB Expense under GASB 75 for fiscal year ending September 30, 2024 is \$391,890. Actual OPEB benefit payment contributions for the supplemental insurance and health insurance was \$183,793, which includes an implicit subsidy calculation.

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.

Components of OPEB Expense	
Service Cost	\$ 58,073
Interest Cost	69,890
Liability Gain or Loss	165,080
Assumption Changes	98,847
Total	<u>\$ 391,890</u>

F. Statement of Deferred Outflow and Inflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 359,922	\$ -
Effects of changes in assumptions	272,088	149,941
Employer contributions	183,793	-
Total deferred outflows and inflows of resources	<u>\$ 815,803</u>	<u>\$ 149,941</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 September 30,</u>	<u>Amount to be recognized</u>
2025	\$ 260,977
2026	176,837
2027	28,229
2028	28,219
2029	(18,628)
Thereafter	6,435

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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

Date Established	Type	Original Amount	Original Years	Amortization Amount	Remaining Amount as of September 30, 2024	Remaining Amount as of September 30, 2024
10/1/2020	Liability (Gain)/Loss	\$ 19,552	4.31	\$ 4,537	\$ 1,404	0.31
10/1/2020	Assumption Change	(1,117)	4.31	(260)	(77)	0.30
10/1/2020	Liability (Gain)/Loss	129,370	5.31	24,364	31,914	1.31
10/1/2020	Assumption Change	507,892	5.31	95,649	125,296	1.31
10/1/2020	Liability (Gain)/Loss	698,069	6	116,345	232,689	2
10/1/2020	Assumption Change	(29,618)	6	(4,937)	(9,870)	2
10/1/2021	Liability (Gain)/Loss	77,505	7	11,073	44,286	4
10/1/2021	Assumption Change	250,484	7	35,784	143,132	4
10/1/2022	Liability (Gain)/Loss	20,509	7	2,930	14,649	5
10/1/2022	Assumption Change	(195,992)	7	(27,999)	(139,994)	5
10/1/2023	Liability (Gain)/Loss	40,811	7	5,831	34,980	6
10/1/2023	Assumption Change	4,270	7	610	3,660	6

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, 2024 were \$170,775.

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, 2023
Measurement Date	October 1, 2023
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	4.50%
20-Year Municipal Bond Yield	4.50%
Inflation Rate	2.50%

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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%
	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, 2023 grading to 5.00% over 6 years and then to 4.00% over the next 48 years	
	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	<u>Age</u>	<u>Rate as %</u>
	59-60	20%
	61-62	30%
	63-64	40%
	65	100%
Expenses	Assumed paid outside of Plan	
Percent Married	N/A	
Age Difference	N/A	
Retiree Plan Participation	Future Retirees Electing Coverage:	
	Pre-65 subsidy available:	100%
	Pre-65 subsidy not available:	N/A
Percent of Married Retirees Electing Spouse Coverage	N/A	
Benefits Not Included	None	

NOTE 14 - 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.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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, 2024 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.

The actuarially determined employer contribution for the measurement period ending January 31, 2024 was \$205,353 and the employee contributions were \$91,808.

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 plan year ending January 31, 2024 and 2023 were \$292,769 and \$221,965.

Plan Participants

Participant Counts

Actives	59
Vested Terminated and Transfers	26
Retires and Beneficiaries	6
Total Participants	<u>91</u>

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

B. Net Pension Liability

The historical information required to be disclosed is as follows:

Actuarial Valuation Date	(1) Fiduciary's Net Position	(2) Total Pension Liability	(3) Net Pension Liability (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Net Pension Liability as % of Payroll (3)/(5)
02/01/24	\$ 7,146,609	\$ 7,169,529	\$ 22,920	99.7%	\$ 3,830,906	1%
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%

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, 2024 and 2023

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

<u>Plan Year Ending</u>	(1) Actuarially Determined Contribution	(2) Actual Plan Contribution	(3) Difference (1)-(2)	(4) Annual Covered Payroll	(5) % Contributions as% Covered Payroll (2)/(4)
1/31/2024	\$ 205,353	\$ 1,150,000	944,647	\$ 3,830,906	30%
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%

Summary of Methods and Assumptions

Census Data Date	February 1, 2024
Measurement Date	January 31, 2024
Actuarial Cost Method	GASB Accounting: Entry Age Normal Actuarially Determined Contribution: Entry Age Normal
Actuarial Assets	Trustee value as of the measurement date
Amortization of Deferred Resource Flows	Level dollar amount on a closed basis. For GASB 68, the amortization basis is as described in GASB Statement 68. For the Actuarially Determined Contribution, the amortization period is 20 years.

Economic Assumptions

Discount Rate	GASB Accounting: 6.00% (net of investment expenses) Plan Funding: 6.00%								
Expected Long-term Investment Return	6.00%								
20-Year Municipal Bond Yield	3.70%								
Salary Increases	Table S-5 plus 2.0% plus an additional amount based on service:								
	<table> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Rate as %</u></th> </tr> <tr> <td>25</td> <td>4.18%</td> </tr> <tr> <td>40</td> <td>2.72%</td> </tr> <tr> <td>55</td> <td>1.88%</td> </tr> </table>	<u>Age</u>	<u>Rate as %</u>	25	4.18%	40	2.72%	55	1.88%
<u>Age</u>	<u>Rate as %</u>								
25	4.18%								
40	2.72%								
55	1.88%								
Cost of Living Increase	None								

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

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

C. Schedule of Changes in Net Pension Liability

Measurement Period Ending Fiscal Year Ending	1/31/2024 9/30/2024	1/31/2023 9/30/2023	1/31/2022 9/30/2022	1/31/2021 9/30/2021	1/31/2020 9/30/2020	1/31/2019 9/30/2019	1/31/2018 9/30/2018	1/31/2017 9/30/2017	1/31/2016 9/30/2016	1/31/2015 9/30/2015
Total Pension Liability										
Service cost	\$ 297,465	\$ 487,188	\$ 468,925	\$ 418,181	\$ 379,556	\$ 388,773	\$ 379,811	\$ 351,998	\$ 335,823	\$ 303,951
Interest	411,362	402,144	331,949	320,590	314,352	320,918	312,149	302,759	300,400	293,822
Benefit payments	(292,769)	(221,965)	(885,217)	(682,540)	(555,782)	(798,371)	(123,530)	(564,759)	(267,216)	(151,406)
Differences between expected and actual experience		-	-	-	(406)	(220,582)	(20,981)	74,376	66,855	(105,922)
Plan Changes		-	(344,406)	-	-	-	-	-	-	-
Changes in assumptions	(575,079)	(1,397,804)	501,395	422	38,170	(4,430)	(4,835)	616,239	(20,685)	635,769
Gain or Loss	326	(704,778)	(134,858)	296,840	-	-	-	-	-	-
Net change in Total Pension Liability	(158,695)	(1,435,215)	(62,212)	353,493	175,890	(313,692)	542,614	780,613	415,177	976,214
Balance, beginning 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	6,871,556	5,895,352
Balance, end of period	\$ 7,169,529	\$ 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	\$ 91,808	\$ 89,818	\$ 95,045	\$ 95,657	\$ 85,936	\$ 85,983	\$ 84,812	\$ 77,537	\$ 88,419	\$ 79,851
Employer contributions	1,150,000	-	7,528	615,005	587,948	596,786	473,615	451,996	819,213	978,957
Net investment income	350,575	288,734	250,673	257,965	170,807	224,330	185,689	223,519	254,428	174,941
Benefit payments	(292,769)	(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	(52,572)	(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	1,247,042	(582,817)	(595,539)	210,930	255,515	(71,711)	564,946	132,921	866,458	1,001,341
Balance, beginning of period	5,899,567	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	\$ 7,146,609	\$ 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	\$ 22,920	\$ 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	6.00%	5.50%	4.50%	3.75%	3.75%	3.75%	3.75%	3.75%	4.25%	4.25%
Discount rate	6.00%	5.50%	4.50%	3.75%	3.75%	3.75%	3.75%	3.75%	4.25%	4.25%
Salary increase assumption a)	S5 + 2.0%	S5 + 2.5%	S5 + 2.5%							
Retirement age assumption b)	NRA									
Plan changes	none	none	See below c)	none						

a) Salary increase assumption is S5+%+ additional amount based on service

b) NRA - Normal Retirement Age

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

	1% decrease 5.00%	Discount Rate 6.00%	1% increase 7.00%
Net Pension Liability	\$ 1,230,054	\$ 22,920	\$ (977,458)

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

D. Pension Expenses

The Pension Expenses for the fiscal years ended September 30, 2024 are \$269,602 and 2023 are \$625,297. Below are the components of pension expenses.

Components of Pension Expense	<u>9/30/2024</u>	<u>9/30/2023</u>
Service cost	\$ 297,465	\$ 487,188
Interest cost	411,362	402,144
Contributions from employees	(91,808)	(89,818)
Projected Investment Return	(350,575)	(288,734)
Recognition of deferred outflows and inflows due to:		
Differences between expected and actual experience	(88,906)	(98,285)
Changes in assumptions	(107,158)	20,762
Investment Gain or Loss	199,222	192,040
Total Pension Expense	<u>\$ 269,602</u>	<u>\$ 625,297</u>
Rates used to determine pension expenses		
Discount Rate	6.00%	5.50%
Long Term Rate of Return	6.00%	5.50%

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

E. Deferred Outflows and Inflows of Resources Related to Pensions

Recognition of Deferred Outflows and Inflows - Actuarial

Date Established	Type	Original Amount	Original Years	Remaining Amount	Years Remaining
10/1/2014	Assump Outflow	\$ 635,759	9.19	\$ -	0.00
10/1/2014	Liab GL Inflow	(105,922)	9.19	-	0.00
10/1/2015	Assump Inflow	(20,685)	9.31	(687)	0.31
10/1/2015	Liab GL Outflow	66,855	9.31	2,226	0.31
10/1/2016	Assump Outflow	616,239	8.88	61,067	0.88
10/1/2017	Liab GL Outflow	74,376	8.88	7,368	0.88
10/1/2017	Assump Inflow	(4,835)	8.66	(925)	1.65
10/1/2017	Liab GL Inflow	(20,981)	8.67	(4,041)	1.67
10/1/2018	Assump Inflow	(4,430)	8.34	(1,240)	2.33
10/1/2018	Liab GL Inflow	(220,582)	8.34	(61,888)	2.34
10/1/2019	Asset GL Outflow	73,411	5.00	-	0.00
10/1/2019	Assump Outflow	38,170	8.54	15,820	3.54
10/1/2019	Liab GL Inflow	(406)	8.46	(166)	3.46
10/1/2020	Liab GL Outflow	296,840	10.00	178,104	6.00
10/1/2020	Assump Outflow	422	10.00	250	5.81
10/1/2020	Asset GL Outflow	71,158	5.00	14,230	1.00
10/1/2021	Liab GL Inflow	(134,858)	9.00	(89,903)	6.00
10/1/2021	Assump Outflow	501,395	9.00	334,262	6.00
10/1/2021	Asset GL Outflow	59,568	5.00	23,826	2.00
10/1/2022	Liab GL Inflow	(704,778)	8.00	(528,582)	6.00
10/1/2022	Assump Inflow	(1,397,804)	8.00	(1,048,352)	6.00
10/1/2022	Asset GL Outflow	739,404	5.00	443,642	3.00
10/1/2023	Liab GL Inflow	326	8.00	285	6.95
10/1/2023	Assump Inflow	(575,079)	8.00	(503,194)	7.00
10/1/2023	Asset GL Outflow	52,572	5.00	42,057	4.00
	Total	<u>\$ 36,135</u>		<u>\$ (1,115,841)</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</u> <u>September 30, 2024</u>	<u>Amount to be</u> <u>Recognized</u>
2025	\$ (35,239)
2026	(118,453)
2027	(110,564)
2028	(251,315)
2029	(264,215)
Thereafter	(336,055)

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

Deferred Outflow of Resources – Pension Contribution

Pension contributions received after the measurement date of January 31, 2024 were \$400,000 and \$400,000 was paid before the measurement date. Prior year pension contributions of \$750,000 were paid after the measurement date of January 31, 2023.

F. Investments

Investment policy

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

	<u>1/31/2024</u>	<u>1/31/2023</u>
Lincoln Financial Group	<u>\$ 7,146,609</u>	<u>\$ 5,899,567</u>

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

Annual Returns	1/31/2024	1/31/2023	1/31/2022	1/31/2021	1/31/2020
Total Return %	4.70%	-7.00%	2.90%	6.03%	8.65%

Development of Expected Long-Term Rate of Portfolio Return

Asset Class	Portfolio Weight	Expected Class Return
Cash	2.00%	2.50%
Fixed Income	58.00%	4.75%
Equities	<u>40.00%</u>	8.25%
Total Portfolio	100.00%	6.00%

Concentrations

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 as of the quarter end prior to the measurement date.

CLARKSVILLE CONNECTED UTILITIES

Notes to Financial Statements

September 30, 2024 and 2023

	December 31, 2024	December 31, 2023
Managed Prin Prot PT SAPP	\$ 2,041,754	\$ 1,709,698
Stadion Cyclical Trend SAS4	670,322	551,830
Stadion Domestic Equity SAS1	863,205	715,334
Stadion Dynamic Trend SAS3	712,378	581,218
Stadion Internatnl Equity SAS2	553,904	469,633
Stadion Long Dur Fixed SAS5	2,070,487	1,610,075
	<u>\$ 6,912,051</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 annual rate of return on plan investments for the measurement period of February 1, 2023 to January 31, 2024 is 4.7%. 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 15 - SUBSEQUENT EVENTS

Subsequent events have been reviewed through March 17, 2025 which is the date that the financial statements were available to be issued.