

**CITY WATER & LIGHT PLANT
OF THE CITY OF
JONESBORO, ARKANSAS**

**ANNUAL REPORT
2022 and 2021**

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
City Water and Light Plant of the City of Jonesboro (Arkansas)
Jonesboro, Arkansas

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and aggregate fiduciary fund statements of City Water and Light Plant of the City of Jonesboro (Arkansas) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise City Water and Light Plant of the City of Jonesboro (Arkansas)'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and aggregate fiduciary fund statements of City Water and Light Plant of the City of Jonesboro (Arkansas), as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

City Water and Light Plant of the City of Jonesboro (Arkansas)'s management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 City Water and Light Plant of the City of Jonesboro (Arkansas)'s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 City Water and Light Plant of the City of Jonesboro (Arkansas)'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City Water and Light Plant of the City of Jonesboro (Arkansas)'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

GAAP require that the management's discussion and analysis, other postemployment benefits and pension information on pages 6 through 10 and 53 through 57 be presented to supplement the basic financial statements and pension. 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise City Water and Light Plant of the City of Jonesboro (Arkansas)'s basic financial statements. The supplementary information on pages 60 through 78 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information on pages 60 through 65 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the statistical data (unaudited) on pages 68 through 78 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report on pages 79 and 80 dated March 15, 2023 on our consideration of City Water and Light Plant of the City of Jonesboro (Arkansas)'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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City Water and Light Plant of the City of Jonesboro (Arkansas)'s internal control over financial reporting and compliance.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
March 15, 2023

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)

MANAGEMENT DISCUSSION AND ANALYSIS

2022 and 2021

The following is a narrative overview and analysis of the financial activities of City Water and Light Plant of the City of Jonesboro (CWL) for the years ended December 31, 2022 and 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any changes in the financial position. The information presented here should be read in conjunction with the financial statements taken as a whole.

FINANCIAL HIGHLIGHTS

During 2022:

- CWL's current assets increased \$13 million, while investments and long-term receivables decreased \$10.8 million.
- Capital assets, net of depreciation, increased \$31.2 million.
- CWL's total liabilities increased \$38.9 million.
- Income before contributions decreased by \$16 million.
- Net position decreased \$0.6 million or -0.13%.

During 2021:

- CWL's current assets decreased \$24.4 million, while investments and long-term receivables increased \$8.2 million.
- Capital assets, net of depreciation, increased \$29.6 million.
- CWL's total liabilities increased \$2.8 million.
- Income before contributions increased by \$3.5 million.
- Net position increased \$15.6 million or 3.5%.

OVERVIEW

CWL's financial statements include five basic statements: the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, the statement of fiduciary net position and the statement of changes in fiduciary net position. The statement of net position presents CWL's assets, liabilities and net position as of December 31, 2022 and 2021.

The statement of revenues, expenses and changes in net position includes various categories that account for the change in the net position presented on the statements of net position from January 1, 2022 to December 31, 2022 and from January 1, 2021 to December 31, 2021. These include operating revenue, various categories of operating expenses, other income and expense items, such as interest income and expense, and capital contributions.

The statement of cash flows presents the cash flows from operating activities, non-capital financing activities, capital and related financing activities and investing activities. Whereas, the statement of net position and statement of revenues, expenses and changes in net position are on the accrual basis, the statement of cash flows presents the actual cash flow activity for the year.

It presents to the reader the beginning of the year cash and cash equivalents balance, the cash and cash equivalents received by category during the year, the cash and cash equivalents disbursed by category during the year and the year-end cash and cash equivalents balance.

The statement of fiduciary net position presents the fiduciary assets, liabilities and net position held by CWL as of December 31, 2022 and 2021. The statement of changes in fiduciary net position reflect the additions and deductions that account for the change in net position from January 1, 2022 to December 31, 2022 and from January 1, 2021 to December 31, 2021.

The following table highlights the past three years of CWL's operating results and kilowatt-hours billed.

Operating Results (000's omitted)

| <u>Category</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---------------------------------|--------------------|--------------------|--------------------|
| Operating Revenues | \$149,983 | \$120,447 | \$100,389 |
| Operating Expenses | 143,749 | 115,112 | 96,297 |
| Income from Operations | 6,234 | 5,335 | 4,092 |
| Net Non-Operating Income (Loss) | (9,702) | 7,236 | 5,025 |
| Capital Contributions | 2,874 | 3,040 | 1,847 |
| Change in Net Position | <u>(\$594)</u> | <u>\$15,611</u> | <u>\$10,964</u> |

Kilowatt-hours Billed (000's omitted)

| <u>Type of Customer</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------|--------------------|--------------------|--------------------|
| Residential (city & rural) | 516,374 | 510,921 | 476,632 |
| Commercial (city & rural) | 329,314 | 323,716 | 309,939 |
| Industrial | 556,052 | 558,678 | 533,466 |
| Security Lighting | 2,144 | 1,901 | 5,268 |
| Total Retail Sales | 1,403,884 | 1,395,216 | 1,325,305 |
| Other Utilities | 123,980 | 50,785 | 33,178 |
| | <u>1,527,864</u> | <u>1,446,001</u> | <u>1,358,483</u> |

FINANCIAL ANALYSIS OF CWL

The analysis below highlights CWL's net position for the three most recent years.

Statement of Net Position (000's omitted)

| <u>Description</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|------------------|
| Current Assets | \$96,126 | \$83,131 | \$107,530 |
| Investments and | | | |
| Long-Term Receivables | 127,889 | 138,641 | 130,393 |
| Noncurrent Assets | 4,764 | 22,877 | 10,617 |
| Capital Assets | 292,761 | 261,581 | 231,985 |
| Deferred Outflows | 35,119 | 15,888 | 10,609 |
| Total Assets and Deferred Outflows | <u>\$556,659</u> | <u>\$522,118</u> | <u>\$491,134</u> |
| Current Liabilities | \$22,735 | \$19,944 | \$15,865 |
| Noncurrent Liabilities | 60,422 | 24,328 | 25,608 |
| Total Liabilities | <u>83,157</u> | <u>44,272</u> | <u>41,473</u> |
| Deferred Inflows | 15,644 | 19,394 | 6,820 |
| Net Position: | | | |
| Invested in Capital Assets | 234,507 | 237,048 | 205,892 |
| Restricted | 2,306 | 891 | 828 |
| Unrestricted | 221,045 | 220,513 | 236,121 |
| Total Net Position | <u>457,858</u> | <u>458,452</u> | <u>442,841</u> |
| Total Liabilities, Deferred Inflows and Net Position | <u>\$556,659</u> | <u>\$522,118</u> | <u>\$491,134</u> |

Revenues

At December 31, 2022 and 2021, operating revenues totaled \$150 million and \$120.4 million, respectively. In 2022, revenues were comprised of 85% from electric sales, 8% from water sales and 7% from wastewater sales. In 2021, the composition of revenue was 83% electric, 10% water and 7% wastewater.

Electric revenue consists of both retail and wholesale sales. The increase in retail sales was a result of higher energy costs. In 2022, wholesale revenue was approximately 9% of total electric revenues, compared with 5% in 2021. Wholesale sales can vary from year to year and can be influenced by factors such as the availability of coal, the price of natural gas and the weather.

Expenses

Total operating expenses at December 31, 2022 were \$143.7 million, compared to \$115.1 million at December 31, 2021. Expenses in Production and Operations, as well as in Purchased Power, reflect an increase due to both higher gas prices and supply chain issues. Energy costs in both categories are passed on to customers. Production and Operations expenses were 39% of total operating expenses in both 2022 and 2021. Purchased Power expenses were 32% of total operating expenses in 2022 and 25% in 2021.

Income from Operations was \$6.2 million in 2022 and \$5.3 million in 2021.

Other Income (Expenses)

At December 31, 2022, Other Expense totaled \$9.7 million, compared to Other Income of \$7.2 million in 2021. This \$16.9 million decrease was primarily from unrealized losses in equities and bonds held as long-term Investments, which was the result of higher interest rates during 2022.

Total Contributions to the City of Jonesboro totaled \$0.8 million and \$1.0 million for 2022 and 2021, respectively. These contributions include payroll, inventory and utilities for special city projects, payment toward the purchase of a fire truck, payment of sales tax on free services to the city and refunds of utility bills for the City Library.

Contributions

Contributions from developers decreased slightly from \$3.0 million in 2021 to \$2.9 million in 2022. Contributions include primarily developer laid water and wastewater lines, money paid by developers for the difference in costs of underground electric lines as compared to overhead lines, and wastewater connection and inspection fees. These fluctuate from year to year based on economic and business activity within the greater Jonesboro area.

Kilowatt-hours and Gallons Billed

Kilowatt-hours billed to city and rural residential customers increased 1% to 516,374,000 in 2022 compared with 510,921,000 in 2021, while those billed to city and rural commercial customers increased 2% to 329,314,000 in 2022 compared with 323,716,000 in 2021. Kilowatt-hours billed to industrial customers were virtually unchanged at 556,052,000 in 2022 compared to 558,678,000 in 2021.

Gallons of water billed increased 7% to 4,993,391,000 during 2022 from 4,679,074,000 in 2021.

Assets

At December 31, 2022, total assets increased to \$556.7 million from \$522.1 million in 2021. Current assets were \$96.1 million in 2022; an increase of \$13 million over 2021. Investments and long-term receivables were \$127.9 million in 2022; a decrease of \$10.8 million from 2021.

Capital assets, net of depreciation, were \$292.8 million at December 31, 2022. Major capital expenditures for the CWL system included approximately \$3.9 million for the solar generating facility, \$4.5 million for electric transmission lines and equipment, \$3.7 million for electric distribution plant, \$15.9 million for the new West Wastewater Treatment facility scheduled to be completed in 2024, \$1.6 million for the large diameter gravity sewer interceptor line and \$900 thousand for the Ridgcrest Lift Station replacement.

At December 31, 2021, capital assets, net of depreciation, were \$261.6 million. The major capital expenditures for CWL's system included approximately \$11.2 million for the solar generating facility, \$3.0 million for the electric transmission plant, \$3.6 million for lift stations and \$6.2 million for wastewater production plant. There was approximately \$20.3 million in depreciation to offset these capital additions.

Bond Issues

On July 21, 2020, special obligation bonds were issued in the amount of \$21,525,000 to finance construction and improvement costs of the wastewater and electric facilities. The specific projects financed include the replacement of the Main Lift Station, construction of a new sewer gravity line and the installation of a solar generating facility. Bonds payable from the 2020 Series at December 31, 2022 were \$19,475,000.

A second series of special obligation bonds were issued on May 24, 2022, in the amount of \$33,360,000 to finance construction of a new West Wastewater Treatment Plant facility. Bonds payable from the second series at December 31, 2022 were \$33,360,000.

Liabilities

At December 31, 2022 and 2021, current liabilities were \$22.7 million and \$20.0 million, respectively. Noncurrent liabilities increased to \$60.4 million from \$24.3 million in those respective years as a result of the 2022 bond issue.

Summary

CWL's net position decreased by \$0.6 million in 2022 as compared to a \$15.6 million increase in 2021. CWL customers continue to benefit from rates that are among the lowest in the state and nation for electric, water and wastewater services.



Jake Rice, III
Manager



David Belk
Financial Services Director

REPORT OF MANAGEMENT ON FINANCIAL STATEMENTS

The management of City Water and Light Plant of the City of Jonesboro (Arkansas) (CWL) is responsible for the integrity and objectivity of the financial statements and other financial information contained in the Annual Report. The financial statements and related information were prepared in conformity with accounting principles generally accepted in the United States of America, based on recorded transactions and management's best judgments and estimates, in order to set forth a fair presentation of financial position and results of operations.

Management maintains a system of internal controls and procedures designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that transactions are properly recorded to permit the preparation of reliable financial records and reports, that assets are safeguarded and that accountability for assets is maintained. In designing and implementing internal controls and procedures, management recognizes that errors or irregularities may nevertheless occur. Further, estimates and judgments are necessary to evaluate the relative cost/benefit of such controls and procedures. Internal controls and procedures are regularly reviewed and revised, when appropriate, due to changing circumstances and requirements.

The Board of Directors oversees these financial statements through an audit committee comprised of members of the Board of Directors. The committee meets periodically with management to monitor the discharge of its responsibilities. The independent auditors, who are engaged to express an opinion on the financial statements, have free access to the committee members without management present to discuss internal control, audit and financial matters.

Frost, PLLC, has been engaged to audit the financial statements of CWL. Their report on CWL's financial statements is set forth on pages two through four.

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
STATEMENTS OF NET POSITION
December 31, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents (Note 5) | \$14,794,684 | \$11,395,760 |
| Temporary investments (Note 5) | \$25,880,797 | \$31,490,000 |
| Accounts receivable, less allowance for doubtful accounts (Note 6) | 20,915,915 | 13,767,380 |
| Accrued utility revenues | 3,989,935 | 3,233,068 |
| Accrued interest receivable | 1,103,068 | 2,136,857 |
| Inventories | 28,323,857 | 20,184,380 |
| Prepaid expenses | <u>1,118,046</u> | <u>924,138</u> |
| Total Current Assets | <u>96,126,302</u> | <u>83,131,583</u> |
| INVESTMENTS AND LONG-TERM RECEIVABLES | | |
| Non-utility property | 7,026,334 | 8,382,699 |
| Investments (Note 4) | 118,507,479 | 129,312,555 |
| Restricted cash deposits | 2,306,270 | 890,646 |
| Installment receivables | <u>48,902</u> | <u>54,826</u> |
| Total Investments and Long-Term Receivables | <u>127,888,985</u> | <u>138,640,726</u> |
| NONCURRENT ASSETS | | |
| Net Pension Asset (Note 7) | 0 | 8,327,133 |
| Net OPEB Asset (Note 8) | <u>4,763,905</u> | <u>14,550,265</u> |
| Total Noncurrent Assets | <u>4,763,905</u> | <u>22,877,398</u> |
| CAPITAL ASSETS | | |
| Construction in progress | 35,088,658 | 50,108,891 |
| Utility plant in service, at cost (Notes 2 and 3) | <u>720,913,650</u> | <u>657,520,872</u> |
| | 756,002,308 | 707,629,763 |
| Less accumulated depreciation | <u>463,241,198</u> | <u>446,048,826</u> |
| Total Capital Assets | <u>292,761,110</u> | <u>261,580,937</u> |
| DEFERRED OUTFLOWS | | |
| Pension (Note 7) | 20,932,843 | 9,219,047 |
| OPEB (Note 8) | <u>14,185,601</u> | <u>6,668,628</u> |
| Total Deferred Outflows | <u>35,118,444</u> | <u>15,887,675</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u><u>\$556,658,746</u></u> | <u><u>\$522,118,319</u></u> |

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | \$3,389,089 | \$1,580,448 |
| Accounts payable | 13,928,506 | 13,596,119 |
| Customer deposits | 3,209,174 | 2,990,257 |
| Accrued interest | 197,433 | 78,113 |
| Accrued taxes | 412,084 | 193,423 |
| Accrued salaries and vacations | <u>1,598,354</u> | <u>1,505,842</u> |
| Total Current Liabilities | <u>22,734,640</u> | <u>19,944,202</u> |
| NONCURRENT LIABILITIES | | |
| Long-term debt (Note 9) | 54,865,047 | 22,952,088 |
| Long-term Unearned Revenue-JEDC | | |
| Industrial Land Purchases (Note 15) | 0 | 1,375,495 |
| Net Pension Liability (Note 7) | <u>5,556,576</u> | <u>0</u> |
| Total Noncurrent Liabilities | <u>60,421,623</u> | <u>24,327,583</u> |
| TOTAL LIABILITIES | <u>83,156,263</u> | <u>44,271,785</u> |
| DEFERRED INFLOWS | | |
| Pension (Note 7) | 6,099,355 | 8,372,915 |
| OPEB (Note 8) | <u>9,545,073</u> | <u>11,021,590</u> |
| TOTAL DEFERRED INFLOWS | <u>15,644,428</u> | <u>19,394,505</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 234,506,974 | 237,048,401 |
| Restricted | 2,306,270 | 890,646 |
| Unrestricted | <u>221,044,811</u> | <u>220,512,982</u> |
| Total Net Position | <u>457,858,055</u> | <u>458,452,029</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | <u>\$556,658,746</u> | <u>\$522,118,319</u> |



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CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| OPERATING REVENUE | <u>\$149,983,516</u> | <u>\$120,447,014</u> |
| OPERATING EXPENSES | | |
| Production and operations | 55,574,898 | 45,373,629 |
| Purchased power (Note 13) | 46,303,354 | 28,817,084 |
| Transmission | 40,083 | 115,248 |
| Distribution | 13,899,275 | 12,530,776 |
| Customers' accounting and collection | 4,067,312 | 3,502,642 |
| Administrative and general | 6,613,472 | 5,267,905 |
| Depreciation | 17,025,443 | 19,282,446 |
| Contributions in lieu of taxes (Note 11) | <u>225,319</u> | <u>222,229</u> |
| TOTAL OPERATING EXPENSES | <u>143,749,156</u> | <u>115,111,959</u> |
| INCOME FROM OPERATIONS | <u>6,234,360</u> | <u>5,335,055</u> |
| OTHER INCOME (EXPENSES) | | |
| Interest income | 1,824,345 | 2,148,529 |
| Investment income (loss) | (10,253,491) | 5,471,706 |
| Rent income (Note 12) | 883,271 | 903,951 |
| Miscellaneous income | 246,341 | 183,052 |
| Interest expense | (1,154,506) | (431,073) |
| Bond issuance expense | (464,720) | 0 |
| Contributions to City of Jonesboro (Note 11) | <u>(783,189)</u> | <u>(1,039,887)</u> |
| TOTAL OTHER INCOME (EXPENSE) | <u>(9,701,949)</u> | <u>7,236,278</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | (3,467,589) | 12,571,333 |
| CONTRIBUTIONS | <u>2,873,615</u> | <u>3,040,249</u> |
| CHANGE IN NET POSITION | (593,974) | 15,611,582 |
| NET POSITION-BEGINNING OF YEAR | 458,452,029 | 442,840,447 |
| NET POSITION-END OF YEAR | <u>\$457,858,055</u> | <u>\$458,452,029</u> |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$139,387,647 | \$115,353,870 |
| Payments to suppliers | (121,485,224) | (84,966,371) |
| Payments to employees | (11,346,895) | (10,643,033) |
| Other payments | <u>(680,285)</u> | <u>(995,362)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>5,875,243</u> | <u>18,749,104</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of utility plant | (46,859,857) | (47,422,519) |
| Proceeds from issuance of bonds | 35,451,978 | 0 |
| Principal payments on bonds issued | (1,050,000) | (1,000,000) |
| Bond issue costs | (464,720) | 0 |
| Proceeds from sale of utility plant in service | 0 | 44,435 |
| Interest paid | (1,715,564) | (995,791) |
| Contributions received | <u>635,660</u> | <u>575,217</u> |
| NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(14,002,503)</u> | <u>(48,798,658)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (54,616,458) | (52,098,578) |
| Proceeds from sale and maturities of investments and restricted bond funds | 59,524,684 | 66,196,792 |
| Rent income | 883,271 | 903,951 |
| Interest and dividends on investments and installment receivables | 2,838,509 | 4,412,787 |
| Principal collections on installment receivables | 5,924 | 2,205 |
| Net retirements (purchases) of nonutility property | <u>2,890,254</u> | <u>(23,448)</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>11,526,184</u> | <u>19,393,709</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,398,924 | (10,655,845) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | <u>11,395,760</u> | <u>22,051,605</u> |
| CASH AND CASH EQUIVALENTS, End of Year (Note 5) | <u>\$14,794,684</u> | <u>\$11,395,760</u> |

See notes to financial statements.

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|---------------------|
| RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Income from operations | \$6,234,360 | \$5,335,055 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | 17,917,639 | 20,246,732 |
| (Provision) Recoveries for bad debts | (136,851) | 205,583 |
| Other payments | (680,285) | (995,362) |
| Change in assets and liabilities | | |
| Accounts receivable | (7,011,684) | (5,489,960) |
| Accrued utility revenues | (756,867) | (360,044) |
| Inventories | (8,139,477) | 490,855 |
| Prepaid expenses | (193,908) | (81,942) |
| Unearned revenue | (2,909,384) | 300,000 |
| Accounts payable | 332,387 | 3,663,446 |
| Customer deposits | 218,917 | 251,277 |
| Accrued taxes | 218,661 | 5,859 |
| Accrued salaries and vacations | 92,512 | 142,593 |
| Deferred outflows of resources for pension | (11,713,796) | (3,636,930) |
| Deferred outflows of resources for OPEB | (7,516,973) | (1,642,023) |
| Deferred inflows of resources for pension | (2,273,560) | 6,163,162 |
| Deferred inflows of resources for OPEB | (1,476,517) | 6,411,183 |
| Net pension asset | 8,327,133 | (5,868,306) |
| Net OPEB asset | 9,786,360 | (6,392,074) |
| Net pension liability | 5,556,576 | 0 |
| Net cash provided by operating activities | <u>\$5,875,243</u> | <u>\$18,749,104</u> |

**SUPPLEMENTAL DISCLOSURES
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

| | | |
|--|--------------------|--------------------|
| Acquisition of developer built water and wastewater lines: | | |
| Utility plant in service | \$2,237,955 | \$1,294,759 |
| Noncash Contributions | <u>\$2,237,955</u> | <u>\$1,294,759</u> |

CITY WATER AND LIGHT
STATEMENTS OF FIDUCIARY NET POSITION
Years Ended December 31, 2022 and 2021

| | 2022 | | 2021 | |
|------------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Pension Trust Fund | OPEB Trust Fund | Pension Trust Fund | OPEB Trust Fund |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 4,719,963 | \$ 1,916,466 | \$ 4,738,808 | \$ 1,657,715 |
| Investments | 56,743,687 | 45,266,152 | 65,417,327 | 53,615,444 |
| Total Assets | <u>\$ 61,463,650</u> | <u>\$ 47,182,618</u> | <u>\$ 70,156,135</u> | <u>\$ 55,273,159</u> |
| LIABILITIES | | | | |
| Total Liabilities | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| NET POSITION | | | | |
| Restricted for: | | | | |
| Pensions | \$ 61,463,650 | | \$ 70,156,135 | |
| Other Postemployment Benefits | | \$ 47,182,618 | | \$ 55,273,159 |
| Total Liabilities and Net Position | <u>\$ 61,463,650</u> | <u>\$ 47,182,618</u> | <u>\$ 70,156,135</u> | <u>\$ 55,273,159</u> |

CITY WATER AND LIGHT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | | <u>2021</u> | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>Pension</u> | <u>OPEB</u> | <u>Pension</u> | <u>OPEB</u> |
| | <u>Trust Fund</u> | <u>Trust Fund</u> | <u>Trust Fund</u> | <u>Trust Fund</u> |
| ADDITIONS | | | | |
| Employer Contributions | \$ 2,820,000 | \$0 | \$ 2,700,000 | \$0 |
| Net Investment Income | | | 7,572,285 | \$ 6,165,195 |
| Total Additions | <u>\$ 2,820,000</u> | <u>\$0</u> | <u>\$ 10,272,285</u> | <u>\$ 6,165,195</u> |
| DEDUCTIONS | | | | |
| Pension Distributions | \$ 2,748,157 | | \$ 1,998,610 | |
| Net Investment Loss | 8,689,367 | \$ 6,925,842 | | |
| Retirement Healthcare Premiums | | 1,107,450 | | \$ 989,182 |
| Administrative Expenses | 74,961 | 57,249 | 69,717 | 57,807 |
| Total Deductions | <u>\$ 11,512,485</u> | <u>\$ 8,090,541</u> | <u>\$ 2,068,327</u> | <u>\$ 1,046,989</u> |
| CHANGE IN FIDUCIARY NET POSITION | \$ (8,692,485) | \$ (8,090,541) | \$ 8,203,958 | \$ 5,118,206 |
| Net Position, Beginning of Year | <u>\$ 70,156,135</u> | <u>\$ 55,273,159</u> | <u>\$ 61,952,177</u> | <u>\$ 50,154,953</u> |
| Net Position, End of Year | <u>\$ 61,463,650</u> | <u>\$ 47,182,618</u> | <u>\$ 70,156,135</u> | <u>\$ 55,273,159</u> |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

City Water and Light Plant of the City of Jonesboro (Arkansas) (CWL) provides electric, water and wastewater service to its customers.

With the advice and direction of legal counsel, CWL participated in and benefited from the formation of CWL Corp. I, a non-member Arkansas nonprofit corporation formed to benefit CWL. The Articles of Incorporation and Bylaws of CWL Corp. I provide CWL exclusive authority to appoint directors of the corporation together with other rights and privileges. CWL Corp. I in turn participated in the formation of CWL Corp. III, a non-member Arkansas nonprofit corporation formed to benefit CWL Corp. I. The Articles of Incorporation and Bylaws of CWL Corp. III provide CWL Corp. I exclusive authority to appoint directors of the corporation together with other rights and privileges. Because these affiliated entities are ultimately controlled by CWL and for the benefit of CWL they are treated as subsidiaries for accounting purposes.

There were no inter-company transactions between CWL, CWL Corp. I and CWL Corp. III in 2022 or 2021.

The financial statements are presented in conformity with generally accepted accounting principles as applicable to governments. The financial statements are presented substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC).

Measurement Focus and Basis of Accounting

The accounts of CWL are accounted for in 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. All intra-divisional activities have been eliminated.

Operating revenues and expenses are distinguished from other income (expense) items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues not meeting this definition are reported as other nonoperating income (expenses) but remain a major component of the overall revenues and expenses of CWL.

CWL utilizes fiduciary funds to report assets that are held in a trustee or agency capacity for others and that cannot be used to support the general operations of the utility. CWL's fiduciary funds include the Retirement Plan and the Post Retirement Benefits Trust. The Retirement Plan for Employees of City Water and Light is an employee benefits trust fund used to report the accumulation and use of resources to pay retirement, disability and death benefits to plan members and beneficiaries. The Post Retirement Benefits Trust for Employees of City Water and Light is an employee benefits trust fund used to report the accumulation and use of resources to pay for health insurance for employees who are eligible to retire and receive 100 percent of their pension. The transactions and balances of the fiduciary funds are also reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues

CWL recognizes revenue concurrent with billings to customers on a cycle billing basis. CWL accrues services rendered but unbilled at the end of each fiscal period to match more closely revenues and expenses.

Utility Plant

Utility Plant is stated at original cost of \$720,913,650 in 2022 and \$657,520,872 in 2021. This cost includes appropriate administrative and general costs and payroll related costs such as taxes, pensions, and other benefits. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. Utility Plant in service is depreciated over the estimated useful life of each asset, which ranges from two to fifty years based upon type of asset. Annual depreciation is primarily computed using the straight-line method. Total depreciation during 2022 was \$17,917,639 and during 2021 was \$20,246,732, which is recorded in depreciation and various other accounts on the statement of revenues, expenses, and changes in net position. CWL capitalizes items with a cost greater than \$2,500.

Investment Securities

Fixed income securities are stated at cost. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific method. Equity securities, corporate bonds and government agencies are stated at fair market value. Fair value measurements are categorized within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The hierarchy consists of three input levels. Level 1 inputs are quoted prices in active markets, Level 2 inputs are significant other observable inputs other than quoted prices and Level 3 are unobservable inputs. Dividends and capital gains, as well as unrealized gains and losses, are recognized as other income (expense).

Accounts Receivable

CWL's accounts receivable are primarily from customers in the greater Jonesboro area. Approximately 14.97% of the receivables for the year ending December 31, 2022 and 2.25% for the year ending December 31, 2021 represent amounts due from other utilities. Monthly bills are mailed to customers for service through the respective meter reading date.

Inventory Pricing

All inventories are stated at the lower of cost or market using the average cost method.

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Income Taxes

CWL is exempt from income taxes under various provisions of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statements of cash flows, CWL considers petty cash, demand deposit accounts and short-term certificates of deposit, which are not a part of restricted bond funds, to be cash equivalents.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. CWL used significant estimates in determining accrued utility revenue, allowance for doubtful accounts, depreciation and unearned revenue. Actual results may differ from these estimates.

Deferred Inflows/Outflows of Resources

In addition to assets, the accompanying statements of net position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. CWL has four types of items that qualify for reporting in this category that are related to pension and other post-employment benefits (OPEB) reported in the accompanying statements of net position: contributions made after the measurement date, the differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments and on other post-employment benefits plan investments, and changes in assumptions. Deferred outflows related to contributions made after measurement date will be used in the next year to reduce net pension liability. The remaining amounts will be amortized to pension expense and to other post-retirement benefits over future periods as shown in Note 7 and Note 8, respectively.

In addition to liabilities, the accompanying statements of net position include a separate section for deferred inflow of resources. This separate element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflows or resources (revenue) until that time. CWL has two items for each plan that qualify for reporting as deferred inflow related to the pension and other post-employment benefits reported in the accompanying statements of net position: the difference between expected and actual experience and the difference between expected and actual earnings. The respective differences will be amortized to pension expense over future periods as shown in Note 7 and to OPEB expense over future periods as shown in Note 8.

Pensions

For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Retirement Plan for Employees of City Water and Light (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they were determined by a third-party actuarial report on the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to other post-retirement benefits expense, information about the fiduciary net position of the Post-Retirement Benefits Trust for Employees of City Water and Light (the "Trust") and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they were determined by a third party actuarial report on the Trust. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

CWL provides all eligible employees paid time off benefits. Paid time off benefits are accrued when earned in the financial statements.

Net Position

Net Position is comprised of three categories: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets consists of Utility Plant in Service and Construction in Progress, less Accumulated Depreciation and any related Long-term Debt. Restricted consists of funds set aside in compliance with legal requirements of specific agreements. Unrestricted consists of the remaining available assets.

Net Position Flow Assumption

At times CWL will fund outlays for a particular purpose from both restricted and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the accompanying statements of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is CWL's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Budgetary Comparisons

CWL is not legally required to adopt a budget for the enterprise fund. Therefore, budget comparison information is not included in CWL's financial statements.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their future use as established by a bond covenant or by external parties such as creditors.

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2: UTILITY PLANT IN SERVICE

| | <u>12/31/21</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>12/31/22</u> |
|--|----------------------|---------------------|--------------------|---------------------|----------------------|
| CAPITAL ASSETS - NONDEPRECIABLE | | | | | |
| Construction in Progress | \$50,108,891 | \$5,671,306 | | (\$20,691,539) | \$35,088,658 |
| Land and Land Rights | <u>9,813,512</u> | <u>211,274</u> | | <u>1,222,697</u> | <u>11,247,483</u> |
| | <u>59,922,403</u> | <u>5,882,580</u> | | <u>(19,468,842)</u> | <u>46,336,141</u> |
| CAPITAL ASSETS - UTILITY PLANT IN SERVICE - DEPRECIABLE | | | | | |
| Intangible Plant | 8,931,136 | 21,792 | | | 8,952,928 |
| Production Plant | 299,771,994 | 9,072,042 | | 12,184,339 | 321,028,375 |
| Transmission Plant | 14,034,901 | 7,249,324 | | 4,212,999 | 25,497,224 |
| Distribution Plant | 295,627,240 | 25,240,248 | 615,812 | 2,207,686 | 322,459,362 |
| General Plant | 18,491,945 | 715,509 | 9,165 | 863,818 | 20,062,107 |
| Transportation | <u>10,850,144</u> | <u>916,317</u> | <u>100,290</u> | | <u>11,666,171</u> |
| | <u>647,707,360</u> | <u>43,215,232</u> | <u>725,267</u> | <u>19,468,842</u> | <u>709,666,167</u> |
| ACCUMULATED DEPRECIATION | <u>446,048,826</u> | <u>17,917,639</u> | <u>725,267</u> | | <u>463,241,198</u> |
| NET CAPITAL ASSETS | <u>\$261,580,937</u> | <u>\$31,180,173</u> | <u>\$0</u> | | <u>\$292,761,110</u> |

| | <u>12/31/20</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>12/31/21</u> |
|--|----------------------|---------------------|--------------------|------------------|----------------------|
| CAPITAL ASSETS - NONDEPRECIABLE | | | | | |
| Construction in Progress | \$18,747,731 | \$31,361,160 | | | \$50,108,891 |
| Land and Land Rights | <u>9,627,085</u> | <u>186,427</u> | | | <u>9,813,512</u> |
| | <u>28,374,816</u> | <u>31,547,587</u> | | | <u>59,922,403</u> |
| CAPITAL ASSETS - UTILITY PLANT IN SERVICE - DEPRECIABLE | | | | | |
| Intangible Plant | 8,931,136 | | | | 8,931,136 |
| Production Plant | 293,802,773 | 5,973,767 | 4,546 | | 299,771,994 |
| Transmission Plant | 14,288,876 | 49,617 | | (303,592) | 14,034,901 |
| Distribution Plant | 285,557,246 | 10,615,382 | 848,980 | 303,592 | 295,627,240 |
| General Plant | 18,040,353 | 509,271 | 70,385 | 12,706 | 18,491,945 |
| Transportation | <u>10,309,936</u> | <u>1,191,928</u> | <u>639,014</u> | <u>(12,706)</u> | <u>10,850,144</u> |
| | <u>630,930,320</u> | <u>18,339,965</u> | <u>1,562,925</u> | <u>0</u> | <u>647,707,360</u> |
| ACCUMULATED DEPRECIATION | <u>427,320,584</u> | <u>20,246,732</u> | <u>1,518,490</u> | | <u>446,048,826</u> |
| NET CAPITAL ASSETS | <u>\$231,984,552</u> | <u>\$29,640,820</u> | <u>\$44,435</u> | | <u>\$261,580,937</u> |

NOTE 3: OWNERSHIP AGREEMENTS

In 1977, CWL entered into an Ownership Agreement with Entergy Arkansas, Inc. ("Entergy") to purchase a five percent undivided ownership interest in "White Bluff Unit No. 1" and "White Bluff Unit No. 2" coal-fired generating plants constructed by Entergy. These units, located in Jefferson County, Arkansas, are rated at 815 megawatts and 844 megawatts, respectively. Entergy has operational control of the two generating plants.

In 1979, CWL entered into an Ownership Agreement with Entergy to purchase a five percent undivided ownership interest in "Independence Unit No. 1" and "Independence Unit No. 2" coal-fired generating plants constructed by Entergy. During 1996, CWL purchased an additional ten percent undivided ownership in "Independence Unit No. 2". These units, located in Independence County, Arkansas, are rated at 836 megawatts and 842 megawatts, respectively. Entergy has operational control of the two generating plants.

Following is a summary of CWL's proportionate share of each jointly owned plant. Each participant must pay its share of expenses for the operations of the plants, which are included in the operating expenses of each participant's statements of income. Allowance for depreciation on utility plant in service is determined by each participant based on their depreciation methods and rates relating to their share of the plant.

| | <u>White Bluff</u> <u>Units No. 1 and 2</u> | | <u>Independence</u> <u>Units No. 1 and 2</u> | |
|----------------------------------|--|--------------------------------|---|---------------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Utility Plant in Service | \$52,507,783 | \$51,724,243 | \$110,642,180 | \$106,619,107 |
| Less Accumulated Depreciation | <u>45,296,832</u> 7,210,951 | <u>44,095,540</u> 7,628,703 | <u>89,746,815</u> 20,895,365 | <u>87,095,046</u> 19,524,061 |
| Inventories | <u>4,627,657</u> | <u>3,909,965</u> | <u>8,136,973</u> | <u>6,448,294</u> |
| Plant's Net Share | <u>\$11,838,608</u> | <u>\$11,538,668</u> | <u>\$29,032,338</u> | <u>\$25,972,355</u> |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4: INVESTMENTS

Under state statutes and CWL's investment policy, CWL may invest in certificates of deposit with banks in the State of Arkansas, United States securities including United States Agency, State and Local Governments and Approved Sovereign Government securities with a maximum maturity date of six years, corporate bonds with a BBB- rating or higher and a maximum maturity date of six years, convertible debentures, convertible preferred stock, perpetual preferred stock and common stock. Investments in equities are limited to 40% of assets.

Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to CWL's investment policy, all investments are monitored for changes in the effective yield.

All certificates of deposit classified as investments are either federally insured or collateralized with securities maintained in trust. As of December 31, 2022 and 2021, CWL had long-term investments, restricted cash deposits, temporary investments and cash of \$161,489,230 and \$173,088,961, respectively.

The following are institutions in which CWL has five percent or more of its total investments and cash:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Centennial Bank - Conway, Arkansas | \$8,583,741 | \$22,257,121 |
| First Community Bank - Batesville, Arkansas | 12,596,483 | 24,000,000 |
| Simmons First Bank - Pine Bluff, Arkansas | 8,511,302 | 16,000,000 |
| Petty cash and others | 131,797,704 | 110,831,840 |
| | <u>\$161,489,230</u> | <u>\$173,088,961</u> |

At December 31, 2022 and 2021, CWL had the following investments and maturities:

| <u>2022</u> | Fair Value | Less than 1 Year | Greater than 1 Year |
|--|----------------------|---------------------|------------------------|
| Cash and Cash Equivalents | \$14,794,684 | \$14,794,684 | |
| Restricted Deposits | 2,306,270 | | \$2,306,270 |
| Certificates of Deposit | 31,299,297 | 16,255,297 | 15,044,000 |
| Bond Funds | 23,578,024 | | 23,578,024 |
| Equity Securities | 30,686,879 | | 30,686,879 |
| Corporate Bonds and Government Agencies | 58,824,076 | 9,625,500 | 49,198,576 |
| | <u>\$161,489,230</u> | <u>\$40,675,481</u> | <u>\$120,813,749</u> |
| <u>2021</u> | Fair Value | Less than 1 Year | Greater than 1 Year |
| Cash and Cash Equivalents | \$11,395,760 | \$11,395,760 | |
| Restricted Deposits | 890,646 | | \$890,646 |
| Certificates of Deposit | 65,769,676 | 31,490,000 | 34,279,676 |
| Bond Funds | 3,304,875 | | 3,304,875 |
| Equity Securities | 35,665,300 | | 35,665,300 |
| Corporate Bonds | 56,062,704 | | 56,062,704 |
| | <u>\$173,088,961</u> | <u>\$42,885,760</u> | <u>\$130,203,201</u> |

Investments at December 31, 2022 and 2021 are categorized as follows:

| <u>2022</u> | Quoted prices in Active Markets | Significant Other Observable Inputs | Significant Unobservable Inputs |
|------------------------|------------------------------------|--|------------------------------------|
| <u>Investment Type</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Equity Securities | \$30,686,879 | | |
| Corporate Bonds | | \$49,198,576 | |
| <u>2021</u> | Quoted prices in Active Markets | Significant Other Observable Inputs | Significant Unobservable Inputs |
| <u>Investment Type</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Equity Securities | \$35,665,300 | | |
| Corporate Bonds | | \$56,062,704 | |

As of December 31, 2022, the Retirement Plan for Employees of City Water and Light and the Post Retirement Benefits Trust for Employees of City Water and Light had long-term investments, temporary investments and cash of \$61,463,650 and \$47,182,618, respectively. As of December 31, 2021, these trusts had \$70,156,135 and \$55,273,159, respectively.

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Investments at December 31 for the pension and OPEB trusts, of which bonds, stocks and mutual funds are Level 1 investments and cash/cash equivalents and certificates of deposit are Level 2 investments, include the following:

| <u>2022</u> | Fair Value | Less than 1 Year | Greater than 1 Year |
|---------------------------|---------------------|---------------------|------------------------|
| <u>Pension:</u> | | | |
| Cash and Cash Equivalents | \$4,719,963 | \$4,719,963 | |
| Bonds | 3,208,156 | 375,362 | 2,832,794 |
| Stocks | 5,000,415 | | 5,000,415 |
| Mutual Funds | 48,535,116 | | 48,535,116 |
| | <u>61,463,650</u> | <u>5,095,325</u> | <u>56,368,325</u> |
| <u>OPEB:</u> | | | |
| Cash and Cash Equivalents | \$1,916,466 | \$1,916,466 | |
| Bonds | 2,342,600 | 325,922 | 2,016,678 |
| Stocks | 4,008,529 | | 4,008,529 |
| Mutual Funds | 38,915,023 | | 38,915,023 |
| | <u>\$47,182,618</u> | <u>\$2,242,388</u> | <u>\$44,940,230</u> |
| <u>2021</u> | Fair Value | Less than 1 Year | Greater than 1 Year |
| <u>Pension:</u> | | | |
| Cash and Cash Equivalents | \$4,738,808 | \$4,738,808 | |
| Bonds | 1,631,492 | 119,681 | 1,511,811 |
| Stocks | 5,191,038 | | 5,191,038 |
| Mutual Funds | 58,594,797 | | 58,594,797 |
| | <u>70,156,135</u> | <u>4,858,489</u> | <u>65,297,646</u> |
| <u>OPEB:</u> | | | |
| Cash and Cash Equivalents | \$1,657,715 | \$1,657,715 | |
| Bonds | 1,631,297 | 119,681 | 1,511,616 |
| Stocks | 5,115,034 | | 5,115,034 |
| Mutual Funds | 46,869,113 | | 46,869,113 |
| | <u>\$55,273,159</u> | <u>\$1,777,396</u> | <u>\$53,495,763</u> |

NOTE 5: CASH AND CASH EQUIVALENTS

All demand deposit accounts and certificates of deposit are either federally insured or collateralized with securities maintained in trust.

Temporary investments and cash consist of the following at December 31, 2022 and 2021:

| | <u>2022</u> | |
|--|------------------------|-------------------------------------|
| | <u>Carrying Amount</u> | <u>Approximate Market Value</u> |
| Petty cash | \$5,000 | \$5,000 |
| Demand deposit accounts | <u>14,789,684</u> | <u>14,789,684</u> |
| Total cash and cash equivalents as reflected on the Statement of Cash Flows | 14,794,684 | 14,794,684 |
| Certificates of deposit maturing during 2023 | <u>25,880,797</u> | <u>25,880,797</u> |
| Total Demand Deposits | <u>\$40,675,481</u> | <u>\$40,675,481</u> |

| | <u>2021</u> | |
|--|------------------------|-------------------------------------|
| | <u>Carrying Amount</u> | <u>Approximate Market Value</u> |
| Petty cash | \$5,000 | \$5,000 |
| Demand deposit accounts | <u>11,390,760</u> | <u>11,390,760</u> |
| Total cash and cash equivalents as reflected on the Statement of Cash Flows | 11,395,760 | 11,395,760 |
| Certificates of deposit maturing during 2022 | <u>31,490,000</u> | <u>31,490,000</u> |
| Total Demand Deposits | <u>\$42,885,760</u> | <u>\$42,885,760</u> |

NOTE 6: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|---------------------|---------------------|
| Accounts Receivable | \$21,433,566 | \$14,148,179 |
| Allowance for Doubtful Accounts | <u>(517,651)</u> | <u>(380,799)</u> |
| | <u>\$20,915,915</u> | <u>\$13,767,380</u> |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7: PENSION PLAN

Plan Description. The "Retirement Plan for the Employees of City Water and Light Plant of Jonesboro, Arkansas" is a single-employer defined benefit pension plan administered by the CWL Retirement Committee. CWL provides retirement, disability and death benefits to plan members and beneficiaries. The plan provides a normal monthly retirement benefit based on 1.75% of final average monthly compensation times the number of years credited service. It provides a temporary retirement income for participants retiring prior to age 62, which is computed by multiplying the final rate of pay times 0.50% times the number of years credited service. It also provides a monthly disability benefit for employees totally and permanently disabled prior to normal retirement date and a death benefit to the participant's beneficiary. No cost-of-living adjustments are provided to members or beneficiaries. Plan participants qualify for eligibility on the later of age 21 years or 1 year of vesting service.

CWL's Board of Directors has the sole authority to establish and amend benefit provisions. CWL maintains publicly available financial information for "Retirement Plan for Employees of City Water and Light Plant of Jonesboro, Arkansas". That information may be obtained by writing to City Water and Light, PO Box 1289, Jonesboro, Arkansas 72403 or by calling (870) 935-5581.

Employees Covered. As of November 1, 2022, the plan covers a total of 262 individuals. The classifications consist of 187 active employees and 75 retired employees. At November 1, 2021, the plan covered a total of 255 individuals: 186 active employees, 69 retired employees.

Covered Payroll. As of November 1, 2022 and 2021, the covered payroll amount was \$12,737,816 and \$11,924,942 respectively.

Assumptions. The valuation date is as of November 1, 2022. Prior to November 1, 2019, all mortality rates were determined using the RP 2014 Mortality Table. Subsequent to this date, all mortality rates were determined using the Pub-G generationally projected MP 2019 Table. The actuarial assumptions used in years prior to 2017 included (a) 7.0% investment rate of return (net of administrative expenses), (b) 7.0% discount rate and (c) projected salary increases of 5.0% per year. Changes in assumptions for valuation years 2017-2020 included (a) 6.5% investment rate of return (net of administrative expenses), (b) 6.5% discount rate and (c) projected salary increases of 4.0% per year. In 2021, changes in assumptions include (a) 6.0% investment rate of return (net of administrative expenses) and (b) 6.0% discount rate. Projected salary increases remained at 4.0% annually. The actuarial value of assets was determined using the current market value of investments. The total pension liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at November 1, 2022, is 23 years.

Contribution Requirements. CWL's Board of Directors may amend the contribution requirements. The plan is totally funded by CWL and an amount approximating the annual required contribution as determined under GASB 67 is contributed to the plan.

The annual required contribution for the current year was determined as part of the November 1, 2022, actuarial valuation using the entry age normal actuarial cost method.

Long-Term Expected Rate of Return and Single Discount Rate. The expected rate of return on pension plan investments is 6.0%. The municipal bond rate is 4.90%. Since assets are projected to be sufficient to meet benefit payments, the resulting single discount rate to measure Total Pension Liability is 6.0%. The Long-Term Expected Rate of Return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The target allocation and the long-term expected rates of return are shown in the table below:

| Asset Class | Target Allocation | Long-term Expected Rate of Return |
|--|-------------------|-----------------------------------|
| Domestic Fixed Income | 35% | 2.00% |
| International Fixed Income | | |
| Domestic Equity | 65% | 5.50% |
| Foreign Equity | | |
| Cash | | |
| Subtotal | 100% | 4.28% |
| Assumed Inflation | | 2.00% |
| Total | | 6.28% |
| Rounded & Adjusted for Investment Expenses | | 6.00% |

Regarding the sensitivity of the Net Pension Liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.0%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

| | 1% Decrease | Current Single Rate Assumed | 1% Increase |
|-------------------------------|--------------|-----------------------------|---------------|
| | 5.0% | 6.0% | 7.0% |
| Total Pension Liability | \$74,236,183 | \$65,444,139 | \$56,828,733 |
| Net Pension (Asset) Liability | \$14,348,620 | \$5,556,576 | (\$3,058,830) |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Pension Plan Fiduciary Net Position

| | <u>Plan Year Ended</u> | |
|--|------------------------|---------------------|
| | <u>10/31/2022</u> | <u>10/31/2021</u> |
| A. <u>INCOME</u> | | |
| 1. Contributions | | |
| Employer | \$2,800,000 | \$2,685,000 |
| 2. Investment Income | | |
| Interest/Dividends | 2,148,242 | 1,735,116 |
| Realized Gain | 2,288,157 | 2,658,162 |
| Unrealized Gain (Loss) | (13,987,244) | 8,332,902 |
| Net Investment Income (Loss) | (9,550,845) | 12,726,180 |
| TOTAL INCOME (LOSS) | <u>(\$6,750,845)</u> | <u>\$15,411,180</u> |
| B. <u>EXPENSES</u> | | |
| 1. Administrative | \$74,625 | \$68,185 |
| 2. Monthly Benefits | 2,262,691 | 1,911,041 |
| 3. Lump Sum | 430,534 | 41,462 |
| TOTAL EXPENSES | <u>\$2,767,850</u> | <u>\$2,020,688</u> |
| C. <u>ASSETS (Market)</u> | | |
| 1. Short Term | | |
| Cash and Money Market | \$751,952 | \$1,319,647 |
| Institutional (CD's, Savings, Etc.) | 3,918,813 | 3,805,700 |
| 2. Mutual Funds | | |
| Equity Funds | 32,388,010 | 40,456,691 |
| Fixed Income Funds | 12,929,302 | 14,922,023 |
| 3. Equities | | |
| Common Stocks | 4,994,103 | 4,601,084 |
| 4. Bonds | 2,958,738 | 1,427,568 |
| 5. Real Estate Funds | 1,946,645 | 2,873,545 |
| TOTAL ASSETS | <u>\$59,887,563</u> | <u>\$69,406,258</u> |
| D. <u>RATIO OF ASSETS TO ANNUAL EXPENSES:</u> | 21.6 | 34.3 |
| E. <u>ANNUAL INVESTMENT RETURN:</u> | -13.8% | 22.6% |

| | | Plan Year Ended | |
|--|---------------------|---------------------|-------------------|
| | | <u>10/31/2022</u> | <u>10/31/2021</u> |
| F. <u>TOTAL PENSION LIABILITY</u> | | | |
| 1. Active Lives | | | |
| Regular Retirement Benefits | \$36,186,857 | \$35,200,452 | |
| Voluntary Termination Benefits | 414,876 | 386,507 | |
| Survivors' Benefits | 48,283 | 46,700 | |
| Disability Benefits | <u>567,532</u> | <u>533,738</u> | |
| Total Active Lives | 37,217,548 | 36,167,397 | |
| 2. Inactive Lives | | | |
| Retirees & Beneficiaries | <u>28,226,591</u> | <u>24,911,728</u> | |
| Total Inactive Lives | <u>28,226,591</u> | <u>24,911,728</u> | |
| TOTAL LIABILITY | <u>\$65,444,139</u> | <u>\$61,079,125</u> | |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Changes in the Net Pension (Asset) Liability

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|--|----------------------------|--------------------------------|----------------------------------|
| Balances at 10/31/2020 | \$53,556,939 | \$56,015,766 | (\$2,458,827) |
| Changes for the year: | | | |
| a) Service Cost | 1,154,728 | | 1,154,728 |
| b) Interest | 3,455,273 | | 3,455,273 |
| c) Differences between expected and actual experience | 802,665 | | 802,665 |
| d) Employer contributions | | 2,685,000 | (2,685,000) |
| e) Employee contributions | | | |
| f) Net investment income | | 12,726,180 | (12,726,180) |
| g) Benefits and refunds | (1,952,503) | (1,952,503) | |
| h) Administrative expenses | | (68,185) | 68,185 |
| i) Assumption change | 4,062,023 | | 4,062,023 |
| j) Other | | | |
| Net changes | 7,522,186 | 13,390,492 | (5,868,306) |
| Balances at 10/31/2021 | \$61,079,125 | \$69,406,258 | (\$8,327,133) |
| Changes for the year: | | | |
| a) Service Cost | 1,341,713 | | 1,341,713 |
| b) Interest | 3,624,202 | | 3,624,202 |
| c) Differences between expected and actual experience | 2,092,324 | | 2,092,324 |
| d) Employer contributions | | 2,800,000 | (2,800,000) |
| e) Employee contributions | | | |
| f) Net investment income | | (9,550,845) | 9,550,845 |
| g) Benefits and refunds | (2,693,225) | (2,693,225) | |
| h) Administrative expenses | | (74,625) | 74,625 |
| i) Assumption change | | | 0 |
| j) Other | | | |
| Net changes | 4,365,014 | (9,518,695) | 13,883,709 |
| Balances at 10/31/2022 | \$65,444,139 | \$59,887,563 | \$5,556,576 |

Pension Expense/(Income) under GASB 68

| | <u>2022</u> | <u>2021</u> |
|--|---------------|---------------|
| 1. Net Pension (Asset) Liability at beginning of year | (\$8,327,133) | (\$2,458,827) |
| 2. Net Pension (Asset) Liability at end of year | 5,556,576 | (8,327,133) |
| 3. Increase (Decrease) in Net Pension Liability in year = (2) - (1) | 13,883,709 | (5,868,306) |
| 4. Decrease in Net Pension Liability due to Employer Contributions during the measurement period | 2,800,000 | 2,685,000 |
| 5. Change to reflect in Pension Expense (Income) = (3) + (4) | 16,683,709 | (3,183,306) |
| 6. Adjust for Actual vs Expected experience | | |
| a) Remove (loss) | (2,092,324) | (4,864,688) |
| b) Add amortization | 1,038,515 | 848,304 |
| 7. Adjust for Actual vs Projected investment income | | |
| a) Remove gain/(loss) | (13,793,049) | 8,993,164 |
| b) Add amortization | 879,502 | (2,435,548) |
| 8. Pension Expense (Income) = (5) + (6) + (7) | \$2,716,353 | (\$642,074) |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Detail of Outflow/(Inflow) of Resources

| | Description | Year | Original Amount | Recognition Period | Outflow (Inflow) In Current Expense | Deferred Outflow (Inflow) 11/1/2022 |
|-----|------------------------------|---------|-----------------|--------------------|-------------------------------------|-------------------------------------|
| 1. | Actual vs Expected | 2014-15 | \$352,112 | 15 | \$23,474 | \$164,320 |
| 2. | Actual vs Expected | 2015-16 | 154,952 | 15 | 10,330 | 82,642 |
| 3. | Actual vs Expected | 2016-17 | (237,322) | 15 | (15,821) | (142,396) |
| 4. | Assumption Change | 2016-17 | 1,350,507 | 15 | 90,034 | 810,303 |
| 5. | Actual vs Expected | 2017-18 | 599,307 | 12 | 49,942 | 349,597 |
| 6. | Projected vs Actual Earnings | 2017-18 | 1,893,163 | 5 | 378,631 | 0 |
| 7. | Actual vs Expected | 2018-19 | 1,124,052 | 12 | 93,671 | 749,368 |
| 8. | Projected vs Actual Earnings | 2018-19 | (1,785,761) | 5 | (357,152) | (357,153) |
| 9. | Actual vs Expected | 2019-20 | 209,653 | 12 | 17,471 | 157,240 |
| 10. | Projected vs Actual Earnings | 2019-20 | (509,770) | 5 | (101,954) | (203,908) |
| 11. | Assumption Change | 2019-20 | 1,643,497 | 12 | 136,958 | 1,232,623 |
| 12. | Actual vs Expected | 2020-21 | 802,665 | 11 | 72,970 | 656,725 |
| 13. | Projected vs Actual Earnings | 2020-21 | (8,993,164) | 5 | (1,798,633) | (5,395,898) |
| 14. | Assumption Change | 2020-21 | 4,062,023 | 11 | 369,275 | 3,323,473 |
| 15. | Actual vs Expected | 2021-22 | 2,092,324 | 11 | 190,211 | 1,902,113 |
| 16. | Projected vs Actual Earnings | 2021-22 | 13,793,049 | 5 | 2,758,610 | 11,034,439 |
| | TOTAL | | | | \$1,918,017 | \$14,363,488 |
| | Due to Liabilities | | | | \$1,038,515 | \$9,286,008 |
| | Due to Assets | | | | \$879,502 | \$5,077,480 |

| | 2022 | | 2021 | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows Of Resources | Deferred Inflows Of Resources | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
| Difference between expected and actual experience | \$4,062,005 | \$142,396 | \$2,427,750 | \$158,217 |
| Changes of assumptions | 5,366,399 | | 5,962,666 | |
| Net difference between projected and actual earnings on pension plan investments | 11,034,439 | 5,956,959 | 378,631 | 8,214,698 |
| | | | | |
| Subtotal | \$20,462,843 | \$6,099,355 | \$8,769,047 | \$8,372,915 |
| Contributions from CWL to Pension Fund after 10/31 but by 12/31 | 470,000 | | 450,000 | |
| | | | | |
| Total | \$20,932,843 | \$6,099,355 | \$9,219,047 | \$8,372,915 |

Amounts reported as deferred outflows of resources and related to pensions resulting from CWL contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2023.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending December 31: | Net Deferred Outflow Of Resources |
|--------------------------|-----------------------------------|
| | |
| 2023 | \$1,539,385 |
| 2024 | 1,896,538 |
| 2025 | 1,998,493 |
| 2026 | 3,797,124 |
| 2027 | 1,038,515 |
| Thereafter | 4,093,433 |
| | |
| Total | \$14,363,488 |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
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NOTE 8: OTHER POST EMPLOYMENT BENEFITS

Plan Description. CWL provides Other Post-Employment Benefits (OPEB) in the form of a health care plan administered by the CWL Retirement Committee. This single-employer defined benefit OPEB plan provides and pays for health insurance for employees who are eligible to retire and receive 100 percent of their pension. Employees hired after January 1, 2008 must retire with a minimum of 25 years of service to be eligible. This coverage is provided for the retiree and the spouse of record at the time of retirement. CWL pays 50 percent of the premium for up to two years for employees who are on long-term disability. CWL is a secondary provider for those retirees and/or their spouses who are eligible for Medicare benefits. OPEB benefits are subject to medical inflation, which is reflected in the actuarial assumptions.

Funding Policy. CWL is currently advance-funding the benefits on an actuarially determined basis. CWL's Board of Directors has the sole authority to establish and amend benefit provisions. CWL maintains publicly available financial information for "Post-Retirement Benefits Trust for Employees of City Water and Light Plant of Jonesboro, Arkansas". That information may be obtained by writing to City Water and Light, PO Box 1289, Jonesboro, Arkansas 72403 or by calling (870) 935-5581.

Assumptions. The valuation date is as of November 1, 2022 and the entry age normal cost method was used. Valuations previous to November 1, 2017 used the projected unit credit method. Prior to November 1, 2019, all mortality rates were determined using the RP 2014 Mortality Table. Subsequent to this date, all mortality rates were determined using the Pub-G generationally projected MP-2019 Table. The actuarial assumptions used in years prior to 2021 included (a) 6.5% investment rate of return (net of administrative expenses), (b) 6.5% discount rate and (c) projected salary increases of 4.0% per year. In 2021, changes in assumptions include (a) 6.0% investment rate of return (net of administrative expenses) and (b) 6.0 % discount rate. Projected salary increases remained at 4.0% annually. The actuarial value of assets was determined using the current market value of investments.

Actuarial valuations, which reflect a long-term perspective, involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Employees Covered. As of November 1, 2022, the plan covers a total of 155 retirees and beneficiaries. Participant data for calculations include 202 active employees. At November 1, 2021, the plan covered a total of 148 retirees and beneficiaries. Participant data for those calculations included 197 active employees.

Contribution Requirements. CWL's Board of Directors may amend the contribution requirements. The plan is completely funded by CWL and an amount approximating the annual required contribution as determined under GASB 75 is contributed to the plan. The annual required contribution for the current year was determined as part of the November 1, 2022, actuarial valuation using the entry age normal actuarial cost method. There were no contributions made to the plan for the plan years ending October 31, 2022 and 2021.

Long-Term Expected Rate of Return and Single Discount Rate. The expected rate of return on OPEB plan investments is 6.0%. The municipal bond rate is 4.90%. Since assets are projected to be sufficient to meet benefit payments, the resulting single discount rate to measure Total OPEB Liability is 6.0%. The Long-Term Expected Rate of Return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The target allocation and the long-term expected rates of return are shown in the table below:

| Asset Class | Target Allocation | Long-term Expected Rate of Return |
|--|-------------------|-----------------------------------|
| Domestic Fixed Income | 35% | 2.00% |
| International Fixed Income | | |
| Domestic Equity | 65% | 5.50% |
| Foreign Equity | | |
| Cash | | |
| Subtotal | 100% | 4.28% |
| Assumed Inflation | | 2.00% |
| Total | | 6.28% |
| Rounded & Adjusted for Investment Expenses | | 6.00% |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
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Regarding the sensitivity of the Net OPEB Liability to changes in the single discount rate, and changes in the assumed health care cost trend rate, the following presents the plan's net OPEB liability, calculated using a single discount rate of 6.0%, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher, or using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher:

| | 1% Decrease 5.0% | Current Single Rate Assumed 6.0% | 1% Increase 7.0% |
|----------------------------|---------------------|--|---------------------|
| Total OPEB Liability | \$47,416,722 | \$41,436,674 | \$35,189,633 |
| Net OPEB (Asset) Liability | \$1,216,143 | (\$4,763,905) | (\$11,010,946) |

| | 1% Decrease in HCCTR | Assumed HCCTR | 1% Increase in HCCTR |
|----------------------------|-------------------------|------------------|-------------------------|
| Total OPEB Liability | \$34,244,143 | \$41,436,674 | \$48,955,065 |
| Net OPEB (Asset) Liability | (\$11,956,436) | (\$4,763,905) | \$2,754,486 |

OPEB Plan Fiduciary Net Position

| | <u>Plan Year Ended</u> | |
|--|------------------------|---------------------|
| | <u>10/31/2022</u> | <u>10/31/2021</u> |
| A. <u>INCOME</u> | | |
| 1. Contributions | | |
| 2. Investment Income | | |
| Interest/Dividends | \$1,792,327 | \$1,416,145 |
| Realized Gain | 1,955,043 | 2,134,930 |
| Unrealized Gain (Loss) | <u>(11,302,530)</u> | <u>6,767,126</u> |
| Net Investment Income (Loss) | <u>(7,555,160)</u> | <u>10,318,201</u> |
| TOTAL INCOME (LOSS) | <u>(\$7,555,160)</u> | <u>\$10,318,201</u> |
| B. <u>EXPENSES</u> | | |
| 1. Administrative | \$57,849 | \$56,729 |
| 2. Benefits | <u>1,096,455</u> | <u>968,369</u> |
| TOTAL EXPENSES | <u>\$1,154,304</u> | <u>\$1,025,098</u> |
| C. <u>ASSETS (Market)</u> | | |
| 1. Short Term | | |
| Cash and Money Market | \$358,329 | \$1,116,478 |
| Institutional (CD's, Savings, Etc.) | 913,923 | 1,206,831 |
| 2. Mutual Funds | | |
| Equity Funds | 25,885,067 | 32,048,043 |
| Fixed Income Funds | 11,197,349 | 12,317,380 |
| 3. Equities | | |
| Common Stocks | 4,228,921 | 4,537,227 |
| 4. Bonds | 2,099,054 | 1,427,568 |
| 5. Real Estate Funds | <u>1,517,936</u> | <u>2,256,516</u> |
| TOTAL ASSETS | <u>\$46,200,579</u> | <u>\$54,910,043</u> |
| D. <u>RATIO OF ASSETS TO ANNUAL EXPENSES:</u> | 40.0 | 53.6 |
| E. <u>ANNUAL INVESTMENT RETURN:</u> | -13.9% | 22.9% |

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Changes in the Net OPEB (Asset) Liability

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
|--|-------------------------|--------------------------------|-------------------------------|
| Balances at 10/31/2020 | \$37,458,749 | \$45,616,940 | (\$8,158,191) |
| Changes for the year: | | | |
| a) Service Cost | 763,842 | | 763,842 |
| b) Interest | 2,428,172 | | 2,428,172 |
| c) Differences between expected and actual experience | (2,147,441) | | (2,147,441) |
| d) Employer contributions | | | |
| e) Employee contributions | | | |
| f) Net investment income | | 10,318,201 | (10,318,201) |
| g) Benefits and refunds | (968,369) | (968,369) | |
| h) Administrative expenses | | (56,729) | 56,729 |
| i) Assumption change | 2,824,825 | | 2,824,825 |
| j) Other | | | |
| Net changes | 2,901,029 | 9,293,103 | (6,392,074) |
| Balances at 10/31/2021 | \$40,359,778 | \$54,910,043 | (\$14,550,265) |
| Changes for the year: | | | |
| a) Service Cost | 927,525 | | 927,525 |
| b) Interest | 2,416,519 | | 2,416,519 |
| c) Differences between expected and actual experience | (1,170,693) | | (1,170,693) |
| d) Employer contributions | | | |
| e) Employee contributions | | | |
| f) Net investment income | | (7,555,160) | 7,555,160 |
| g) Benefits and refunds | (1,096,455) | (1,096,455) | |
| h) Administrative expenses | | (57,849) | 57,849 |
| i) Assumption change | | | 0 |
| j) Other | | | |
| Net changes | 1,076,896 | (8,709,464) | 9,786,360 |
| Balances at 10/31/2022 | \$41,436,674 | \$46,200,579 | (\$4,763,905) |

OPEB Expense/(Income) under GASB 75

| | 2022 | 2021 |
|---|----------------|---------------|
| 1. Net OPEB Asset at beginning of year | (\$14,550,265) | (\$8,158,191) |
| 2. Net OPEB Asset at end of year | (4,763,905) | (14,550,265) |
| 3. Increase (Decrease) in Net OPEB Liability in year = (2) - (1) | 9,786,360 | (6,392,074) |
| 4. Decrease in Net OPEB Liability due to Employer Contributions during the measurement period | 0 | 0 |
| 5. Change to reflect in OPEB Expense (Income) = (3) + (4) | 9,786,360 | (6,392,074) |
| 6. Adjust for Actual vs Expected experience | | |
| a) Remove gain/(loss) | 1,170,693 | (677,384) |
| b) Add amortization | 68,837 | 198,914 |
| 7. Adjust for Actual vs Projected investment income | | |
| a) Remove gain/(loss) | (10,874,718) | 7,327,843 |
| b) Add amortization | 641,698 | (2,080,213) |
| 8. OPEB Expense/(Income) = (5) + (6) + (7) | \$792,870 | (\$1,622,914) |

Detail of Outflow/(Inflow) of Resources

| | Description | Year | Original Amount | Recognition Period | Outflow (Inflow) In Current Expense | Deferred Outflow (Inflow) 11/1/2021 |
|-----|------------------------------|------|-----------------|--------------------|-------------------------------------|-------------------------------------|
| 1. | Actual vs Expected | 2017 | (\$888,903) | 14 | (\$63,493) | (\$507,945) |
| 2. | Actual vs Expected | 2018 | (3,330,087) | 9 | (370,010) | (1,480,037) |
| 3. | Projected vs Actual Earnings | 2018 | 1,558,899 | 5 | 311,779 | 0 |
| 4. | Actual vs Expected | 2019 | 487,608 | 9 | 54,179 | 270,892 |
| 5. | Projected vs Actual Earnings | 2019 | (1,546,875) | 5 | (309,375) | (309,375) |
| 6. | Actual vs Expected | 2020 | 1,580,637 | 9 | 175,626 | 1,053,759 |
| 7. | Projected vs Actual Earnings | 2020 | (350,407) | 5 | (70,081) | (140,164) |
| 8. | Assumption Change | 2020 | 2,946,133 | 9 | 327,348 | 1,964,089 |
| 9. | Actual vs Expected | 2021 | (2,147,441) | 9 | (238,605) | (1,670,231) |
| 10. | Projected vs Actual Earnings | 2021 | (7,327,843) | 5 | (1,465,569) | (4,396,705) |
| 11. | Assumption Change | 2021 | 2,824,825 | 9 | 313,869 | 2,197,087 |
| 12. | Actual vs Expected | 2022 | (1,170,693) | 9 | (130,077) | (1,040,616) |
| 13. | Projected vs Actual Earnings | 2022 | 10,874,718 | 5 | 2,174,944 | 8,699,774 |
| | TOTAL | | | | \$710,535 | \$4,640,528 |
| | Due to Liabilities | | | | \$68,837 | \$786,998 |
| | Due to Assets | | | | \$641,698 | \$3,853,530 |

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| | 2022 | | 2021 | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows Of Resources | Deferred Inflows Of Resources | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
| Difference between expected and actual experience | \$1,324,651 | \$4,698,829 | \$1,554,456 | \$4,330,321 |
| Changes of assumptions | 4,161,176 | | 4,802,393 | |
| Net difference between projected and actual earnings on OPEB plan investments | 8,699,774 | 4,846,244 | 311,779 | 6,691,269 |
| | | | | |
| Total | \$14,185,601 | \$9,545,073 | \$6,668,628 | \$11,021,590 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending December 31: | Net Deferred Outflow (Inflow) Of Resources |
|--------------------------|--|
| | |
| 2023 | \$398,756 |
| 2024 | 708,129 |
| 2025 | 778,214 |
| 2026 | 2,243,782 |
| 2027 | 438,844 |
| Thereafter | 72,803 |
| | |
| Total | \$4,640,528 |

NOTE 9: LONG-TERM DEBT

The Series 2020 Bonds were issued on July 21, 2020 for the purpose of financing all or a portion of the costs of improvements to the wastewater and electric facilities of the system. These improvements specifically included the replacement of the Main Lift Station, construction of a new gravity sewer line and the installation of a solar generating facility. The Series 2020 Bonds are special obligations only of CWL and are payable from and secured by a pledge of revenues from the system. Bonds are due annually on June 1 beginning in 2021 and ending in 2035; interest payments are due semiannually beginning December 1, 2020 and ending June 1, 2035.

The Series 2022 Bonds were issued on May 24, 2022 for the purpose of financing a portion of the costs of improvements to the wastewater facilities of the system. These improvements specifically include the replacement of the West Wastewater Treatment Plant facility. This project is expected to be completed by December 31, 2024. The Series 2022 Bonds are special obligations only of CWL and are payable from and secured by a pledge of revenues from the system. Bonds are due annually on June 1 beginning in 2023 and ending in 2037; interest payments are due semiannually beginning December 1, 2022 and ending June 1, 2037.

Long-term debt consists of the following:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Public Utility System Revenue Bonds; Series 2020; maturing at varying amounts through 2035; callable after December 1, 2030; bearing semiannual interest at rates from 4.0% to 5.0%. | \$19,475,000 | \$20,525,000 |
| Unaccreted Premium | 3,476,536 | 4,007,536 |
| | \$22,951,536 | \$24,532,536 |
| Less Current Maturities | 1,603,796 | 1,580,448 |
| | <u>\$21,347,740</u> | <u>\$22,952,088</u> |
| Public Utility System Revenue Bonds; Series 2022; maturing at varying amounts through 2037; callable after December 1, 2030; bearing semiannual interest at rates from 4.0% to 5.0%. | \$33,360,000 | \$0 |
| Unaccreted Premium | 1,942,600 | 0 |
| | \$35,302,600 | \$0 |
| Less Current Maturities | 1,785,293 | 0 |
| | <u>\$33,517,307</u> | <u>\$0</u> |
| Total Long-Term Debt | <u>\$54,865,047</u> | <u>\$22,952,088</u> |

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Annual maturities of long-term debt and interest expense as of December 31, 2022:

| | Year | Principal & Original Issue Premium | Interest | Rate |
|---------------------------|-----------|---------------------------------------|--------------------|-------------|
| Revenue Bonds Series 2020 | 2023 | \$1,603,796 | \$852,621 | 5.0% |
| | 2024 | 1,625,535 | 795,767 | 5.0% |
| | 2025 | 1,650,581 | 736,017 | 5.0% |
| | 2026 | 1,673,871 | 673,267 | 5.0% |
| | 2027 | 1,705,236 | 607,225 | 5.0% |
| | 2028-2035 | 14,692,517 | 2,278,691 | 4.0 to 5.0% |
| | | <u>\$22,951,536</u> | <u>\$5,943,588</u> | |
| Revenue Bonds Series 2022 | 2023 | \$1,785,293 | \$1,198,995 | 5.0% |
| | 2024 | 1,876,885 | 1,132,090 | 5.0% |
| | 2025 | 1,947,697 | 1,061,299 | 5.0% |
| | 2026 | 2,017,800 | 986,967 | 5.0% |
| | 2027 | 2,092,169 | 908,973 | 5.0% |
| | 2028-2037 | 25,582,756 | 4,404,706 | 4.0 to 5.0% |
| | | <u>\$35,302,600</u> | <u>\$9,693,030</u> | |

NOTE 10: LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2022 are as follows:

| | Balance at 12/31/2021 | Increase | Decrease | Balance at 12/31/2022 | Due within One Year |
|-----------------------------------|--------------------------|---------------------|--------------------|--------------------------|------------------------|
| Series 2020 Bonds | \$20,525,000 | | \$1,050,000 | \$19,475,000 | \$1,105,000 |
| Series 2020 Bond Issuance Premium | 4,007,536 | | 531,000 | 3,476,536 | 498,796 |
| Series 2022 Bonds | 0 | \$33,360,000 | | 33,360,000 | 1,545,000 |
| Series 2022 Bond Issuance Premium | 0 | 2,091,978 | 149,378 | 1,942,600 | 240,293 |
| Unearned Revenue-JEDC | 1,375,495 | 154,591 | 1,530,086 | 0 | 0 |
| | <u>\$25,908,031</u> | <u>\$35,606,569</u> | <u>\$3,260,464</u> | <u>\$58,254,136</u> | <u>\$3,389,089</u> |

NOTE 11: RELATED PARTY TRANSACTIONS

The City of Jonesboro, Arkansas City Council selects seven of the sixteen members of the Board of Directors of CWL (one from each of the six wards and one from the Jonesboro Special School District.) During 2022 and 2021, CWL contributed in lieu of taxes approximately \$200,000 each year to the City's Capital Improvement and Fire Truck Funds.

CWL contributed payroll, inventory and utilities for various special city projects throughout the year, payment toward the purchase of a new fire truck, payment of sales tax on free services to the city and refunds of utility bills for the City Library. The amounts contributed for the years ended December 31, 2022 and 2021, respectively, were \$783,189 and \$1,039,887. In addition, CWL also provided streetlights, fire hydrants and free utility service to City of Jonesboro buildings for a total value of \$2,657,691 and \$2,383,497 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12: RENT INCOME

CWL has a lease agreement to rent an old wastewater treatment plant to Arkansas Rice Growers Cooperative Association. This agreement is renewable annually and has been extended through August 31, 2023. The annual rental payments of \$30,232 for the year beginning September 1, 2022 are payable in advance. This lease covers utility plant in service at a total cost of \$181,151, including \$4,939 in land, with accumulated depreciation of \$176,212 at December 31, 2022. The asset is fully depreciated.

CWL owns facilities at 310 East Street. Utility plant in service is \$3,769,252, including \$450,000 in land, with accumulated depreciation of \$1,609,136 at December 31, 2022. There are 3 separate lease agreements for 3 separate areas of the building. The first lease became effective in January 2010 for a period of 10 years with a renewal option. Tenant has renewed the lease through December 2024 at an annual amount of \$39,600. The second lease became effective in November 2012 with occupancy beginning in September 2013. It is a 12 year initial lease agreement with a three year renewable option after the initial term. Annual rental for years 1-5 is \$184,216; years 6-10 is \$202,377; and years 11 and 12 is \$222,217. Rental payments are due in monthly installments in advance. The third lease became effective in August 2015 with occupancy beginning in March 2016. It is a 10 year lease agreement. Annual rental for years 1-5 is \$55,800 and years 6-10 is \$61,380. Rental payments are due in monthly installments in advance.

CWL owns facilities at 315/317 East Street. Utility plant in service is \$793,738, including \$77,189 in land, with accumulated depreciation of \$333,829 at December 31, 2022. In July 2015, CWL entered into an initial 3 year lease agreement with occupancy beginning October 2015. The lease agreement has been extended through September 2024. Annual rental is \$96,000 with monthly installments payable in advance.

CWL owns facilities at 5601 East Nettleton. Utility plant in service is \$174,105, including \$23,500 in land, with accumulated depreciation of \$60,242 at December 31, 2022. In January 2015, CWL entered into a 6 year lease agreement with occupancy beginning February 2015. The lease has been extended through January 31, 2027 with an additional renewal option. Annual rental is \$15,000 and is due in monthly installments in advance. Upon exercise of the renewal option, annual rental will increase to \$16,800.

CWL owns facilities at 404 Creath Street. Utility plant in service is \$982,126 with accumulated depreciation of \$166,695 at December 31, 2022. In June 2021, CWL entered into an initial five

CITY WATER AND LIGHT PLANT OF THE CITY OF JONESBORO (ARKANSAS)
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year lease agreement with occupancy beginning June 2021. The lease is renewable for five years after the initial term. Annual rental is \$72,516 for the initial term and \$79,764 for the renewal term. Rental payments are due in monthly installments in advance.

Other sources of rental income are: leases for vacant land used for farming and leases for space on CWL water towers used for attachment of wireless communication antennas. Due to the nature of cash crop rents, farm rental income can vary from year to year. In 2022 and 2021, rental income from these other sources were \$364,591 and \$422,169. Total rental income for 2022 and 2021 is \$883,271 and \$903,951, respectively.

NOTE 13: CONTRACTS AND AGREEMENTS

CWL entered into a power sale contract dated May 28, 1986, with the United States Department of Energy Southwestern Power Administration (SPA) to purchase 80,000 kilowatts of hydroelectric power and 96,000,000 kilowatt-hours of hydro peaking energy annually through May 31, 1996. On January 27, 1995, CWL entered into a new contract with SPA that superseded the previous contract. The new contract provided for the continued purchase by CWL of federal power and energy and associated services from SPA with an original term of June 1, 1996 through May 31, 2011. On February 9, 2000, the agreement was extended to May 31, 2015. On January 13, 2006, the agreement was extended through May 31, 2020. On March 30, 2007, the end date of the agreement was modified to March 31, 2020 to facilitate a shift to a new contract year. On January 14, 2013, the agreement was extended to March 31, 2028. On June 25, 2014, the agreement was extended to March 31, 2029 and relocated CWL into the Balancing Authority Area of the Midcontinent Transmission System Operator, Inc. (MISO). Total incurred under the contract and amendatory agreements was \$6,844,000 and \$7,318,990 during 2022 and 2021, respectively.

An Amendatory Agreement was entered into on July 5, 2006 to establish a valued energy banking account. Under this agreement SPA may supply energy to CWL that is in excess of SPA's needs in exchange for energy supplied from CWL to SPA for its use at a later date. CWL determines the value of the energy to take from SPA based on then current market values up to the dollar amount credited to the bank. The dollar amount credited to the bank as of December 31, 2022 is \$4,018,603. The bank had the same value at December 31, 2021.

An Amendatory Agreement was entered into on May 11, 2022 to establish terms under which CWL will self-supply 40,000kW of its peaking energy, allowing SPA to purchase the peaking energy self-supplied and the associated peaking self-supply demand from CWL. The terms of this amendment terminate on May 31, 2026.

CWL entered into an Interconnection and Transmission Service Agreement during 1995 with SPA, which allows SPA to lease the Water Valley Transmission Line from CWL through 2045 and to take title to the line anytime from June 1, 1996, until the contract expires in 2045.

NOTE 14: ADVANCES TO JONESBORO ECONOMIC DEVELOPMENT CORPORATION

CWL entered into a contract of sale with Jonesboro Economic Development Corporation (JEDC) in November 1990, for 160 acres for development and sale as an industrial site. The agreement has been extended in five year increments with the most recent extension dated through November 20, 2025, for the west ½ of the acreage that has not already been sold. CWL has agreed to convey to JEDC title to any part of this property at \$4,000 an acre.

NOTE 15: UNBILLED RECEIVABLES AND UNEARNED REVENUE

Amounts overbilled to customers for energy costs are included as unearned revenue. Energy costs are billed to customers through the addition or subtraction of an energy adjustment to the base rate. In 1998, CWL began utilizing a twelve-month rolling average fuel cost to compute the energy adjustment. One twelfth of the cumulative over billed (or under billed) amount is subtracted (or added) to the current month's energy costs in computing the current month's energy adjustment. As of December 31, 2022, the cumulative amount under billed is \$6,864,231 and is included in accounts receivable. At December 31, 2021, the cumulative amount under billed was \$5,399,137 and was included in accounts receivable.

During 2006, CWL purchased three tracts of land totaling approximately 560 acres for future industrial development at a total cost of approximately \$4,576,182. CWL agreed to transfer title to Jonesboro Economic Development Corporation (JEDC) as funds were received and to make a good faith effort to release ownership at the request of JEDC upon acquiring reasonable surety if payments received do not equal or exceed the pro-rated purchased value of the land relinquished. At December 21, 2021, the current value of the land held by CWL for future industrial development was \$1,530,086. Annual payments of \$300,000 were made by JEDC from 2007 to 2021, with the final payment of \$154,591 made in 2022. Upon full payment, CWL conveyed all acreage to JEDC.

NOTE 16: RISK MANAGEMENT

CWL is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CWL purchases commercial insurance to cover these risks of loss. CWL is immune from tort liability but has chosen to provide up to \$1,000,000 of liability coverage for persons claiming to be damaged by CWL operations. Settled claims have not exceeded this commercial coverage during the past year. No significant claims liabilities were outstanding at December 31, 2022 or December 31, 2021.

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NOTE 17: RESTRICTED ASSETS

Certain assets have been set aside as restricted in compliance with legal requirements of specific agreements. The total of these assets at December 31, 2022 and 2021, is \$2,306,270 and \$890,646, respectively.

In December 2013, City Water and Light entered into an agreement with Midcontinent Independent System Operator (MISO). MISO provides open-access transmission service and monitoring of the high-voltage transmission system in the Midwest United States and part of Canada. Pursuant to the agreement, funds are placed in a third party escrow account as collateral for certain types of transactions between the parties. The amount required is reviewed and adjusted annually by MISO based upon the transaction level. At December 31, 2022, the balance of restricted funds related to this agreement is \$550,000. At December 31, 2021, it was \$200,000.

In July 2020, Public Utility System Revenue Bonds were issued. The bond funds are maintained in accordance with the Trust Indenture, wherein a bond fund account was established to provide funds for payment of the bond principal and interest. At December 31, 2022 and December 31, 2021, the balance in the account was \$723,705 and \$690,646, respectively.

In May 2022, a second series of Public Utility System Revenue Bonds was issued. The bond funds are maintained in accordance with the Trust Indenture, wherein a bond fund account was established to provide funds for payment of the bond principal and interest. At December 31, 2022, the balance in the account was \$1,032,565.

NOTE 18: LEGAL PROCEEDINGS

CWL is party to various claims and legal proceedings incidental to its business. While the outcome of these matters cannot be predicted with certainty, it is the opinion of management and legal counsel of CWL, that the ultimate resolution of these matters, after consideration of insurance coverage or other indemnification arrangements, will not have a materially adverse effect on the financial position or operations of the company.

NOTE 19: CONCENTRATION

In 2022 and 2021, CWL had two suppliers that comprised greater than 10% of total operating expenses. In 2022, the first supplier was paid \$51.3 million or 35.7% of expenses, while in 2021, the amount paid was \$32.9 million or 27.3%. In 2022, the second supplier was paid \$27.1 million or 19% of expenses, while in 2021, the amount paid was \$24.3 million or 20%.

NOTE 20: RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 93, "Replacement of Interbank Offered Rates." This statement will enhance comparability of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The removal of the London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged. CWL does not believe the impact will be material on the financial statements.

GASB Statement No. 99, "Omnibus 2022." The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective for reporting periods beginning after June 15, 2022 with exceptions. CWL does not believe the impact will be material on the financial statements.

GASB Statement No. 100, "Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62." The primary object of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023 with earlier application encouraged. CWL does not believe the impact will be material on the financial statements.

GASB Statement No. 101, "Compensated Absences." The 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. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023 with earlier application encouraged. CWL does not believe the impact will be material on the financial statements.

**OTHER REQUIRED
SUPPLEMENTARY INFORMATION**

Schedules of Required Supplementary Information
Schedule of Changes in the Employers' Net Pension (Asset) Liability and Related Ratios

| Plan Year ending October 31 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | \$1,341,713 | \$1,154,728 | \$1,059,843 | \$1,025,959 | \$1,024,589 | \$1,056,252 | \$984,284 | \$943,106 | \$852,444 | \$839,529 |
| Interest | 3,624,202 | 3,455,273 | 3,184,629 | 2,985,191 | 2,832,117 | 2,837,793 | 2,675,669 | 2,486,700 | 2,223,563 | 2,111,314 |
| Difference between Actual & Expected Experience | 2,092,324 | 802,665 | 209,653 | 1,124,052 | 599,307 | (237,322) | 154,952 | 314,793 | (22,790) | 532,531 |
| Assumption changes | | 4,062,023 | 1,643,497 | | | 1,350,507 | | | 2,294,363 | |
| Benefit Payments | (2,693,225) | (1,952,503) | (2,010,116) | (2,157,612) | (2,045,816) | (1,874,726) | (1,194,941) | (936,315) | (2,331,311) | (1,441,217) |
| Net Change in Total Pension Liability | 4,365,014 | 7,522,186 | 4,087,506 | 2,977,590 | 2,410,197 | 3,132,504 | 2,619,964 | 2,808,284 | 3,016,269 | 2,042,157 |
| Total Pension Liability - Beginning | 61,079,125 | 53,556,939 | 49,469,433 | 46,491,843 | 44,081,646 | 40,949,142 | 38,329,178 | 35,520,894 | 32,504,625 | 30,462,468 |
| Total Pension Liability - Ending | \$65,444,139 | \$61,079,125 | \$53,556,939 | \$49,469,433 | \$46,491,843 | \$44,081,646 | \$40,949,142 | \$38,329,178 | \$35,520,894 | \$32,504,625 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | \$2,800,000 | \$2,685,000 | \$2,595,000 | \$2,520,000 | \$2,440,000 | \$2,030,000 | \$1,970,000 | \$1,790,000 | \$1,300,150 | \$2,022,470 |
| Net Investment Income | (9,550,845) | 12,726,180 | 3,941,022 | 4,869,867 | 1,095,793 | 5,632,090 | 1,238,360 | 826,886 | 3,308,198 | 4,826,503 |
| Benefit Payments | (2,693,225) | (1,952,503) | (2,010,116) | (2,157,612) | (2,045,816) | (1,874,726) | (1,194,941) | (936,315) | (2,331,311) | (1,441,217) |
| Administrative Expense | (74,625) | (68,185) | (61,411) | (57,833) | (54,928) | (50,067) | (46,794) | (37,319) | (20,961) | (17,806) |
| Net Change in Plan Net Position | (9,518,695) | 13,390,492 | 4,464,495 | 5,174,422 | 1,435,049 | 5,737,297 | 1,966,625 | 1,643,252 | 2,256,076 | 5,389,950 |
| Plan Fiduciary Net Position - Beginning | 69,406,258 | 56,015,766 | 51,551,271 | 46,376,849 | 44,941,800 | 39,204,503 | 37,237,878 | 35,594,626 | 33,338,550 | 27,948,600 |
| Plan Fiduciary Net Position - Ending | \$59,887,563 | \$69,406,258 | \$56,015,766 | \$51,551,271 | \$46,376,849 | \$44,941,800 | \$39,204,503 | \$37,237,878 | \$35,594,626 | \$33,338,550 |
| Net Pension (Asset) Liability - Ending | \$5,556,576 | (\$8,327,133) | (\$2,458,827) | (\$2,081,838) | \$114,994 | (\$860,154) | \$1,744,639 | \$1,091,300 | (\$73,732) | (\$833,925) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 91.51% | 113.63% | 104.59% | 104.21% | 99.75% | 101.95% | 95.74% | 97.15% | 100.21% | 102.57% |
| Covered Employee Payroll (year end) | \$12,737,816 | \$11,924,942 | \$11,803,558 | \$11,122,618 | \$10,867,030 | \$10,682,072 | \$10,654,910 | \$9,919,942 | \$9,507,201 | \$9,341,104 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 44% | -70% | -21% | -19% | 1% | -8% | 16% | 11% | -1% | -9% |

Notes to Schedule:

Changes of assumptions:

At 11/1/2021, assumed discount rate lowered from 6.50% to 6.00%.
At 11/1/2020, assumed mortality table changed to Pub-G with MP 2019.
At 11/1/2017, assumed discount rate lowered from 7.00% to 6.50%; assumed annual pay growth lowered from 5% to 4%.
At 11/1/2014, assumed mortality changed from the 1983 GAM Table, to the RP 2014 Table.

Schedules of Required Supplementary Information
Schedule of City Water & Light Pension Contributions

| Plan Year ending October 31 | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution | \$1,422,216 | \$1,229,785 | \$1,128,733 | \$1,101,791 | \$1,091,187 | \$1,272,288 | \$1,141,128 | \$1,009,123 | \$912,115 | \$1,100,879 |
| Contributions in relation to the actuarially determined contribution | <u>2,800,000</u> | <u>2,685,000</u> | <u>2,595,000</u> | <u>2,520,000</u> | <u>2,440,000</u> | <u>2,030,000</u> | <u>1,970,000</u> | <u>1,790,000</u> | <u>1,300,150</u> | <u>2,022,470</u> |
| Contribution deficiency (excess) | <u>(\$1,377,784)</u> | <u>(\$1,455,215)</u> | <u>(\$1,466,267)</u> | <u>(\$1,418,209)</u> | <u>(\$1,348,813)</u> | <u>(\$757,712)</u> | <u>(\$828,872)</u> | <u>(\$780,877)</u> | <u>(\$388,035)</u> | <u>(\$921,591)</u> |
| Covered-employee payroll | \$12,737,816 | \$11,924,942 | \$11,803,558 | \$11,122,618 | \$10,867,030 | \$10,682,072 | \$10,654,910 | \$9,919,942 | \$9,507,201 | \$9,341,104 |
| Contributions as a percentage of covered-employee payroll | 22% | 23% | 22% | 23% | 22% | 19% | 18% | 18% | 14% | 22% |

Notes to Schedule:

Valuation date:

Actuarially determined contributions are calculated as of October 31 after the valuation date.

Actuarial cost method:

Entry Age Normal

Amortization method:

Level Dollar over 30 years from November 1, 2015, grading to a 20 year payoff for 2025-26.

Remaining amortization period:

23 years at 11/1/2022

Asset valuation method:

Market Value

Assumed inflation:

4.00% per year.

Assumed salary increases:

4.00% per year

Assumed investment return:

6.00% (7.00% for year ended 10/31/2016 and 6.50% for years ending 2017 through 2020).

Assumed retirement age:

Retirement rate of 10% for ages 55 to 59, 15% for 60 & 61, 25% for 62, 20% for 63 & 64, and 100% for age 65 and over.

Mortality:

Pub-G with MP 2019

(RP 2014 Healthy Mortality Table before 11/1/2020. 1983 GAM Table before 11/1/2014).

| Schedules of Required Supplementary Information | | | | | | | | | | |
|---|---------------|----------------|---------------|----------------|----------------|---------------|---------------|--------------|--------------|--------------|
| Schedule of Changes in the Employers' Net OPEB (Asset) Liability and Related Ratios | | | | | | | | | | |
| Plan Year ending October 31 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Total OPEB Liability | | | | | | | | | | |
| Service Cost | \$927,525 | \$763,842 | \$713,876 | \$662,100 | \$639,296 | \$603,506 | | | | |
| Interest | 2,416,519 | 2,428,172 | 2,015,139 | 1,872,679 | 1,968,610 | 1,906,950 | | | | |
| Difference between Actual & Expected Experience | (1,170,693) | (2,147,441) | 1,580,637 | 487,608 | (3,330,087) | (888,903) | | | | |
| Assumption changes | | 2,824,825 | 2,946,133 | | | | | | | |
| Benefit Payments | (1,096,455) | (968,369) | (884,480) | (828,671) | (701,492) | (680,173) | | | | |
| Net Change in Total OPEB Liability | 1,076,896 | 2,901,029 | 6,371,305 | 2,193,716 | (1,423,673) | 941,380 | | | | |
| Total OPEB Liability - Beginning | 40,359,778 | 37,458,749 | 31,087,444 | 28,893,728 | 30,317,401 | 29,376,021 | | | | |
| Total OPEB Liability - Ending | \$41,436,674 | \$40,359,778 | \$37,458,749 | \$31,087,444 | \$28,893,728 | \$30,317,401 | \$29,376,021 | \$0 | \$0 | \$0 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | | | | | | | | \$30,000 | \$161,920 | \$205,290 |
| Net Investment Income | (\$7,555,160) | \$10,318,201 | \$3,191,728 | \$4,174,718 | \$1,051,626 | \$5,060,786 | \$1,098,052 | 763,470 | 3,139,995 | 4,616,722 |
| Benefit Payments | (1,096,455) | (968,369) | (884,480) | (828,671) | (701,492) | (680,173) | (668,627) | (538,504) | 0 | 0 |
| Administrative Expense | (57,849) | (56,729) | (51,584) | (50,502) | (48,648) | (45,183) | (42,854) | (33,648) | (17,265) | (15,292) |
| Net Change in Plan Net Position | (8,709,464) | 9,293,103 | 2,255,664 | 3,295,545 | 301,486 | 4,335,430 | 386,571 | 221,318 | 3,284,650 | 4,806,720 |
| Plan Fiduciary Net Position - Beginning | 54,910,043 | 45,616,940 | 43,361,276 | 40,065,731 | 39,764,245 | 35,428,815 | 35,042,244 | 34,820,926 | 31,536,276 | 26,729,556 |
| Plan Fiduciary Net Position - Ending | \$46,200,579 | \$54,910,043 | \$45,616,940 | \$43,361,276 | \$40,065,731 | \$39,764,245 | \$35,428,815 | \$35,042,244 | \$34,820,926 | \$31,536,276 |
| Net OPEB (Asset) - Ending | (\$4,763,905) | (\$14,550,265) | (\$8,158,191) | (\$12,273,832) | (\$11,172,003) | (\$9,446,844) | (\$6,052,794) | | | |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 111.50% | 136.05% | 121.78% | 139.48% | 138.67% | 131.16% | 120.60% | | | |
| Covered Employee Payroll (year end) | \$12,737,816 | \$11,924,942 | \$11,803,558 | \$11,122,618 | \$10,867,030 | \$10,682,072 | \$10,654,910 | \$9,919,942 | \$9,507,201 | \$9,341,104 |
| Net OPEB Liability as a Percentage of Covered Employee Payroll | -37% | -122% | -69% | -110% | -103% | -88% | -57% | | | |

Schedules of Required Supplementary Information
Schedule of City Water & Light OPEB Contributions

| Plan Year ending October 31 | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|--------------------|-------------------|
| Actuarially determined contribution | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$146,040 |
| Contributions in relation to the actuarially determined contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30,000 | 161,920 | 205,290 |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$30,000)</u> | <u>(\$161,920)</u> | <u>(\$59,250)</u> |
| Covered-employee payroll | \$12,737,816 | \$11,924,942 | \$11,803,558 | \$11,122,618 | \$10,867,030 | \$10,682,072 | \$10,654,910 | \$9,919,942 | \$9,507,201 | \$9,341,104 |
| Contributions as a percentage of covered-employee payroll | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 2% | 2% |

Notes to Schedule:

Plan Years ending prior to 11/1/2018:

The actuarially determined contribution shown above is the OPEB Annual Pension Cost under GASB 45.

Valuation date:

Actuarially determined contributions are calculated as of October 31 after the valuation date.

Actuarial cost method:

Entry Age Normal

Amortization method:

Level Dollar over remaining work life

Remaining amortization period:

9 years as of 11/1/2022

Asset valuation method:

Market Value

Assumed inflation:

2.50% per year.

Assumed single discount rate:

6.00%

Assumed retirement age:

Retirement rate of 10% for ages 55 to 59, 15% for 60 & 61, 25% for 62, 20% for 63 & 64, and 100% for age 65 and over.

Mortality:

Pub-G projected generationally with MP 2019.

(RP 2014 Healthy Mortality Table before 11/1/2020.)

Components of Net OPEB (Benefit)

The components of the net OPEB benefit at October 31, 2022 and 2021 were as follows:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|-----------------------|
| Total OPEB Liability | \$41,436,674 | \$40,359,778 |
| Plan's Fiduciary Net Position | <u>46,200,579</u> | <u>54,910,043</u> |
| Net OPEB (Benefit) | <u>(\$4,763,905)</u> | <u>(\$14,550,265)</u> |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Benefit | 111.5% | 136.1% |



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SUPPLEMENTARY INFORMATION

CWL
COMBINING STATEMENT OF NET POSITION - ALL DEPARTMENTS
December 31, 2022

ASSETS

| | Electric Department | Water Department | Wastewater Department | Total |
|---|------------------------|---------------------|--------------------------|----------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$14,794,684 | | | \$14,794,684 |
| Temporary investments | \$25,880,797 | | | \$25,880,797 |
| Accounts receivable, less allowance for doubtful accounts | 19,781,865 | \$638,412 | \$495,638 | 20,915,915 |
| Accrued utility revenues | 3,205,423 | 453,530 | 330,982 | 3,989,935 |
| Accrued interest receivable | 1,085,232 | 10,603 | 7,233 | 1,103,068 |
| Inventories | 23,888,038 | 4,123,240 | 312,579 | 28,323,857 |
| Prepaid expenses | 1,118,046 | | | 1,118,046 |
| Total Current Assets | 89,754,085 | 5,225,785 | 1,146,432 | 96,126,302 |
| INVESTMENTS AND LONG-TERM RECEIVABLES | | | | |
| Non-utility property | 7,026,334 | | | 7,026,334 |
| Investments | 114,507,479 | 2,000,000 | 2,000,000 | 118,507,479 |
| Restricted cash deposits | 2,306,270 | | | 2,306,270 |
| Installment receivables | | 1,249 | 47,653 | 48,902 |
| Total Investments and Long-Term Receivables | 123,840,083 | 2,001,249 | 2,047,653 | 127,888,985 |
| NONCURRENT ASSETS | | | | |
| Net OPEB Asset | 4,763,905 | | | 4,763,905 |
| Total Noncurrent Assets | 4,763,905 | | | 4,763,905 |
| CAPITAL ASSETS | | | | |
| Construction in progress | 5,092,860 | 3,535,739 | 26,460,059 | 35,088,658 |
| Utility plant in service | 489,829,321 | 90,349,903 | 140,734,426 | 720,913,650 |
| | 494,922,181 | 93,885,642 | 167,194,485 | 756,002,308 |
| Less accumulated depreciation | 350,004,565 | 52,591,459 | 60,645,174 | 463,241,198 |
| Total Capital Assets | 144,917,616 | 41,294,183 | 106,549,311 | 292,761,110 |
| DEFERRED OUTFLOWS | | | | |
| Pension | 20,932,843 | | | 20,932,843 |
| OPEB | 14,185,601 | | | 14,185,601 |
| Total Deferred Outflows | 35,118,444 | | | 35,118,444 |
| INTERDEPARTMENT RECEIVABLE (PAYABLE) | 24,230,842 | 10,646,477 | (34,877,319) | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$422,624,975 | \$59,167,694 | \$74,866,077 | \$556,658,746 |

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

| | <u>Electric Department</u> | <u>Water Department</u> | <u>Wastewater Department</u> | <u>Total</u> |
|---|--------------------------------|-----------------------------|----------------------------------|----------------------|
| CURRENT LIABILITIES | | | | |
| Current maturities of long-term debt | \$3,389,089 | | | \$3,389,089 |
| Accounts payable | 13,928,506 | | | 13,928,506 |
| Customer deposits | 3,209,174 | | | 3,209,174 |
| Accrued interest | 197,433 | | | 197,433 |
| Accrued taxes | 412,084 | | | 412,084 |
| Accrued salaries and vacations | 888,273 | \$417,487 | \$292,594 | 1,598,354 |
| Total Current Liabilities | <u>22,024,559</u> | <u>417,487</u> | <u>292,594</u> | <u>22,734,640</u> |
| NONCURRENT LIABILITIES | | | | |
| Long-term debt | 38,106,394 | | 16,758,653 | 54,865,047 |
| Net Pension Liability | <u>5,556,576</u> | | | <u>5,556,576</u> |
| Total Noncurrent Liabilities | <u>43,662,970</u> | | <u>16,758,653</u> | <u>60,421,623</u> |
| TOTAL LIABILITIES | <u>65,687,529</u> | <u>417,487</u> | <u>17,051,247</u> | <u>83,156,263</u> |
| DEFERRED INFLOWS | | | | |
| Pension | 6,099,355 | | | 6,099,355 |
| OPEB | <u>9,545,073</u> | | | <u>9,545,073</u> |
| Total Deferred Inflows | <u>15,644,428</u> | | | <u>15,644,428</u> |
| NET POSITION | | | | |
| Net Capital Assets | 103,422,133 | 41,294,183 | 89,790,658 | 234,506,974 |
| Restricted | 2,306,270 | | | 2,306,270 |
| Unrestricted | <u>235,564,615</u> | <u>17,456,024</u> | <u>(31,975,828)</u> | <u>221,044,811</u> |
| Total Net Position | <u>341,293,018</u> | <u>58,750,207</u> | <u>57,814,830</u> | <u>457,858,055</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | <u>\$422,624,975</u> | <u>\$59,167,694</u> | <u>\$74,866,077</u> | <u>\$556,658,746</u> |

CWL
COMBINING STATEMENT OF NET POSITION - ALL DEPARTMENTS
December 31, 2021

ASSETS

| | Electric Department | Water Department | Wastewater Department | Total |
|---|------------------------|---------------------|--------------------------|---------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$11,395,760 | | | \$11,395,760 |
| Temporary investments | \$31,490,000 | | | \$31,490,000 |
| Accounts receivable, less allowance for doubtful accounts | 12,389,397 | \$772,537 | \$605,446 | 13,767,380 |
| Accrued utility revenues | 2,505,651 | 430,196 | 297,221 | 3,233,068 |
| Accrued interest receivable | 1,781,201 | 186,003 | 169,653 | 2,136,857 |
| Inventories | 18,037,590 | 2,032,099 | 114,691 | 20,184,380 |
| Prepaid expenses | 924,138 | | | 924,138 |
| Total Current Assets | 78,523,737 | 3,420,835 | 1,187,011 | 83,131,583 |
| INVESTMENTS AND LONG-TERM RECEIVABLES | | | | |
| Non-utility property | 8,382,699 | | | 8,382,699 |
| Investments | 125,312,555 | 2,000,000 | 2,000,000 | 129,312,555 |
| Restricted cash deposits | 890,646 | | | 890,646 |
| Installment receivables | | 1,623 | 53,203 | 54,826 |
| Total Investments and Long-Term Receivables | 134,585,900 | 2,001,623 | 2,053,203 | 138,640,726 |
| NONCURRENT ASSETS | | | | |
| Net Pension Asset | 8,327,133 | | | 8,327,133 |
| Net OPEB Asset | 14,550,265 | | | 14,550,265 |
| Total Noncurrent Assets | 22,877,398 | | | 22,877,398 |
| CAPITAL ASSETS | | | | |
| Construction in progress | 25,784,399 | 2,687,315 | 21,637,177 | 50,108,891 |
| Utility plant in service | 445,751,715 | 89,088,213 | 122,680,944 | 657,520,872 |
| | 471,536,114 | 91,775,528 | 144,318,121 | 707,629,763 |
| Less accumulated depreciation | 338,389,567 | 50,468,324 | 57,190,935 | 446,048,826 |
| Total Capital Assets | 133,146,547 | 41,307,204 | 87,127,186 | 261,580,937 |
| DEFERRED OUTFLOWS | | | | |
| Pension | 9,219,047 | | | 9,219,047 |
| OPEB | 6,668,628 | | | 6,668,628 |
| Total Deferred Outflows | 15,887,675 | | | 15,887,675 |
| INTERDEPARTMENT RECEIVABLE (PAYABLE) | 24,028,070 | 9,337,098 | (33,365,168) | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$409,049,327 | \$56,066,760 | \$57,002,232 | \$522,118,319 |

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

| | <u>Electric Department</u> | <u>Water Department</u> | <u>Wastewater Department</u> | <u>Total</u> |
|---|--------------------------------|-----------------------------|----------------------------------|----------------------|
| CURRENT LIABILITIES | | | | |
| Current maturities of long-term debt | \$1,580,448 | | | \$1,580,448 |
| Accounts payable | 13,596,119 | | | 13,596,119 |
| Customer deposits | 2,990,257 | | | 2,990,257 |
| Accrued interest | 78,113 | | | 78,113 |
| Accrued taxes | 205,629 | (\$12,206) | | 193,423 |
| Accrued salaries and vacations | <u>842,017</u> | <u>392,508</u> | <u>\$271,317</u> | <u>1,505,842</u> |
| Total Current Liabilities | <u>19,292,583</u> | <u>380,302</u> | <u>271,317</u> | <u>19,944,202</u> |
| NONCURRENT LIABILITIES | | | | |
| Long-term debt | 22,952,088 | | | 22,952,088 |
| Long-term Unearned Revenue- JEDC Industrial Land Purchases | <u>1,375,495</u> | | | <u>1,375,495</u> |
| Total Noncurrent Liabilities | <u>24,327,583</u> | | | <u>24,327,583</u> |
| TOTAL LIABILITIES | <u>43,620,166</u> | <u>380,302</u> | <u>271,317</u> | <u>44,271,785</u> |
| DEFERRED INFLOWS | | | | |
| Pension | 8,372,915 | | | 8,372,915 |
| OPEB | <u>11,021,590</u> | | | <u>11,021,590</u> |
| Total Deferred Inflows | <u>19,394,505</u> | | | <u>19,394,505</u> |
| NET POSITION | | | | |
| Net Capital Assets | 108,614,011 | 41,307,204 | 87,127,186 | 237,048,401 |
| Restricted | 890,646 | | | 890,646 |
| Unrestricted | <u>236,529,999</u> | <u>14,379,254</u> | <u>(30,396,271)</u> | <u>220,512,982</u> |
| Total Net Position | <u>346,034,656</u> | <u>55,686,458</u> | <u>56,730,915</u> | <u>458,452,029</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | <u>\$409,049,327</u> | <u>\$56,066,760</u> | <u>\$57,002,232</u> | <u>\$522,118,319</u> |

CWL
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2022

| | Electric Department | Water Department | Wastewater Department | Total |
|---------------------------------------|------------------------|---------------------|--------------------------|----------------------|
| OPERATING REVENUE | <u>\$126,943,036</u> | <u>\$12,853,678</u> | <u>\$10,186,802</u> | <u>\$149,983,516</u> |
| OPERATING EXPENSES | | | | |
| Production and operations | 49,810,989 | 2,482,757 | 3,281,152 | 55,574,898 |
| Purchased power | 46,303,354 | | | 46,303,354 |
| Transmission | 40,083 | | | 40,083 |
| Distribution | 8,342,476 | 3,265,189 | 2,291,610 | 13,899,275 |
| Customers' accounting and collection | 2,194,535 | 1,443,044 | 429,733 | 4,067,312 |
| Administrative and general | 4,970,286 | 774,085 | 869,101 | 6,613,472 |
| Depreciation (not provided elsewhere) | 11,416,857 | 2,222,170 | 3,386,416 | 17,025,443 |
| Contributions in lieu of taxes | 225,319 | | | 225,319 |
| | <u>123,303,899</u> | <u>10,187,245</u> | <u>10,258,012</u> | <u>143,749,156</u> |
| INCOME (LOSS) FROM OPERATIONS | <u>3,639,137</u> | <u>2,666,433</u> | <u>(71,210)</u> | <u>6,234,360</u> |
| OTHER INCOME (EXPENSE) | | | | |
| Interest income | 1,675,790 | 84,059 | 64,496 | 1,824,345 |
| Investment (loss) | (10,253,491) | | | (10,253,491) |
| Rent income | 615,349 | 128,476 | 139,446 | 883,271 |
| Miscellaneous income | 233,033 | 13,308 | | 246,341 |
| Interest expense | (781,828) | | (372,678) | (1,154,506) |
| Bond Issuance expense | (239,610) | | (225,110) | (464,720) |
| Contributions to City of Jonesboro | (283,189) | (500,000) | | (783,189) |
| | <u>(9,033,946)</u> | <u>(274,157)</u> | <u>(393,846)</u> | <u>(9,701,949)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | <u>(5,394,809)</u> | <u>2,392,276</u> | <u>(465,056)</u> | <u>(3,467,589)</u> |
| CONTRIBUTIONS | <u>653,171</u> | <u>671,473</u> | <u>1,548,971</u> | <u>2,873,615</u> |
| CHANGE IN NET POSITION | <u>(4,741,638)</u> | <u>3,063,749</u> | <u>1,083,915</u> | <u>(593,974)</u> |
| NET POSITION-BEGINNING OF YEAR | <u>346,034,656</u> | <u>55,686,458</u> | <u>56,730,915</u> | <u>458,452,029</u> |
| NET POSITION-END OF YEAR | <u>\$341,293,018</u> | <u>\$58,750,207</u> | <u>\$57,814,830</u> | <u>\$457,858,055</u> |

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2021

| | Electric Department | Water Department | Wastewater Department | Total |
|---------------------------------------|------------------------|---------------------|--------------------------|----------------------|
| OPERATING REVENUE | <u>\$99,929,041</u> | <u>\$11,591,584</u> | <u>\$8,926,389</u> | <u>\$120,447,014</u> |
| OPERATING EXPENSES | | | | |
| Production and operations | 40,508,462 | 1,881,872 | 2,983,295 | 45,373,629 |
| Purchased power | 28,817,084 | | | 28,817,084 |
| Transmission | 115,248 | | | 115,248 |
| Distribution | 7,648,857 | 2,787,230 | 2,094,689 | 12,530,776 |
| Customers' accounting and collection | 1,987,994 | 1,182,209 | 332,439 | 3,502,642 |
| Administrative and general | 4,005,583 | 634,337 | 627,985 | 5,267,905 |
| Depreciation (not provided elsewhere) | 14,222,472 | 2,324,340 | 2,735,634 | 19,282,446 |
| Contributions in lieu of taxes | 222,229 | | | 222,229 |
| | <u>97,527,929</u> | <u>8,809,988</u> | <u>8,774,042</u> | <u>115,111,959</u> |
| INCOME FROM OPERATIONS | <u>2,401,112</u> | <u>2,781,596</u> | <u>152,347</u> | <u>5,335,055</u> |
| OTHER INCOME (EXPENSE) | | | | |
| Interest income | 2,042,928 | 44,259 | 61,342 | 2,148,529 |
| Investment income | 5,471,706 | | | 5,471,706 |
| Rent income | 601,357 | 148,254 | 154,340 | 903,951 |
| Miscellaneous income | 183,052 | | | 183,052 |
| Interest expense | (431,073) | | | (431,073) |
| Contributions to City of Jonesboro | (789,887) | (250,000) | | (1,039,887) |
| | <u>7,078,083</u> | <u>(57,487)</u> | <u>215,682</u> | <u>7,236,278</u> |
| INCOME BEFORE CONTRIBUTIONS | 9,479,195 | 2,724,109 | 368,029 | 12,571,333 |
| CONTRIBUTIONS | <u>609,546</u> | <u>1,187,957</u> | <u>1,242,746</u> | <u>3,040,249</u> |
| CHANGE IN NET POSITION | 10,088,741 | 3,912,066 | 1,610,775 | 15,611,582 |
| NET POSITION-BEGINNING OF YEAR | <u>335,945,915</u> | <u>51,774,392</u> | <u>55,120,140</u> | <u>442,840,447</u> |
| NET POSITION-END OF YEAR | <u>\$346,034,656</u> | <u>\$55,686,458</u> | <u>\$56,730,915</u> | <u>\$458,452,029</u> |



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OTHER INFORMATION

CWL ELECTRIC DEPARTMENT
SCHEDULES OF ENERGY SOURCES AND USES (UNAUDITED)
Years Ended December 31, 2022 and 2021

| | (In Kilowatt-Hours) | | Increase (Decrease) |
|------------------------------------|----------------------|----------------------|------------------------|
| | 2022 | 2021 | |
| Production | | | |
| Plant output | 757,614,100 | 752,816,000 | 4,798,100 |
| Purchased power | 873,866,770 | 780,432,500 | 93,434,270 |
| Energy Available | 1,631,480,870 | 1,533,248,500 | 98,232,370 |
| Less sales to other utilities | 123,980,300 | 50,785,100 | 73,195,200 |
| Total for Distribution | <u>1,507,500,570</u> | <u>1,482,463,400</u> | <u>25,037,170</u> |
| Sales to Customers | | | |
| City | | | |
| Residential | 516,334,381 | 510,881,298 | 5,453,083 |
| Commercial | 328,991,431 | 323,331,707 | 5,659,724 |
| Industrial | 556,052,126 | 558,678,220 | (2,626,094) |
| Security lighting | 2,143,661 | 1,900,924 | 242,737 |
| | <u>1,403,521,599</u> | <u>1,394,792,149</u> | <u>8,729,450</u> |
| Rural | | | |
| Residential | 39,570 | 39,255 | 315 |
| Commercial | 322,669 | 384,321 | (61,652) |
| | <u>362,239</u> | <u>423,576</u> | <u>(61,337)</u> |
| Total Sales to Customers | <u>1,403,883,838</u> | <u>1,395,215,725</u> | <u>8,668,113</u> |
| Interdepartment Sales | <u>28,182,006</u> | <u>25,503,372</u> | <u>2,678,634</u> |
| Total Sales | <u>1,432,065,844</u> | <u>1,420,719,097</u> | <u>11,346,747</u> |
| Contributions to City of Jonesboro | | | |
| Street lighting | 3,169,999 | 3,457,389 | (287,390) |
| City department | 10,710,937 | 11,020,085 | (309,148) |
| Total Free Service | <u>13,880,936</u> | <u>14,477,474</u> | <u>(596,538)</u> |
| Total Usage | <u>1,445,946,780</u> | <u>1,435,196,571</u> | <u>10,750,209</u> |
| Distribution losses | <u>61,553,790</u> | <u>47,266,829</u> | <u>14,286,961</u> |
| Total for Distribution | <u>1,507,500,570</u> | <u>1,482,463,400</u> | <u>25,037,170</u> |

See independent auditor's report.

CWL ELECTRIC DEPARTMENT
SCHEDULES OF CUSTOMER DATA (UNAUDITED)
Years Ended December 2022, 2021, 2020, 2019 and 2018

Electric Customers. The following table sets forth by customer classification the average number of customers for the years indicated and average price per kWh for 2022 for electric service:

| <u>Classifications</u> | <u>Average Number of Customers</u> | | | | | <u>2022 Average</u> | <u>2022 Average Price</u> |
|------------------------|------------------------------------|-------------|-------------|-------------|-------------|---------------------|---------------------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>Bill</u> | <u>Per kWh (cents)</u> |
| Residential | 34,116 | 33,670 | 33,019 | 32,535 | 32,068 | \$107.35 | 8.50 |
| Commercial | 5,569 | 5,472 | 5,399 | 5,356 | 5,367 | 428.33 | 8.64 |
| Industrial | 35 | 34 | 34 | 34 | 33 | 91,262.73 | 6.89 |

Charges for electric service consist of a fixed monthly charge for residential and small commercial customers and a demand charge for industrial and large commercial customers, plus, in each case, charges for actual usage.

The energy sales to customers by retail customer classes for 2018 through 2022 are shown below.

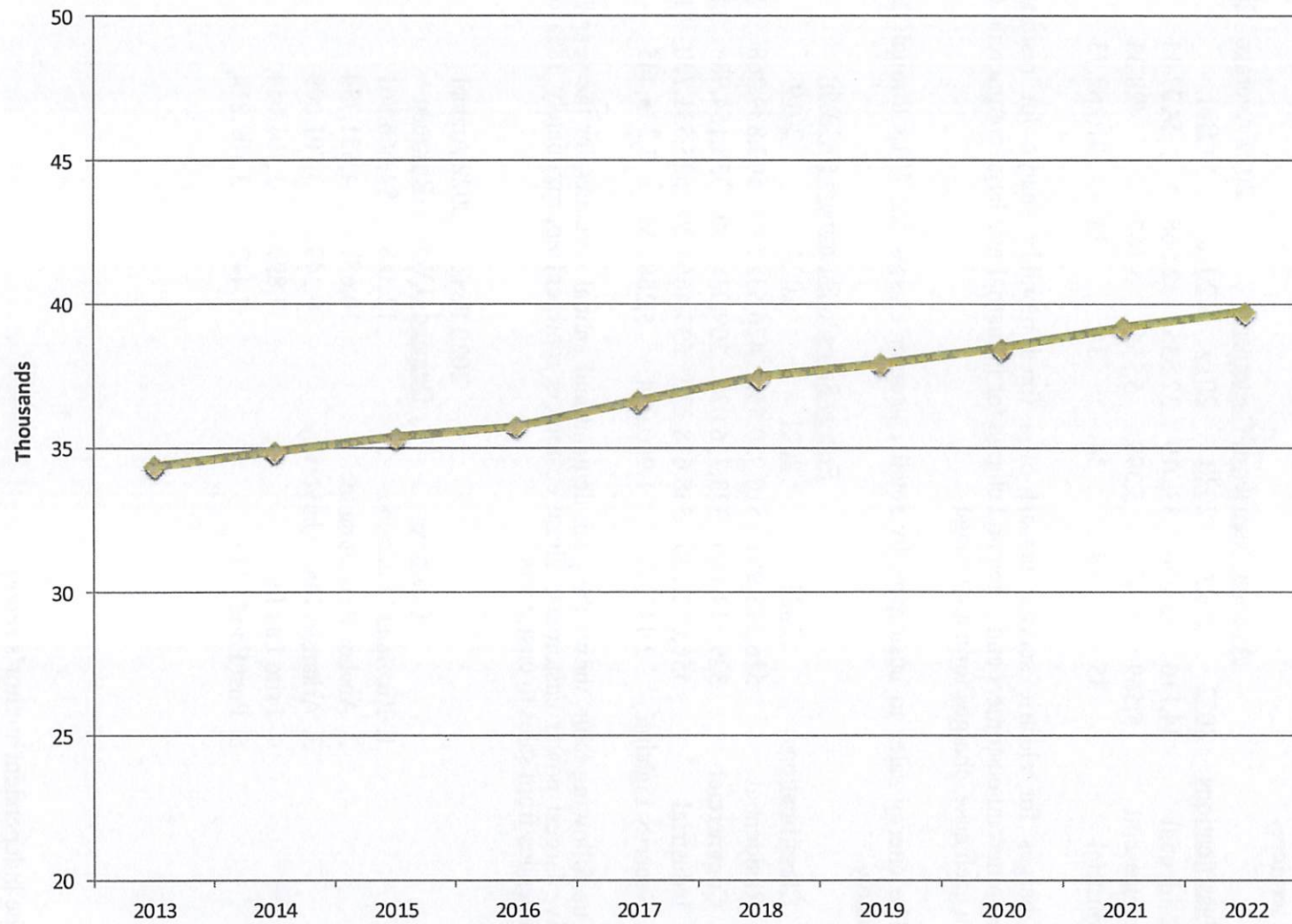
| <u>Classifications</u> | <u>Energy Sales to Customers (in kWh)</u> | | | | |
|------------------------|---|-------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| Residential | 516,373,951 | 510,920,553 | 476,632,592 | 502,889,268 | 521,938,533 |
| Commercial | 329,314,100 | 323,716,028 | 309,938,883 | 338,154,984 | 346,034,750 |
| Industrial | 556,052,126 | 558,678,220 | 533,466,020 | 525,531,720 | 512,748,480 |
| Security Lighting | 2,143,661 | 1,900,924 | 5,268,051 | 5,335,445 | 5,354,574 |

The following table shows the peak demand and annual revenues for the year 2022 for CWL's five largest power customers. These customers represent approximately 18% of 2022 electric revenues from sales to customers.

| <u>Customer</u> | <u>2022 Peak</u> | <u>2022 Annual</u> |
|------------------------------|--------------------|--------------------|
| | <u>Demand (kW)</u> | <u>Revenue</u> |
| 1. Riceland Foods Inc. | 12,348 | \$4,666,861 |
| 2. Anchor Packaging Inc. | 10,681 | 4,551,734 |
| 3. Arkansas State University | 9,349 | 3,701,009 |
| 4. Frito Lay Inc. | 7,896 | 3,401,654 |
| 5. Post Food LLC | 7,447 | 3,402,214 |

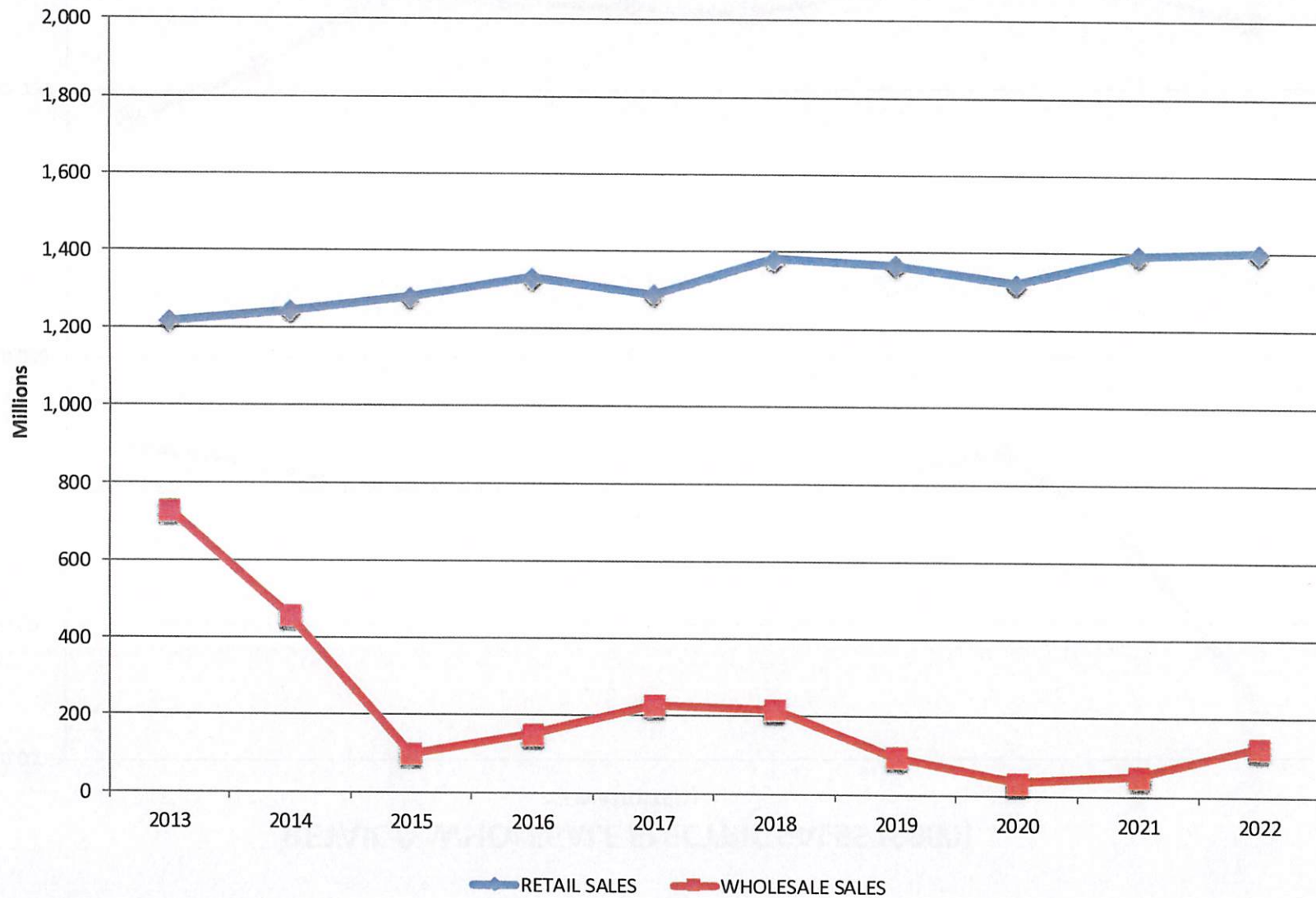
See independent auditor's report.

AVERAGE NUMBER OF ELECTRIC CUSTOMERS (UNAUDITED)



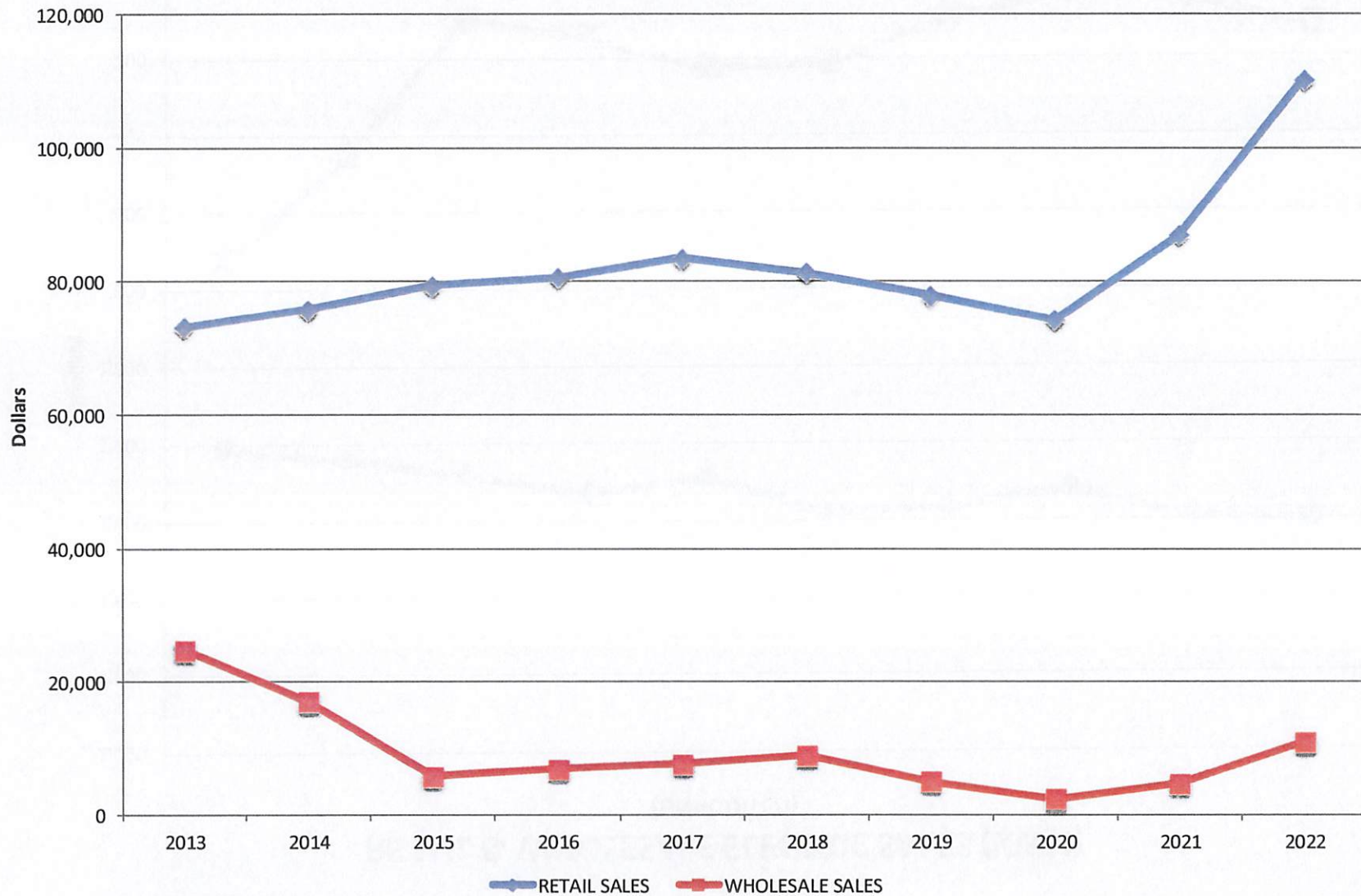
See independent auditor's report.

RETAIL & WHOLESALE ELECTRIC SALES (KWH) (UNAUDITED)



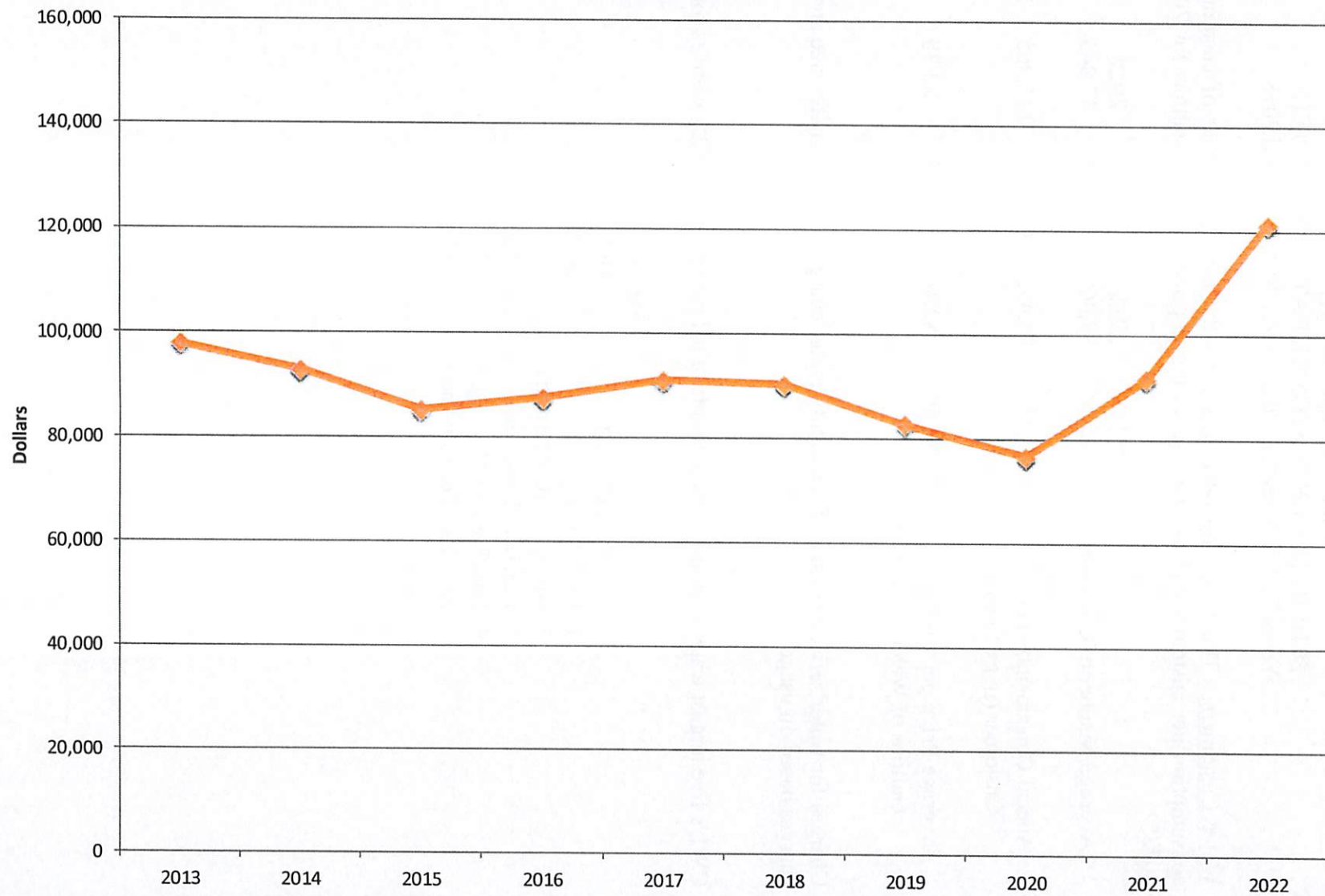
See independent auditor's report.

RETAIL & WHOLESALE ELECTRIC SALES (\$000) (UNAUDITED)



See independent auditor's report.

TOTAL ELECTRIC SALES (\$000) (UNAUDITED)



See independent auditor's report.

CWL WATER DEPARTMENT
SCHEDULES OF CUSTOMER DATA (UNAUDITED)
Years Ended December 2022, 2021, 2020, 2019 and 2018

Water Customers. The following table sets forth the average number of customers, annual consumption per customer and the average customer price per 1,000 gallons for 2018 through 2022:

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Average Number of Customers | 38,320 | 37,902 | 37,421 | 37,043 | 36,704 |
| Annual Consumption per Customer (in gallons) | 128,742 | 123,452 | 120,897 | 117,065 | 120,263 |
| Average Price per 1,000 Gallons of Water (in dollars) | \$2.59 | \$2.46 | \$2.42 | \$2.38 | \$2.33 |

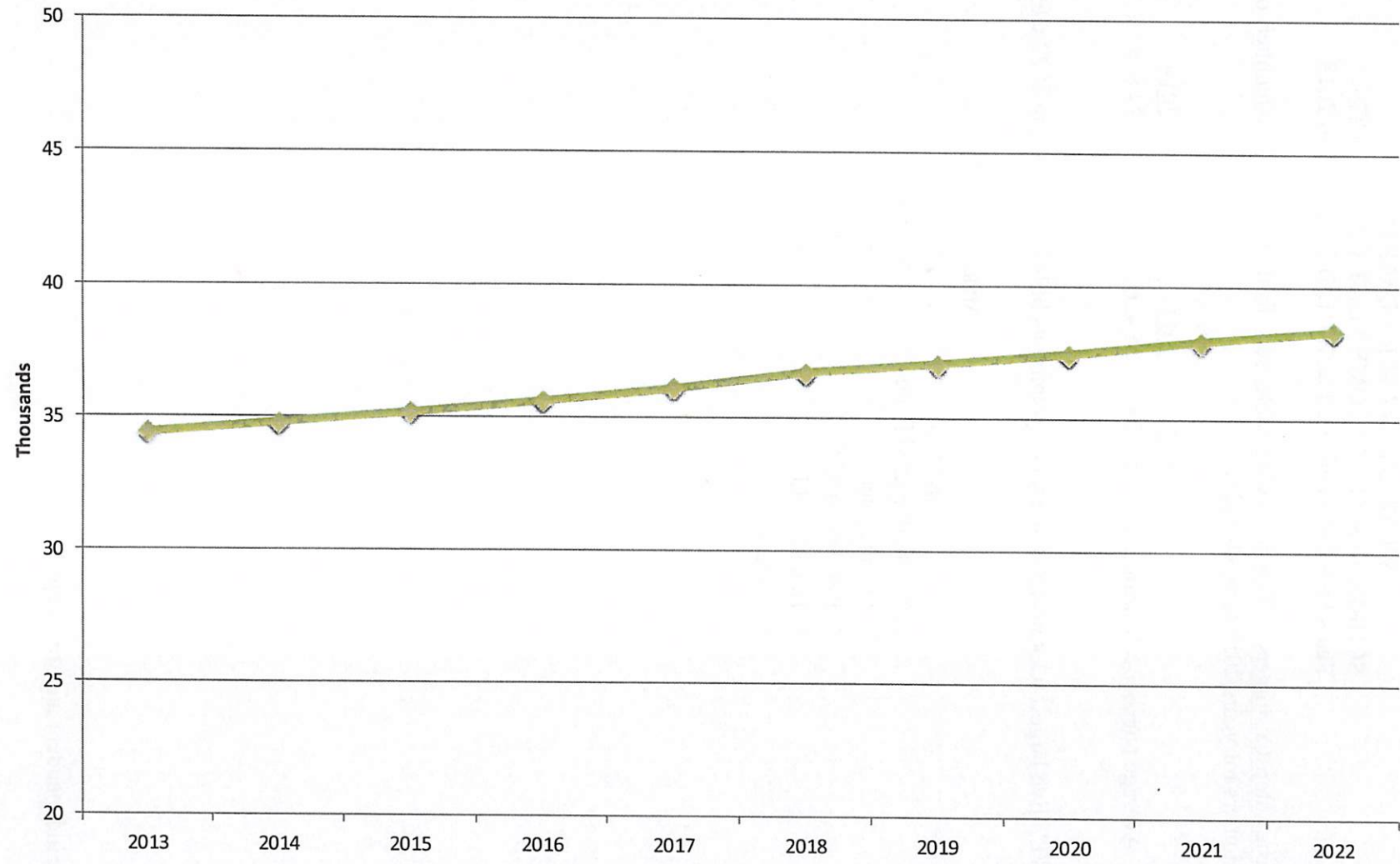
Charges for water service consist of a monthly meter charge based on meter size and additional charges based on usage.

CWL's five largest water customers, by amounts billed for service in 2022, were as follows:

| <u>Customer</u> | <u>Annual Amount Billed</u> |
|---------------------------|---------------------------------|
| 1. Frito Lay Inc. | \$477,581 |
| 2. Nestle Prepared Foods | 235,269 |
| 3. Riceland Foods Inc. | 164,774 |
| 4. Post Foods LLC | 153,153 |
| 5. Nice Pak Products Inc. | 152,758 |

See independent auditor's report.

AVERAGE WATER CUSTOMERS (UNAUDITED)



See independent auditor's report.

CWL WASTEWATER DEPARTMENT
SCHEDULES OF CUSTOMER DATA (UNAUDITED)
Years Ended December 2022, 2021, 2020, 2019 and 2018

Wastewater Customers. The following table sets forth the average number of wastewater customers for years 2018 through 2022:

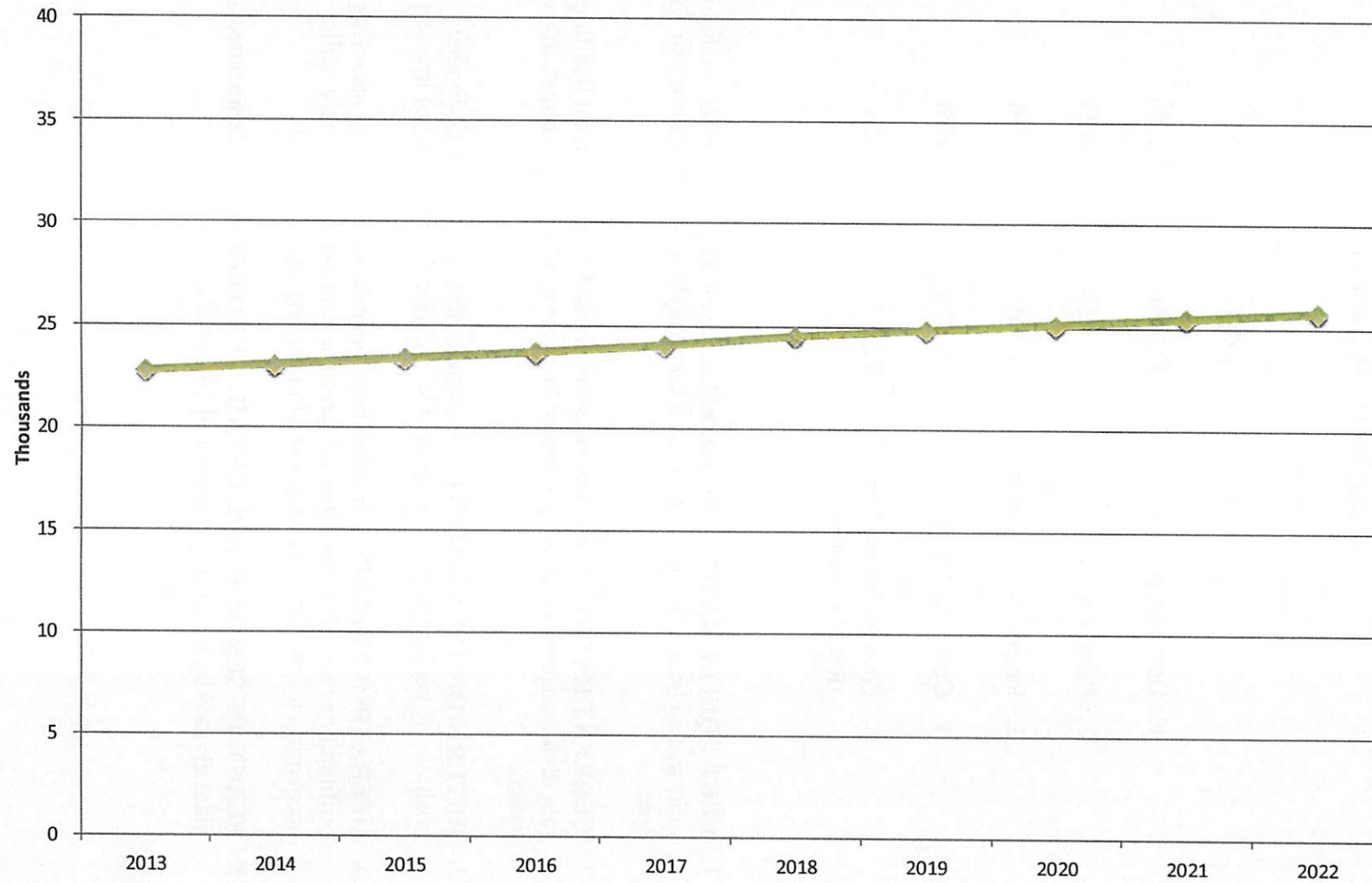
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Average Number of Customers | 25,753 | 25,456 | 25,101 | 24,818 | 24,508 |

CWL's five largest wastewater customers, by amounts billed for service in 2022 were as follows:

| <u>Customer</u> | <u>Annual Amount Billed</u> |
|--------------------------|-----------------------------|
| 1. Nestle Prepared Foods | \$785,450 |
| 2. Frito Lay Inc. | 603,356 |
| 3. Post Foods LLC | 513,317 |
| 4. Butterball LLC | 189,113 |
| 5. Unilever | 186,356 |

See independent auditor's report.

AVERAGE WASTEWATER CUSTOMERS (UNAUDITED)



See independent auditor's report.

CWL
SCHEDULE OF FINANCIAL AND OPERATING RATIOS (UNAUDITED)
December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| 1. Debt Equity Ratio | 17.70% | 12.20% |
| 2. Current Ratio | 4.23 | 4.17 |
| 3. Return on Investment | -0.76% | 2.79% |
| 4. Operating Margin | 4.16% | 4.43% |
| 5. Plant In Service Per Retail Customer | \$2,821 | \$2,551 |

1. **DEBT EQUITY RATIO** – Total liabilities divided by total assets. A financial leverage ratio that indicates the proportion of a company's assets that are being funded through debt.
2. **CURRENT RATIO** – Total current assets divided by total current liabilities. A liquidity ratio that measures a company's ability to cover its short-term obligations with its current assets.
3. **RETURN ON INVESTMENT** – Income before contributions divided by average net position. A performance measure used to evaluate the efficiency of investments.
4. **OPERATING MARGIN** – Income from operations divided by operating revenues. A profitability ratio that measures the profit a company makes on a dollar of sales after accounting for the direct costs involved in earning those revenues.
5. **PLANT IN SERVICE PER RETAIL CUSTOMER** – Undepreciated cost of utility plant divided by the average number of customers.

See independent auditor's report.



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

Board of Directors
City Water and Light Plant of the City of Jonesboro (Arkansas)
Jonesboro, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate fiduciary fund statements of City Water and Light Plant of the City of Jonesboro (Arkansas) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City Water and Light Plant of the City of Jonesboro (Arkansas)'s basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Water and Light Plant of the City of Jonesboro (Arkansas)'s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Water and Light Plant of the City of Jonesboro (Arkansas)'s internal control. Accordingly, we do not express an opinion on the effectiveness of City Water and Light Plant of the City of Jonesboro (Arkansas)'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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City Water and Light Plant of the City of Jonesboro (Arkansas)'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
March 15, 2023