Board of Municipal Utilities
Sikeston, Missouri

Independent Auditor's Reports and Financial Statements

May 31, 2023

Board of Municipal Utilities
Sikeston, Missouri
May 31, 2023

Contents

FORV/S

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Independent Auditor's Report

To the Directors of the Board of Municipal
Utilities Sikeston, Missouri
Sikeston, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Board of Municipal Utilities Sikeston, Missouri (the "Board") as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Board as of May 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2023 the Board adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board'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 Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 the Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The supplemental schedules as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023, on our consideration of the Board'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 the Board's 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 the Board's internal control over financial reporting and compliance.

FORVIS, LLP

Springfield, Missouri
October 27, 2023

Board of Municipal Utilities
Sikeston, Missouri
Management's Discussion and Analysis
May 31, 2023

The following discussion and analysis of the Board of Municipal Utilities Sikeston, Missouri's (the "Board" or "Utility") financial performance provides an overview of the Utility's financial activities for the year ended May 31, 2023. This discussion and analysis should be read in conjunction with the Utility's audited financial statements and accompanying notes.

Background

The Utility is a municipally owned and operated enterprise engaged in the generation, distribution, and sale of electric energy to retail and wholesale customers within the city limits of the City of Sikeston, Missouri (the "City"). The Utility's primary asset is a 235 megawatt coal-fired generation station (Sikeston Power Station) located in the City. The Utility has contractual agreements with the Missouri cities of Carthage, Columbia, Fulton, and West Plains to sell certain amounts of wholesale electric energy. The agreements state that each city will purchase a specified entitlement share of power at 110 percent of its proportionate share of the monthly power costs (including debt service costs related to the revenue bond issue) as defined in the agreements. The agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 50 percent of the Sikeston Power Station. The remaining capacity of the Sikeston Power Station is primarily used to serve retail electric customers located in the City. The Utility also routinely enters into short-term contractual agreements with various other municipalities or third parties to sell electric energy. Excess generation not sold to retail or wholesale customers is sold on the "spot" market at prevailing market prices.

The Utility is managed by a bi-partisan board, which consists of four members appointed by the City council for a term of four years each. The board is responsible for establishing the Utility's policies, rules, and regulations that govern the day-to-day operations of the utility system. The Utility functions as a separate unit of City government. The Utility prepares annual budgets, which are approved by the board. See *Note 1* to the financial statements for further information regarding the basis of accounting used.

Financial Statements

This report contains three basic financial statements and related notes. The *Balance Sheet* presents the Utility's financial condition, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at May 31, 2023. The *Statement of Revenues, Expenses, and Changes in Net Position* presents the Utility's results of operations and changes in net position for the fiscal year ended May 31, 2023. The *Statement of Cash Flows* presents the Utility's sources and uses of cash and cash equivalents for the fiscal year ended May 31, 2023. The *Notes to Financial Statements* are an integral part of the basic financial statements and contain information on accounting principles and other matters necessary for a more complete understanding of the Utility's financial position. The Utility implemented GASB Statement No. 87, *Leases,* in fiscal year 2023 and elected to present single-year financial statements as part of the implementation. Comparative 2022 financial information presented herein has therefore not been restated for the aodption of GASB 87.

Board of Municipal Utilities
Sikeston, Missouri
Management's Discussion and Analysis
May 31, 2023

Summary of Electric System Financial Position

	May 31, 2023	May 31, 2022
Assets		
Property and plant and leased assets – net	$ 47,704,969	$ 26,852,864
Restricted and other assets	685,782	18,452,373
Current assets	74,472,801	70,469,902
Total assets	122,863,552	115,775,139
Deferred Outflows of Resources		
Pension and OPEB related	4,440,950	3,463,803
Total deferred outflows of resources	4,440,950	3,463,803
Total assets and deferred outflows of resources	$ 127,304,502	$ 119,238,942
Net Position		
Net investment in capital assets	$ 43,264,718	$ 10,344,558
Restricted for debt service	5,437,663	27,966,920
Restricted for net pension asset	611,752	4,828,233
Unrestricted	54,948,045	38,421,181
Total net position	104,262,178	81,560,892
Liabilities		
Long-term debt, net	-	2,165,526
Other postemployment benefit liability	3,270,999	3,823,178
Accrued compensated absences – noncurrent	1,061,283	1,034,948
Leases payable	1,890,462	-
Current liabilities	13,209,254	21,029,505
Total liabilities	19,431,998	28,053,157
Deferred Inflows of Resources		
Pension and OPEB related	3,534,713	9,624,893
Leases	75,613	-
	3,610,326	9,624,893
Total liabilities, deferred inflows of resources, and net position	$ 127,304,502	$ 119,238,942

Board of Municipal Utilities
Sikeston, Missouri
Management's Discussion and Analysis
May 31, 2023

Summary of the Electric System

Assets

Property and Plant and Leased Assets – Net

The Utility recorded approximately $27,466,000 in property and plant additions during the year ended May 31, 2023. The Sikeston Power Station had additions of approximately $10,285,000 including cooling tower updates, air heater baskets, turbine overhaul, and feedwater heater replacement. The retail system had additions of approximately $2,898,000 including breakers, transformers, and annual distribution system improvements. Additions to Construction in Progress totaled $15,647,000 and include a new bottom ash handling system and Comstock Substation at the Sikeston Power Station and the South Industrial Park Substation in the retail system. These additions were offset by the current year depreciation expense and the net leased asset adjustments.

Additional information on the Utility's capital assets can be found in *Note 3* of this report.

Restricted and Other Assets

During 2023, restricted and other assets decreased approximately $17,767,000 due to reclassification of the $14,156,000 debt service reserve account to an unrestricted account and reduction of the net pension asset in the amount of $4,216,000.

Current Assets

During 2023, the increase in current assets of approximately $4,003,000 was attributed to an increase in coal inventory of approximately $7,213,000, offset by a $3,056,000 decrease in cash and restricted assets when combined. The coal inventory increase was attributed to higher inventory quantity and pricing. The reclassification of the debt service reserve account from restricted to current was offset with the final debt payment.

Deferred Outflows of Resources

During 2023, the increase of approximately $977,000 in deferred outflows of resources was a result of the pension and OPEB related deferred outflows of resources.

Liabilities

Total Liabilities

Total liabilities decreased approximately $8,621,000 as of May 31, 2023. The debt decreased approximately $14,207,000 because of the scheduled payoff of the 2012 Revenue Bonds and reclassification of leases. Accounts payable increased $6,982,000 due to the increased costs for the larger, extended power plant maintenance outage. The OPEB liability decreased $552,000. Deferred miner's benefits decreased $300,000. Accruals and other liabilities decreased $557,000.

Deferred Inflows of Resources

During the year ended May 31, 2023, the increase in deferred inflows of resources was a result of a decrease in the pension and OPEB related inflows of approximately $6,090,000.

Summary of Electric Revenues, Expenses, and Changes in Net Position

	May 31, 2023	May 31, 2022
Operating Revenues	$ 87,125,549	$ 98,046,139
Operating Expenses	67,929,832	87,927,863
Operating Income	19,195,717	10,118,276
Investment and Other Income	3,572,988	1,500,238
Interest Expense	(67,419)	(1,684,309)
Nonoperating Income (Expense), Net	3,505,569	(184,071)
Change in Net Position	$ 22,701,286	$ 9,934,205

Operating Revenues

During 2023 operating revenues decreased approximately $10,921,000. Wholesale revenues decreased approximately $10,642,000 from 2022 due to lower sales caused by the longer plant outage. Retail revenues decreased by approximately $272,000. Residential kWh sold were down 2.6 percent, Commercial kWh sold were up 0.3 percent, and Industrial kWh sold were down 4.3 percent. The Utility will routinely execute physical sales in the wholesale "spot" market of generated electricity that is not purchased by retail or wholesale customers.

Operating Expenses

Operating expenses decreased approximately $19,998,000 during 2023. The largest decrease in operating expenses was due to the decrease in depreciation expense of $12,368,000, as the original plant assets were fully depreciated in 2022. Coal costs decreased $5,434,000 as a result of using less coal because less power was generated. Purchased power costs decreased $4,935,000. In the prior year, purchased power included mostly replacement power costs that were not incurred in the current year. Noncash pension expense increased $2,189,000 as a result of the difference in projected and actual earnings on pension plan investments. Other operating expenses increased approximately $630,000 due to increased outage costs.

During both 2023 and 2022 more supplemental hydro power was available from Southwestern Power Administration lowering the purchased power costs of the retail system. See *Note 9* of this report.

Nonoperating Income (Expense), Net

During 2023, nonoperating income (expense), net increased approximately $3,690,000. Interest expense was $1,617,000 lower due to the payoff of revenue bonds. Interest income was $1,243,000 higher due to increased balances and interest rates. Miscellaneous income increased $832,000 due to the GASB 87 reclassification of leases.

Summary of Water & Sewer Combined Financial Position

	May 31, 2023	May 31, 2022
Assets		
Property and plant and leased assets – net	$ 31,515,299	$ 24,057,115
Restricted and other assets	8,123,063	5,024,444
Current assets	9,471,833	7,589,773
Total assets	49,110,195	36,671,332
Deferred Outflows of Resources		
Pension and OPEB related	836,490	707,419
Total assets and deferred outflows of resources	$ 49,946,685	$ 37,378,751
Net Position		
Net investment in capital assets	$ 1,703,939	$ (654,967)
Restricted for debt service	2,373,022	3,949,252
Restricted for net pension asset	125,307	988,920
Unrestricted	9,612,770	4,802,026
Total net position	13,815,038	9,085,231
Liabilities		
Long-term debt, net	28,168,002	23,907,280
Other postemployment benefit liability	669,963	783,061
Accrued compensated absences – noncurrent	65,270	186,845
Leases payable	3,877,915	-
Current liabilities	2,627,863	1,444,969
Total liabilities	35,409,013	26,322,155
Deferred Inflows of Resources		
Pension and OPEB related	722,634	1,971,365
Total liabilities, deferred inflows of resources, and net position	$ 49,946,685	$ 37,378,751

Board of Municipal Utilities
Sikeston, Missouri
Management's Discussion and Analysis
May 31, 2023

Summary of Water and Sewer

Assets

Property and Plant and Leased Assets – Net

The Utility recorded approximately $10,067,000 of plant and property additions during the year ended May 31, 2023. Additions to Construction in Progress totaled $9,162,000 and included North Wastewater Treatment Plant upgrades, Water Treatment Plant #4, and I-57 infrastructure. Other additions totaling $1,000,000 included annual plant and distribution system improvements. These additions were offset by the current year depreciation expense and the net leased asset adjustments.

Additional information on the Utility's capital assets can be found in *Note 3* of this report.

Restricted Assets and Other Noncurrent Assets

During 2023, restricted assets and others include nonoperational funds set aside for specific projects and other miscellaneous assets. The construction funds increased $1,809,000 due to the addition of the North Wastewater Treatment Plant lease construction fund and reclassification of fund balances. The net pension asset decreased in the amount of $864,000 due to the difference in projected versus actual earnings on pension plan investments. The balance of the decrease in restricted assets came from the pay down of debt.

Current Assets

During 2023, current assets increased approximately $1,882,000. A receivable in the amount of $2,500,000 was recorded for an ARPA grant that was awarded but not yet disbursed to the Utility by the pass-thru entity. Cash increased $394,000 due to rate increases and was offset by a decrease of $1,348,000 in intercompany accounts payable. O&M reserve funds increased $330,000.

Deferred Outflows of Resources

The 2023 increase of approximately $129,000 in deferred outflows of resources was a result of the pension and OPEB related deferred outflows of resources.

Liabilities

Total Liabilities

Total liabilities increased approximately $9,087,000 as of May 31, 2023. A new capital lease was added in the amount of $8,800,000. Accounts payable increased $926,000 due to the I-57 infrastructure project and other routine payables.

The Utility was able to establish and collect sufficient rates for the water system to meet the 110 percent debt service requirement for the year ended May 31, 2023. The water rates applied for the year ended May 31, 2023, covered 283 percent of aggregate debt service costs.

Additional information on the Utility's long-term debt can be found in *Note 4* of this report.

Deferred Inflows of Resources

During 2023, the deferred inflows of resources decreased approximately $1,249,000 due to the decrease in the pension and OPEB related inflows.

Board of Municipal Utilities
Sikeston, Missouri
Management's Discussion and Analysis
May 31, 2023

Summary of Water & Sewer Revenues, Expenses, and Changes in Net Position

	May 31, 2023	May 31, 2022
Operating Revenues	$ 8,128,350	$ 6,872,999
Operating Expenses	6,514,550	5,770,648
Operating Income (Loss)	1,613,800	1,102,351
Investment and Other Income	3,855,936	1,774,758
Interest Expense	(739,929)	(785,543)
Nonoperating Income, Net	3,116,007	989,215
Change in Net Position	$ 4,729,807	$ 2,091,566

Operating Revenues

During 2023, consolidated water and sewer operating revenues increased approximately $1,255,000. Water revenues increased in fiscal 2023 by approximately $552,000 compared to fiscal 2022. Water gallons sold were down 1.6 percent in fiscal 2023 compared to fiscal 2022. Sewer revenues increased approximately $703,000. Sewer gallons treated were down 0.3 percent from fiscal 2022. Rate increases for the sewer department went into effect August 1, 2022.

Operating Expenses

During 2023, consolidated water and sewer operating expenses increased approximately $744,000. Noncash pension expense increased $449,000 as a result of the difference in projected and actual earnings on pension plan investments. Depreciation expense increased $162,000. Other operating expenses increased approximately $183,000.

Nonoperating Income, Net

During 2023, nonoperating income, net increased approximately $2,127,000. Miscellaneous income decreased $767,000 due to the GASB 87 reclassification of leases. Interest income was $348,000 higher due to increased balances and interest rates. There were also $353,000 more in customer sewer surcharges.

Board of Municipal Utilities
Sikeston, Missouri
Balance Sheet
May 31, 2023

Assets and Deferred Outflows of Resources

Assets	
Property and Plant and Leased Assets	
Property and plant, at original cost	$ 358,613,945
Accumulated depreciation	(321,826,484)
Leased assets	7,866,210
Accumulated amortization	(1,180,119)
	43,473,552
Construction work in progress	35,746,716
Total property and plant, net	79,220,268
Restricted Assets	
Debt service account	2,526,206
Construction fund account	5,731,550
	8,257,756
Less amount required to meet current obligations	(260,000)
Total restricted assets	7,997,756
Other Noncurrent Assets	
Net pension asset	737,059
Lease receivable	74,030
Total noncurrent assets	811,089
Current Assets	
Cash and cash equivalents	50,298,915
Restricted assets – current	260,000
Accounts receivable, net	13,230,799
Coal inventories	11,971,331
Materials and supplies	6,982,464
Prepaid expenses and other assets	1,196,993
Lease receivable	4,132
Total current assets	83,944,634
Total assets	171,973,747
Deferred Outflows of Resources	
Pension related	4,760,187
Other postemployment benefits related	517,253
Total deferred outflows of resources	5,277,440
Total assets and deferred outflows of resources	$ 177,251,187

Net Position, Liabilities, and Deferred Inflows of Resources

Net Position	
Net investment in capital assets	$ 44,968,657
Restricted for debt service	7,810,685
Restricted for net pension asset	737,059
Unrestricted	64,560,815
Total net position	118,077,216
Long-Term Debt	27,035,000
Add: Unamortized bond premium	1,133,002
Total long-term debt, net	28,168,002
Other Noncurrent Liabilities	
Total other postemployment benefit liability	3,940,962
Accrued compensated absences	1,126,553
Leases payable	5,768,377
Total other noncurrent liabilities	10,835,892
Current Liabilities Payable from Restricted Assets	
Current maturities of long-term debt	260,000
Current Liabilities Payable from Unrestricted Assets	
Accounts payable	11,311,990
Accrued interest payable	173,247
Leases payable	1,126,447
Customer deposits	787,530
Accrued mine shutdown costs	696,190
Other accruals	1,481,713
	15,577,117
Total current liabilities	15,837,117
Deferred Inflows of Resources	
Pension related	2,918,220
Other postemployment benefits related	1,339,127
Leases	75,613
Total deferred outflows of resources	4,332,960
Total net position, liabilities, and deferred inflows of resources	$ 177,251,187

Board of Municipal Utilities
Sikeston, Missouri
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended May 31, 2023

Operating Revenues	
Retail	$ 39,576,666
Wholesale	55,677,233
Total operating revenues	95,253,899
Operating Expenses	
Production and operations	48,791,088
Purchased power	6,966,513
Distribution costs	4,304,391
Depreciation and amortization	7,596,856
General and administrative	3,149,564
Pension expense	1,296,972
Other postemployment benefits expense	322,922
Donated services	1,039,549
Other operating expenses	976,527
Total operating expenses	74,444,382
Operating Income	20,809,517
Nonoperating Income (Expense)	
Investment income	1,958,595
Interest expense	(807,348)
Grant revenue	2,500,000
Miscellaneous, net	2,970,329
Net nonoperating income (expense)	6,621,576
Increase in Net Position	27,431,093
Net Position	
Beginning of year	90,646,123
End of year	$ 118,077,216

Board of Municipal Utilities
Sikeston, Missouri
Statement of Cash Flows
Year Ended May 31, 2023

Cash Flows from Operating Activities	
Receipts from customers and others	$ 94,175,979
Payments to suppliers	(60,927,991)
Payments to employees	(12,112,614)
Payments for mine shutdown costs	(299,872)
Net cash provided by operating activities	20,835,502
Cash Flows from Investing Activities	
Decrease in temporary investments maintained in debt service accounts	24,069,118
Interest received	1,979,290
Net cash provided by investing activities	26,048,408
Cash Flows from Capital and Related Financing Activities	
Purchase of property and plant, net	(33,212,429)
Proceeds from issuance of long-term debt	8,800,000
Payment of long-term debt and lease obligations	(15,144,956)
Interest paid	(1,107,078)
Other nonoperating revenues	5,470,329
Net cash used in capital and related financing activities	(35,194,134)
Change in cash and cash equivalents	11,689,776
Cash and Cash Equivalents	
Beginning of year	38,609,139
End of year	$ 50,298,915

Board of Municipal Utilities
Sikeston, Missouri
Statement of Cash Flows
Year Ended May 31, 2023

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	$ 20,809,517
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	7,596,856
Mine shutdown costs (proceeds)	(59,872)
Payments for mine shutdown costs	(240,000)
Gain on disposal	(40,675)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
(Increase) decrease in accounts receivable	(1,090,927)
(Increase) decrease in coal inventories	(7,213,445)
(Increase) decrease in materials and supplies	(179,228)
(Increase) decrease in prepaid expenses and other assets	(137,905)
(Increase) decrease in deferred outflows related to pensions	(1,151,922)
(Increase) decrease in deferred outflows related to other postemployment benefits	45,704
(Increase) decrease in net pension asset	5,080,094
Increase (decrease) in accounts payable and accrued expenses	5,408,486
Increase (decrease) in customer deposits and other liabilities	13,007
Increase (decrease) in total postemployment benefit liability	(665,277)
Increase (decrease) in deferred inflows related to pensions	(7,867,143)
Increase (decrease) in deferred inflows related to other postemployment benefits	528,232
Net cash provided by operating activities	$ 20,835,502
Noncash Investing, Capital, and Financing Activities	
Amounts payable incurred for purchases of capital assets	$ 2,277,933
Lease obligation incurred for lease assets	$ 376,108

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Board of Municipal Utilities Sikeston, Missouri (the "Board" or the "Utility") is a municipally owned and operated enterprise engaged in the generation, distribution, and sale of electric energy to wholesale and retail customers, and the treatment, distribution, and sale of water and operation of a sanitary sewer system within the city limits of the city of Sikeston, Missouri (the "City"). The Board's primary asset is a 235-megawatt coal-fired generation station (the "Sikeston Power Station") located in the City. The Utility has contractual agreements (the "Agreements") with the Missouri cities of Carthage, Columbia, Fulton, and West Plains to sell certain amounts of wholesale electric energy. The Agreements state that each city will purchase a specified entitlement share of power at 110 percent of its proportionate share of the monthly power costs (including debt service costs related to the revenue bond issue) as defined in the Agreements for various annual periods extending through the useful life of the plant. Additional capacity has been negotiated at 100 percent in certain agreements. The Agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 50 percent of the Sikeston Power Station. The remaining capacity of the Sikeston Power Station is primarily used to serve retail electric customers located in the City. The Board also routinely enters into short-term contractual agreements with various municipalities and other third parties to sell electric energy. Excess generation not sold to retail or wholesale customers is sold on the "spot" market at prevailing market prices.

The Utility is managed by a bipartisan board, which consists of four members appointed by the City council for a term of four years each. This board is responsible for establishing the Utility's policies, rules, and regulations that govern the day-to-day operations of the utility system. The Utility functions as a separate unit of the City government.

Basis of Accounting and Presentation

The Utility is accounted for as a business-type entity. Significant interdepartment accounts, including interdepartment sales, have been eliminated. The Board accounts for its transactions on the economic resources measurement focus and uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. The financial statements are prepared in accordance with generally accepted accounting principles and follow accounting guidance provided by the Governmental Accounting Standards Board (GASB) in the regulated operations provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements,* which permit certain entities with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in future rates charged to its customers.

This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes. During 2020, the Utility recorded a regulatory asset for the debt issuance costs related to the certificates of participation, which is included in prepaid expenses and other assets on the balance sheet. At May 31, 2023, there were no other regulatory assets or liabilities recorded. The Board's accounting records generally follow the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions which impact the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Property and Plant

The costs of additions to and betterments of units of property and plant are capitalized. Maintenance and repairs, including replacement of minor items of property, are charged to expense as incurred. When units of depreciable property are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recorded.

Depreciation

Provisions for depreciation of property and plant are charged to expense and credited to accumulated depreciation in accordance with a policy of providing for the retirement of depreciable property and plant over its expected useful life on a straight-line basis.

Lives of major classes of depreciable property are:

Class	Years
Buildings	40–50
Plant in service	4–40
Distribution systems	20–40
Trucks and autos	4
Railcars	14
Furniture, fixtures, and equipment	3–10
Telecommunications	3

Restricted Assets

Restricted assets consist of interest-bearing cash accounts and fixed income securities held at financial institutions. All investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized and unrealized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Bond Discounts, Premiums, and Losses on Refunding

Premiums and discounts associated with bonds are deferred and amortized over the term of the related indebtedness and are shown in long-term debt. Losses incurred in conjunction with debt refunding are deferred and amortized over the term of the related indebtedness and are included in deferred outflows of resources.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Utility has defined cash and cash equivalents as all highly liquid investments that mature within 90 days. The carrying amount approximates fair value because of the short maturity of those instruments. Investments in restricted accounts are excluded from cash and cash equivalents. At May 31, 2023, cash equivalents consisted of money market funds held through financial institutions.

Accounts, Notes, and Other Receivables

An estimate is made for the provision for uncollectible accounts based on an analysis of the aging of accounts receivable and historical write-offs, net of recoveries. Additional amounts may be included based upon the credit risks of significant parties. The allowance totaled approximately $342,000 as of May 31, 2023.

Coal Inventories and Materials and Supplies

The Board has an agreement with Western Fuels Association, Inc. (WFA) for the procurement of coal through December 31, 2025. Under the provisions of this agreement and related coal supply agreements, the Board is required to purchase a minimum of 600,000 tons of coal per year through December 31, 2024. The price of coal is based on costs incurred by WFA to acquire and supply the coal over the life of the agreement. The Utility has an agreement for delivery of this coal with the BNSF Railway Company which extends through December 31, 2025. The cost to deliver the coal is established through a base price, which is adjusted quarterly by indices set forth in the agreement. During each calendar year, there is a Minimum Annual Volume Requirement in the agreement which will not be less than 600,000 tons. Coal inventories and material and supplies are stated at the lower of average cost or market, cost being determined on the basis of moving average price.

Capital and Lease Asset Impairment

The Utility evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in service utility of a capital or lease asset has occurred. No asset impairment was recognized during the year ended May 31, 2023.

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Change in Accounting Principle

In 2023, the Utility adopted GASB Statement No. 87, *Leases*. Under the standard, lessees will now be required to recognize substantially all long-term leases on the balance sheet as both a right-to-use asset and a lease liability. In addition, lessors will be required to recognize a lease receivable and a deferred inflow of resources. This statement provides useful information by requiring note disclosure related to the timing, significance, and purpose of the leasing arrangement. The implementation of the Statement resulted in recognition of a lease receivable of $82,015 and a deferred inflow of resources of $81,481 for lessor contracts and a net leased asset of $7,505,355 and a net lease liability of $7,568,330 for the lessee contracts as of June 1, 2022, when the standard was implemented. The Utility did not restate the prior year information and elected to present single year financial statements for fiscal year 2023.

Deferred Outflows and Inflows of Resources

The Utility reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheets. These outflows include unamortized loss related to debt refundings, as well as pension and other postretirement related items.

The Utility reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets. These inflows include leases, pension, and other postretirement related items.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – consists of capital assets and leased assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any debt that is attributable to those assets.
- Restricted – consists of those assets that have constraints placed upon their use imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of the net amount of assets that do not meet the definition of restricted or net investment in capital assets.

Revenue and Fuel Costs

The Utility records revenue as services are rendered and includes an estimate for services delivered but unbilled at year-end. Wholesale revenue is recorded based upon monthly consumption billed at budgeted annual production costs (including debt service and excluding depreciation) and is adjusted annually to reflect actual production costs incurred. Fuel costs are expensed as the fuel is consumed.

Donated Services

The City is not charged by the Board for services rendered to the City. Such services include street lights, fire hydrants, and consumption of electricity and water by other City departments. The Utility is not currently required to pay franchise or property taxes to the City. Donated services totaled approximately $1,040,000 for the year ended May 31, 2023.

Vacation and Sick Leave

Under the terms of the Utility's personnel policy, employees are granted vacation and sick leave. Supervisory and management employees accrue annual leave, which can be used for both vacation and sick leave. At the end of each calendar year, any employee's unused annual leave from that year will be accumulated, up to the maximum of 960 hours. In the event of termination, the employee is paid for 75 percent of accumulated annual leave. Full-time hourly employees have accrued vacation after one year of service and can rollover up to 40 hours of unused time to the next calendar year. Hourly employees also receive sick leave which can be accumulated up to the maximum 960 hours. In the event of termination, the employee will be paid for unused and unexpired accrued vacation leave and 40 percent of accumulated sick leave if the employee has ever reached 500 hours. The liabilities for accrued annual leave, sick leave, and vacation leave are presented as other liabilities in both the noncurrent and current portions of the accompanying balance sheets, representing the estimated amounts to be paid in future years to current employees for services rendered through the current year.

Agent Multiple Employer Defined Benefit Pension Plan

For purposes of measuring the net pension liability/(asset), deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan Non-Trusted Single – Employer

The Utility has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance to retirees (the "OPEB Plan"). For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Risk Management

The Utility is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Utility is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Note 2: Deposits, Investments, and Investment Income

The Utility maintains cash and investments in direct obligations, in U.S. government securities and agencies, federal instrumentalities, repurchase agreements, commercial paper, money market mutual funds, and interest-bearing time deposits or savings accounts as designated by the Bond Ordinance.

Custodial credit risk is the risk that in the event of a bank failure, a Utility's deposits may not be returned to it. The Utility's deposit policy for custodial risk requires compliance with the provision of the state law. State law requires collateralization of all deposits with federal insurance and other acceptable collateral in specific amounts. At May 31, 2023, none of the Utility's bank balances were exposed to custodial credit risk.

The following represents Sikeston Board of Municipal Utilities' total deposits and investments at May 31, 2023:

Electric System	
Deposits	$ 44,067,057
Water and Sewer System	
Deposits	$ 14,489,614

Deposits are included in the following balance sheet accounts at May 31, 2023:

Electric System	
Cash and cash equivalents	$ 44,067,057
Water and Sewer System	
Construction fund account	5,731,550
Debt service account	2,526,206
Cash and cash equivalents	6,231,858
	14,489,614
Total system combined	$ 58,556,671

As of May 31, 2023, Sikeston Board of Municipal Utilities held cash and investments for restricted and designated purposes as follows:

Electric System	
Designated funds	
Contingency fund investments	$ 5,457,726
Operations and maintenance reserve	4,430,668
Retail rate stabilization	513,072
Mine shutdown costs	3,588,821
Total restricted and designated	13,990,287
Unrestricted and undesignated	30,076,770
Total cash and cash equivalents	$ 44,067,057
Water & Sewer System	
Debt service reserve account	$ 2,526,206
Designated funds	
Operations and maintenance reserve	1,073,150
Lagoon sludge cleanout fund	899,152
Capital replacement reserve	410,094
Construction fund account	3,349,154
Total restricted and designated	8,257,756
Unrestricted and undesignated	6,231,858
Total cash and cash equivalents	$ 14,489,614

Interest Rate Risk – Interest rate risk is the risk that the fair value of the Utility's fixed income investments will decrease as a result of increases in interest rates. The Bond Ordinance has no formal policy for interest rate risk. As of May 31, 2023, the Utility did not hold investments.

Credit Risk – Credit risk is the risk that the Utility will not recover its investment due to the inability of the counterparty to fulfill its obligations. As of May 31, 2023, the Utility did not have any investment in government agencies.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Utility's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. The Utility purchases investments that carry the implicit backing of the U.S. government, but are not direct obligations of the U.S. government. As of May 31, 2023, the Utility did not have any investments in U.S. agency securities.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. While the Utility's investment policy does not directly address custodial credit risk, all investments held by the Utility or by an agent of the Utility are in the Utility's name. As of May 31, 2023, the Utility did not hold investments.

Note 3: Capital Assets and Leased Assets

Capital asset and leased assets activity for the year ended May 31, 2023, is as follows:

Electric System

	Beginning Balance (Restated)	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	$ 6,417,709	$ -	$ (7,595)	$ -	$ 6,410,114
Buildings	47,358,495	1,086,679	(62,000)	-	48,383,174
Plant in service	207,143,026	7,951,593	(696,858)	2,313,044	216,710,805
Distribution system	43,736,039	1,701,092	-	422,888	45,860,019
Trucks and autos	2,152,471	166,846	(502,765)	-	1,816,552
Railcars	6,092,589	-	-	-	6,092,589
Furniture, fixtures, and equipment	4,572,733	688,888	(128)	214,940	5,476,433
Telecommunications equipment	1,776,073	223,656	-	-	1,999,729
Construction in progress	2,739,099	15,647,321	(345,128)	(2,950,872)	15,090,420
	321,988,234	27,466,075	(1,614,474)	-	347,839,835
Less accumulated depreciation	(296,537,934)	(5,942,641)	96,151	-	(302,384,424)
	$ 25,450,300	$ 21,523,434	$ (1,518,323)	$ -	$ 45,455,411
Leased assets	$ 2,684,956	$ -	$ -	$ -	$ 2,684,956
Less accumulated amortization	(36,283)	(399,115)	-	-	(435,398)
	$ 2,648,673	$ (399,115)	$ -	$ -	$ 2,249,558

Water and Sewer System

	Beginning Balance (Restated)	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	$ 921,767	$ -	$ -	$ -	$ 921,767
Buildings	5,163,819	81,813	-	-	5,245,632
Plant in service	6,431,386	143,622	(64,171)	-	6,510,837
Distribution system	6,793,414	65,986	-	89,182	6,948,582
Trucks and autos	607,417	56,738	(17,735)	-	646,420
Furniture, fixtures, and equipment	5,034,578	556,714	-	-	5,591,292
Construction in progress	11,641,357	9,162,421	(58,300)	(89,182)	20,656,296
	36,593,738	10,067,294	(140,206)	-	46,520,826
Less accumulated depreciation	(17,908,169)	(1,551,848)	17,957	-	(19,442,060)
	$ 18,685,569	$ 8,515,446	$ (122,249)	$ -	$ 27,078,766
Leased assets	$ 4,919,373	$ 261,881	$ -	$ -	$ 5,181,254
Less accumulated amortization	(62,691)	(682,030)	-	-	(744,721)
	$ 4,856,682	$ (420,149)	$ -	$ -	$ 4,436,533
Total System Combined	$ 51,641,224	$ 29,219,616	$ (1,640,572)	$ -	$ 79,220,268

Note 4: Long-Term Obligation

The Board's long-term indebtedness (excluding current maturities of long-term debt) as of May 31, 2023, is comprised of the following obligations.

Water and Sewer System	
Water certificates of participation issued December 3, 2020, 2% to 5%, due in installments through September 1, 2050	$ 18,495,000
2023 FSCB NWWTP Upgrades	8,800,000
Total System Combined	$ 27,295,000

Board of Municipal Utilities
Sikeston, Missouri
Notes to Financial Statements
May 31, 2023

The summarized activity of the Board's long-term debt (including current maturities of long-term debt) during the year ended May 31, 2023, is presented below:

	Beginning Balance (Restated)	Additions	Disposals	Ending Balance	Amount Due in One Year
Electric System					
2012 Revenue Bonds	$ 13,805,000	$ -	$ 13,805,000	$ -	$ -
2013 Train Car Capital Lease	197,412	-	197,412	-	-
	14,002,412	-	14,002,412	-	-
Total long-term debt	14,002,412	-	14,002,412	-	-
Other long-term liabilities					
Leases payable	2,648,956	-	367,887	2,281,069	390,606
Accrued compensated absences	1,101,901	240,607	134,132	1,208,376	147,093
	3,750,857	240,607	502,019	3,489,445	537,699
Total long-term obligations	$ 17,753,269	$ 240,607	$ 14,504,431	$ 3,489,445	$ 537,699
Water & Sewer System					
2020 Certificates of Participation	18,745,000	-	250,000	18,495,000	260,000
2023 FSCB NWWTP Upgrades	-	8,800,000	-	8,800,000	-
Total long-term debt	18,745,000	8,800,000	250,000	27,295,000	260,000
Add: Unamortized premium	1,174,582	-	(41,580)	1,133,002	-
Total long-term debt	19,919,582	8,800,000	291,580	28,428,002	260,000
Other long-term liabilities					
Leases payable	4,919,374	375,888	681,507	4,613,755	735,841
Accrued compensated absences	201,666	95,804	125,241	172,229	106,959
	5,121,040	471,692	806,748	4,785,984	842,800
Total long-term obligations	$ 25,040,622	$ 9,271,692	$ 1,098,328	$ 33,213,986	$ 1,102,800
Total System Combined	$ 42,793,891	$ 9,512,299	$ 15,602,759	$ 36,703,431	$ 1,640,499

The debt service to maturity on the outstanding obligations as of May 31, 2023, is summarized in the following table:

Water and Sewer System

	Total to Be Paid	Debt Principal	Debt Interest
Year Ending May 31,			
2023	$ 352,642	$ 260,000	$ 92,642
2024	736,822	660,000	76,822
2025	754,837	695,000	59,837
2026	777,311	735,000	42,311
2027	793,994	770,000	23,994
2028–2051	15,379,879	15,375,000	4,879
	$ 18,795,485	$ 18,495,000	$ 300,485

Debt was issued in the amount of $8,800,000 in fiscal year 2023 to finance construction upgrades to the North Wastewater Treatment Plant. Construction was not complete as of May 31, 2023, therefore an amortization schedule for this debt was not complete as of May 31, 2023. Debt service related to this debt is excluded from maturity schedules above.

Note 5: Leases

The Utility engages in lease contracts, either as the lessor or the lessee, in the normal course of doing business.

Lease Receivable

The Utility leases fiber optic assets. Lease terms range from 10 to 25 years and expire 2032 through 2040. The lease receivable balance as of May 31, 2023, was $78,162, of which $4,132 is current and $74,030 is long-term on the Balance Sheet. The Utility recognized revenue of $6,402 and interest income of $2,423 which is reported on the Statement of Revenues, Expenses, and Changes in Net Position. The leases were measured based upon the interest rates explicit per the contracts. There were no variable lease payments received in 2023.

Lease Payable

The Utility leases equipment from third parties. Lease terms range from 7 to 19 years and expire 2028 through 2030. The Utility has lease assets totaling $7,866,210 with associated amortization of $1,180,119 and lease payable totaling $6,894,824, of which $1,126,447 is shown as current and $5,768,377 is shown as noncurrent, as of May 31, 2023, on the Balance Sheet. The leases were measured based upon the interest rates explicit per the contracts.

The following is a schedule by year of payments under the leases as of May 31, 2023:

Year Ending May,	Total to Be Paid	Principal	Interest
2024	$ 1,331,716	$ 1,126,447	$ 205,269
2025	1,331,475	1,162,926	168,549
2026	1,331,754	1,201,155	130,599
2027	1,331,870	1,240,517	91,353
2028	1,331,821	1,281,049	50,772
Thereafter	900,436	882,730	17,706
	$ 7,559,072	$ 6,894,824	$ 664,248

Note 6: Debt Service Requirements

Water System

The 2020 certificates of participation requires the Board to establish and collect sufficient rates for the Water System to meet the 110 percent of basic rent payments requirement. For the year ended May 31, 2023, the Water System covered 283 percent, of basic rent payments. In the event revenues are not sufficient to make payments or meet the basic rents coverage ratio, the Board is to use funds from the Sewer System and other legally available funds of the Board. Management intends to increase rates as needed to meet all requirements.

Note 7: Pension and Benefit Plans

Defined Benefit Pension Plan

Plan Description

The Utility's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The Utility participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer defined benefit pension plan, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death, and disability benefits. Benefit provisions are adopted by the governing body of the Utility, within the options available in the state statutes governing LAGERS. All benefits vest after five years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	2023 Valuation
Benefit multiplier	2.0% for life
Final average salary	3 years
Member contributions	0%

Benefit terms provide for annual postretirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4 percent per year.

Employees Covered by Benefit Terms

At June 30, 2022, the measurement date for the total pension liability/(asset) at May 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	140
Inactive employees entitled to but not yet receiving benefits	9
Active employees	129
	278

Contributions

The Utility is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the Utility do not contribute to the pension. At May 31, 2023, the Utility's contribution rate was 22.3 percent of annual covered payroll. Contributions by the Utility for the year ended May 31, 2023, were $2,644,721.

Net Pension Liability/(Asset)

The Utility's net pension liability/(asset) as of May 31, 2023, was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability/(asset) was determined by actuarial valuations as of February 28, 2022, rolled forward to June 30, 2022. The roll-forward of total pension liability from February 28, 2022, to June 30, 2022, reflects expected service costs and interest reduced by actual benefit payments and administrative expenses.

Actuarial Assumptions

The total pension liability in the February 28, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation; 2.25% price inflation
Salary increase	2.75% to 6.75%, including wage inflation
Investment rate of return	7.00%, net of investment expenses

The healthy retiree mortality tables, for postretirement mortality, were 115 percent of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for postretirement mortality, used in evaluating allowances to be paid were 115 percent of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The preretirement mortality tables used were 75 percent of the PubG-2010 Employee Mortality Table for males and females of General groups and 75 percent of the PubS-2010 Employee Mortality Table for males and females of Police, Fire, and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2022, valuation were based on the results of an actuarial experience study for the period March 1, 2016, through February 28, 2021.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, and inflation) were developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed income	31.00%	1.41%
Real assets	36.00%	3.29%
Strategic assets	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.29%

Discount Rate

At May 31, 2023, the discount rate used to measure the total pension liability/(asset) is 7.00 percent. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability/(asset).

Changes in the Net Pension Asset

	2023 Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances, May 31, 2022	$ 77,461,619	$ 83,278,772	$ (5,817,153)
Changes for the year			
Service cost	1,188,744	-	1,188,744
Interest	5,316,093	-	5,316,093
Difference between expected and actual experience	1,727,772	-	1,727,772
Changes of assumptions	-	-	-
Contributions – employer	-	2,454,762	(2,454,762)
Net investment income	-	60,587	(60,587)
Benefit payments, including refunds	(4,275,836)	(4,275,836)	-
Administrative expense	-	(31,816)	31,816
Other changes	-	668,982	(668,982)
Net changes	3,956,773	(1,123,321)	5,080,094
Balances, May 31, 2023	$ 81,418,392	$ 82,155,451	$ (737,059)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following represents the net pension asset of the Utility, calculated using the discount rate of 7.00 percent, as well as what the Utility’s net pension liability/(asset) would be using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total pension liability	$ 91,661,256	$ 81,418,392	$ 72,796,506
Plan fiduciary net position	82,155,436	82,155,451	82,155,436
Net pension liability/(asset)	$ 9,505,820	$ (737,059)	$ (9,358,930)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended May 31, 2023, the Utility recognized pension expense of $1,296,972. As of May 31, 2023, the Utility reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,299,873	$ 235,499
Changes of assumptions	-	924,413
Net difference between projected and actual earnings on pension plan investments	-	1,758,308
Contributions subsequent to the measurement date *	2,460,314	-
	$ 4,760,187	$ 2,918,220

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability for the year ending May 31, 2024.

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

Year Ended	
2024	$ (443,000)
2025	(303,895)
2026	(1,326,067)
2027	1,359,838
2028	94,777
	$ (618,347)

Payable to the Pension Plan

At May 31, 2023, the Utility reported a payable of $227,973 for the outstanding amount of contributions to the pension plan required for the year-end. This amount is included in other accruals on the balance sheet.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LAGERS financial report.

Note 8: Other Postemployment Health Care Plan

Plan Description

The Utility currently provides postretirement health insurance benefits to all employees meeting certain criteria, and their spouses, in the form of a single-employer defined benefit other postemployment benefit (OPEB) plan. Benefit provisions are contained in the plan document and were established and can be amended by action of the Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Plan Description

The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their spouses. Generally, if the employee is at least 60 and chooses to retire, these benefits are paid for the five-year period until the employee is eligible for Medicare. Neither active nor retired employees currently contribute premiums to this coverage.

The employees covered by the benefit terms at May 31, 2023, are:

Inactive employees or beneficiaries currently receiving benefits	15
Active employees	133
	148

Total OPEB Liability

The Utility's total OPEB liability of $3,940,962 was measured as of May 31, 2023, for the year then ended, and was determined by an actuarial valuation as of May 31, 2023, using census data from 2022.

The total OPEB liability in the May 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00%
Discount rate	3.74%
Salary increase	3.00%
Health care cost trend rates	7.00% decreasing 0.25% per year ultimate rate of 4.0%

The discount rate used for the plan was the 20-year, tax-exempt municipal bond rate per the Bond Buyer 20-Bond GO Index, as there are no assets in the plan.

Mortality rates were based on the Pub-2010 generational scale MP-2020 to reflect the Society of Actuaries' recent mortality study.

Changes in Total OPEB Liability

Changes in total OPEB liability for the year ended May 31, 2023, are:

Total OPEB liability, beginning of year	$ 4,606,239
Changes for the year	
Service cost	235,977
Interest	146,311
Difference between expected and actual experience	(435,034)
Changes in assumptions or other inputs	(188,268)
Benefit payments	(424,263)
Net changes	(665,277)
Total OPEB liability, end of year	$ 3,940,962

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the Utility has been calculated using a discount rate of 3.74 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	$ 4,178,000	$ 3,940,962	$ 3,718,000

The total OPEB liability of the Utility has been calculated using health care cost trend rates of 7.00 percent, decreasing to 4 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Total OPEB liability	$ 3,607,000	$ 3,940,962	$ 4,327,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2023, the Utility recognized OPEB expense of $322,922. At May 31, 2023, the Utility reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 910,360
Changes of assumptions and inputs	517,253	428,767
Total	$ 517,253	$ 1,339,127

Deferred outflows and inflows of resources at May 31, 2023, related to OPEB will be recognized in OPEB expense as follows:

Year Ended		
2024	$	(49,366)
2025		(49,366)
2026		(49,366)
2027		(49,366)
2028		(49,366)
Thereafter		(575,044)
	$	(821,874)

Note 9: Commitments and Contingencies

Coal Contracts

The Board has an agreement with Western Fuels Association, Inc. (WFA) for the procurement of coal through December 31, 2025. Under the provisions of this agreement and related coal supply agreements, the Board is required to purchase a minimum of 600,000 tons of coal per year through December 31, 2024. The price of coal is based on costs incurred by WFA to acquire and supply the coal over the life of the agreement. The Utility has an agreement for delivery of this coal with the BNSF Railway Company which extends through December 31, 2025. The cost to deliver the coal is established through a base price, which is adjusted quarterly by indices set forth in the agreement. During each calendar year, there is a Minimum Annual Volume Requirement in the agreement which will not be less than 600,000 tons. Coal inventories and material and supplies are stated at the lower of average cost or market, cost being determined on the basis of moving average price.

Wholesale Power Contracts

The Utility has contractual agreements with the Missouri cities of Carthage, Columbia, Fulton, and West Plains to sell certain amounts of wholesale electric energy. These agreements state that each city will purchase a specified entitlement share of power at 110 percent of its proportionate share of the monthly power costs (including debt service costs related to the revenue bond issue) as defined in each respective agreement, for various annual periods extending to the life of the plant. Additional capacity has been negotiated at 100 percent in certain agreements. The agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 50 percent of the Sikeston Power Station.

Obligations to Purchase Power

The Board has a purchased power agreement with the Southwestern Power Administration (SWPA) effective June 1, 2023, through April 30, 2038. This agreement is for 33.8 MW of Hydro Capacity & Energy. Under this agreement the Board purchases a minimum of 2,028 Mwhrs of peaking energy each month. The Board must also purchase 40,560 Mwhrs for the year. This purchase power agreement includes SWPA transmission for the delivery of the energy purchased. For the year ended May 31, 2023, the cost under this contract was approximately $4,543,000.

Environmental Matters

The Utility is subject to various federal, state, and local laws and regulations with respect to air and water quality and with respect to hazardous and toxic materials and hazardous and other wastes, including their identification, transportation, disposal, record keeping and reporting, as well as remediation of contaminated sites and other environmental matters. The Board believes that the operations are in material compliance with present environmental laws and regulations.

Environmental requirements have changed frequently and become more stringent over time. The Board expects this trend to continue. While the Board is not in a position to accurately estimate compliance costs for any new requirements, any such costs are expected to be material.

Mine Shutdown Costs

The Utility indirectly holds a 50 percent beneficial interest in Brushy Creek Coal Company (BC). BC was the owner and operator of a coal mine and related equipment located in Illinois (the “BC Mine”). BC is owned by Western Fuels Illinois (WFI), a Wyoming mutual benefit nonprofit corporation that operates as a cooperative. The Class B (nonvoting) stock of WFI, representing the beneficial interest in WFI, is owned 50 percent by the Utility with the remaining 50 percent owned by the Unified Government of Wyandotte County, Kansas City, Kansas (Kansas City). The Class A (voting) stock is owned by Western Fuels Association (WFA), a Wyoming nonprofit corporation that operates as a cooperative. The Utility is a member of the WFA and has representation on the WFA board of directors. The WFI board of directors consists of one representative from each of the Utility, Kansas City, and WFA.

In December 1979, the Utility and Kansas City each entered into a separate coal supply agreement with WFI. Under the terms of this agreement, the Utility was obligated to purchase a minimum amount of coal from the BC Mine, which was operated first by an unaffiliated third party and then by BC. In November 1997, the agreement expired, and the mine ceased operations in 1999. Under this legacy contract, the Utility became responsible for 50 percent of the mine reclamation costs and 50 percent of the postretirement benefits for certain former mine workers. At May 31, 2023, the Utility has recorded a liability of approximately $696,000, for the amount of the remaining estimated postretirement benefits and mine reclamation costs. The liability represents the Utility’s 50 percent proportional share of the total estimated postretirement benefits and mine reclamation costs less amounts previously funded by the Utility to WFI. The Utility records mine shutdown costs related to costs of postretirement benefits, changes in the estimated mine reclamation costs, and administrative and other costs incurred by WFI management. With the changes to the estimated liabilities, there was a net decrease and increase, respectively, to the change in net position of approximately $300,000 for the year ended May 31, 2023. The amounts recorded for the Board's portion of the postretirement benefits and mine reclamation costs require significant judgment and involve several estimates. The Utility has recorded its estimated obligations for each of these items using information currently available to management. The estimates could change significantly over time. For the year ended May 31, 2023, the Utility paid $240,000, to WFI to fund these obligations as well as administrative and other costs incurred by WFI. Total payments through May 31, 2023, from the Utility to WFI to fund these obligations and costs were approximately $17,130,000. The Utility expects to fund approximately an additional $240,000 during the year ending May 31, 2024. Once reclamation activities are complete, the Utility anticipates the property will be sold. Resources to be generated from this sale are not currently determinable.

Other Contingencies

The Board is involved in various claims and legal proceedings in which monetary damages and other relief is sought. The Board is vigorously contesting these claims; however, the resolution is not expected to occur quickly, and the ultimate outcome cannot presently be predicted. It is the opinion of management that the ultimate resolution of these claims, legal proceedings, and other contingencies, either individually or in the aggregate, will not materially affect the Board's financial position, results of operations, or liquidity.

Note 10: Significant Customers and Concentration of Credit Risk

For the year ended May 31, 2023, the Utility had four wholesale customers, which individually exceeded 10 percent of total wholesale revenues. Approximately 78 percent of the Electric System's wholesale revenue during the year ended May 31, 2023, was generated through sales to these customers, in the amount of approximately $43,296,000. As of May 31, 2023, total receivables from these customers were approximately $5,811,000. No other customer represented 10 percent or more of the Electric System revenue. The Electric System's receivables from retail customers are located in Sikeston, Missouri, and its wholesale receivable customers are located in the states of Missouri and Kansas.

Required Supplementary Information

Board of Municipal Utilities
Sikeston, Missouri
Required Supplementary Information
Schedule of the Utility's Changes in Net Pension Liability/(Asset) and Related Ratios
May 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability								
Service cost	$ 1,188,744	$ 1,159,988	$ 1,125,747	$ 849,907	$ 847,994	$ 873,809	$ 873,292	$ 904,619
Interest on the total pension liability	5,316,093	5,411,074	5,209,357	4,373,266	4,354,113	4,379,975	3,977,456	3,972,670
Changes in benefit terms	-	-	-	8,340,500	-	-	-	-
Difference between expected and actual experience	1,727,772	292,289	470,670	1,692,356	(1,696,949)	(2,613,331)	1,568,808	(1,482,213)
Changes of assumptions	-	(1,446,783)	-	-	-	-	2,324,201	-
Benefit payments, including refunds	(4,275,836)	(3,971,721)	(4,106,513)	(3,620,465)	(2,876,413)	(3,088,843)	(3,291,663)	(3,334,919)
Net Change in Total Pension Liability	3,956,773	1,444,847	2,699,261	11,635,564	628,745	(448,390)	5,452,094	60,157
Total Pension Liability – Beginning	77,461,619	76,016,772	73,317,511	61,681,947	61,053,202	61,501,592	56,049,498	55,989,341
Total Pension Liability – Ending	81,418,392	77,461,619	76,016,772	73,317,511	61,681,947	61,053,202	61,501,592	56,049,498
Fiduciary Net Position								
Contributions – employer	2,454,762	2,328,945	2,246,565	1,839,197	1,354,898	1,303,671	1,331,286	1,556,587
Net investment income	60,587	17,994,275	873,315	4,706,011	7,023,038	6,368,340	(155,540)	1,170,694
Benefit payments, including refunds	(4,275,836)	(3,971,721)	(4,106,513)	(3,620,465)	(2,876,413)	(3,088,843)	(3,291,663)	(3,334,919)
Pension plan administrative expense	(31,816)	(29,059)	(37,232)	(33,192)	(22,790)	(22,164)	(22,371)	(24,605)
Other	668,982	243,069	(480,202)	541,515	(246,487)	(131,387)	(154,780)	(26,399)
Net Change in Plan Fiduciary Net Position	(1,123,321)	16,565,509	(1,504,067)	3,433,066	5,232,246	4,429,617	(2,293,068)	(658,642)
Fiduciary Net Position – Beginning	83,278,772	66,713,263	68,217,330	64,784,264	59,552,018	55,122,401	57,415,469	58,074,111
Fiduciary Net Position – Ending	82,155,451	83,278,772	66,713,263	68,217,330	64,784,264	59,552,018	55,122,401	57,415,469
Net Pension Liability/(Asset)	$ (737,059)	$ (5,817,153)	$ 9,303,509	$ 5,100,181	$ (3,102,317)	$ 1,501,184	$ 6,379,191	$ (1,365,971)
Fiduciary Net Position as a Percentage of Total Pension Liability	100.91%	107.51%	87.76%	93.04%	105.03%	97.54%	89.63%	102.44%
Covered Payroll	$ 10,714,872	$ 10,566,156	$ 10,288,736	$ 10,156,627	$ 9,882,465	$ 10,022,113	$ 10,341,075	$ 10,006,457
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-6.88%	-55.05%	90.42%	50.22%	-31.39%	14.98%	61.69%	-13.65%

Board of Municipal Utilities
Sikeston, Missouri
Required Supplementary Information
Schedule of the Utility's Changes in Net Pension Liability/(Asset) and Related Ratios
May 31, 2023

Notes to Schedule:

Benefit changes	There was no change in benefits for 2023.
Changes of assumptions	There were no changes to assumptions for the year ended May 31, 2023.

In accordance with GASB 68, information presented in this schedule was determined as of the measurement date (June 30) of the net pension liability/(asset).

This schedule presents the information available to the Utility and will include ten-year trend information once available.

Board of Municipal Utilities
Sikeston, Missouri
Required Supplementary Information
Schedule of the Utility's Contributions
May 31, 2023

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as Percentage of Covered Employee Payroll
2014	$ 1,374,676	$ 1,374,676	$ -	$ 10,182,782	13.50%
2015	1,600,817	1,568,368	32,449	10,816,330	14.50%
2016	1,337,169	1,337,169	-	9,832,127	13.60%
2017	1,251,364	1,251,363	1	10,010,902	12.50%
2018	1,473,479	1,353,195	120,284	10,023,667	13.50%
2019	1,823,102	1,823,102	-	10,735,500	16.98%
2020	2,243,606	2,243,606	-	10,435,378	21.50%
2021	2,317,959	2,317,959	-	10,781,204	21.50%
2022	2,472,163	2,450,382	21,781	10,890,587	22.50%
2023	2,644,721	2,644,721	-	11,350,734	23.30%

Notes to Schedule:

Valuation date	February 28, 2022
Notes	The roll-forward of total pension liability from February 28, 2022, to June 30, 2022, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Multiple bases from 7 to 16 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	2.75% wage inflation; 2.25% price inflation
Salary increases	2.75% to 6.75% including wage inflation
Investment rate of return	7.00%, net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition

Board of Municipal Utilities
Sikeston, Missouri
Required Supplementary Information
Schedule of the Utility's Contributions
May 31, 2023

Mortality	The healthy retiree mortality tables, for postretirement mortality, used in evaluating allowances to be paid were 115 percent of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for postretirement mortality, used in evaluating allowances to be paid were 115 percent of the PubNS 2010 Disabled Retiree Mortality Table for males and females. The preretirement mortality tables used were 75 percent of the PubG-2010 Employee Mortality Table for males and females of General groups and 75 percent of the PubS-2010 Employee Mortality Table for males and females of Police, Fire, and Public Safety groups Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables
Other information	None

Board of Municipal Utilities
Sikeston, Missouri
Required Supplementary Information
Schedule of Changes in the Utility's Total OPEB Liability and Related Ratios
May 31, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 235,977	$ 276,167	$ 220,045
Interest	146,311	107,937	107,332
Differences between expected and actual experience	(435,034)	-	(532,471)
Changes in assumptions or other inputs	(188,268)	(393,982)	498,390
Benefit payments	(424,263)	(239,215)	(374,016)
Net Change in Total OPEB Liability	(665,277)	(249,093)	(80,720)
Total OPEB Liability – Beginning of Year	4,606,239	4,855,332	4,936,052
Total OPEB Liability – End of Year	$ 3,940,962	$ 4,606,239	$ 4,855,332
Covered Payroll	$ 18,834,176	$ 10,699,115	$ 10,566,305
Total OPEB Liability as a Percentage of Covered-Employee Payroll	20.92%	43.05%	45.95%

Notes to Schedule:

Benefit changes	There were no changes to benefit terms for the years ended May 31, 2023, 2022, and 2021.
Changes of assumptions	There was a change in the discount rate and health care cost trend rate for 2023 which had a net impact of $(188,268).
	There was a change in the discount rate and health care cost trend rate for 2022 which had a net impact of $(393,982).
	There was a change in the discount rate and health care cost trend rate for 2021which had a net impact of $498,390.

This schedule is presented as of the measurement date for the fiscal year.

This schedule presents information available to the Utility and will include ten-year information once available.

Supplementary Information

Board of Municipal Utilities
Sikeston, Missouri
Combining Balance Sheet
May 31, 2023

Assets and Deferred Outflows of Resources

	Electric System	Water and Sewer System	Combined
Assets			
Property and Plant and Leased Assets			
Property and plant, at original cost	$ 332,749,415	$ 25,864,530	$ 358,613,945
Accumulated depreciation	(302,384,424)	(19,442,060)	(321,826,484)
Leased assets	2,684,956	5,181,254	7,866,210
Accumulated amortization	(435,398)	(744,721)	(1,180,119)
	32,614,549	10,859,003	43,473,552
Construction work in progress	15,090,420	20,656,296	35,746,716
Total property and plant and leased assets, net	47,704,969	31,515,299	79,220,268
Restricted Assets			
Debt service account	-	2,526,206	2,526,206
Construction fund account	-	5,731,550	5,731,550
	-	8,257,756	8,257,756
Less amount required to meet current obligations	-	(260,000)	(260,000)
Total restricted assets	-	7,997,756	7,997,756
Other Noncurrent Assets			
Net pension asset	611,752	125,307	737,059
Lease receivable	74,030	-	74,030
Total other noncurrent assets	685,782	125,307	811,089
Current Assets			
Cash and cash equivalents	44,067,057	6,231,858	50,298,915
Restricted assets	-	260,000	260,000
Accounts receivable, net	9,562,924	3,667,875	13,230,799
Coal inventories	11,971,331	-	11,971,331
Materials and supplies	6,537,276	445,188	6,982,464
Prepaid expenses and other assets	840,098	356,895	1,196,993
Interdepartment due from (to)	1,489,983	(1,489,983)	-
Lease receivable	4,132	-	4,132
Total current assets	74,472,801	9,471,833	83,944,634
Total assets	122,863,552	49,110,195	171,973,747
Deferred Outflows of Resources			
Pension related	4,010,515	749,672	4,760,187
Other postemployment benefits related	430,435	86,818	517,253
Total deferred outflows of resources	4,440,950	836,490	5,277,440
Total assets and deferred outflows of resources	$ 127,304,502	$ 49,946,685	$ 177,251,187

Net Position, Liabilities, and Deferred Inflows of Resources

	Electric System	Water and Sewer System	Combined
Net Position			
Net investment in capital assets	$ 43,264,718	$ 1,703,939	$ 44,968,657
Restricted for debt service	5,437,663	2,373,022	7,810,685
Restricted for net pension asset	611,752	125,307	737,059
Unrestricted	54,948,045	9,612,770	64,560,815
Total net position	104,262,178	13,815,038	118,077,216
Long-Term Debt	-	27,035,000	27,035,000
Add: Unamortized bond premium	-	1,133,002	1,133,002
Total long-term debt, net	-	28,168,002	28,168,002
Other Noncurrent Liabilities			
Total other postemployment benefit liability	3,270,999	669,963	3,940,962
Accrued compensated absences	1,061,283	65,270	1,126,553
Leases payable	1,890,462	3,877,915	5,768,377
Total other noncurrent liabilities	6,222,744	4,613,148	10,835,892
Current Liabilities Payable from Restricted Assets			
Current maturities of long-term debt	-	260,000	260,000
Current Liabilities Payable from Unrestricted Assets			
Accounts payable	10,164,116	1,147,874	11,311,990
Accrued interest payable	20,063	153,184	173,247
Leases payable	390,606	735,841	1,126,447
Customer deposits	787,530	-	787,530
Accrued mine shutdown costs	696,190	-	696,190
Other accruals	1,150,749	330,964	1,481,713
	13,209,254	2,367,863	15,577,117
Total current liabilities	13,209,254	2,627,863	15,837,117
Deferred Inflows of Resources			
Pension related	2,422,123	496,097	2,918,220
Other postemployment benefits related	1,112,590	226,537	1,339,127
Leases	75,613	-	75,613
Total deferred inflows of resources	3,610,326	722,634	4,332,960
Total net position, liabilities, and deferred inflows of resources	$ 127,304,502	$ 49,946,685	$ 177,251,187

Board of Municipal Utilities
Sikeston, Missouri
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended May 31, 2023

	Electric System	Water and Sewer System	Combined
Operating Revenues			
Retail	$ 31,448,316	$ 8,128,350	$ 39,576,666
Wholesale	55,677,233	-	55,677,233
Total operating revenues	87,125,549	8,128,350	95,253,899
Operating Expenses			
Production and operations	46,392,837	2,398,251	48,791,088
Purchased power	6,966,513	-	6,966,513
Distribution costs	3,017,503	1,286,888	4,304,391
Depreciation and amortization	5,934,787	1,662,069	7,596,856
General and administrative	2,840,638	308,926	3,149,564
Pension expense	1,076,487	220,485	1,296,972
Other postemployment benefits expense	276,325	46,597	322,922
Donated services	868,167	171,382	1,039,549
Other operating expenses	556,575	419,952	976,527
Total operating expenses	67,929,832	6,514,550	74,444,382
Operating Income	19,195,717	1,613,800	20,809,517
Nonoperating Income (Expense)			
Investment income	1,579,328	379,267	1,958,595
Interest expense	(67,419)	(739,929)	(807,348)
Grant revenue	-	2,500,000	2,500,000
Miscellaneous, net	1,993,660	976,669	2,970,329
Net nonoperating income (expense)	3,505,569	3,116,007	6,621,576
Change in Net Position	22,701,286	4,729,807	27,431,093
Net Position			
Beginning of year	81,560,892	9,085,231	90,646,123
End of year	$ 104,262,178	$ 13,815,038	$ 118,077,216

Board of Municipal Utilities
Sikeston, Missouri
Combining Statement of Cash Flows
Year Ended May 31, 2023

	Electric System	Water and Sewer System	Combined
Cash Flows from Operating Activities			
Receipts from customers and others	$ 88,627,820	$ 5,548,159	$ 94,175,979
Payments to suppliers	(59,591,429)	(1,336,562)	(60,927,991)
Payments to employees	(10,115,009)	(1,997,605)	(12,112,614)
Payments for mine shutdown costs	(299,872)	-	(299,872)
Net cash provided by operating activities	18,621,510	2,213,992	20,835,502
Cash Flows from Investing Activities			
Decrease (increase) in temporary investments maintained in debt service and construction accounts	28,312,045	(4,242,927)	24,069,118
Interest received	1,579,328	399,962	1,979,290
Net cash provided by (used in) investing activities	29,891,373	(3,842,965)	26,048,408
Cash Flows from Capital and Related Financing Activities			
Purchase of property and plant, net	(24,591,234)	(8,621,195)	(33,212,429)
Proceeds from the issuance of debt	-	8,800,000	8,800,000
Payment of long-term debt and capital lease obligations	(14,227,238)	(917,718)	(15,144,956)
Interest paid	(392,481)	(714,597)	(1,107,078)
Other nonoperating revenues	1,993,660	3,476,669	5,470,329
Net cash provided by (used in) capital and related financing activities	(37,217,293)	2,023,159	(35,194,134)
Increase in cash and cash equivalents	11,295,590	394,186	11,689,776
Cash and Cash Equivalents			
Beginning of year	32,771,467	5,837,672	38,609,139
End of year	$ 44,067,057	$ 6,231,858	$ 50,298,915

Board of Municipal Utilities
Sikeston, Missouri
Combining Statements of Cash Flows
Year Ended May 31, 2023

	Electric System	Water and Sewer System	Combined
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	$ 19,195,717	$ 1,613,800	$ 20,809,517
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	5,934,787	1,662,069	7,596,856
Mine shutdown costs (proceeds)	(59,872)	-	(59,872)
Payments for mine shutdown costs	(240,000)	-	(240,000)
Loss on disposal	(36,475)	(4,200)	(40,675)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources			
(Increase) decrease in accounts receivable	1,489,264	(2,580,191)	(1,090,927)
(Increase) decrease in coal inventories	(7,213,445)	-	(7,213,445)
(Increase) decrease in materials and supplies	(250,301)	71,073	(179,228)
(Increase) decrease in prepaid expenses and other assets	(70,803)	(67,102)	(137,905)
(Increase) decrease in deferred outflows related to pensions	(1,013,966)	(137,956)	(1,151,922)
(Increase) decrease in deferred outflows related to other postemployment benefits	36,819	8,885	45,704
(Increase) decrease in net pension asset	4,216,481	863,613	5,080,094
Increase (decrease) in accounts payable and accrued expenses	4,611,002	797,484	5,408,486
Increase (decrease) in customer deposits and other liabilities	13,007	-	13,007
Interdepartment due from (to)	(1,348,346)	1,348,346	-
Increase (decrease) in total other postemployment liability	(552,179)	(113,098)	(665,277)
Increase (decrease) in deferred inflows related to pensions	(6,529,728)	(1,337,415)	(7,867,143)
Increase (decrease) in deferred inflows related to other postemployment benefits	439,548	88,684	528,232
Net cash provided by operating activities	$ 18,621,510	$ 2,213,992	$ 20,835,502
Noncash Investing, Capital, and Financing Activities			
Amounts payable incurred for purchase of capital assets	$ 2,159,183	$ 118,750	$ 2,277,933
Lease obligation incurred for lease assets	$ -	$ 376,108	$ 376,108

Board of Municipal Utilities
Sikeston, Missouri
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Treasury/City of Sikeston/ Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP4542	$ -	$ 2,500,000
Total expenditures			$ -	$ 2,500,000

The accompanying notes are an integral part of this Schedule.

Board of Municipal Utilities of
Sikeston, Missouri
Notes to the Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Board of Municipal Utilities Sikeston, Missouri (the "Board" or the "Utility") under programs of the federal government for the year ended May 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Utility, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Utility.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The Utility has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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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*

Independent Auditor's Report

To the Directors of the Board of Municipal
Utilities Sikeston, Missouri
Sikeston, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Board of Municipal Utilities Sikeston, Missouri (the "Utility"), which comprise the statement of financial position as of May 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2023. Our report contained an Emphasis of Matter paragraph regarding a change in accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of finding and questioned costs as item 2023-001, that we considered to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility'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.

FORVIS, LLP

Springfield, Missouri
October 27, 2023

FORV/S

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Directors of the Board of Municipal
Utilities Sikeston, Missouri
Sikeston, Missouri

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Board of Municipal Utilities Sikeston, Missouri's (the "Board" or "Utility") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Utility's major federal program for the year ended May 31, 2023. The Utility's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Utility complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Utility's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Utility's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

FORVIS, LLP

Springfield, Missouri
October 27, 2023

Board of Municipal Utilities
Sikeston, Missouri
Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Significant deficiency(ies) identified? ☒ Yes ☐ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor's report issued on compliance for the major federal award program:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Board of Municipal Utilities
Sikeston, Missouri
Schedule of Findings and Questioned Costs (Continued)
Year Ended May 31, 2023

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Board of Municipal Utilities
Sikeston, Missouri
Schedule of Findings and Questioned Costs (Continued)
Year Ended May 31, 2023

Section II – Financial Statement Findings

Reference Number	Finding
2023-001	Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – The Finance Admin Accountant and Manager have nearly all responsibilities in the cash outflows, cash inflows, and payroll accounting cycles.

Cause – The Utility's accounting department has a limited number of personnel, resulting in segregation of duty issues.

Effect or potential effect – The Finance Admin Accountant and Manager have the potential to misappropriate assets through their access, recording, and monitoring duties.

Recommendation – Management should continue to closely monitor the various accounting cycles and hire additional personnel to potentially minimize conflicting duties.

Views of responsible officials and planned corrective actions – The Sikeston Board of Municipal Utilities, in response to the findings in the Single Audit for the federal ARPA funds awarded, is issuing the following corrective action plan:

The company implemented new software this past year that affected the entire organization. During this conversion the Finance Admin Accountant and Manager were given access to more areas to assist all departments during the transition. These accesses are now being reviewed and modified to help reduce the segregation of duties conflicts.

The new software can trace the user on all transactions made in the system and when a new vendor is added or changed an email is sent to three other personnel notifying them of the addition or change and the user who made that change.

Also, the Finance Department is currently trying to hire a third accountant which will potentially minimize conflicting duties.

Management will continue to review the conflicts and will determine what additional changes should be made to the control environment.

Board of Municipal Utilities
Sikeston, Missouri
Schedule of Findings and Questioned Costs (Continued)
Year Ended May 31, 2023

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Board of Municipal Utilities
Sikeston, Missouri
Summary Schedule of Prior Audit Findings
Year Ended May 31, 2023

Reference Number	Summary of Finding	Status

No matters are reportable.