



**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

December 31, 2023

**Financial Statements
And
Supplementary Information**

With

Independent Auditor's Report



Table of Contents

| | <u>Page</u> |
|---|-------------|
| Financial Statements | |
| Independent Auditor’s Report | 1 – 3 |
| Management’s Discussion and Analysis | 4 – 7 |
| Statement of Net Position..... | 8 – 9 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | 10 |
| Statement of Cash Flows..... | 11 – 12 |
| Statement of Fiduciary Net Position..... | 13 |
| Statement of Changes in Fiduciary Net Position..... | 14 |
| Notes to Financial Statements | 15 – 38 |
| Required Supplementary Information | |
| Schedule of Changes in the Utility’s Net Other Postemployment Benefits and Related Ratios for the Years Ended December 31, 2023 – December 31, 2014..... | 39 |
| Schedule of the Utility’s Contributions for the Years Ended December 31, 2023 – December 31, 2014..... | 40 |
| Schedule of the Utility’s Investment Returns for the Years Ended December 31, 2023 – December 31, 2014..... | 41 |
| Schedule of Changes in the Employers’ Net Pension Liability and Related Ratios for the Years Ended December 31, 2023 – December 31, 2014..... | 42 |
| Schedule of the Employers’ Contributions for the Years Ended December 31, 2023 – December 31, 2014..... | 43 |
| Schedule of the Employers’ Investment Returns for the Years Ended December 31, 2023 – December 31, 2014..... | 44 |

Table of Contents (cont.)

| | <u>Page</u> |
|---|--------------------|
| Supplementary Information | |
| Divisional Statement of Net Position | 45 – 46 |
| Divisional Statement of Revenues, Expenses, and Changes in Net Position | 47 |
| Amortization Schedules..... | 48 – 50 |
| Other Information | |
| Statistical Data (Unaudited) | 51 – 55 |
| Internal Control and Compliance Section | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 56 – 57 |



Independent Auditor's Report

Board of Commissioners
Paragould Municipal Utilities Commission
d/b/a Paragould Municipal Utilities
Paragould, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities, a component unit of the City of Paragould, Arkansas as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities as of December 31, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' 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 GAS 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 GAS, 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 Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' 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 Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' 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

GAAP requires that the management's discussion and analysis, and other postemployment benefits and pension information on pages 4 through 7 and 39 through 44 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 Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' basic financial statements. The divisional statements of net position and revenues, expenses, and changes in net position, amortization schedules, and statistical data (unaudited) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The divisional statements of net position and revenues, expenses, and changes in net position and amortization schedules are 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 divisional statements of net position and revenues, expenses, and changes in net position and amortization schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by GAS

In accordance with *GAS*, we have also issued our report dated May 28, 2024 on our consideration of Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *GAS* in considering Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' internal control over financial reporting and compliance.

Frest, PLLC

Certified Public Accountants

Little Rock, Arkansas
May 28, 2024

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITES**

4

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023

Financial Highlights

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| Assets and deferred outflows of resources | | |
| Total current assets | \$ 44,156,763 | \$ 45,400,653 |
| Restricted assets | 4,963,311 | 3,885,457 |
| Capital assets, net | 135,525,083 | 126,398,727 |
| Postemployment benefits other than pensions benefit | 2,802,522 | 3,352,679 |
| Total deferred outflows of resources | <u>4,407,866</u> | <u>6,368,726</u> |
| Total assets and deferred outflows of resources | <u>191,855,545</u> | <u>185,406,242</u> |
| Liabilities and deferred inflows of resources | | |
| Total current liabilities | 7,788,949 | 9,503,206 |
| Total noncurrent liabilities | 31,318,254 | 34,012,456 |
| Total deferred inflows of resources | <u>3,964,488</u> | <u>3,292,794</u> |
| Total liabilities and deferred inflows of resources | <u>43,071,691</u> | <u>46,808,456</u> |
| Net position | | |
| Net investment in capital assets | 108,756,123 | 98,830,471 |
| Restricted | 4,963,311 | 13,252,662 |
| Unrestricted | <u>35,064,420</u> | <u>26,514,653</u> |
| Total net position | <u>\$ 148,783,854</u> | <u>\$ 138,597,786</u> |
| Operating revenues | | |
| Utility charges | \$ 77,012,802 | \$ 73,746,151 |
| Other operating income | <u>979,904</u> | <u>250,327</u> |
| Total operating revenues | <u>77,992,706</u> | <u>73,996,478</u> |
| Operating expenses | | |
| Production and distribution | 20,402,491 | 20,574,774 |
| Purchased power | 37,941,707 | 38,209,409 |
| Customer accounts | 1,268,510 | 1,099,987 |
| Administration and general | 2,071,362 | 1,782,675 |
| Amortization | - | 48,501 |
| Depreciation | <u>7,160,477</u> | <u>7,171,991</u> |
| Total operating expenses | <u>68,844,547</u> | <u>68,887,337</u> |
| Total nonoperating income (expenses) | <u>835,297</u> | <u>(478,832)</u> |
| Capital contributions | <u>202,612</u> | <u>307,677</u> |
| Changes in net position | 10,186,068 | 4,937,986 |
| Net position - beginning of year | <u>138,597,786</u> | <u>133,659,800</u> |
| Net position - end of year | <u>\$ 148,783,854</u> | <u>\$ 138,597,786</u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

5

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2023

The following discussion and analysis of the Paragould Municipal Utilities Commission's (the "Utility") financial performance provides an overview of the Utility's activities for the year ended December 31, 2023, in comparison with the prior year financial results. Please read it in conjunction with the financial statements and supplemental data, which follow this section.

The Utility is a component unit of the City of Paragould, Arkansas. The Utility is a municipal utility offering electric, water, sewer, and internet-based video and data services to residential, commercial, and industrial customers in and around Paragould, Arkansas. Divisional Statements of Net Position and Revenues, Expenses, and Changes in Net Position are included in the Supplementary Information that follows the Financial Statements.

Introduction of Financial Statements

The Statement of Net Position includes all of the Utility's assets and liabilities, using the accrual basis accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other purposes.

The Statement of Revenues, Expenses, and Changes in Net Position reports all of the revenues and expenses during the time period indicated.

The Statement of Cash Flow reports the cash provided and used by operating activities, as well as other cash sources such as investment income or bond proceeds and cash payments for repayment of bonds and capital additions.

The Statement of Fiduciary Net Position reports the fiduciary assets, liabilities, and net position held by the Utility for the period ending December 31, 2023.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions that account for the changes in net positions from January 1, 2022 to December 31, 2023.

Total and Capital Assets

Total assets increased by approximately \$8.4 million or 5% during 2023. Capital assets being depreciated increased in 2023 by approximately \$9 million. The major capital improvements projects consisted of:

- A project to modify the Wastewater Treatment Plant Headworks system is ongoing, with \$4.3 million spent in 2023.
- A portion of the sewer collection system, consisting of basins 1, 3 and 4 is in the process of rehabilitation, after having had testing and evaluation done of the current system. Approximately \$4.5 million was spent on this project in the current year, with \$9.6 million having been spent to date.

The above named projects are part of a comprehensive sewer system rehabilitation plan that was financed by bonds that were issued in 2020.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

6

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2023

Capital Contributions

Contributions during 2023 were approximately \$203,000. These contributions are comprised of developer paid fees for cable, electric, water, and wastewater lines, in addition to funds paid by builders for the difference in costs of underground electric lines as compared to overhead lines, and water and wastewater connection fees.

Liabilities

Total liabilities decreased by approximately \$4.4 million in 2023. Long-term debt decreased by \$825,000 in 2023.

Operating Revenues and Expenses

Operating revenues increased by approximately \$4 million or 5% in 2023. See the 'Statistical Data' at the end of this report on each department's customer growth and consumption.

The Utility's rate structures allow for automatic recovery of any increase in purchased or generated power costs through a monthly Power Cost Adjustment and any increases in TV programming costs through a Programming Cost Adjustment. In addition, water and wastewater rates increase annually up to 3% or Consumer Price Index. The adjustment to cable rates are made as programmers increase costs and water and wastewater rates adjustments are implemented at the beginning of each calendar year.

Operating expenses remained relatively stable year-over-year. Total net operating expenses decreased by approximately \$43,000.

Long-Term Debt

The Utility's trustees paid to the bondholders' principal payments of \$825,000 during 2023. The Utility makes monthly sinking fund payments to the bond trustees, which are reflected as restricted assets. The bondholders are then paid annual principal payments and semiannual interest payments. Bond covenants require the Utility to maintain a Debt Service Coverage Ratio of 1.20. The coverage ratio maintained was 11.1 for 2023.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

7

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2023

Restricted Assets

The Utility's bond resolutions require reserve funds to be set aside. The Bond Ordinances require that Bond Debt Service Reserves to be equal to "Maximum annual debt service." The "Restricted Assets" consist of bond sinking funds and debt service reserves as required by bond covenants.

Rate Structure

The Utility's rate structure is based on a cost-of-service approach of which debt service payments and operating expenses are the principal components. The Utility does not have the authority to set rates since they are a component unit of the City of Paragould, Arkansas. The Paragould City Council sets rates as recommended by the Utility. The Council must also approve issuance of bond indebtedness. However, the rates do not come under the Arkansas Public Service Commission and are not regulated by the Federal Energy Regulatory Commission.

The communication and working relationship of the Utility, the City Council and Mayor has a long favorable history. It is vital to the operations of the City of Paragould, Arkansas and for continued economic growth that the Utility is financially and operationally able to respond to the needs of current and future utility customers.

MD&A Report

This report is intended to provide the Utility's customers, bondholders, citizens of the City of Paragould, Arkansas and other interested parties with a general overview of the Utility's financial position to indicate accountability for the revenues the Utility receives.

Questions about this report or request for additional information should be directed to the Commission at 870-239-7700 or to our office located at 1901 Jones Road, Paragould, Arkansas 72450.

Signed:

Brett Bradford, General Manager and Chief Executive Officer

Janet Chronister, Director of Finance

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

8

Statement of Net Position

December 31, 2023

Assets and Deferred Outflows of Resources

| | |
|---|---------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 18,777,049 |
| Certificates of deposit | 10,239,452 |
| Accounts receivable, net of allowance for credit losses of approximately \$403,000 | 9,545,407 |
| Material and supply inventories | 5,123,653 |
| Prepaid expenses | <u>471,202</u> |
| Total current assets | <u>44,156,763</u> |
| Long-term assets | |
| Restricted assets | 4,963,311 |
| Capital assets, net of accumulated depreciation | 135,525,083 |
| Postemployment benefits other than pensions benefit | <u>2,802,522</u> |
| Total long-term assets | <u>143,290,916</u> |
| Deferred outflows of resources | |
| Goodwill, net | 5,250 |
| Deferred loss on bond refunding | 125,209 |
| Other postemployment benefits | 1,210,842 |
| Pension | <u>3,066,565</u> |
| Total deferred outflows of resources | <u>4,407,866</u> |
| Total assets and deferred outflows of resources | <u>\$ 191,855,545</u> |

The accompanying notes are an integral part of these financial statements.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

9

Statement of Net Position (cont.)

December 31, 2023

Liabilities, Deferred Inflows of Resources, and Net Position

| | |
|--|-----------------------|
| Current liabilities | |
| Current maturities of long-term debt | \$ 918,734 |
| Accounts payable | 4,122,637 |
| Accrued interest | 60,281 |
| Customer deposits | 453,340 |
| Compensated absences | 1,043,262 |
| Other current liabilities | 1,190,695 |
| Total current liabilities | <u>7,788,949</u> |
| Noncurrent liabilities | |
| Long-term debt, less current maturities | 25,975,435 |
| Net pension liability | 4,509,153 |
| Customer deposits | 833,666 |
| Total noncurrent liabilities | <u>31,318,254</u> |
| Deferred inflows of resources | |
| Other postemployment benefits | 2,271,097 |
| Pension | 1,693,391 |
| Total deferred inflows of resources | <u>3,964,488</u> |
| Total liabilities and deferred inflows of resources | <u>43,071,691</u> |
| Net position | |
| Net investment in capital assets | 108,756,123 |
| Restricted | 4,963,311 |
| Unrestricted | 35,064,420 |
| Total net position | <u>148,783,854</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 191,855,545</u> |

The accompanying notes are an integral part of these financial statements.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

10

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2023

| | |
|----------------------------------|-----------------------|
| Operating revenues | |
| Utility charges | \$ 77,012,802 |
| Other operating income | <u>979,904</u> |
| Total operating revenues | <u>77,992,706</u> |
| | |
| Operating expenses | |
| Production and distribution | 20,402,491 |
| Purchased power | 37,941,707 |
| Customer accounts | 1,268,510 |
| Administration and general | 2,071,362 |
| Depreciation | <u>7,160,477</u> |
| Total operating expenses | <u>68,844,547</u> |
| | |
| Operating income | <u>9,148,159</u> |
| | |
| Nonoperating income (expenses) | |
| Interest income | 1,030,142 |
| Other nonoperating income | 570,106 |
| Interest expense | (696,395) |
| Bond costs - loss on defeasance | <u>(68,556)</u> |
| Total nonoperating income | <u>835,297</u> |
| | |
| Capital contributions | <u>202,612</u> |
| | |
| Changes in net position | 10,186,068 |
| | |
| Net position - beginning of year | <u>138,597,786</u> |
| | |
| Net position - end of year | <u>\$ 148,783,854</u> |

The accompanying notes are an integral part of these financial statements.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

11

Statement of Cash Flows

For the Year Ended December 31, 2023

| | |
|---|----------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 78,426,670 |
| Cash paid to suppliers | (53,919,722) |
| Payments to employees | <u>(9,160,159)</u> |
| Net cash provided by operating activities | <u>15,346,789</u> |
| | |
| Cash flows from noncapital financing activities | |
| Change in customer deposits, net | 23,394 |
| Other | <u>570,106</u> |
| Net cash provided by noncapital financing activities | <u>593,500</u> |
| | |
| Cash flows from capital and related financing activities | |
| Purchases of capital assets | (16,097,412) |
| Proceeds from sale of capital assets | 37,000 |
| Principal paid on long-term debt | (815,000) |
| Interest paid on long-term debt | <u>(751,322)</u> |
| Net cash used by capital and related financing activities | <u>(17,626,734)</u> |
| | |
| Cash flows from investing activities | |
| Proceeds from sale of certificates of deposit, net | 1,760,548 |
| Change in restricted assets | (1,077,854) |
| Interest income received | <u>1,030,142</u> |
| Net cash provided by investing activities | <u>1,712,836</u> |
| | |
| Net increase in cash and cash equivalents | 26,391 |
| | |
| Cash and cash equivalents - beginning of year | <u>18,750,658</u> |
| | |
| Cash and cash equivalents - end of year | <u>\$ 18,777,049</u> |

The accompanying notes are an integral part of these financial statements.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

12

Statement of Cash Flows (cont.)

For the Year Ended December 31, 2023

| | |
|---|----------------------|
| Reconciliation of earnings from operations to net cash provided by operating activities | |
| Operating income | \$ 9,148,159 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 7,160,477 |
| Gain on sale of capital assets | (23,809) |
| Changes in operating assets and liabilities | |
| Accounts receivable, net | 433,964 |
| Material and supply inventories | (902,576) |
| Prepaid expenses | (21,655) |
| Deferred outflows of resources for other postemployment benefits | 401,987 |
| Deferred outflows of resources for pensions | 1,490,317 |
| Accounts payable | (1,770,854) |
| Other current liabilities and compensated absences | 58,036 |
| Net pension liability | (1,849,108) |
| Deferred inflows of resources for other postemployment benefits | (141,389) |
| Deferred inflows of resources for pensions | 813,083 |
| Postemployment benefits other than pensions benefit | <u>550,157</u> |
| Net cash provided by operating activities | <u>\$ 15,346,789</u> |
| <u>Supplementary disclosure of noncash investing, capital, and financing activities</u> | |
| Capital contributions in aid of construction | \$ 202,612 |

The accompanying notes are an integral part of these financial statements.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

13

Statement of Fiduciary Net Position

December 31, 2023

| | Other Postemployment Benefits Trust Fund | Pension Trust Fund |
|-------------------------------|---|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 355,610 | \$ 452,778 |
| Investments | 6,794,754 | 25,963,929 |
| Accrued interest receivable | - | 46,064 |
| Total assets | \$ 7,150,364 | \$ 26,462,771 |
| Net position | | |
| Restricted for | | |
| Pensions | \$ - | \$ 26,462,771 |
| Other postemployment benefits | 7,150,364 | - |
| Total net position | \$ 7,150,364 | \$ 26,462,771 |

The accompanying notes are an integral part of these financial statements.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

14

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2023

| | Other Postemployment Benefits <u>Trust Fund</u> | Pension <u>Trust Fund</u> |
|----------------------------------|--|------------------------------|
| Additions | | |
| Employer contributions | \$ - | \$ - |
| Net investment income | 1,013,427 | 4,592,091 |
| Other income | - | - |
| Total additions | <u>1,013,427</u> | <u>4,592,091</u> |
| Deductions | | |
| Distributions | 1,375,000 | 1,251,388 |
| Administrative expenses | <u>18,580</u> | <u>141,232</u> |
| Total deductions | <u>1,393,580</u> | <u>1,392,620</u> |
| Change in fiduciary net position | (380,153) | 3,199,471 |
| Beginning of year | <u>7,530,517</u> | <u>23,263,300</u> |
| End of year | <u>\$ 7,150,364</u> | <u>\$ 26,462,771</u> |

The accompanying notes are an integral part of these financial statements.

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

15

Notes to Financial Statements

December 31, 2023

1. **Summary of Significant Accounting Policies**

- a. **Nature of business** – Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities (the “Utility”) is a component unit of the City of Paragould, Arkansas (the “City”). The Utility is primarily in the business of providing water, sewer, electricity, and internet-based video and data services to residential, commercial, and industrial customers in and around Paragould, Arkansas. The Utility receives no financial benefit from the City; however, the City has the power to impose its will on the Utility. Electric, water, sewer, and cable rate changes and debt issuance must be approved by the City Council. Internet rate changing ability was granted to the Utility by the City when those services started.

The accompanying financial statements present the Utility and its fiduciary funds.

- b. **Basis of accounting** – The accounts of the Utility are accounted for in an enterprise fund, which is considered a proprietary fund type. Enterprise funds account for activities that are financed and operated in a manner similar to private business enterprises or for which periodic determination of revenues, expenses, and net income is desirable. These funds render services to the general public on a user-charge basis. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. All intra-divisional activities have been eliminated.

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

The Utility utilizes fiduciary funds to report assets that are held in a trust that cannot be used to support the general operations of the Utility. The Utility’s fiduciary funds include the following:

The *Other Postemployment Benefits (“OPEB”) Trust Fund* is an employee benefit trust fund used to report the accumulation and use of resources to pay health insurance benefits for eligible retirees, as well as related liabilities for anticipated future benefits.

The *Pension Trust Fund* is a trust fund used to report the accumulation and use of resources to pay retirement, disability, and death benefits for eligible retirees, as well as related liabilities for anticipated future benefits.

- c. **Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

16

Notes to Financial Statements

December 31, 2023

1. **Summary of Significant Accounting Policies (cont.)**

- d. **Budgetary comparisons** – The Utility is not legally required to adopt a budget for the proprietary fund. Therefore, budget comparison information is not included in the Utility's financial statements.
- e. **Revenue recognition** – The Utility recognizes revenue when earned, based upon customer usage or when the service is provided. In general, residential, and commercial customers are billed on a monthly basis. The rates that are charged to customers are set by the Commission of the Utility and approved by the City Council.
- f. **Cash and cash equivalents** – Cash and cash equivalents consist of cash and investments which are short-term in nature. For purposes of the statement of cash flows, the Utility considers all highly liquid cash investments with an original maturity of three months or less, from the date of acquisition, to be cash equivalents.
- g. **Accounts receivable** – Accounts receivable consist of credit extended to users in the normal course of business. The Utility uses the allowance method to account for uncollectible accounts receivable. In circumstances where management is aware of a specific customer's inability to meet financial obligations, a specific reserve is recorded to reduce the receivable to the amount expected to be collectible. Management performs ongoing credit evaluations of its accounts. Those considered uncollectible are reserved for through the allowance account. Management analyzes the aging of outstanding balances and certain percentages are reserved based upon the type of payee and the duration the account has been outstanding. The policy for determining when receivables are past due, or delinquent is based on how recently payments have been received. Amounts are written off at the point when collection attempts have been exhausted. Management uses significant judgment in estimating uncollectible amounts. In estimating uncollectible amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance, expected credit losses, and anticipated customer performance. While management believes the Utility's processes effectively address its exposure to credit losses, changes in economic, industry or specific customer conditions may require adjustment to any allowance recorded by the Utility.

Included in accounts receivable are unbilled receivables for approximately \$6,740,000 at December 31, 2023. This represents revenues earned in the current period but not billed to the customer until future dates, usually in the next billing cycle, which is normally within one month.

- h. **Material and supply inventories** – Material and supply inventories are stated at weighted-average cost and consist of expendable supplies held for consumption. The cost is recorded as an expense or capitalized as part of a capital project at the time of usage.

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

17

Notes to Financial Statements

December 31, 2023

1. **Summary of Significant Accounting Policies (cont.)**

- i. **Capital assets** – Capital assets are valued at cost or, for contributed items, at estimated fair market value on the date of contribution. Depreciation is provided for on a straight-line basis over the estimated useful lives of the depreciable assets. The capitalization policy states that capital assets are assets with an initial value or cost greater than or equal to \$2,000 and an estimated useful life greater than one year. Significant betterments, which increase the useful lives of capital assets, are capitalized and depreciated over the remaining useful life of the related assets. The cost of electric, water, and sewer easements are included within land and land rights.
- j. **Goodwill** – As a result of certain acquisition and merger transactions, the Utility has recorded goodwill for the excess of the amount paid over the fair value of the assets acquired at the date of the acquisition or merger. Goodwill, net is recorded as deferred outflows of resources on the accompanying statement of net position. The Utility recognized no amortization expense related to goodwill during the year ended December 31, 2023.
- k. **Restricted assets** – Restricted assets include cash and investments that are legally restricted as to their future use by external groups such as creditors, grantors, contributors, or by laws and regulations.
- l. **Postemployment benefits other than pensions** – For purposes of measuring the net OPEB benefit, deferred outflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the benefit plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they were determined by a third party actuarial report on the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- m. **Deferred outflows/inflows of resources** – In addition to assets, the accompanying statement of net position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Utility has four types of items that qualify for reporting in this category. The first item is goodwill as discussed in 1.j. The next is the deferred loss on bond refunding. A deferred loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are related to the pension and OPEB benefit reported on the accompanying statement of net position. They are the differences between expected and actual experience and the net difference between projected and actual earnings on pension and OPEB plan investments. Deferred outflows related to these amounts will be amortized to expense over future periods as shown in Notes 10 and 11.

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

18

Notes to Financial Statements

December 31, 2023

1. **Summary of Significant Accounting Policies (cont.)**

In addition to liabilities, the accompanying statement of net position includes a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflows or resources (revenues) until that time. The Utility has two items that qualify for reporting as deferred inflow related to the OPEB and pension reported on the accompanying statement of net position. They are the differences between expected and actual experience and net difference between projected and actual earnings on pension and OPEB plan investments related to the pension and OPEB plan and will be amortized to expense over future periods as shown in Notes 10 and 11.

- n. **Income taxes** – As a municipally owned utility, the Utility is exempt from federal and state income taxes under the Internal Revenue Code (“IRC”) Section 115, although unrelated business income may be subject to income taxes under the IRC. Additionally, the Utility’s outstanding bonds are subject to excess earnings and arbitrage rebate laws.
- o. **Compensated absences** – The Utility provides all eligible employees paid time off benefits. Paid time off benefits are accrued when earned in the financial statements.
- p. **Pensions** – For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Retirement Plan for Employees of City Light and Water (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they were determined by a third party actuarial report on the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- q. **Net position** – The net position of the Utility is classified in the following three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by outstanding balance of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Utility. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of “net investment in capital assets,” or “restricted net position.” Amounts which have been restricted by the Board of Commissioners (the “Board”) for specified uses are included in unrestricted net position. These amounts are more fully discussed in Note 3.
- r. **Net position flow assumption** – At times the Utility will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position on the accompanying statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Utility’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

19

Notes to Financial Statements

December 31, 2023

1. **Summary of Significant Accounting Policies (cont.)**

- s. **Impairment of capital assets** – The Utility evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment, or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. During the year ended December 31, 2023, the Utility determined there were no triggering events indicating impairment of its capital assets.
- t. **Recent accounting pronouncements** – Governmental Accounting Standards Board (“GASB”) Statement No. 100, “Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.” The primary object of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023 with earlier application encouraged. The Utility does not believe the impact will be material on its financial statements.

GASB Statement No. 101, “Compensated Absences.” The objective of this statement is to better meet the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023 with earlier application encouraged. The Utility does not believe the impact will be material on its financial statements.

GASB Statement No. 102, “Certain Risk Disclosures.” The objective of this statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this statement will improve financial reporting by providing users of the financial statements with essential information that currently is not provided. The disclosure will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that will make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government’s financial condition. The requirement of this statement is effective for fiscal years beginning after June 15, 2024, with earlier adoption encouraged. The Utility has not determined the impact, if any, that this statement could have on its financial statements.

- u. **Reclassifications** – Certain reclassifications have been made to the cash and cash equivalents – beginning of year balance on the accompanying statement of cash flows in order to conform to the current year presentation. These reclassifications had no impact on previously reported changes in net position.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

20

Notes to Financial Statements

December 31, 2023

2. Cash and Restricted Assets

The Utility maintains various cash and investment accounts. The Utility's investment policy states that the Utility will be limited to the purchase of certificates of deposit and government securities including state and local bonds. Bond fund accounts and debt service reserve funds may be invested in money market mutual funds consisting of direct U.S. Treasury obligations. Certificates of deposit will be purchased directly from approved banks to enable management with the opportunity to evaluate the financial condition of the specific bank. Certificates of deposit purchased will be limited to banks within the state of Arkansas, as prescribed by Arkansas statutes.

Interest Rate Risk

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

Custodial Credit Risk

For an investment, 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 the investments or collateral securities that are in the possession of the outside party. The Utility has established a policy in which deposits and restricted assets are to be secured by collateral, reduced by the amount of insurance provided by the Federal Deposit Insurance Corporation.

At December 31, 2023, none of the Utility's investment balances were exposed to custodial credit risk.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

21

Notes to Financial Statements

December 31, 2023

3. Restricted and Board Designated Assets

Restricted and board designated assets consist of the following:

| | |
|--|----------------------|
| Restricted | |
| Electric Refunding and Improvement Revenue Bonds, Series 2020 | |
| Revenue Bond Fund | \$ 122,007 |
| Construction Fund | 3,257,438 |
| Debt Service Reserve Fund | 784,537 |
| Electric Refunding Revenue Bonds, Series 2016 | |
| Revenue Bond Fund | 324,985 |
| Debt Service Reserve Fund | 307,813 |
| Depreciation Fund Reserve | <u>166,531</u> |
| Total restricted | 4,963,311 |
| Board designated | |
| Reserve for potential uninsured property casualty losses | <u>16,294,021</u> |
| | <u>\$ 21,257,332</u> |

The bond funds are maintained in accordance with the trust indentures related to the Paragould, Arkansas Water, Sewer, and Electric Refunding Revenue Bonds, Series 2016 and Paragould, Arkansas Water, Sewer, and Electric Refunding and Improvement Revenue Bonds, Series 2020.

The reserve for self-insurance contains funds designated by the Board to be set aside to cover any liability which may occur that the Utility's insurance might not cover or for potential power cost spike due to a major regional weather event.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

22

Notes to Financial Statements

December 31, 2023

4. Capital Assets

Capital assets activity consists of the following:

| | Useful <u>Life</u> | December 31, <u>2022</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | December 31, <u>2023</u> |
|--------------------------------------|-----------------------|-----------------------------|----------------------|---------------------|------------------|-----------------------------|
| Capital assets not being depreciated | | | | | | |
| Land and land rights | N/A | \$ 1,553,772 | \$ - | \$ - | \$ - | \$ 1,553,772 |
| Construction in progress | N/A | <u>13,860,904</u> | <u>14,592,425</u> | <u>5,325,261</u> | <u>-</u> | <u>23,128,068</u> |
| | | <u>15,414,676</u> | <u>14,592,425</u> | <u>5,325,261</u> | <u>-</u> | <u>24,681,840</u> |
| Capital assets being depreciated | | | | | | |
| Buildings and improvements | 20 - 50 | 16,972,795 | 152,533 | - | - | 17,125,328 |
| Machinery and equipment | 5 - 50 | 223,822,563 | 6,428,249 | 43,662 | - | 230,207,150 |
| Vehicles | 5 | <u>4,382,421</u> | <u>452,079</u> | <u>71,725</u> | <u>-</u> | <u>4,762,775</u> |
| | | <u>245,177,779</u> | <u>7,032,861</u> | <u>115,387</u> | <u>-</u> | <u>252,095,253</u> |
| Less accumulated depreciation | | <u>134,193,728</u> | <u>7,160,477</u> | <u>102,195</u> | <u>-</u> | <u>141,252,010</u> |
| Capital assets, net | | <u>\$ 126,398,727</u> | <u>\$ 14,464,809</u> | <u>\$ 5,338,453</u> | <u>\$ -</u> | <u>\$ 135,525,083</u> |

5. Noncurrent Liabilities

Changes in noncurrent liabilities consist of the following:

| | December 31, <u>2022</u> | <u>Increases</u> | <u>Decreases</u> | December 31, <u>2023</u> | Due Within <u>One Year</u> |
|------------------------|-----------------------------|-------------------|---------------------|-----------------------------|-------------------------------|
| Long-term debt | | | | | |
| Revenue bonds | \$ 26,780,000 | \$ - | \$ 825,000 | \$ 25,955,000 | \$ 850,000 |
| Original issue premium | 982,021 | - | 42,852 | 939,169 | 68,734 |
| Customer deposits | 1,263,612 | 476,734 | 453,340 | 1,287,006 | 453,340 |
| Net pension liability | <u>6,358,261</u> | <u>-</u> | <u>1,849,108</u> | <u>4,509,153</u> | <u>-</u> |
| | <u>\$ 35,383,894</u> | <u>\$ 476,734</u> | <u>\$ 3,170,300</u> | <u>\$ 32,690,328</u> | <u>\$ 1,372,074</u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2023

6. Long-Term Debt

Long-term debt consists of the following:

| | |
|---|----------------------|
| Paragould, Arkansas Water, Sewer, and Electric Refunding of 2013 Bonds, Series 2020, bearing interest from 2.25% to 5.00%, through December 2045, net of unamortized original issue premium of \$939,169 as of December 31, 2023. | \$ 24,599,169 |
| Paragould, Arkansas Water, Sewer, and Electric Refunding of 2005 Bonds, Series 2016, bearing interest from 2.00% to 2.45% through December 2027. | <u>2,295,000</u> |
| | <u>26,894,169</u> |
| Less current maturities | <u>918,734</u> |
| Long-term debt, less current maturities | <u>\$ 25,975,435</u> |

Aggregate maturities of long-term debt are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|---------------------|----------------------|
| 2024 | \$ 918,734 | \$ 717,488 | \$ 1,636,222 |
| 2025 | 942,249 | 690,838 | 1,633,087 |
| 2026 | 965,687 | 662,504 | 1,628,191 |
| 2027 | 989,048 | 632,522 | 1,621,570 |
| 2028 | 1,022,307 | 608,356 | 1,630,663 |
| 2029 - 2045 | <u>22,056,144</u> | <u>5,179,611</u> | <u>27,235,755</u> |
| | <u>\$ 26,894,169</u> | <u>\$ 8,491,319</u> | <u>\$ 35,385,488</u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2023

6. Long-Term Debt (cont.)

At December 31, 2023, a deferred loss on defeasance of \$939,169 remained. Such loss is being amortized to interest expense using the effective interest method over the remaining maturity of the Bonds Refunded. Future expected amortization of the deferred loss is as follows:

| | | |
|------------|-----------|----------------|
| 2024 | \$ | 68,734 |
| 2025 | | 67,249 |
| 2026 | | 65,687 |
| 2027 | | 64,048 |
| 2028 | | 62,307 |
| Thereafter | | <u>611,144</u> |
| | <u>\$</u> | <u>939,169</u> |

The Bonds are not general obligations of the City but are special obligations payable solely from the revenues derived from the operation of the City’s water, sewer, and electric system (the “System”).

The Utility has certain covenants related to all revenue bonds and, as part of these bond agreements, are required to maintain the following bank accounts:

- a. **Bond fund and debt service accounts** – The Utility is required to deposit into the bond fund account each month an amount sufficient to pay 1/12 of the annual principal installment and 1/6 of the annual interest installment next becoming due. In addition, the Utility shall maintain in the debt service account an amount equal to (a) one-half of the maximum annual principal and interest requirements on the bonds or (b) 10% of the aggregate principal and proceeds of such bonds as originally issued, whichever is lesser (the “Required Level”). Should the debt service reserve become impaired or be reduced below the Required Level, the Utility shall make additional monthly payments from the revenue fund until the impairment or reduction is corrected within a 24-month period.
- b. **Depreciation reserve account** – The Utility is required to maintain in a separate bank account 2% of the gross pledge of the System’s revenues for the preceding month to be used for the purpose of paying the cost of major repairs or damage and for replacements to the facilities. If the amount falls below the required sum, the Utility is required to make monthly deposits to the fund.

The Utility was in compliance with all covenants as of December 31, 2023.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

25

Notes to Financial Statements

December 31, 2023

7. Specific Segment Information

The Utility has issued bonds to finance certain specific capital projects. Investors in the revenue bonds rely solely on the revenues generated by specific activities for repayment. Summary financial information as of and for the year ended December 31, 2023 for the segments which have bonds outstanding is as follows:

| | <u>Electric</u> | <u>Sewer</u> | <u>Water</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Assets | | | |
| Current assets | \$ 30,985,041 | \$ 3,673,579 | \$ 1,739,016 |
| Restricted assets | 166,531 | 4,796,780 | - |
| Capital assets, net of accumulated depreciation | 46,668,327 | 48,916,817 | 23,012,889 |
| Postemployment benefits other than pensions benefit | 1,036,933 | 616,555 | 532,480 |
| Deferred outflows of resources | <u>1,084,871</u> | <u>1,564,009</u> | <u>812,706</u> |
| Total assets and deferred outflows of resources | <u>\$ 79,941,703</u> | <u>\$ 59,567,740</u> | <u>\$ 26,097,091</u> |
| Liabilities | | | |
| Current liabilities | \$ 4,036,216 | \$ 2,193,997 | \$ 467,884 |
| Due to (from) other funds | (47,912,385) | 34,839,826 | 15,941,798 |
| Long-term debt, less current maturities | - | 25,975,435 | - |
| Net pension liability | 1,668,386 | 992,015 | 856,739 |
| Customer deposits | 1,284,806 | - | 2,200 |
| Deferred inflows of resources | <u>1,466,859</u> | <u>872,188</u> | <u>753,253</u> |
| Total liabilities | <u>(39,456,118)</u> | <u>64,873,461</u> | <u>18,021,874</u> |
| Net position | | | |
| Net investment in capital assets | 46,170,556 | 22,645,628 | 23,012,889 |
| Restricted | 166,531 | 4,796,780 | - |
| Unrestricted | <u>73,060,734</u> | <u>(32,748,129)</u> | <u>(14,937,672)</u> |
| Total net position | <u>119,397,821</u> | <u>(5,305,721)</u> | <u>8,075,217</u> |
| Total liabilities and net position | <u>\$ 79,941,703</u> | <u>\$ 59,567,740</u> | <u>\$ 26,097,091</u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

26

Notes to Financial Statements

December 31, 2023

7. Specific Segment Information (cont.)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

| | <u>Electric</u> | <u>Sewer</u> | <u>Water</u> |
|-------------------------------------|-----------------------|-----------------------|---------------------|
| Utility charges | \$ 52,409,288 | \$ 5,869,780 | \$ 4,829,291 |
| Other operating income | 405,853 | - | 275,400 |
| Depreciation expense | (2,365,944) | (1,766,724) | (1,193,104) |
| Other operating expenses | <u>(43,939,230)</u> | <u>(4,225,854)</u> | <u>(4,298,911)</u> |
| Operating income (loss) | 6,509,967 | (122,798) | (387,324) |
| Nonoperating income (expenses), net | 519,922 | (61,454) | 16,688 |
| Capital contributions | 119,987 | 12,500 | 70,125 |
| Net position - beginning of year | <u>112,247,945</u> | <u>(5,133,969)</u> | <u>8,375,728</u> |
| Net position - end of year | <u>\$ 119,397,821</u> | <u>\$ (5,305,721)</u> | <u>\$ 8,075,217</u> |

Condensed Statement of Cash Flows

| | <u>Electric</u> | <u>Sewer</u> | <u>Water</u> |
|--|---------------------|---------------------|-------------------|
| Net cash provided by operating activities | \$ 13,043,280 | \$ 2,977,471 | \$ 1,882,352 |
| Noncapital financing activities | 23,394 | 276,717 | - |
| Capital and related financing activities | (2,899,597) | (12,118,171) | (2,161,658) |
| Investing activities | <u>(8,680,203)</u> | <u>11,315,023</u> | <u>16,688</u> |
| Net increase (decrease) in cash and cash equivalents | 1,486,874 | 2,451,040 | (262,618) |
| Cash and cash equivalents - beginning of year | <u>791,023</u> | <u>151,613</u> | <u>384,395</u> |
| Cash and cash equivalents - end of year | <u>\$ 2,277,897</u> | <u>\$ 2,602,653</u> | <u>\$ 121,777</u> |

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

27

Notes to Financial Statements

December 31, 2023

8. Related Party Transactions

The Utility bills on behalf of the City for garbage and franchise fees and remits these funds to the City monthly. For the year ended December 31, 2023, the Utility paid the City approximately \$5,444,000. Approximately \$404,000 was outstanding and owed to the City at December 31, 2023.

The Utility contracts out certain repairs and maintenance services to various employees of the Utility. For the year ended December 31, 2023, the Utility paid various employees approximately \$9,000.

9. Commitments

- a. The Utility executed an agreement for the purchase of power and energy from Grand River Dam Authority (“GRDA”) through June 30, 2038. In addition, the Utility executed an agreement for the purchase of power and energy from the Southwestern Power Administration (“SWPA”) through March 31, 2027.
- b. In December 2001, the Utility’s chief executive officer and general manager retired. The Utility is committed to pay funds for a supplemental retirement plan for the remainder of his life.
- c. In the ordinary course of business, the Utility, its agencies, and its employees are defendants in legal proceedings, including, but not limited to claims for property damage, personal injury, personnel, and contract matters and alleged violations of state and federal laws. It is the opinion of management that the disposition or resolution of such claims and lawsuits will not have a material adverse effect on the financial position, changes in the financial position, or cash flows of the Utility.
- d. The Utility maintains health coverage for employees of the Utility and dental coverage through Arkansas Blue Cross Blue Shield. Eligible employees are those who work full-time (at least 35 hours per week) for a minimum of 30 weeks a year. The plan provides medical and dental coverage. In addition, the Utility provides life insurance coverage through Unum.
- e. As of December 31, 2023, the Utility had three significant construction projects underway. The Utility had unfilled commitments of approximately \$3,204,000 as of December 31, 2023 related to these construction projects.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2023

10. Postemployment Benefits Other Than Pensions

Plan Description

The Utility provides postemployment health care benefits to all employees who retire with at least 30 years of service and at least age 55 or 10 years of service and age 62 through the Paragould Light, Water, and Cable Employee Benefit Trust (the "Trust"). The Utility pays 100% of the health insurance premium until he or she reaches age 65 or is Medicare eligible or a maximum of 10 years. In cases of employee disability, the spousal coverage is provided for one month for every year of employee service up to a maximum of 10 years. Additionally, the Utility will pay 100% of the health insurance premium of the spouse until he or she reaches age 65 or is Medicare eligible. The Trust does not issue stand-alone financial statements.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

| | |
|-----------------------------|-----|
| Inactive employees | |
| Receiving medical insurance | 15 |
| Receiving life insurance | 34 |
| Active employees | 122 |
| | 171 |

Actuarial Methods and Assumptions

Total OPEB benefit in the December 31, 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|--------------------------------|--|
| Valuation date: | Actuarially determined contributions are calculated as of June 30 after the valuation date |
| Actuarial cost method: | Entry age normal. GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (Superceded)," methodology used before 2018. |
| Amortization method: | Level dollar over 30 years from January 1, 1999 |
| Remaining amortization period: | 8 years at January 1, 2024 |
| Asset valuation method: | Market value |
| Assumed inflation: | 3.00% per year |
| Assumed single discount rate: | 6.50% per year |
| Mortality: | PUB-G 2020 Projected with MP 2019 (Before 2019, RP 2014 with MP 2017) |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2023

10. Postemployment Benefits Other Than Pensions (cont.)

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The total OPEB benefit is being amortized as a level dollar amount over remaining work life, with a remaining amortization period of eight years at December 31, 2023.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

The target allocation and long-term expected rates of return for each major class are shown in the table below.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|-----------------------|--------------------------|--|
| Domestic fixed income | 40% | 1.75% |
| Domestic equity | 45% | 5.50% |
| Foreign equity | <u>15%</u> | <u>5.00%</u> |
| Total | <u>100%</u> | <u>6.93%</u> |

Discount Rate

The single discount rate used to measure the total pension liability was 6.50% as of December 31, 2023.

Projected benefit payments are required to be discounted to actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's net position with contributions associated with current plan member's and the long-term expected rate of return are not sufficient to pay benefits).

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

30

Notes to Financial Statements

December 31, 2023

10. Postemployment Benefits Other Than Pensions (cont.)

Sensitivity of the Net OPEB Benefit to Changes in the Discount Rate

Regarding the sensitivity of the net OPEB benefit to changes in the single discount rate, the following presents the plan's benefit calculated using a single discount rate, as well as what the plan's benefit would be if it were calculated using a single discount rate that is 1% lower or 1% higher.

| | 1% Decrease to <u>5.50%</u> | Current Single Rate Assumed <u>6.50%</u> | 1% Increase to <u>7.50%</u> |
|----------------------|-----------------------------------|---|-----------------------------------|
| Total OPEB liability | \$ 4,654,445 | \$ 4,347,842 | \$ 4,062,730 |
| Net OPEB benefit | (2,495,919) | (2,802,522) | (3,087,634) |

The following presents the net OPEB benefit of the Utility as well as what the Utility's net OPEB benefit would be if it were calculated using healthcare costs trend rates ("HCCTR") that were 1% lower or 1% higher.

| | 1% Decrease to <u>HCCTR</u> | Assumed <u>HCCTR</u> | 1% Increase to <u>HCCTR</u> |
|----------------------|-----------------------------------|-------------------------|-----------------------------------|
| Total OPEB liability | \$ 3,950,357 | \$ 4,347,842 | \$ 4,811,586 |
| Net OPEB benefit | (3,200,007) | (2,802,522) | (2,338,778) |

Net OPEB Benefit

The Utility's net OPEB benefit was measured at January 1, 2024 and the total OPEB liability used to calculate the net OPEB benefit was determined by an actuarial valuation as of that date.

The components of the net OPEB benefit were as follows:

| | |
|--|-----------------------|
| Total OPEB liability | \$ 4,347,842 |
| Plan net position | <u>7,150,364</u> |
| Net OPEB benefit | <u>\$ (2,802,522)</u> |
| Plan net position as a % of total OPEB liability | 164% |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

31

Notes to Financial Statements

December 31, 2023

10. Postemployment Benefits Other Than Pensions (cont.)

Changes in Net OPEB Benefit

| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability (Benefit)</u> |
|---|-------------------------------------|--|---|
| Balance - December 31, 2022 | \$ 4,177,837 | \$ 7,530,516 | \$ (3,352,679) |
| Changes for the year | | | |
| Service cost | 114,349 | - | 114,349 |
| Interest | 268,363 | - | 268,363 |
| Differences between expected and actual experience | - | 212,707 | (212,707) |
| Employer contributions | - | - | - |
| Employee contributions | - | - | - |
| Net investment income | - | 994,848 | (994,848) |
| Benefits and refunds | (212,707) | (212,707) | - |
| Administrative expenses | - | - | - |
| Assumption change | - | - | - |
| Other | - | (1,375,000) | 1,375,000 |
| Net changes | <u>170,005</u> | <u>(380,152)</u> | <u>550,157</u> |
| Balance - December 31, 2023 | <u>\$ 4,347,842</u> | <u>\$ 7,150,364</u> | <u>\$ (2,802,522)</u> |

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

For the year ended December 31, 2023, the Utility recognized OPEB expense of \$62,084. At December 31, 2023, the Utility reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ - | \$ 1,362,601 |
| Changes of assumptions | 8,548 | 150,791 |
| Net difference between projected and actual earnings on OPEB plan investments | <u>1,202,294</u> | <u>757,705</u> |
| Total | <u>\$ 1,210,842</u> | <u>\$ 2,271,097</u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2023

10. Postemployment Benefits Other Than Pensions (cont.)

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

| <u>Year Ending December 31,</u> | |
|---------------------------------|-----------------------|
| 2024 | \$ (143,023) |
| 2025 | 60,487 |
| 2026 | 117,562 |
| 2027 | (283,204) |
| 2028 | (173,192) |
| Thereafter | <u>(638,885)</u> |
| | <u>\$ (1,060,255)</u> |

11. Pension Plan

Plan Description

The Utility participates in the Plan, which is a single-employer Pension Employees' Retirement System ("PERS"). It is the responsibility of the Utility's PERS to function as an investment and administrative agent for the Utility with respect to the Plan.

For the year ended December 31, 2023, the Utility's total covered payroll amounted to \$4,446,624. Covered payroll refers to all compensation paid by the Utility to active employees covered by the Utility's PERS on which contributions to the pension are based.

All employees hired prior to January 31, 2006 are eligible to participate under the Plan for the first day of the month coincident with or following the later of attaining age 21 and the first anniversary of hire. "Employee" means any person on the payroll whose wages are subject to withholding for the purpose of federal income tax. However, if an employee meets the age requirement, but fails to complete 1,000 hours during the first year, participation will begin on January 1 following the plan year in which 1,000 hours are completed. The normal form of benefit payment is life; however, an employee may elect an optional form on an actuarially equivalent basis.

The Utility has the authority to establish and amend benefit terms of the Plan. The PERS does not issue a stand-alone financial report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Notes to Financial Statements

December 31, 2023

11. Pension Plan (cont.)

Benefits Provided

The Plan provides retirement, disability, and death benefits. Retirement benefits for employees attaining the age of 65, or the age of 55 with 30 years of credited service, are calculated based upon the sum of 1.4% of final average compensation times credited service (6.50% effective January 1, 2024) plus 0.65% of any final average compensation in excess of covered compensation, times credited service up to 30 years. Based upon the Plan, employees may be eligible for early retirement options under certain conditions defined in the Plan. The early retirement benefits are reduced by 1/180th for each of the first 60 months by which early retirement precedes normal retirement age and reduced 1/360th for each additional month (after 60 months). The Plan also provides for certain disability benefits for total and permanent disability which is calculated at the greater of the accrued benefit or 45% plus 1% for each year of credit service, up to a maximum of 70%.

Employees Covered By Benefit Terms

The following employees were covered by the benefit terms:

| | |
|------------------------|-------------------|
| Inactive employees | |
| Receiving benefits | 78 |
| Not receiving benefits | 29 |
| Active employees | <u>55</u> |
| | <u><u>162</u></u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

34

Notes to Financial Statements

December 31, 2023

11. Pension Plan (cont.)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|--------------------------------|--|
| Valuation date: | Actuarially determined contributions are calculated as of December 31 after the valuation date |
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level dollar over 30 years from January 1, 2015 |
| Remaining amortization period: | 23 |
| Asset valuation method: | Market value |
| Assumed inflation: | 3.00% per year. No cost of living adjustments provided |
| Assumed salary increases: | 4.50% per year |
| Assumed investment return: | 7.00% per year |
| Assumed retirement age: | Age 65 |
| Mortality: | PUB-G 2010 projected generationally with MP 2019 (RP 2014 before 1/1/2020, 1983 GAM before 1/1/2015) |

Net Pension Liability

The Utility's net pension liability was measured as January 1, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability were as follows:

| | |
|---|---------------------|
| Total pension liability | \$ 30,971,924 |
| Plan net position | <u>26,462,771</u> |
| Net pension liability | <u>\$ 4,509,153</u> |
| Plan net position as a % of total pension liability | 85% |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

35

Notes to Financial Statements

December 31, 2023

11. Pension Plan (cont.)

Changes in Net Pension Liability

| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability (Benefit)</u> |
|---|--|--|--|
| Balance - December 31, 2022 | \$ 29,621,560 | \$ 23,263,299 | \$ 6,358,261 |
| Changes for the year | | | |
| Service cost | 338,581 | - | 338,581 |
| Interest | 2,041,560 | - | 2,041,560 |
| Differences between expected and actual experience | 221,611 | - | 221,611 |
| Employer contributions | - | 1,020,000 | (1,020,000) |
| Employee contributions | - | - | - |
| Net investment income | - | 3,430,860 | (3,430,860) |
| Benefits and refunds | (1,251,388) | (1,251,388) | - |
| Administrative expenses | - | - | - |
| Plan change | - | - | - |
| Net changes | <u>1,350,364</u> | <u>3,199,472</u> | <u>(1,849,108)</u> |
| Balance - December 31, 2023 | <u>\$ 30,971,924</u> | <u>\$ 26,462,771</u> | <u>\$ 4,509,153</u> |

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

36

Notes to Financial Statements

December 31, 2023

11. Pension Plan (cont.)

The target allocation and long-term expected rates of return for each major class are shown in the table below.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|-----------------------|--------------------------|--|
| Domestic fixed income | 40% | 1.75% |
| Domestic equity | <u>60%</u> | <u>5.50%</u> |
| Total | <u>100%</u> | <u>4.00%</u> |

Discount Rate

The single discount rate used to measure the total pension liability was 7.00% as of December 31, 2023.

Projected benefit payments are required to be discounted to actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the Plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the Plan's net position with contributions associated with current Plan member's and the long-term expected rate of return are not sufficient to pay benefits).

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

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

| | 1% Decrease to <u>6%</u> | Current Single Rate <u>Assumed 7%</u> | 1% Increase to <u>8%</u> |
|-------------------------|--------------------------------|---|--------------------------------|
| Total pension liability | \$ 34,506,446 | \$ 30,971,924 | \$ 27,985,511 |
| Net pension liability | 8,043,675 | 4,509,153 | 1,522,740 |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

37

Notes to Financial Statements

December 31, 2023

11. Pension Plan (cont.)

Plan Amendments

The last plan originated on January 1, 1985 and has been amended and restated several times, most recently in 2020 and again in 2022, to increase benefits for those participants with greater than 30 years of service as well as to increase the final average compensation rate.

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

For the year ended December 31, 2023, the Utility recognized pension expense of \$1,474,292. At December 31, 2023, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 431,422 | \$ 117,592 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | <u>2,635,143</u> | <u>1,575,799</u> |
| Total | <u>\$ 3,066,565</u> | <u>\$ 1,693,391</u> |

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

| <u>Year Ending December 31,</u> | |
|---------------------------------|---------------------|
| 2024 | \$ 805,981 |
| 2025 | 978,240 |
| 2026 | (399,016) |
| 2027 | 5,597 |
| 2028 | <u>(17,628)</u> |
| | <u>\$ 1,373,174</u> |

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

38

Notes to Financial Statements

December 31, 2023

12. Concentrations

- a. Financial instruments which potentially subject the Utility to concentrations of credit risk consist primarily of trade receivables with a variety of customers and cash investments deposited with financial institutions.

Concentrations of credit risk with respect to accounts receivable are limited due to the Utility's customer base being made up of a large number of customers, thus spreading the trade credit risk. The Utility performs ongoing credit evaluations of its customers but generally does not require collateral outside of customer deposits to support accounts receivable.

- b. The Utility purchases substantially all of its power from two suppliers, GRDA and SWPA. Purchases from these two suppliers were \$36,822,479 during the year ended December 31, 2023.

13. Risk Management

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

The Utility has joined with other municipalities to form the Arkansas Municipal League Vehicle Insurance Program (the "Pool"), a public entity risk pool currently operating as a common risk management and insurance program for its members. The Utility pays an annual premium to the Pool for its vehicle insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts.

Additionally, the Utility pays annual premiums to the Arkansas Municipal League Workers' Compensation Insurance Program, which is also required to be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

14. Subsequent Events Evaluation Date

The Utility evaluated the events and transactions subsequent to its December 31, 2023 statement of net position date and determined there were no significant events to report through May 28, 2024, which is the date the Utility issued its financial statements.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Schedule of Changes in the Utility's Net Other Postemployment Benefits and Related Ratios

For the Years Ended December 31, 2023 – December 31, 2014

| Year Ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | | | | | | | |
| Service cost | \$ 114,349 | \$ 154,151 | \$ 154,151 | \$ 144,461 | \$ 144,461 | \$ 144,461 | \$ - | \$ - | \$ - | \$ - |
| Interest | 268,363 | 353,600 | 328,572 | 323,103 | 301,067 | 279,273 | - | - | - | - |
| Differences between expected and actual experience | - | (1,424,412) | - | (309,845) | - | - | - | - | - | - |
| Assumption changes | - | (184,299) | - | - | 14,658 | - | - | - | - | - |
| Benefits and refunds | (212,707) | (168,254) | (27,093) | (129,754) | (112,589) | (64,318) | - | - | - | - |
| Net change in total OPEB liability | 170,005 | (1,269,214) | 455,630 | 27,965 | 347,597 | 359,416 | - | - | - | - |
| Total OPEB liability - beginning | 4,177,837 | 5,447,051 | 4,991,421 | 4,963,456 | 4,615,859 | 4,256,443 | - | - | - | - |
| Total OPEB liability - ending | \$ 4,347,842 | \$ 4,177,837 | \$ 5,447,051 | \$ 4,991,421 | \$ 4,963,456 | \$ 4,615,859 | \$ 4,256,443 | \$ - | \$ - | \$ - |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions | | | | | | | | | | |
| Employee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer | 212,707 | 168,254 | 27,093 | 129,754 | 112,589 | - | - | 960,000 | 960,000 | 960,000 |
| Net investment income (loss) | 994,848 | (1,421,916) | 814,359 | 1,337,475 | 1,102,527 | (159,435) | 817,346 | 246,598 | (55,945) | 138,430 |
| Benefits and refunds | (212,707) | (168,254) | (27,093) | (129,754) | (112,589) | - | - | - | - | - |
| Administrative expense | - | - | - | - | - | - | - | - | - | - |
| Other | (1,375,000) | - | - | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | (380,152) | (1,421,916) | 814,359 | 1,337,475 | 1,102,527 | (159,435) | 817,346 | 1,206,598 | 904,055 | 1,098,430 |
| Plan fiduciary net position - beginning | 7,530,516 | 8,952,432 | 8,138,073 | 6,800,598 | 5,698,071 | 5,857,506 | 5,040,160 | 3,833,562 | 2,929,507 | 1,831,077 |
| Plan fiduciary net position - ending | \$ 7,150,364 | \$ 7,530,516 | \$ 8,952,432 | \$ 8,138,073 | \$ 6,800,598 | \$ 5,698,071 | \$ 5,857,506 | \$ 5,040,160 | \$ 3,833,562 | \$ 2,929,507 |
| Net OPEB benefit - ending | \$ (2,802,522) | \$ (3,352,679) | \$ (3,505,381) | \$ (3,146,652) | \$ (1,837,142) | \$ (1,082,212) | \$ (1,601,063) | \$ - | \$ - | \$ - |
| Plan fiduciary net position as a percentage of total OPEB benefit | 164.46% | 180.25% | 164.35% | 163.04% | 137.01% | 123.45% | 137.62% | 0.00% | 0.00% | 0.00% |
| Covered employee payroll | \$ 9,055,190 | \$ 8,799,799 | \$ 9,145,741 | \$ 8,663,643 | \$ 8,340,740 | \$ 7,564,538 | \$ - | \$ - | \$ - | \$ - |
| Net OPEB benefit as a percentage of covered employee payroll | 30.95% | 38.10% | 38.33% | 36.32% | 22.03% | 14.31% | 0.00% | 0.00% | 0.00% | 0.00% |

Information in this schedule has been determined as of the measurement date (January 1, 2024) of the Utility's net OPEB benefit.

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Schedule of the Utility's Contributions

For the Years Ended December 31, 2023 – December 31, 2014

| <u>Year Ended December 31,</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|-------------------|------------------|------------------|------------------|-------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 114,349 | \$ 154,151 | \$ 154,151 | \$ 144,461 | \$ 144,461 | \$ 144,461 | \$ 195,421 | \$ 244,117 | \$ 305,072 | \$ 426,720 |
| Contributions in relation to the actuarially determined contribution | <u>212,707</u> | <u>168,254</u> | <u>27,093</u> | <u>129,754</u> | <u>112,589</u> | <u>64,318</u> | <u>74,257</u> | <u>1,059,203</u> | <u>1,097,264</u> | <u>960,000</u> |
| Contribution deficiency (excess) | <u>\$ (98,358)</u> | <u>\$ (14,103)</u> | <u>\$ 127,058</u> | <u>\$ 14,707</u> | <u>\$ 31,872</u> | <u>\$ 80,143</u> | <u>\$ 121,164</u> | <u>\$ (815,086)</u> | <u>\$ (792,192)</u> | <u>\$ (533,280)</u> |
| Covered employee payroll | \$ 9,055,190 | \$ 8,799,799 | \$ 9,145,741 | \$ 8,663,643 | \$ 8,340,740 | \$ 7,564,538 | \$ - | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered employee payroll | 2.35% | 1.91% | 0.30% | 1.50% | 1.35% | 0.85% | 0.00% | 0.00% | 0.00% | 0.00% |

Information in this schedule has been determined as of the measurement date (January 1, 2024) of the Utility's net OPEB benefit.

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Schedule of the Utility's Investment Returns

For the Years Ended December 31, 2023 – December 31, 2014

Annual money-weighted rate of return, net of investment expense:

| <u>Year Ended December 31,</u> | |
|--------------------------------|--------|
| 2023 | 14.5% |
| 2022 | -15.9% |
| 2021 | 10.0% |
| 2020 | 19.7% |
| 2019 | 19.3% |
| 2018 | -2.7% |
| 2017 | 16.2% |
| 2016 | 5.7% |
| 2015 | -1.6% |
| 2014 | 6.0% |

Notes to schedule:

The amounts shown are net of investment expenses.

Information in this schedule has been determined as of the measurement date (January 1, 2024) of the Utility's net OPEB benefit.

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

For the Years Ended December 31, 2023 – December 31, 2014

| Year Ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | | | | |
| Service cost | \$ 338,581 | \$ 333,616 | \$ 371,865 | \$ 331,258 | \$ 312,361 | \$ 326,934 | \$ 321,768 | \$ 321,606 | \$ 314,862 | \$ 289,985 |
| Interest | 2,041,560 | 1,927,234 | 1,835,728 | 1,622,755 | 1,483,102 | 1,386,168 | 1,334,341 | 1,252,230 | 1,196,815 | 1,082,359 |
| Differences between expected and actual experience | 221,611 | 23,615 | 211,772 | (36,486) | 258,624 | 430,255 | (211,514) | 278,709 | (88,654) | (416,734) |
| Assumption changes | - | - | - | - | 756,873 | - | - | - | - | 1,288,595 |
| Benefit changes | - | 543,952 | - | 2,050,958 | - | - | - | - | - | - |
| Benefits payments | (1,251,388) | (1,143,911) | (1,042,128) | (850,494) | (800,238) | (702,361) | (711,248) | (648,004) | (621,479) | (621,605) |
| Net change in total pension liabilities | 1,350,364 | 1,684,506 | 1,377,237 | 3,117,991 | 2,010,722 | 1,440,996 | 733,347 | 1,204,541 | 801,544 | 1,622,600 |
| Total pension liability - beginning | 29,621,560 | 27,937,054 | 26,559,817 | 23,441,826 | 21,431,104 | 19,990,108 | 19,256,761 | 18,052,220 | 17,250,676 | 15,628,076 |
| Total pension liability - ending | <u>\$ 30,971,924</u> | <u>\$ 29,621,560</u> | <u>\$ 27,937,054</u> | <u>\$ 26,559,817</u> | <u>\$ 23,441,826</u> | <u>\$ 21,431,104</u> | <u>\$ 19,990,108</u> | <u>\$ 19,256,761</u> | <u>\$ 18,052,220</u> | <u>\$ 17,250,676</u> |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions | | | | | | | | | | |
| Employee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer | 1,020,000 | 450,000 | - | 1,544,743 | 2,317,114 | 2,317,114 | 2,317,114 | 1,357,114 | 1,357,114 | 2,212,914 |
| Net investment income (loss) | 3,430,860 | (3,380,908) | 2,400,548 | 1,972,656 | 2,852,137 | (1,162,057) | 1,638,272 | 766,101 | (392,971) | 473,318 |
| Benefits payments | (1,251,388) | (1,143,911) | (1,042,128) | (850,494) | (800,238) | (702,361) | (711,248) | (648,004) | (621,479) | (621,605) |
| Administrative expense | - | - | - | - | - | - | - | - | - | - |
| Net change in plan fiduciary net position | 3,199,472 | (4,074,819) | 1,358,420 | 2,666,905 | 4,369,013 | 452,696 | 3,244,138 | 1,475,211 | 342,664 | 2,064,627 |
| Plan fiduciary net position - beginning | 23,263,299 | 27,338,118 | 25,979,698 | 23,312,793 | 18,943,780 | 18,491,084 | 15,246,946 | 13,771,735 | 13,429,071 | 11,364,444 |
| Plan fiduciary net position - ending | <u>\$ 26,462,771</u> | <u>\$ 23,263,299</u> | <u>\$ 27,338,118</u> | <u>\$ 25,979,698</u> | <u>\$ 23,312,793</u> | <u>\$ 18,943,780</u> | <u>\$ 18,491,084</u> | <u>\$ 15,246,946</u> | <u>\$ 13,771,735</u> | <u>\$ 13,429,071</u> |
| Net pension liability - ending | <u>\$ 4,509,153</u> | <u>\$ 6,358,261</u> | <u>\$ 598,936</u> | <u>\$ 580,119</u> | <u>\$ 129,033</u> | <u>\$ 2,487,324</u> | <u>\$ 1,499,024</u> | <u>\$ 4,009,815</u> | <u>\$ 4,280,485</u> | <u>\$ 3,821,605</u> |
| Plan fiduciary net position as a percentage of total pension liability | 85.44% | 78.54% | 97.86% | 97.82% | 99.45% | 88.39% | 92.50% | 79.18% | 76.29% | 77.85% |
| Covered employee payroll | \$ 4,446,624 | \$ 4,383,205 | \$ 4,457,169 | \$ 4,923,689 | \$ 4,896,154 | \$ 4,810,687 | \$ 4,920,325 | \$ 4,826,119 | \$ 4,801,700 | \$ 4,755,732 |
| Net pension liability as a percentage of covered employee payroll | 101.41% | 145.06% | 13.44% | 11.78% | 2.64% | 51.70% | 30.47% | 83.09% | 89.15% | 80.36% |

Information in this schedule has been determined as of the measurement date (January 1, 2024) of the Utility's net pension liability.

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Schedule of the Employers' Contributions

For the Years Ended December 31, 2023 – December 31, 2014

| <u>Year Ended December 31,</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
| Actuarially determined contribution | \$ 925,255 | \$ 398,427 | \$ 435,460 | \$ 353,924 | \$ 533,625 | \$ 463,434 | \$ 663,406 | \$ 681,502 | \$ 633,852 | \$ 643,725 |
| Actual contribution | <u>1,020,000</u> | <u>450,000</u> | <u>-</u> | <u>1,544,743</u> | <u>2,317,114</u> | <u>2,317,114</u> | <u>2,317,114</u> | <u>1,357,114</u> | <u>1,357,114</u> | <u>2,212,914</u> |
| Contribution deficit (excess) | <u>\$ (94,745)</u> | <u>\$ (51,573)</u> | <u>\$ 435,460</u> | <u>\$ (1,190,819)</u> | <u>\$ (1,783,489)</u> | <u>\$ (1,853,680)</u> | <u>\$ (1,653,708)</u> | <u>\$ (675,612)</u> | <u>\$ (723,262)</u> | <u>\$ (1,569,189)</u> |
| Covered employee payroll | \$ 4,446,624 | \$ 4,383,205 | \$ 4,457,169 | \$ 4,923,689 | \$ 4,896,154 | \$ 4,810,687 | \$ 4,920,325 | \$ 4,826,119 | \$ 4,801,700 | \$ 4,755,732 |
| Contributions as a percentage of covered employee payroll | 22.9% | 10.3% | 0.0% | 31.4% | 47.3% | 48.2% | 47.1% | 28.1% | 28.3% | 46.5% |

Information in this schedule has been determined as of the measurement date (January 1, 2024) of the Utility's net pension liability.

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Schedule of the Employers' Investment Returns

For the Years Ended December 31, 2023 – December 31, 2014

Annual money-weighted rate of return, net of investment expense:

| <u>Year Ended December 31,</u> | |
|--------------------------------|--------|
| 2023 | 14.8% |
| 2022 | -12.5% |
| 2021 | 9.4% |
| 2020 | 8.3% |
| 2019 | 14.5% |
| 2018 | -6.1% |
| 2017 | 10.2% |
| 2016 | 5.4% |
| 2015 | -2.8% |
| 2014 | 3.9% |

Notes to schedule:

The amounts shown are net of investment expenses.

Information in this schedule has been determined as of the measurement date (January 1, 2024) of the Utility's net pension liability.

See independent auditor's report.

PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES

Divisional Statement of Net Position

December 31, 2023

| <u>Assets and Deferred Outflows of Resources</u> | <u>Electric</u> | <u>Sewer</u> | <u>Water</u> | <u>Cable</u> | <u>Telecommunications</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|---------------------|---------------------------|-----------------------|
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 10,639,678 | \$ 2,602,653 | \$ 121,777 | \$ 575,012 | \$ 4,837,929 | \$ 18,777,049 |
| Certificates of deposit | 10,239,452 | - | - | - | - | 10,239,452 |
| Accounts receivable, net of allowance | 6,628,699 | 870,204 | 687,216 | 701,355 | 657,933 | 9,545,407 |
| Material and supply inventories | 3,376,103 | 151,528 | 743,748 | 847,124 | 5,150 | 5,123,653 |
| Prepaid expenses | 101,109 | 49,194 | 186,275 | 67,305 | 67,319 | 471,202 |
| Total current assets | <u>30,985,041</u> | <u>3,673,579</u> | <u>1,739,016</u> | <u>2,190,796</u> | <u>5,568,331</u> | <u>44,156,763</u> |
| Long-term assets | | | | | | |
| Restricted assets | 166,531 | 4,796,780 | - | - | - | 4,963,311 |
| Capital assets, net of accumulated depreciation | 46,668,327 | 48,916,817 | 23,012,889 | 3,549,485 | 13,377,565 | 135,525,083 |
| Postemployment benefits other than pensions benefit | 1,036,933 | 616,555 | 532,480 | 448,404 | 168,150 | 2,802,522 |
| Total long-term assets | <u>47,871,791</u> | <u>54,330,152</u> | <u>23,545,369</u> | <u>3,997,889</u> | <u>13,545,715</u> | <u>143,290,916</u> |
| Deferred outflows of resources | | | | | | |
| Goodwill, net | - | - | - | - | 5,250 | 5,250 |
| Deferred loss on bond refunding | (497,771) | 622,980 | - | - | - | 125,209 |
| Other postemployment benefits | 448,011 | 266,385 | 230,060 | 193,735 | 72,651 | 1,210,842 |
| Pension | 1,134,631 | 674,644 | 582,646 | 490,653 | 183,991 | 3,066,565 |
| Total deferred outflows of resources | <u>1,084,871</u> | <u>1,564,009</u> | <u>812,706</u> | <u>684,388</u> | <u>261,892</u> | <u>4,407,866</u> |
| Total assets and deferred outflows of resources | <u>\$ 79,941,703</u> | <u>\$ 59,567,740</u> | <u>\$ 26,097,091</u> | <u>\$ 6,873,073</u> | <u>\$ 19,375,938</u> | <u>\$ 191,855,545</u> |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

46

Divisional Statement of Net Position (cont.)

December 31, 2023

| <u>Liabilities, Deferred Inflows of Resources, and Net Position</u> | <u>Electric</u> | <u>Sewer</u> | <u>Water</u> | <u>Cable</u> | <u>Telecommunications</u> | <u>Total</u> |
|---|----------------------|----------------------|----------------------|---------------------|---------------------------|-----------------------|
| Current liabilities | | | | | | |
| Current maturities of long-term debt | \$ - | \$ 918,734 | \$ - | \$ - | \$ - | \$ 918,734 |
| Accounts payable | 3,090,402 | 621,216 | 64,750 | 342,125 | 4,144 | 4,122,637 |
| Accrued interest | - | 60,281 | - | - | - | 60,281 |
| Customer deposits | 453,340 | - | - | - | - | 453,340 |
| Compensated absences | 300,605 | 204,807 | 329,738 | 79,695 | 128,417 | 1,043,262 |
| Other current liabilities | <u>645,209</u> | <u>388,959</u> | <u>73,396</u> | <u>26,931</u> | <u>56,200</u> | <u>1,190,695</u> |
| Total current liabilities | <u>4,489,556</u> | <u>2,193,997</u> | <u>467,884</u> | <u>448,751</u> | <u>188,761</u> | <u>7,788,949</u> |
| Noncurrent liabilities | | | | | | |
| Long-term debt, less current maturities | - | 25,975,435 | - | - | - | 25,975,435 |
| Net pension liability | 1,668,386 | 992,015 | 856,739 | 721,467 | 270,546 | 4,509,153 |
| Customer deposits | <u>831,466</u> | <u>-</u> | <u>2,200</u> | <u>-</u> | <u>-</u> | <u>833,666</u> |
| Total noncurrent liabilities | <u>2,499,852</u> | <u>26,967,450</u> | <u>858,939</u> | <u>721,467</u> | <u>270,546</u> | <u>31,318,254</u> |
| Deferred inflows of resources | | | | | | |
| Other postemployment benefits | 840,305 | 499,640 | 431,508 | 363,375 | 136,269 | 2,271,097 |
| Pension | <u>626,554</u> | <u>372,548</u> | <u>321,745</u> | <u>270,942</u> | <u>101,602</u> | <u>1,693,391</u> |
| Total deferred inflows of resources | <u>1,466,859</u> | <u>872,188</u> | <u>753,253</u> | <u>634,317</u> | <u>237,871</u> | <u>3,964,488</u> |
| Total liabilities and deferred inflows of resources | <u>8,456,267</u> | <u>30,033,635</u> | <u>2,080,076</u> | <u>1,804,535</u> | <u>697,178</u> | <u>43,071,691</u> |
| Due to (from) other funds | <u>(47,912,385)</u> | <u>34,839,826</u> | <u>15,941,798</u> | <u>16,662,419</u> | <u>(19,531,658)</u> | <u>-</u> |
| Net position | | | | | | |
| Net investment in capital assets | 46,170,556 | 22,645,628 | 23,012,889 | 3,549,485 | 13,377,565 | 108,756,123 |
| Restricted | 166,531 | 4,796,780 | - | - | - | 4,963,311 |
| Unrestricted | <u>73,060,734</u> | <u>(32,748,129)</u> | <u>(14,937,672)</u> | <u>(15,143,366)</u> | <u>24,832,853</u> | <u>35,064,420</u> |
| Total net position | <u>119,397,821</u> | <u>(5,305,721)</u> | <u>8,075,217</u> | <u>(11,593,881)</u> | <u>38,210,418</u> | <u>148,783,854</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 79,941,703</u> | <u>\$ 59,567,740</u> | <u>\$ 26,097,091</u> | <u>\$ 6,873,073</u> | <u>\$ 19,375,938</u> | <u>\$ 191,855,545</u> |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

47

Divisional Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2023

| | <u>Electric</u> | <u>Sewer</u> | <u>Water</u> | <u>Cable</u> | <u>Telecommunications</u> | <u>Total</u> |
|--------------------------------------|-----------------------|-----------------------|---------------------|------------------------|---------------------------|-----------------------|
| Operating revenues | | | | | | |
| Utility charges | \$ 52,409,288 | \$ 5,869,780 | \$ 4,829,291 | \$ 5,800,324 | \$ 8,104,119 | \$ 77,012,802 |
| Other operating income | 405,853 | - | 275,400 | - | 298,651 | 979,904 |
| Total operating revenues | <u>52,815,141</u> | <u>5,869,780</u> | <u>5,104,691</u> | <u>5,800,324</u> | <u>8,402,770</u> | <u>77,992,706</u> |
| Operating expenses | | | | | | |
| Production and distribution | 4,869,726 | 3,609,490 | 3,609,140 | 5,605,422 | 2,708,713 | 20,402,491 |
| Purchased power | 37,941,707 | - | - | - | - | 37,941,707 |
| Customer accounts | 478,945 | 213,824 | 246,127 | 125,924 | 203,690 | 1,268,510 |
| Administration and general | 648,852 | 402,540 | 443,644 | 201,329 | 374,997 | 2,071,362 |
| Depreciation | 2,365,944 | 1,766,724 | 1,193,104 | 885,640 | 949,065 | 7,160,477 |
| Total operating expenses | <u>46,305,174</u> | <u>5,992,578</u> | <u>5,492,015</u> | <u>6,818,315</u> | <u>4,236,465</u> | <u>68,844,547</u> |
| Operating income (loss) | <u>6,509,967</u> | <u>(122,798)</u> | <u>(387,324)</u> | <u>(1,017,991)</u> | <u>4,166,305</u> | <u>9,148,159</u> |
| Nonoperating income (expenses) | | | | | | |
| Interest income | 558,344 | 388,358 | 16,688 | 33,376 | 33,376 | 1,030,142 |
| Other nonoperating income | - | 276,717 | - | 293,389 | - | 570,106 |
| Interest expense | - | (696,395) | - | - | - | (696,395) |
| Bond costs - loss on defeasance | (38,422) | (30,134) | - | - | - | (68,556) |
| Total nonoperating income (expenses) | <u>519,922</u> | <u>(61,454)</u> | <u>16,688</u> | <u>326,765</u> | <u>33,376</u> | <u>835,297</u> |
| Capital contributions | <u>119,987</u> | <u>12,500</u> | <u>70,125</u> | <u>-</u> | <u>-</u> | <u>202,612</u> |
| Changes in net position | 7,149,876 | (171,752) | (300,511) | (691,226) | 4,199,681 | 10,186,068 |
| Net position - beginning of year | <u>112,247,945</u> | <u>(5,133,969)</u> | <u>8,375,728</u> | <u>(10,902,655)</u> | <u>34,010,737</u> | <u>138,597,786</u> |
| Net position - end of year | <u>\$ 119,397,821</u> | <u>\$ (5,305,721)</u> | <u>\$ 8,075,217</u> | <u>\$ (11,593,881)</u> | <u>\$ 38,210,418</u> | <u>\$ 148,783,854</u> |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Paragould, Arkansas Water, Sewer, and Electric Refunding of 2013 Bonds, Series 2020

Amortization Schedule

December 31, 2023

| <u>Date</u> | <u>Coupon</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------|------------------|-----------------|--------------|
| 6/1/2024 | | | \$ 335,553 | \$ 335,553 |
| 12/1/2024 | 5.00% | \$ 290,000 | 335,553 | 625,553 |
| 6/1/2025 | | | 328,303 | 328,303 |
| 12/1/2025 | 5.00% | 305,000 | 328,303 | 633,303 |
| 6/1/2026 | | | 320,678 | 320,678 |
| 12/1/2026 | 5.00% | 320,000 | 320,678 | 640,678 |
| 6/1/2027 | | | 312,678 | 312,678 |
| 12/1/2027 | 5.00% | 340,000 | 312,678 | 652,678 |
| 6/1/2028 | | | 304,178 | 304,178 |
| 12/1/2028 | 4.00% | 960,000 | 304,178 | 1,264,178 |
| 6/1/2029 | | | 284,978 | 284,978 |
| 12/1/2029 | 4.00% | 995,000 | 284,978 | 1,279,978 |
| 6/1/2030 | | | 265,078 | 265,078 |
| 12/1/2030 | 3.00% | 1,035,000 | 265,078 | 1,300,078 |
| 6/1/2031 | | | 249,553 | 249,553 |
| 12/1/2031 | 3.00% | 1,065,000 | 249,553 | 1,314,553 |
| 6/1/2032 | | | 233,578 | 233,578 |
| 12/1/2032 | 3.00% | 1,100,000 | 233,578 | 1,333,578 |
| 6/1/2033 | | | 217,078 | 217,078 |
| 12/1/2033 | 3.00% | 1,130,000 | 217,078 | 1,347,078 |
| 6/1/2034 | | | 200,128 | 200,128 |
| 12/1/2034 | 3.00% | 1,165,000 | 200,128 | 1,365,128 |
| 6/1/2035 | | | 182,653 | 182,653 |
| 12/1/2035 | 3.00% | 1,200,000 | 182,653 | 1,382,653 |
| 6/1/2036 | | | 164,653 | 164,653 |
| 12/1/2036 | 2.25% | 1,235,000 | 164,653 | 1,399,653 |
| 6/1/2037 | | | 150,760 | 150,760 |
| 12/1/2037 | 2.25% | 1,265,000 | 150,760 | 1,415,760 |
| 6/1/2038 | | | 136,528 | 136,528 |
| 12/1/2038 | 2.25% | 1,295,000 | 136,528 | 1,431,528 |
| 6/1/2039 | | | 121,960 | 121,960 |
| 12/1/2039 | 2.38% | 1,325,000 | 121,960 | 1,446,960 |
| 6/1/2040 | | | 106,225 | 106,225 |
| 12/1/2040 | 2.38% | 1,355,000 | 106,225 | 1,461,225 |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Paragould, Arkansas Water, Sewer, and Electric Refunding of 2013 Bonds, Series 2020 (cont.)

Amortization Schedule

December 31, 2023

| <u>Date</u> | <u>Coupon</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------|----------------------|---------------------|----------------------|
| 6/1/2041 | | | \$ 90,135 | \$ 90,135 |
| 12/1/2041 | 2.38% | \$ 1,385,000 | 90,135 | 1,475,135 |
| 6/1/2042 | | | 73,688 | 73,688 |
| 12/1/2042 | 2.50% | 1,420,000 | 73,688 | 1,493,688 |
| 6/1/2043 | | | 55,938 | 55,938 |
| 12/1/2043 | 2.50% | 1,455,000 | 55,938 | 1,510,938 |
| 6/1/2044 | | | 37,750 | 37,750 |
| 12/1/2044 | 2.50% | 1,490,000 | 37,750 | 1,527,750 |
| 6/1/2045 | | | 19,123 | 19,123 |
| 12/1/2045 | 2.50% | <u>1,530,000</u> | <u>19,122</u> | <u>1,549,122</u> |
| | | <u>\$ 23,660,000</u> | <u>\$ 8,382,391</u> | <u>\$ 32,042,391</u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Paragould, Arkansas Water, Sewer, and Electric Refunding of 2005 Bonds, Series 2016

Amortization Schedule

December 31, 2023

| <u>Date</u> | <u>Coupon</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------|---------------------|-------------------|---------------------|
| 6/1/2024 | | | \$ 23,191 | \$ 23,191 |
| 12/1/2024 | 2.10% | \$ 560,000 | 23,191 | 583,191 |
| 6/1/2025 | | | 17,116 | 17,116 |
| 12/1/2025 | 2.20% | 570,000 | 17,116 | 587,116 |
| 6/1/2026 | | | 10,574 | 10,574 |
| 12/1/2026 | 2.35% | 580,000 | 10,574 | 590,574 |
| 6/1/2027 | | | 3,583 | 3,583 |
| 12/1/2027 | 2.45% | <u>585,000</u> | <u>3,583</u> | <u>588,583</u> |
| | | <u>\$ 2,295,000</u> | <u>\$ 108,928</u> | <u>\$ 2,403,928</u> |

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

51

Statistical Data (Unaudited)

For the Year Ended December 31, 2023

| | <u>Number of Customers</u> | <u>kWh or Gallons Billed</u> |
|-------------------------|--------------------------------|----------------------------------|
| <u>Electric</u> | | |
| Industrial | 39 | 282,549,780 |
| Residential | 12,468 | 191,951,409 |
| Commercial | 1,850 | 84,448,186 |
| Security lights | 1,381 | 5,228,450 |
| Street lights | 2,772 | <u>1,701,648</u> |
| Total | | <u><u>565,879,473</u></u> |
| <u>Water</u> | | |
| Residential | 11,607 | 659,536,630 |
| Commercial | 1,278 | 195,254,700 |
| Industrial | 36 | <u>211,744,100</u> |
| Total | | <u><u>1,066,535,430</u></u> |
| <u>Sewer</u> | | |
| Residential | 10,393 | 542,054,741 |
| Commercial | 1,171 | 181,988,200 |
| Industrial | 35 | <u>212,391,265</u> |
| Total | | <u><u>936,434,206</u></u> |
| <u>Fiber Television</u> | | |
| Economy Basic | 777 | |
| Expanded Basic | 2,820 | |
| Prime | 1,011 | |
| <u>Fiber Internet</u> | | |
| Bronze | 315 | |
| Fiber 100 | 9,365 | |
| Fiber 200 | 891 | |
| Fiber 1000 | 109 | |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

52

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2023

Utility rates

Electric rates

Residential

| | |
|--------------------------|----------------|
| Customer facility charge | \$15.00 |
| First 750 kWh | .07468 per kWh |
| Excess over 750 kWh | .06858 per kWh |

General service

Energy charge

| | |
|---------------------------------------|----------------|
| Customer facility charge single-phase | \$18.00 |
| Customer facility charge three-phase | \$41.00 |
| First 750 kWh | .10752 per kWh |
| Next 9,250 kWh | .07906 per kWh |
| Over 10,000 kWh | .04985 per kWh |

Demand charge

| | |
|------------------------------------|---------------|
| First 25 kW of billing demand | no charge |
| Next 475 kW of billing demand | \$6.32 per kW |
| Billing demand in excess of 500 kW | 5.64 per kW |

Industrial service (monthly demand of 250 kW or greater)

Energy charge

| | |
|--------------------------------------|----------------|
| Customer facility charge three-phase | \$41.00 |
| First 750 kWh | .10528 per kWh |
| Next 9,250 per kWh | .07639 per kWh |
| Over 10,000 kWh | .04889 per kWh |

Demand charge

| | |
|------------------------------------|---------------|
| First 25 kW of billing demand | no charge |
| Next 475 kW of billing demand | \$5.81 per kW |
| Billing demand on excess of 500 kW | 5.20 per kW |

Security lighting

| | |
|-------------------------------|------------------|
| 100 watt high pressure sodium | \$6.50 per month |
| 250 watt high pressure sodium | 10.00 per month |
| 400 watt metal halide | 17.00 per month |
| 1,000 watt metal halide | 26.25 per month |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

53

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2023

Utility rates (cont.)

Power cost adjustment

The monthly per kWh charge shall be increased or decreased to reflect changes in the estimated cost of delivered power and energy; and shall be subsequently adjusted for actual cost of delivered power and energy above or below a base power and energy cost of 4.876 cents per kWh as set forth in the power adjustment clause of the City of Paragould, Arkansas rate ordinance 2011-02.

Water rates (monthly)

| | |
|--------------------------------------|--------------------------|
| Debt service fixed charge | \$12.71 |
| First 2,000 gallons | \$1.80 per 1,000 gallons |
| Next 18,000 gallons per month | 3.18 per 1,000 gallons |
| Next 20,000 gallons per month | 2.97 per 1,000 gallons |
| Excess over 40,000 gallons per month | 2.81 per 1,000 gallons |

Sewer rates (monthly)

| | |
|-------------------------------------|--------------------------|
| Debt service fixed charge | \$16.05 |
| First 2,000 gallons | \$3.41 per 1,000 gallons |
| Excess over 2,000 gallons per month | 4.61 per 1,000 gallons |

Residential sewer is capped at 14,000 per month.

Fiber television rates (monthly)

| | |
|------------------------|---------|
| Economy package | \$37.30 |
| Expanded basic package | 100.17 |
| Prime package | 115.89 |
| Prime plus package | 122.17 |
| Standard HD set top | 5.00 |
| DVR set top | 10.00 |
| DTA box | 2.00 |

Premium channels offered with expanded basic or prime service

| | |
|-----------------------------|---------|
| HBO | \$18.51 |
| Cinemax | 13.37 |
| Showtime/The Movie Channel | 20.11 |
| Starz, Encore *Digital only | 11.79 |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

54

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2023

| | <u>Internet Rate</u> |
|--------------------------------|----------------------|
| Fiber Internet rates (monthly) | |
| Fiber 100 | \$57.95 |
| Fiber 200 | 99.95 |
| Fiber 1000 | 199.95 |

See independent auditor's report.

**PARAGOULD MUNICIPAL UTILITIES COMMISSION
D/B/A
PARAGOULD MUNICIPAL UTILITIES**

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2023

The year end number of **electric** users by category for each of the past five (5) years is as follows:

| <u>Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Total</u> |
|-------------|--------------------|-------------------|-------------------|--------------|
| 2023 | 12,468 | 1,850 | 39 | 14,357 |
| 2022 | 12,317 | 1,865 | 39 | 14,221 |
| 2021 | 12,190 | 1,900 | 39 | 14,129 |
| 2020 | 12,071 | 1,891 | 39 | 14,001 |
| 2019 | 11,903 | 1,880 | 39 | 13,822 |

The year end number of **water** users by category for each of the past five (5) years is as follows:

| <u>Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Total</u> |
|-------------|--------------------|-------------------|-------------------|--------------|
| 2023 | 11,607 | 1,278 | 36 | 12,921 |
| 2022 | 11,440 | 1,287 | 36 | 12,763 |
| 2021 | 11,284 | 1,282 | 37 | 12,603 |
| 2020 | 10,879 | 1,253 | 38 | 12,170 |
| 2019 | 10,629 | 1,247 | 38 | 11,914 |

The year end number of **sewer** users by category for each of the past five (5) years is as follows:

| <u>Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Total</u> |
|-------------|--------------------|-------------------|-------------------|--------------|
| 2023 | 10,393 | 1,171 | 35 | 11,599 |
| 2022 | 10,253 | 1,186 | 35 | 11,474 |
| 2021 | 10,121 | 1,182 | 36 | 11,339 |
| 2020 | 9,988 | 1,175 | 36 | 11,199 |
| 2019 | 9,743 | 1,158 | 35 | 10,936 |

The average daily water use in gallons, the maximum daily water use in gallons and the total water use for the year in gallons for each of the past five (5) years are as follows:

| <u>Year</u> | <u>Average Daily Water Use in Gallons</u> | <u>Maximum Daily Water Use in Gallons</u> | <u>Total Water Use for Year</u> |
|-------------|---|---|---------------------------------|
| 2023 | 3,331,029 | 4,953,000 | 1,216,496,977 |
| 2022 | 3,128,708 | 4,978,000 | 1,142,231,810 |
| 2021 | 3,289,505 | 5,040,000 | 1,199,573,077 |
| 2020 | 3,102,481 | 4,339,000 | 1,132,732,599 |
| 2019 | 3,026,303 | 3,793,000 | 1,105,057,904 |

See independent auditor's report.

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

Board of Commissioners
Paragould Municipal Utilities Commission
d/b/a Paragould Municipal Utilities
Paragould, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* (“GAS”) issued by the Comptroller General of the United States, the financial statements of Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities, a component unit of the City of Paragould, Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities’ basic financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paragould Municipal Commission d/b/a Paragould Municipal Utilities’ 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 Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities’ internal control. Accordingly, we do not express an opinion on the effectiveness of Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities’ 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 Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities’ financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' 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 statement. 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 *GAS*.

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 Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *GAS* in considering Paragould Municipal Utilities Commission d/b/a Paragould Municipal Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
May 28, 2024