



**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

December 31, 2018

**Financial Statements
And
Supplementary Information**

With

Independent Auditor's Report



FROST, PLLC
Certified Public Accountants

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
Statement of Revenues, Expenses and Changes in Net Position.....	9
Statement of Cash Flows	10
Statement of Fiduciary Net Position.....	11
Statement of Changes in Fiduciary Net Position.....	12
Notes to Financial Statements	13 – 37
Required Supplementary Information	
Schedule of Changes in the Utility’s Net OPEB Benefit and Related Ratios for the Years Ended December 31, 2018 – December 31, 2009.....	38
Schedule of the Utility’s Contributions for the Years Ended December 31, 2018 – December 31, 2009	39
Schedule of the Utility’s Investment Returns for the Years Ended December 31, 2018 – December 31, 2009.....	40
Schedule of Changes in the Employers’ Net Pension Liability and Related Ratios for the Years Ended December 31, 2018 – December 31, 2009.....	41
Schedule of the Employers’ Contributions for the Years Ended December 31, 2018 – December 31, 2009.....	42
Schedule of Employers’ Investment Returns for the Years Ended December 31, 2018 – December 31, 2009.....	43

Table of Contents (cont.)

	<u>Page</u>
Other Supplementary Information	
Divisional Statement of Net Position	44 – 45
Divisional Statement of Revenues, Expenses and Changes in Net Position	46
Amortization Schedules.....	47 – 48
Other Information	
Statistical Data (Unaudited)	49 – 53
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>	54 – 55



Independent Auditor's Report

Board of Commissioners
Paragould Light and Water Commission
d/b/a Paragould Light, Water and Cable
Paragould, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate fiduciary fund statements of Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable, a component unit of the City of Paragould, Arkansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate fiduciary fund statements of Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable, as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2018 Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable implemented the provisions of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefits and pension information on pages 4 through 7 and 38 through 43 be presented to supplement the basic financial statements and pension. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's basic financial statements. The supplementary information on pages 44 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information on pages 44 through 48 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical data (unaudited) on pages 49 through 53 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report on pages 54 and 55 dated May 1, 2019 on our consideration of Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's internal control over financial reporting and compliance.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
May 1, 2019

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

4

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

Financial Highlights

	<u>2018</u>	<u>2017</u>
Assets and deferred outflows of resources		
Total current assets	\$ 22,191,511	\$ 21,263,130
Total restricted and board designated assets	11,193,093	11,040,923
Capital assets, net	105,624,924	103,358,509
Postemployment benefits other than pensions benefit	1,082,212	1,601,063
Goodwill, net	1,343,360	1,722,256
Deferred outflows of resources	<u>3,949,075</u>	<u>1,603,636</u>
Total assets and deferred outflows of resources	<u>145,384,175</u>	<u>140,589,517</u>
Liabilities and deferred inflows of resources		
Total current liabilities	7,188,850	7,203,035
Total noncurrent liabilities	12,667,330	12,964,863
Deferred inflows of resources	<u>544,232</u>	<u>672,202</u>
Total liabilities and deferred inflows of resources	<u>20,400,412</u>	<u>20,840,100</u>
Net position		
Invested in capital assets, net of related debt	95,325,154	91,959,585
Restricted	11,193,093	11,040,923
Unrestricted	<u>18,465,516</u>	<u>16,748,909</u>
Total net position	<u>\$ 124,983,763</u>	<u>\$ 119,749,417</u>
Operating revenues		
Utility charges	\$ 63,615,596	\$ 61,068,724
Other operating income	<u>69,552</u>	<u>138,893</u>
Total operating revenues	<u>63,685,148</u>	<u>61,207,617</u>
Operating expenses		
Production and distribution	17,303,466	17,512,975
Purchased power	32,741,775	30,942,048
Customer accounts	980,195	810,520
Administration and general	1,587,389	1,308,473
Depreciation	5,843,144	5,509,046
Impairment loss	<u>378,896</u>	<u>-</u>
Total operating expenses	<u>58,834,865</u>	<u>56,083,062</u>
Total nonoperating expenses	<u>(71,498)</u>	<u>(120,812)</u>
Capital contributions	<u>455,561</u>	<u>119,745</u>
Changes in net position	5,234,346	5,123,488
Net position - beginning of year	<u>119,749,417</u>	<u>114,625,929</u>
Net position - end of year	<u>\$ 124,983,763</u>	<u>\$ 119,749,417</u>

PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE

5

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2018

The following discussion and analysis of the Paragould Light and Water Commission's (the "Utility") financial performance provides an overview of the Utility's activities for the year ended December 31, 2018, 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, cable TV and Internet service to the citizens in and around Paragould, Arkansas. Divisional Statements of Net Position, Revenues and Expenses are included in the Supplementary Information that follows the Financial Statements.

Introduction of Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the Utility's financial health. Due to implementation of Governmental Accounting Standards Board Statement No. 75 as of January 1, 2018, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," an increase of \$74,886 has been recorded to net position as a prior period adjustment. Further information about this can be found in the Notes to Financial Statements, Note 1.t. and Note 14.

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, 2018.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions that account for the changes in net positions from January 1, 2018 to December 31, 2018.

Total and Capital Assets

Total Assets increased by approximately \$5,000,000 or 3% during 2018. Capital assets being depreciated increased in 2018 by approximately \$7,500,000. The major capital improvements projects consisted of:

- Initial phase of project to replace biosolids sludge dryer system with a dewatering and alkaline stabilization system-spent \$1,000,000

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

6

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2018

- Initial phase of project to put into service fiber optic lines to provide internet data and video service to entire customer base-spent \$3,450,000
- Work on rehabilitation of clarifier at the wastewater treatment plant totaling \$600,000
- Replaced and/or relocated transformers at substations at a cost of \$1,150,000

Asset additions in 2018 were financed by operating revenue and utility reserves, and The Economic Development Corporation of Paragould.

Capital Contributions

Contributions during 2018 were approximately \$455,000. 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 \$400,000 in 2018. Long-term debt decreased by \$1,285,000 in 2018.

Operating Revenues and Expenses

Operating revenues increased by approximately \$2,500,000 or 4% in 2018. 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 increased by \$2,750,000 or 5% in 2018. The most significant single operating expense increase was purchased power, with an increase of approximately \$1,800,000.

Long-Term Debt

The Utility's trustees paid to the bondholders' principal payments of \$1,285,000 during 2018. 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 maintain a Debt Service Coverage Ratio of 1.20. The coverage ratio maintained was 3.09 for 2018.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

7

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2018

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 and Board Designated Assets" are a combination of bond sinking funds and debt service reserves as required by bond covenants and additional amounts as directed by the Utility's Board of Commissioners for capital needs, or emergency or disaster situations that may arise.

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 our 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:

Darrell Phillips, General Manager and Chief Executive Officer

Janet Chronister, Director of Finance

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Statement of Net Position

December 31, 2018

Assets and Deferred Outflows of Resources

Current assets	
Cash and cash equivalents	\$ 10,675,497
Accounts receivable, net of allowance for doubtful accounts of approximately \$400,000	7,358,432
Material and supply inventories	3,685,858
Prepaid expenses	<u>471,724</u>
Total current assets	<u>22,191,511</u>
Long-term assets	
Restricted and board designated assets	11,193,093
Capital assets, net of accumulated depreciation	105,624,924
Postemployment benefits other than pensions benefit	1,082,212
Goodwill, net	<u>1,343,360</u>
Total long-term assets	<u>119,243,589</u>
Deferred outflows of resources	
Deferred loss on bond refunding	560,230
Postemployment benefits other than pensions	432,138
Pension	<u>2,956,707</u>
Total deferred outflows of resources	<u>3,949,075</u>
Total assets and deferred outflows of resources	<u>\$ 145,384,175</u>

Liabilities and Net Position

Current liabilities	
Current maturities of long-term debt	\$ 1,285,000
Accounts payable	3,948,827
Accrued interest	24,368
Customer deposits	534,494
Compensated absences	719,799
Other current liabilities	<u>676,362</u>
Total current liabilities	<u>7,188,850</u>
Noncurrent liabilities	
Long-term debt, less current maturities	9,575,000
Net pension liability	2,487,324
Customer deposits	<u>605,006</u>
Total noncurrent liabilities	<u>12,667,330</u>
Deferred inflows of resources	
Pension	<u>544,232</u>
Total liabilities and deferred inflows of resources	<u>20,400,412</u>
Net position	
Invested in capital assets	95,325,154
Restricted	11,193,093
Unrestricted	<u>18,465,516</u>
Total net position	<u>124,983,763</u>
Total liabilities and net position	<u>\$ 145,384,175</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

9

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2018

Operating revenues	
Utility charges	\$ 63,615,596
Other operating income	<u>69,552</u>
Total operating revenues	<u>63,685,148</u>
Operating expenses	
Production and distribution	17,303,466
Purchased power	32,741,775
Customer accounts	980,195
Administration and general	1,587,389
Depreciation	5,843,144
Impairment loss	<u>378,896</u>
Total operating expenses	<u>58,834,865</u>
Operating income	<u>4,850,283</u>
Nonoperating income (expenses)	
Interest income	358,298
Other nonoperating income	14,736
Interest expense	(310,526)
Bond costs - loss on defeasance	<u>(134,006)</u>
Total nonoperating expenses	<u>(71,498)</u>
Capital contributions	<u>455,561</u>
Changes in net position	5,234,346
Net position - beginning of year, as restated	<u>119,749,417</u>
Net position - end of year	<u>\$ 124,983,763</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Statement of Cash Flows

For the Year Ended December 31, 2018

Cash flows from operating activities	
Cash received from customers	\$ 64,132,550
Cash paid to suppliers	(46,682,558)
Payments to employees	<u>(8,257,550)</u>
Net cash provided by operating activities	<u>9,192,442</u>
Cash flows from noncapital financing activities	
Change in customer deposits, net	(26,806)
Other	<u>14,736</u>
Net cash used by noncapital financing activities	<u>(12,070)</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(7,654,848)
Proceeds from sale of capital assets	850
Principal paid on long-term debt	(1,255,000)
Interest paid on long-term debt	<u>(312,618)</u>
Net cash used by capital and related financing activities	<u>(9,221,616)</u>
Cash flows from investing activities	
Increase in restricted and board designated assets	(152,170)
Interest income received	<u>358,298</u>
Net cash provided by investing activities	<u>206,128</u>
Net increase in cash and cash equivalents	164,884
Cash and cash equivalents - beginning of year	<u>10,510,613</u>
Cash and cash equivalents - end of year	<u>\$ 10,675,497</u>

Reconciliation of earnings from operations to net cash provided by operating activities	
Operating income	\$ 4,850,283
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	5,843,144
Impairment loss	378,896
Changes in operating assets and liabilities	
Accounts receivable	447,402
Material and supply inventories	(1,209,361)
Prepaid expenses	(1,538)
Accounts payable	(207,201)
Other current liabilities and compensated absences	191,081
Deferred outflows of resources for other postemployment benefits	(432,138)
Deferred outflows of resources for pensions	(2,047,307)
Deferred inflows of resources for pensions	(127,970)
Net pension liability	988,300
Postemployment benefits other than pensions benefit	<u>518,851</u>
Net cash provided by operating activities	<u>\$ 9,192,442</u>
<u>Supplementary disclosure of noncash investing, capital and financing activities</u>	
Capital contributions in aid of construction	\$ 455,561

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

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

11

Statement of Fiduciary Net Position

December 31, 2018

	Other Postemployment Benefits Trust Fund	Pension Trust Fund
Assets		
Cash and cash equivalents	\$ 54,821	\$ 2,398,211
Investments	5,643,250	16,533,997
Accrued interest receivable	-	18,739
Total assets	<u>\$ 5,698,071</u>	<u>\$ 18,950,947</u>
Liabilities		
Accounts payable	\$ -	\$ 7,169
Net position		
Restricted for		
Pensions	-	18,943,778
Other postemployment benefits	<u>5,698,071</u>	<u>-</u>
Total net position	<u>5,698,071</u>	<u>18,943,778</u>
Total liabilities and net position	<u>\$ 5,698,071</u>	<u>\$ 18,950,947</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

12

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2018

	Other Postemployment Benefits <u>Trust Fund</u>	Pension <u>Trust Fund</u>
Additions		
Employer contributions	\$ -	\$ 2,317,114
Net investment loss	(144,424)	(1,060,064)
Other income	-	6,799
Total additions	<u>(144,424)</u>	<u>1,263,849</u>
Deductions		
Distributions	15,010	795,886
Administrative expenses	-	15,269
Total deductions	<u>15,010</u>	<u>811,155</u>
Change in fiduciary net position	(159,434)	452,694
Beginning of year	<u>5,857,505</u>	<u>18,491,084</u>
End of year	<u>\$ 5,698,071</u>	<u>\$ 18,943,778</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

13

Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

- a. **Nature of business** – Paragould Light and Water Commission d/b/a Paragould, Light, Water and Cable (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, cable television and internet 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 other income (expense) items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues not meeting this definition are reported as other nonoperating income (expenses), but remain a major component of the overall revenues and expenses of 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 LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

14

Notes to Financial Statements

December 31, 2018

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 the purpose of the statements 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 and anticipated customer performance. While management believes the Utility's processes effectively address its exposure to doubtful accounts, 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 \$5,590,000 at December 31, 2018. 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 LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

15

Notes to Financial Statements

December 31, 2018

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. The Utility reviews goodwill for impairment whenever triggering events or changes in circumstances indicate that the service utility of the asset may have significantly and unexpectedly declined. Management recognized impairment loss \$378,896 during the year ended December 31, 2018.
- 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 statements 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 three types of items that qualify for reporting in this category. The first item 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 in 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 LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

16

Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (cont.)

In addition to liabilities, the accompanying statement of net position include a separate section for deferred inflow of resources. This separate financial statements 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 (revenue) until that time. The Utility has two items that qualify for reporting as deferred inflow related to the pension reported in 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 plan investments related to the pension plan and will be amortized to pension expense over future periods as shown in Note 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 in 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 LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

17

Notes to Financial Statements

December 31, 2018

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, 2018, the Utility determined there were no triggering events indicating impairment of its capital assets.
- t. **Recent accounting pronouncements** – Effective January 1, 2018, the Utility implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This statement improves accounting and financial reporting by state and local governments for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This statement also identifies methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to the actuarial present value and attribute the present value to periods of employee service. It replaces the requirements of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended,” and GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.” As a result, an increase of \$74,886 has been recorded to net position as a prior period adjustment which is described in Note 14.

GASB Statement No. 84, “Fiduciary Activities.” The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The adoption of GASB Statement No. 84 did not have a material effect on the Utility’s financial statements.

GASB Statement No. 85, “Omnibus 2017.” The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The adoption of GASB Statement No. 85 did not have a material effect on the Utility’s financial statements.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

18

Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (cont.)

GASB Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of GASB Statement No. 86 did not have a material effect on the Utility's financial statements.

GASB Statement No. 87, "Leases." The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for periods beginning after December 15, 2019. The Utility has not yet determined the potential impact, if any, that this statement could have on its financial statements.

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 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.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

19

Notes to Financial Statements

December 31, 2018

2. Cash and Restricted Assets (cont.)

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, 2018, none of the Utility's investment balances were exposed to custodial credit risk.

3. Restricted and Board Designated Assets

Restricted and board designated assets consist of the following:

Restricted	
Refunding Revenue Bonds, Series 2013 Revenue Bond Fund	\$ 136,472
Refunding Revenue Bonds, Series 2013 Debt Service Reserve Fund	491,599
Refunding Revenue Bonds, Series 2016 Revenue Bond Fund	381,693
Debt Service Reserve Fund	306,257
Depreciation Fund Reserve	<u>154,326</u>
Total restricted	<u>1,470,347</u>
Board designated	
Construction account	5,822,730
Reserve for potential uninsured property casualty losses	<u>3,900,016</u>
Total board designated	<u>9,722,746</u>
	<u>\$ 11,193,093</u>

The bond funds are maintained in accordance with the trust indentures related to the \$5,575,000 Paragould, Arkansas Water, Sewer, and Electric Refunding Revenue Bonds, Series 2016 and \$9,090,000 Paragould, Arkansas Water, Sewer and Electric Refunding Revenue Bonds, Series 2013.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

20

Notes to Financial Statements

December 31, 2018

3. Restricted and Board Designated Assets (cont.)

The construction account was established by the Board to cover the cost of the ongoing telecommunication project. 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.

4. Capital Assets

Capital assets activity consists of the following:

	<u>Useful Life</u>	<u>December 31, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2018</u>
Capital assets not being depreciated					
Land and land rights	N/A	\$ 1,077,053	\$ 17,278	\$ -	\$ 1,094,331
Construction in progress	N/A	5,985,705	7,270,741	7,146,417	6,110,029
		<u>7,062,758</u>	<u>7,288,019</u>	<u>7,146,417</u>	<u>7,204,360</u>
Capital assets being depreciated					
Buildings and improvements	20 - 50	16,601,422	230,885	-	16,832,307
Machinery and equipment	5 - 50	178,251,421	7,603,885	364,455	185,490,851
Vehicles	5	4,203,280	133,187	63,800	4,272,667
		<u>199,056,123</u>	<u>7,967,957</u>	<u>428,255</u>	<u>206,595,825</u>
Less accumulated depreciation		<u>102,760,372</u>	<u>5,843,144</u>	<u>428,255</u>	<u>108,175,261</u>
Net capital assets		<u>\$ 103,358,509</u>	<u>\$ 9,412,832</u>	<u>\$ 7,146,417</u>	<u>\$ 105,624,924</u>

5. Noncurrent Liabilities

Changes in noncurrent liabilities consist of the following:

	<u>December 31, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2018</u>	<u>Due Within One Year</u>
Long-term debt					
Revenue bonds	\$ 12,115,000	\$ -	\$ 1,255,000	\$ 10,860,000	\$ 1,285,000
Customer deposits	1,166,306	507,688	534,494	1,139,500	534,494
Net pension liability	<u>1,499,024</u>	<u>988,299</u>	<u>-</u>	<u>2,487,323</u>	<u>-</u>
	<u>\$ 14,780,330</u>	<u>\$ 1,495,987</u>	<u>\$ 1,789,494</u>	<u>\$ 14,486,823</u>	<u>\$ 1,819,494</u>

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

21

Notes to Financial Statements

December 31, 2018

6. Long-Term Debt

Long-term debt consists of the following:

Paragould, Arkansas Water, Sewer and Electric Refunding of 2005 Bonds, Series 2013, bearing interest from 1.00% to 3.75%, through December 2025.	\$ 5,955,000
Paragould, Arkansas Water, Sewer and Electric Refunding of 2003 Bonds, Series 2016, bearing interest from 2.00% to 2.45% through December 2027.	<u>4,905,000</u>
	<u>10,860,000</u>
Less current maturities	<u>1,285,000</u>
Long-term debt, less current maturities	<u>\$ 9,575,000</u>

Aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,285,000	\$ 287,418	\$ 1,572,418
2020	1,305,000	259,262	1,564,262
2021	1,340,000	227,894	1,567,894
2022	1,380,000	192,744	1,572,744
2023	1,415,000	154,482	1,569,482
2024 - 2027	<u>4,135,000</u>	<u>211,180</u>	<u>4,346,180</u>
	<u>\$ 10,860,000</u>	<u>\$ 1,332,980</u>	<u>\$ 12,192,980</u>

During 2013, the City issued Water, Sewer, Electric Refunding Bonds, Series 2013, dated August 26, 2013, in the aggregate principal amount of \$9,090,000. The Bonds were issued to advance refund, by the defeasance method, the Bonds Refunded, fund a debt service reserve, and pay expenses of issuing the Bonds and refunding of Bonds Refunded.

During 2016, the City issued Water, Sewer, Electric Refunding Bonds, Series 2016, dated July 21, 2016, in the aggregate principal amount of \$5,575,000. The Bonds were issued to advance refund, by the defeasance method, the Bonds Refunded, fund a debt service reserve, and pay expenses of issuing the Bonds and refunding the Bonds Refunded.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Notes to Financial Statements

December 31, 2018

6. Long-Term Debt (cont.)

At December 31, 2018, a deferred loss on defeasance of \$560,230 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:

2019	\$ 121,526
2020	108,350
2021	94,453
2022	79,651
2023	64,021
2024 - 2027	<u>92,229</u>
	<u>\$ 560,230</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 pledge of the System's revenues ("System Revenues") in favor of the Bonds is senior to the pledge in favor of the City's Water, Sewer and Electric Revenue Bonds, Series 1991.

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 System 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, 2018.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

23

Notes to Financial Statements

December 31, 2018

7. Segment Information

The Utility has issued bonds to finance certain specific capital projects. Investors in the revenue bonds rely solely on the revenue generated by specific activities for repayment. Summary financial information as of and for the year ended December 31, 2018 for the segments which have bonds outstanding is as follows:

Condensed Statement of Net Position

	<u>Electric</u>	<u>Sewer</u>
Assets		
Current assets	\$ 11,211,699	\$ 730,260
Restricted assets	10,505,143	687,950
Capital assets, net	42,999,597	31,187,909
Postemployment benefits other than pensions benefit	400,418	238,087
Goodwill, net	587,804	-
Deferred outflows of resources	<u>1,551,447</u>	<u>1,008,202</u>
Total assets and deferred outflows of resources	<u>\$ 67,256,108</u>	<u>\$ 33,852,408</u>
Liabilities		
Current liabilities	\$ 5,299,585	\$ 823,194
Due to (from) other funds	(45,820,275)	28,932,782
Long-term debt, less current maturities	5,170,000	4,405,000
Net pension liability	920,310	547,212
Customer deposits	602,806	-
Deferred inflows of resources	<u>201,365</u>	<u>119,732</u>
Total liabilities	<u>(33,626,209)</u>	<u>34,827,920</u>
Net position		
Invested in capital assets	37,342,170	26,545,566
Restricted	10,505,143	687,950
Unrestricted	<u>53,035,004</u>	<u>(28,209,028)</u>
Total net position	<u>100,882,317</u>	<u>(975,512)</u>
Total liabilities and net position	<u>\$ 67,256,108</u>	<u>\$ 33,852,408</u>

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

24

Notes to Financial Statements

December 31, 2018

7. Segment Information (cont.)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Electric</u>	<u>Sewer</u>
Utility charges	\$ 43,099,914	\$ 4,338,598
Other operating revenues	69,262	-
Depreciation expense	(2,122,643)	(1,428,786)
Other operating expenses	<u>(37,320,064)</u>	<u>(2,976,381)</u>
Operating income	3,726,469	(66,569)
Nonoperating expenses, net	17,537	(132,105)
Capital contributions	207,582	8,600
Net position - beginning of year, as restated	<u>96,930,729</u>	<u>(785,438)</u>
Net position - end of year	<u>\$ 100,882,317</u>	<u>\$ (975,512)</u>

Condensed Statement of Cash Flows

	<u>Electric</u>	<u>Sewer</u>
Net cash provided by operating activities	\$ 4,277,032	\$ 2,233,544
Noncapital financing activities	(26,806)	13,128
Capital and related financing activities	(1,850,251)	(2,296,465)
Investing activities	<u>175,299</u>	<u>(10,633)</u>
Net increase (decrease) in cash and cash equivalents	2,575,274	(60,426)
Cash and cash equivalents - beginning of year	<u>1,307,387</u>	<u>60,668</u>
Cash and cash equivalents - end of year	<u>\$ 3,882,661</u>	<u>\$ 242</u>

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

25

Notes to Financial Statements

December 31, 2018

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, 2018, the Utility paid the City approximately \$4,864,000. Amounts owed to the City were approximately \$389,000 at December 31, 2018. The Utility received approximately \$123,000 from The Economic Development Corporation of Paragould on behalf of the City as reimbursement for work performed for the year ended December 31, 2018.

The Utility contracts out certain repairs and maintenance services to various employees of the Utility. For the year ended December 31, 2018, the Utility paid various employees approximately \$42,000.

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.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

26

Notes to Financial Statements

December 31, 2018

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 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. There are currently 14 participants eligible to receive benefits. 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	9
Receiving life insurance	27
Active employees	<u>132</u>
	<u><u>168</u></u>

Actuarial Methods and Assumptions

Total OPEB benefit in the December 31, 2018 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, 1999
Remaining amortization period:	10 years at January 1, 2019
Asset valuation method:	Market value
Assumed inflation:	3.00% per year
Assumed single discount rate:	6.50% per year
Mortality:	RP 2014 Healthy Mortality Table (1983 GAM before 1/1/2015)

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

27

Notes to Financial Statements

December 31, 2018

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 10 years at December 31, 2018.

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>	5.00%
Total	<u>100%</u>	<u>3.93%</u>

Discount Rate

The single discount rate used to measure the total pension liability was 6.50% as of December 31, 2018.

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 LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

28

Notes to Financial Statements

December 31, 2018

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	\$ 5,016,746	\$ 4,615,859	\$ 4,245,186
Net OPEB benefit	(681,325)	(1,082,212)	(1,452,885)

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	\$ 4,107,241	\$ 4,615,859	\$ 5,213,640
Net OPEB benefit	(1,590,830)	(1,082,212)	(484,431)

Net OPEB Benefit

The Utility's net OPEB benefit was measured at January 1, 2019 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	\$ 4,615,859
Plan net position	<u>5,698,071</u>
Net OPEB benefit	<u>\$ (1,082,212)</u>
Plan net position as a % of total OPEB liability	123%

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

29

Notes to Financial Statements

December 31, 2018

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, 2017, as restated	\$ 4,256,443	\$ 5,857,506	\$ (1,601,063)
Changes for the year			
Service cost	144,461	-	144,461
Interest	279,273	-	279,273
Differences between expected and actual experience	-	-	-
Employer contributions	-	-	-
Employee contributions	-	-	-
Net investment income	-	(159,435)	159,435
Benefits and refunds	(64,318)	-	(64,318)
Administrative expenses	-	-	-
Assumption change	-	-	-
Other	-	-	-
Net changes	<u>359,416</u>	<u>(159,435)</u>	<u>518,851</u>
Balance - December 31, 2018	<u>\$ 4,615,859</u>	<u>\$ 5,698,071</u>	<u>\$ (1,082,212)</u>

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

30

Notes to Financial Statements

December 31, 2018

10. Postemployment Benefits Other Than Pensions (cont.)

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

For the year ended December 31, 2018, the Utility recognized OPEB expense of \$801,058. At December 31, 2018, the Utility reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ -
Net difference between projected and actual earnings on OPEB plan investments	<u>432,138</u>
 Total	 <u>\$ 432,138</u>

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 Ended December 31,</u>	
2019	\$ 108,035
2020	108,035
2021	108,035
2022	<u>108,033</u>
	 <u>\$ 432,138</u>

11. Pension Plan

Plan Description

The Utility participates in the Retirement Plan for Employees of City Light and Water (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.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

31

Notes to Financial Statements

December 31, 2018

11. Pension Plan (cont.)

For the year ended December 31, 2018, the Utility's total covered payroll amounted to \$4,810,687. 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 retirement plan. The PERS does not issue a stand-alone financial report.

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 up to 30 years plus 0.65% of any final average compensation in excess of covered compensation, times credited service up to 30 years, plus 0.25% of final average compensation times credited service in excess of 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	62
Not receiving benefits	32
Active employees	<u>76</u>
	<u>170</u>

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

32

Notes to Financial Statements

December 31, 2018

11. Pension Plan (cont.)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2018 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:	26
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:	RP 2014 Healthy Mortality Table (1983 GAM before 1/1/2015)

Net Pension Liability

The Utility's net pension liability was measured as January 1, 2019 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	\$ 21,431,104
Plan net position	<u>18,943,780</u>
Net pension liability	<u>\$ 2,487,324</u>
Plan net position as a % of total pension liability	88%

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

33

Notes to Financial Statements

December 31, 2018

11. Pension Plan (cont.)

Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance - December 31, 2017	\$ 19,990,108	\$ 18,491,084	\$ 1,499,024
Changes for the year			
Service cost	326,934	-	326,934
Interest	1,386,168	-	1,386,168
Differences between expected and actual experience	430,255	-	430,255
Employer contributions	-	2,317,114	(2,317,114)
Employee contributions	-	-	-
Net investment income	-	(1,162,057)	1,162,057
Benefits and refunds	(702,361)	(702,361)	-
Administrative expenses	-	-	-
Assumption change	-	-	-
Other	-	-	-
Net changes	<u>1,440,996</u>	<u>452,696</u>	<u>988,300</u>
Balance - December 31, 2018	<u>\$ 21,431,104</u>	<u>\$ 18,943,780</u>	<u>\$ 2,487,324</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 LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Notes to Financial Statements

December 31, 2018

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, 2018.

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 <u>to 6%</u>	Current Single Rate <u>Assumed 7%</u>	1% Increase <u>to 8%</u>
Total pension liability	\$ 23,917,886	\$ 21,431,104	\$ 19,202,877
Net pension liability	4,974,106	2,487,324	259,097

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Notes to Financial Statements

December 31, 2018

11. Pension Plan (cont.)

Plan Amendments

The last plan originated on January 1, 1985 and has been amended and restated several times with the last restatement date on January 1, 2009. This resolution ceased cost-of-living adjustments to certain retirees.

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

For the year ended December 31, 2018, the Utility recognized pension expense of \$1,339,961. At December 31, 2018, 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	\$ 585,504	\$ 235,364
Net difference between projected and actual earnings on pension plan investments	<u>2,371,203</u>	<u>308,868</u>
Total	<u>\$ 2,956,707</u>	<u>\$ 544,232</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 Ended December 31,</u>	
2019	\$ 767,925
2020	496,175
2021	451,628
2022	554,583
2023	51,994
Thereafter	<u>90,170</u>
	<u>\$ 2,412,475</u>

The Utility's expected future pension payments are classified as current liabilities on the accompanying statement of net position.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

36

Notes to Financial Statements

December 31, 2018

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 the majority of its power from two suppliers, GRDA and SWPA. Purchases from these two suppliers were \$33,693,010 during the year ended December 31, 2018.

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.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Notes to Financial Statements

December 31, 2018

14. Beginning Balances Restated

The beginning net position was restated for the adoption of GASB Statement No. 75.

The financial statements were restated as follows:

Net position as of December 31, 2017, as previously reported	\$ 119,674,531
Restatement of postemployment benefits other other than pensions benefit	<u>74,886</u>
Net position as of January 1, 2018, as restated	<u>\$ 119,749,417</u>

15. Subsequent Events Evaluation Date

The Utility evaluated the events and transactions subsequent to its December 31, 2018 statement of net position date and determined there were no significant events to report through May 1, 2019, which is the date the Utility issued its financial statements.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Schedule of Changes in the Utility's Net OPEB Benefit and Related Ratios

For the Years Ended December 31, 2018 – December 31, 2009

<u>Year Ended December 31,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability			
Service cost	\$ 144,461	\$ -	\$ -
Interest	279,273	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	-	-	-
Benefits and refunds	(64,318)	-	-
Net change in total OPEB liability	359,416	-	-
Total OPEB liability - beginning, as restated	4,256,443	-	-
Total OPEB liability - ending	<u>\$ 4,615,859</u>	<u>\$ 4,256,443</u>	<u>\$ -</u>
Plan fiduciary net position			
Contributions			
Employee	\$ -	\$ -	\$ -
Employer	-	-	960,000
Net investment income	(159,435)	817,346	246,598
Benefits and refunds	-	-	-
Administrative expense	-	-	-
Net change in plan fiduciary net position	(159,435)	817,346	1,206,598
Plan fiduciary net position - beginning, as restated	5,857,506	5,040,160	3,833,562
Plan fiduciary net position - ending	<u>\$ 5,698,071</u>	<u>\$ 5,857,506</u>	<u>\$ 5,040,160</u>
Net OPEB benefit - ending	<u>\$ (1,082,212)</u>	<u>\$ (1,601,063)</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of total OPEB benefit	123.45%	137.62%	0.00%
Covered employee payroll	\$ 7,564,538	\$ -	\$ -
Net OPEB benefit as a percentage of covered employee payroll	14.31%	0.00%	0.00%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
960,000	960,000	432,431	-	-	-	-
(55,945)	138,430	149,462	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>904,055</u>	<u>1,098,430</u>	<u>581,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,929,507</u>	<u>1,831,077</u>	<u>1,249,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,833,562</u>	<u>\$ 2,929,507</u>	<u>\$ 1,831,077</u>	<u>\$ 1,249,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Information in this schedule has been determined as of the measurement date (January 1, 2019) of the Utility's net pension liability.

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Schedule of the Utility's Contributions

For the Years Ended December 31, 2018 – December 31, 2009

<u>Year Ended December 31,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 144,461	\$ 195,421	\$ 244,117
Contributions in relation to the actuarially determined contribution	<u>64,318</u>	<u>74,257</u>	<u>1,059,203</u>
Contribution deficiency (excess)	<u>\$ 80,143</u>	<u>\$ 121,164</u>	<u>\$ (815,086)</u>
Covered employee payroll	\$ 7,564,538	\$ -	\$ -
Contributions as a percentage of covered employee payroll	0.85%	0.00%	0.00%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 305,072	\$ 426,720	\$ 426,720	\$ -	\$ -	\$ -	\$ -
<u>1,097,264</u>	<u>960,000</u>	<u>1,374,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ (792,192)	\$ (533,280)	\$ (948,214)	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Information in this schedule has been determined as of the measurement date (January 1, 2019) of the Utility’s net pension liability.

See independent auditor’s report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Schedule of the Utility's Investment Returns

For the Years Ended December 31, 2018 – December 31, 2009

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

Years Ended December 31,

2018	-2.7%
2017	16.2%
2016	5.7%
2015	-1.6%
2014	6.0%
2013	10.2%
2012	0.0%
2011	0.0%
2010	0.0%
2009	0.0%

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, 2019) of the Utility's net pension liability.

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

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

For the Years Ended December 31, 2018 – December 31, 2009

<u>Year Ended December 31,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 326,934	\$ 321,768	\$ 321,606
Interest	1,386,168	1,334,341	1,252,230
Differences between expected and actual experience	430,255	(211,514)	278,709
Assumption changes	-	-	-
Benefits and refunds	<u>(702,361)</u>	<u>(711,248)</u>	<u>(648,004)</u>
Net change in total pension liabilities	1,440,996	733,347	1,204,541
Total pension liability - beginning	<u>19,990,108</u>	<u>19,256,761</u>	<u>18,052,220</u>
 Total pension liability - ending	 <u>\$ 21,431,104</u>	 <u>\$ 19,990,108</u>	 <u>\$ 19,256,761</u>
 Plan fiduciary net position			
Contributions			
Employee	\$ -	\$ -	\$ -
Employer	2,317,114	2,317,114	1,357,114
Net investment income	(1,162,057)	1,638,272	766,101
Benefits and refunds	(702,361)	(711,248)	(648,004)
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	452,696	3,244,138	1,475,211
Plan fiduciary net position - beginning	<u>18,491,084</u>	<u>15,246,946</u>	<u>13,771,735</u>
 Plan fiduciary net position - ending	 <u>\$ 18,943,780</u>	 <u>\$ 18,491,084</u>	 <u>\$ 15,246,946</u>
 Net pension liability - ending	 <u>\$ 2,487,324</u>	 <u>\$ 1,499,024</u>	 <u>\$ 4,009,815</u>
 Plan fiduciary net position as a percentage of total pension liability	 88.39%	 92.50%	 79.18%
 Covered employee payroll	 \$ 4,810,687	 \$ 4,920,325	 \$ 4,826,119
 Net pension liability as a percentage of covered employee payroll	 51.70%	 30.47%	 83.09%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 314,862	\$ 289,985	\$ 308,210	\$ 310,832	\$ 309,691	\$ 334,376	\$ 326,750
1,196,815	1,082,359	1,039,069	999,731	948,802	888,339	839,521
(88,654)	(416,734)	(94,730)	(139,016)	52,480	187,310	(20,096)
-	1,288,595	-	-	-	-	-
<u>(621,479)</u>	<u>(621,605)</u>	<u>(628,410)</u>	<u>(588,145)</u>	<u>(579,814)</u>	<u>(488,028)</u>	<u>(417,163)</u>
801,544	1,622,600	624,139	583,402	731,159	921,997	729,012
<u>17,250,676</u>	<u>15,628,076</u>	<u>15,003,937</u>	<u>14,420,535</u>	<u>13,689,376</u>	<u>12,767,379</u>	<u>12,038,367</u>
<u>\$ 18,052,220</u>	<u>\$ 17,250,676</u>	<u>\$ 15,628,076</u>	<u>\$ 15,003,937</u>	<u>\$ 14,420,535</u>	<u>\$ 13,689,376</u>	<u>\$ 12,767,379</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,357,114	2,212,914	1,311,660	785,425	706,701	732,875	762,722
(392,971)	473,318	1,083,899	733,723	(357,971)	684,378	853,472
(621,479)	(621,605)	(628,410)	(588,145)	(579,814)	(488,028)	(417,163)
-	-	-	-	-	(585)	(590)
<u>342,664</u>	<u>2,064,627</u>	<u>1,767,149</u>	<u>931,003</u>	<u>(231,084)</u>	<u>928,640</u>	<u>1,198,441</u>
<u>13,429,071</u>	<u>11,364,444</u>	<u>9,597,295</u>	<u>8,666,292</u>	<u>8,897,376</u>	<u>7,968,736</u>	<u>6,770,295</u>
<u>\$ 13,771,735</u>	<u>\$ 13,429,071</u>	<u>\$ 11,364,444</u>	<u>\$ 9,597,295</u>	<u>\$ 8,666,292</u>	<u>\$ 8,897,376</u>	<u>\$ 7,968,736</u>
<u>\$ 4,280,485</u>	<u>\$ 3,821,605</u>	<u>\$ 4,263,632</u>	<u>\$ 5,406,642</u>	<u>\$ 5,754,243</u>	<u>\$ 4,792,000</u>	<u>\$ 4,798,643</u>
76.29%	77.85%	72.72%	63.97%	60.10%	64.99%	62.41%
\$ 4,801,700	\$ 4,755,732	\$ 4,832,692	\$ 5,020,517	\$ 5,033,286	\$ 4,972,847	\$ 5,436,850
89.15%	80.36%	88.22%	107.69%	114.32%	96.36%	88.26%

Information in this schedule has been determined as of the measurement date (January 1, 2019) of the Utility's net pension liability.

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Schedule of the Employers' Contributions

For the Years Ended December 31, 2018 – December 31, 2009

<u>Year Ended December 31,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 463,434	\$ 663,406	\$ 681,502
Actual contribution	<u>2,317,114</u>	<u>2,317,114</u>	<u>1,357,114</u>
Contribution deficiency (excess)	<u>\$ (1,853,680)</u>	<u>\$ (1,653,708)</u>	<u>\$ (675,612)</u>
Covered employee payroll	\$ 4,810,687	\$ 4,920,325	\$ 4,826,119
Contributions as a percentage of covered employee payroll	48.2%	47.1%	28.1%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 633,852	\$ 643,725	\$ 754,699	\$ 785,425	\$ 706,701	\$ 732,785	\$ 762,722
<u>1,357,114</u>	<u>2,212,914</u>	<u>1,311,660</u>	<u>785,425</u>	<u>706,701</u>	<u>732,875</u>	<u>762,722</u>
<u>\$ (723,262)</u>	<u>\$ (1,569,189)</u>	<u>\$ (556,961)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (90)</u>	<u>\$ -</u>
\$ 4,801,700	\$ 4,755,732	\$ 4,832,692	\$ 5,020,517	\$ 5,033,286	\$ 4,972,847	\$ 5,436,850
28.3%	46.5%	27.1%	15.6%	14.0%	14.7%	14.0%

Information in this schedule has been determined as of the measurement date (January 1, 2019) of the Utility's net pension liability.

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Schedule of the Employers' Investment Returns

For the Years Ended December 31, 2018 – December 31, 2009

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

Years Ended December 31,

2018	-6.1%
2017	10.2%
2016	5.4%
2015	-2.8%
2014	3.9%
2013	10.9%
2012	8.4%
2011	-4.0%
2010	8.5%
2009	12.3%

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, 2019) of the Utility's net pension liability.

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Divisional Statement of Net Position

December 31, 2018

<u>Assets and Deferred Outflows of Resources</u>	<u>Electric</u>	<u>Sewer</u>
Current assets		
Cash and cash equivalents	\$ 3,882,661	\$ 242
Accounts receivable, net of allowance	5,444,105	555,032
Material and supply inventories	1,758,743	114,660
Prepaid expenses	<u>126,190</u>	<u>60,326</u>
Total current assets	<u>11,211,699</u>	<u>730,260</u>
Long-term assets		
Restricted and board designated assets	10,505,143	687,950
Capital assets, net of accumulated depreciation	42,999,597	31,187,909
Postemployment benefits other than pensions benefit	400,418	238,087
Goodwill, net	<u>587,804</u>	<u>-</u>
Total long-term assets	<u>54,492,962</u>	<u>32,113,946</u>
Deferred outflows of resources		
Deferred loss on bond refunding	297,573	262,657
Other postemployment benefits	159,891	95,070
Pension	<u>1,093,983</u>	<u>650,475</u>
Total deferred outflows of resources	<u>1,551,447</u>	<u>1,008,202</u>
Total assets and deferred outflows of resources	<u>\$ 67,256,108</u>	<u>\$ 33,852,408</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ 280,371	\$ 6,404	\$ 6,505,819	\$ 10,675,497
445,606	529,415	384,274	7,358,432
399,734	1,412,325	396	3,685,858
89,839	103,258	92,111	471,724
<u>1,215,550</u>	<u>2,051,402</u>	<u>6,982,600</u>	<u>22,191,511</u>
-	-	-	11,193,093
19,929,491	6,303,096	5,204,831	105,624,924
205,620	173,154	64,933	1,082,212
-	748,056	7,500	1,343,360
<u>20,135,111</u>	<u>7,224,306</u>	<u>5,277,264</u>	<u>119,243,589</u>
-	-	-	560,230
82,106	69,143	25,928	432,138
561,773	473,074	177,402	2,956,707
<u>643,879</u>	<u>542,217</u>	<u>203,330</u>	<u>3,949,075</u>
<u>\$ 21,994,540</u>	<u>\$ 9,817,925</u>	<u>\$ 12,463,194</u>	<u>\$ 145,384,175</u>

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Divisional Statement of Net Position (cont.)

December 31, 2018

<u>Liabilities and Net Position</u>	<u>Electric</u>	<u>Sewer</u>
Current liabilities		
Current maturities of long-term debt	\$ 785,000	\$ 500,000
Accounts payable	3,136,356	118,461
Accrued interest	15,663	8,705
Customer deposits	534,494	-
Compensated absences	246,724	169,968
Other current liabilities	<u>581,348</u>	<u>26,060</u>
Total current liabilities	<u>5,299,585</u>	<u>823,194</u>
Noncurrent liabilities		
Long-term debt, less current maturities	5,170,000	4,405,000
Net pension liability	920,310	547,212
Customer deposits	<u>602,806</u>	<u>-</u>
Total noncurrent liabilities	<u>6,693,116</u>	<u>4,952,212</u>
Deferred inflows of resources		
Pension	<u>201,365</u>	<u>119,732</u>
Total liabilities and deferred inflows of resources	<u>12,194,066</u>	<u>5,895,138</u>
Due to (from) other funds	<u>(45,820,275)</u>	<u>28,932,782</u>
Net position		
Invested in capital assets	37,342,170	26,545,566
Restricted	10,505,143	687,950
Unrestricted	<u>53,035,004</u>	<u>(28,209,028)</u>
Total net position	<u>100,882,317</u>	<u>(975,512)</u>
Total liabilities and net position	<u>\$ 67,256,108</u>	<u>\$ 33,852,408</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1,285,000
71,098	593,604	29,308	3,948,827
-	-	-	24,368
-	-	-	534,494
179,003	70,261	53,843	719,799
27,569	16,318	25,067	676,362
<u>277,670</u>	<u>680,183</u>	<u>108,218</u>	<u>7,188,850</u>
-	-	-	9,575,000
472,592	397,973	149,237	2,487,324
2,200	-	-	605,006
<u>474,792</u>	<u>397,973</u>	<u>149,237</u>	<u>12,667,330</u>
<u>103,405</u>	<u>87,078</u>	<u>32,652</u>	<u>544,232</u>
<u>855,867</u>	<u>1,165,234</u>	<u>290,107</u>	<u>20,400,412</u>
<u>10,241,817</u>	<u>14,137,622</u>	<u>(7,491,946)</u>	<u>-</u>
19,929,491	6,303,096	5,204,831	95,325,154
-	-	-	11,193,093
<u>(9,032,635)</u>	<u>(11,788,027)</u>	<u>14,460,202</u>	<u>18,465,516</u>
<u>10,896,856</u>	<u>(5,484,931)</u>	<u>19,665,033</u>	<u>124,983,763</u>
<u>\$ 21,994,540</u>	<u>\$ 9,817,925</u>	<u>\$ 12,463,194</u>	<u>\$ 145,384,175</u>

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Divisional Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2018

	<u>Electric</u>	<u>Sewer</u>
Operating revenues		
Utility charges	\$ 43,099,914	\$ 4,338,598
Other operating income	<u>69,262</u>	<u>-</u>
Total operating revenues	<u>43,169,176</u>	<u>4,338,598</u>
Operating expenses		
Production and distribution	3,693,278	2,561,294
Purchased power	32,741,775	-
Customer accounts	382,608	149,991
Administration and general	502,403	265,096
Depreciation	2,122,643	1,428,786
Impairment loss	<u>-</u>	<u>-</u>
Total operating expenses	<u>39,442,707</u>	<u>4,405,167</u>
Operating income (loss)	<u>3,726,469</u>	<u>(66,569)</u>
Nonoperating income (expenses)		
Interest income	296,421	20,415
Other nonoperating income	-	13,128
Interest expense	(201,980)	(108,546)
Bond costs - loss on defeasance	<u>(76,904)</u>	<u>(57,102)</u>
Total nonoperating income (expenses)	<u>17,537</u>	<u>(132,105)</u>
Capital contributions	<u>207,582</u>	<u>8,600</u>
Changes in net position	3,951,588	(190,074)
Net position - beginning of year, as restated	<u>96,930,729</u>	<u>(785,438)</u>
Net position - end of year	<u>\$ 100,882,317</u>	<u>\$ (975,512)</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ 3,757,428	\$ 7,238,210	\$ 5,181,446	\$ 63,615,596
290	-	-	69,552
<u>3,757,718</u>	<u>7,238,210</u>	<u>5,181,446</u>	<u>63,685,148</u>
2,569,967	6,647,498	1,831,429	17,303,466
-	-	-	32,741,775
168,315	188,432	90,849	980,195
353,518	287,155	179,217	1,587,389
1,083,735	896,176	311,804	5,843,144
-	378,896	-	378,896
<u>4,175,535</u>	<u>8,398,157</u>	<u>2,413,299</u>	<u>58,834,865</u>
<u>(417,817)</u>	<u>(1,159,947)</u>	<u>2,768,147</u>	<u>4,850,283</u>
8,638	20,731	12,093	358,298
-	1,608	-	14,736
-	-	-	(310,526)
-	-	-	(134,006)
<u>8,638</u>	<u>22,339</u>	<u>12,093</u>	<u>(71,498)</u>
<u>40,104</u>	<u>135,596</u>	<u>63,679</u>	<u>455,561</u>
(369,075)	(1,002,012)	2,843,919	5,234,346
<u>11,265,931</u>	<u>(4,482,919)</u>	<u>16,821,114</u>	<u>119,749,417</u>
<u>\$ 10,896,856</u>	<u>\$ (5,484,931)</u>	<u>\$ 19,665,033</u>	<u>\$ 124,983,763</u>

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Paragould, Arkansas Water, Sewer and Electric Refunding of 2003 Bonds Series 2013

Amortization Schedule

December 31, 2018

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/1/2019			\$ 93,978	\$ 93,978
12/1/2019	2.30%	\$ 785,000	93,978	878,978
6/1/2020			84,950	84,950
12/1/2020	2.65%	795,000	84,950	879,950
6/1/2021			74,416	74,416
12/1/2021	3.00%	820,000	74,416	894,416
6/1/2022			62,116	62,116
12/1/2022	3.25%	845,000	62,116	907,116
6/1/2023			48,385	48,385
12/1/2023	3.40%	870,000	48,385	918,385
6/1/2024			33,595	33,595
12/1/2024	3.55%	905,000	33,595	938,595
6/1/2025			17,531	17,531
12/1/2025	2.75%	<u>935,000</u>	<u>17,531</u>	<u>952,531</u>
		<u>\$ 5,955,000</u>	<u>\$ 829,942</u>	<u>\$ 6,784,942</u>

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

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

Amortization Schedule

December 31, 2018

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/1/2019			\$ 49,731	\$ 49,731
12/1/2019	2.00%	\$ 500,000	49,731	549,731
6/1/2020			44,681	44,681
12/1/2020	2.00%	510,000	44,681	554,681
6/1/2021			39,531	39,531
12/1/2021	2.00%	520,000	39,531	559,531
6/1/2022			34,256	34,256
12/1/2022	2.00%	535,000	34,256	569,256
6/1/2023			28,856	28,856
12/1/2023	2.00%	545,000	28,856	573,856
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>\$ 4,905,000</u>	<u>\$ 503,038</u>	<u>\$ 5,408,038</u>

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

49

Statistical Data (Unaudited)

For the Year Ended December 31, 2018

	<u>Number of Customers</u>	<u>kWh or Gallons Billed</u>
<u>Electric</u>		
Industrial	39	299,479,720
Residential	11,817	211,057,576
Commercial	1,863	92,845,527
Security lights	1,357	4,781,408
Street lights	2,628	<u>1,943,109</u>
Total		<u><u>610,107,340</u></u>
<u>Water</u>		
Residential	10,535	638,571,000
Commercial	12,535	202,705,300
Industrial	37	<u>168,412,500</u>
Total		<u><u>1,009,688,800</u></u>
<u>Sewer</u>		
Residential	9,646	542,587,700
Commercial	1,158	193,445,900
Industrial	35	<u>147,607,402</u>
Total		<u><u>883,641,002</u></u>
<u>Cable television</u>		
Economy and expanded basic	5,423	
Prime and prim plus	948	
<u>Internet services</u>		
High speed silver	667	
Business class gold	4,314	
Business class platinum	1,843	
<u>Fiber services</u>		
Bronze	100	
Fiber 100	1,392	
Fiber 200	52	
Fiber 1000	6	

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

50

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2018

Utility rates

Electric rates

Residential

Customer facility charge	\$8.00
First 750 kWh	.07468 per kWh
Excess over 750 kWh	.06858 per kWh

General service

Energy charge

Customer facility charge single-phase	\$11.00
Customer facility charge three-phase	\$34.60
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	\$34.00
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 LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

51

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2018

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	\$7.77
First 2,000 gallons	\$1.61 per 1,000 gallons
Next 18,000 gallons per month	2.84 per 1,000 gallons
Next 20,000 gallons per month	2.65 per 1,000 gallons
Excess over 40,000 gallons per month	2.50 per 1,000 gallons

Sewer rates (monthly)

Debt service fixed charge	\$8.07
First 2,000 gallons	\$3.04 per 1,000 gallons
Excess over 2,000 gallons per month	4.11 per 1,000 gallons

Residential sewer is capped at 14,000 per month.

Cable television rates (monthly)

Economy package	\$23.47
Expanded basic package	73.98
Prime package	92.21
Prime plus package	98.55
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	15.37
Showtime/The Movie Channel	15.76
Starz, Encore	11.37

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

52

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2018

	<u>Internet Rate</u>
Internet services (monthly)	
High speed silver	\$48.45
Business class gold	72.95
Business class platinum	99.95
Fiber services	
Fiber 100	\$57.95
Fiber 200	99.95
Fiber 1000	199.95

See independent auditor's report.

**PARAGOULD LIGHT AND WATER COMMISSION
D/B/A
PARAGOULD LIGHT, WATER AND CABLE**

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2018

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>
2018	11,817	1,863	39	13,719
2017	11,692	1,834	40	13,566
2016	11,591	1,837	40	13,468
2015	11,466	1,828	39	13,333
2014	11,412	1,780	39	13,231

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>
2018	10,535	1,235	37	11,807
2017	10,426	1,241	37	11,704
2016	10,303	1,239	34	11,576
2015	10,173	1,221	35	11,429
2014	10,048	1,204	36	11,288

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>
2018	9,646	1,158	35	10,839
2017	9,538	1,163	35	10,736
2016	9,426	1,156	33	10,615
2015	9,287	1,147	34	10,468
2014	9,183	1,134	34	10,351

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>
2018	3,160,301	4,393,000	1,154,310,572
2017	3,036,333	4,166,000	1,108,983,000
2016	3,247,242	4,567,000	1,185,268,952
2015	3,133,087	4,131,000	1,143,635,939
2014	3,157,922	4,861,000	1,153,246,363

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 Light and Water Commission
d/b/a Paragould Light, Water and Cable
Paragould, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable (the “Utility”), a component unit of the City of Paragould, Arkansas, as of December 31, 2018, and the related statements of net position, revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
May 1, 2019