



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

December 31, 2019

**Financial Statements
And
Supplementary Information**

With

Independent Auditor's Report



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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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 April 30, 2020 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
April 30, 2020

**PARAGOULD LIGHT AND WATER COMMISSION
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PARAGOULD LIGHT, WATER AND CABLE**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

Financial Highlights

	<u>2019</u>	<u>2018</u>
Assets and deferred outflows of resources		
Total current assets	\$ 19,083,044	\$ 22,191,511
Total restricted and board designated assets	11,387,799	11,193,093
Capital assets, net	112,165,153	105,624,924
Postemployment benefits other than pensions benefit	1,837,142	1,082,212
Deferred outflows of resources	4,546,775	5,292,435
Total assets and deferred outflows of resources	<u>149,019,913</u>	<u>145,384,175</u>
Liabilities and deferred inflows of resources		
Total current liabilities	7,166,524	7,188,850
Total noncurrent liabilities	9,056,336	12,667,330
Deferred inflows of resources	2,180,370	544,232
Total liabilities and deferred inflows of resources	<u>18,403,230</u>	<u>20,400,412</u>
Net position		
Invested in capital assets, net of related debt	103,028,857	95,325,154
Restricted	11,387,799	11,193,093
Unrestricted	16,200,027	18,465,516
Total net position	<u>\$ 130,616,683</u>	<u>\$ 124,983,763</u>
Operating revenues		
Utility charges	\$ 61,271,188	\$ 63,615,596
Other operating income	51,609	69,552
Total operating revenues	<u>61,322,797</u>	<u>63,685,148</u>
Operating expenses		
Production and distribution	17,779,828	17,303,466
Purchased power	28,734,395	32,741,775
Customer accounts	1,025,084	980,195
Administration and general	1,644,237	1,587,389
Amortization	446,037	-
Depreciation	6,220,716	5,843,144
Impairment loss	-	378,896
Total operating expenses	<u>55,850,297</u>	<u>58,834,865</u>
Total nonoperating income (expense)	<u>9,284</u>	<u>(71,498)</u>
Capital contributions	<u>151,136</u>	<u>455,561</u>
Changes in net position		
Net position - beginning of year	<u>124,983,763</u>	<u>119,749,417</u>
Net position - end of year	<u>\$ 130,616,683</u>	<u>\$ 124,983,763</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2019

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, 2019, 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 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, 2019.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions that account for the changes in net positions from January 1, 2019 to December 31, 2019.

Total and Capital Assets

Total Assets increased by approximately \$4,000,000 or 2.5% during 2019. Capital assets being depreciated increased in 2019 by approximately \$13,000,000. The major capital improvements projects consisted of:

- Near completion of project to replace biosolids sludge dryer system with a dewatering and alkaline stabilization system-spent \$4,000,000.
- Continued construction on multi-year project to put into service fiber optic lines and related head end and home-based equipment that will provide internet data and video service to entire customer base-spent additional \$5,000,000 in 2019.

Asset additions in 2019 were financed by operating revenue and utility reserves.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2019

Capital Contributions

Contributions during 2019 were approximately \$150,000. 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 \$1,997,000 in 2019. Long-term debt decreased by \$1,285,000 in 2019.

Operating Revenues and Expenses

Operating revenues decreased by approximately \$2,400,000 or 3% in 2019. 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 decreased by \$2,985,000 or 5% in 2019. The most significant single operating expense increase was purchased power, with a decrease of approximately \$4,000,000.

Long-Term Debt

The Utility’s trustees paid to the bondholders’ principal payments of \$1,285,000 during 2019. The Utility makes monthly sinking fund payments to the bond trustees, which are reflected as restricted assets. The bondholders are then paid annual principal payments and semiannual interest payments. Bond covenants require the Utility to maintain a Debt Service Coverage Ratio of 1.20. The coverage ratio maintained was 4.30 for 2019.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2019

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
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Statement of Net Position

December 31, 2019

Assets and Deferred Outflows of Resources

Current assets	
Cash and cash equivalents	\$ 7,923,547
Accounts receivable, net of allowance for doubtful accounts of approximately \$395,000	7,122,077
Material and supply inventories	3,588,136
Prepaid expenses	449,284
Total current assets	<u>19,083,044</u>
Long-term assets	
Restricted and board designated assets	11,387,799
Capital assets, net of accumulated depreciation	112,165,153
Postemployment benefits other than pensions benefit	1,837,142
Total long-term assets	<u>125,390,094</u>
Deferred outflows of resources	
Goodwill, net	897,323
Deferred loss on bond refunding	438,704
Other postemployment benefits	337,539
Pension	2,873,209
Total deferred outflows of resources	<u>4,546,775</u>
Total assets and deferred outflows of resources	<u>\$ 149,019,913</u>

Liabilities and Net Position

Current liabilities

Current maturities of long-term debt	\$ 1,305,000
Accounts payable	3,669,222
Accrued interest	22,030
Customer deposits	482,648
Compensated absences	997,836
Other current liabilities	<u>689,788</u>
Total current liabilities	<u>7,166,524</u>

Noncurrent liabilities

Long-term debt, less current maturities	8,270,000
Net pension liability	129,033
Customer deposits	<u>657,303</u>
Total noncurrent liabilities	<u>9,056,336</u>

Deferred inflows of resources

Post employment benefits other than pensions	585,722
Pension	<u>1,594,648</u>
Total deferred inflows of resources	<u>2,180,370</u>

Total liabilities and deferred inflows of resources	<u>18,403,230</u>
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Net position

Invested in capital assets	103,028,857
Restricted	11,387,799
Unrestricted	<u>16,200,027</u>
Total net position	<u>130,616,683</u>

Total liabilities and net position	<u>\$ 149,019,913</u>
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**PARAGOULD LIGHT AND WATER COMMISSION
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Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2019

Operating revenues	
Utility charges	\$ 61,271,188
Other operating income	<u>51,609</u>
Total operating revenues	<u>61,322,797</u>
Operating expenses	
Production and distribution	17,779,828
Purchased power	28,734,395
Customer accounts	1,025,084
Administration and general	1,644,237
Amortization	446,037
Depreciation	<u>6,220,716</u>
Total operating expenses	<u>55,850,297</u>
Operating income	<u>5,472,500</u>
Nonoperating income (expenses)	
Interest income	406,045
Other nonoperating income	10,278
Interest expense	(285,513)
Bond costs - loss on defeasance	<u>(121,526)</u>
Total nonoperating income	<u>9,284</u>
Capital contributions	<u>151,136</u>
Changes in net position	5,632,920
Net position - beginning of year	<u>124,983,763</u>
Net position - end of year	<u>\$ 130,616,683</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION
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Statement of Cash Flows

For the Year Ended December 31, 2019

Cash flows from operating activities	
Cash received from customers	\$ 61,559,152
Cash paid to suppliers	(41,629,477)
Payments to employees	<u>(8,721,033)</u>
Net cash provided by operating activities	<u>11,208,642</u>
 Cash flows from noncapital financing activities	
Change in customer deposits, net	451
Other	<u>10,278</u>
Net cash provided by noncapital financing activities	<u>10,729</u>
 Cash flows from capital and related financing activities	
Purchases of capital assets	(12,610,371)
Proceeds from sale of capital assets	562
Principal paid on long-term debt	<u>(1,285,000)</u>
Interest paid on long-term debt	<u>(287,851)</u>
Net cash used by capital and related financing activities	<u>(14,182,660)</u>
 Cash flows from investing activities	
Change in restricted and board designated assets	(194,706)
Interest income received	<u>406,045</u>
Net cash provided by investing activities	<u>211,339</u>
 Net decrease in cash and cash equivalents	(2,751,950)
 Cash and cash equivalents - beginning of year	<u>10,675,497</u>
 Cash and cash equivalents - end of year	<u>\$ 7,923,547</u>

Reconciliation of earnings from operations to net cash provided by operating activities	
Operating income	\$ 5,472,500
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	6,220,716
Amortization	446,037
Changes in operating assets and liabilities	
Accounts receivable	236,355
Material and supply inventories	97,722
Prepaid expenses	22,440
Accounts payable	(279,605)
Other current liabilities and compensated absences	291,463
Deferred outflows of resources for other postemployment benefits	94,599
Deferred outflows of resources for pensions	83,498
Deferred inflows of resources for other postemployment benefits	585,722
Deferred inflows of resources for pensions	1,050,416
Net pension liability	(2,358,291)
Postemployment benefits other than pensions benefit	<u>(754,930)</u>
Net cash provided by operating activities	<u>\$ 11,208,642</u>

Supplementary disclosure of noncash investing, capital and financing activities

Capital contributions in aid of construction	\$ 151,136
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Statement of Fiduciary Net Position

December 31, 2019

	Other		
	Postemployment		
	Benefits	Pension	
	<u>Trust Fund</u>	<u>Trust Fund</u>	
Assets			
Cash and cash equivalents	\$ 67,322	\$ 3,606,809	
Investments	6,733,276	19,684,320	
Accrued interest receivable	-	24,823	
Total assets	<u>\$ 6,800,598</u>	<u>\$ 23,315,952</u>	
Liabilities			
Accounts payable	\$ -	\$ 3,159	
Net position			
Restricted for			
Pensions	-	23,312,793	
Other postemployment benefits	6,800,598	-	
Total net position	<u>6,800,598</u>	<u>23,312,793</u>	
Total liabilities and net position	<u>\$ 6,800,598</u>	<u>\$ 23,315,952</u>	

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

PARAGOULD LIGHT AND WATER COMMISSION
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Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2019

	Other Postemployment Benefits <u>Trust Fund</u>	Pension Trust Fund
Additions		
Employer contributions	\$ -	\$ -
Net investment income	1,118,232	5,289,837
Other income	-	-
Total additions	<u>1,118,232</u>	<u>5,289,837</u>
 Deductions		
Distributions	15,705	904,092
Administrative expenses	-	16,730
Total deductions	<u>15,705</u>	<u>920,822</u>
 Change in fiduciary net position	1,102,527	4,369,015
 Beginning of year	<u>5,698,071</u>	<u>18,943,778</u>
 End of year	<u>\$ 6,800,598</u>	<u>\$ 23,312,793</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION
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Notes to Financial Statements

December 31, 2019

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.

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Notes to Financial Statements

December 31, 2019

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 \$5,593,000 at December 31, 2019. 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.

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Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (cont.)

- i. **Capital assets** – Capital assets are valued at cost or, for contributed items, at estimated fair market value on the date of contribution. Depreciation is provided for on a straight-line basis over the estimated useful lives of the depreciable assets. The capitalization policy states that capital assets are assets with an initial value or cost greater than or equal to \$2,000 and an estimated useful life greater than one year. Significant betterments, which increase the useful lives of capital assets, are capitalized and depreciated over the remaining useful life of the related assets. The cost of electric, water and sewer easements are included within land and land rights.
- j. **Goodwill** – As a result of certain acquisition and merger transactions, the Utility has recorded goodwill for the excess of the amount paid over the fair value of the assets acquired at the date of the acquisition or merger. Goodwill, net is recorded as deferred outflows of resources on the accompanying statement of net position. The Utility recognized \$446,037 in amortization expense related to goodwill during the year ended December 31, 2019.
- k. **Restricted assets** – Restricted assets include cash and investments that are legally restricted as to their future use by external groups such as creditors, grantors, contributors, or by laws and regulations.
- l. **Postemployment benefits other than pensions** – For purposes of measuring the net OPEB benefit, deferred outflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the benefit plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they were determined by a third party actuarial report on the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- m. **Deferred outflows/inflows of resources** – In addition to assets, the accompanying statement of net position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Utility has three types of items that qualify for reporting in this category. The first item is goodwill as discussed in 1.j. The next is the deferred loss on bond refunding. A deferred loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are related to the pension and OPEB benefit reported 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.

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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 OPEB and 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 and OPEB plan investments related to the pension and OPEB plan and will be amortized to expense over future periods as shown in Notes 10 and 11.

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

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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, 2019, the Utility determined there were no triggering events indicating impairment of its capital assets.
- t. **Recent accounting pronouncements** – Governmental Accounting Standards Board (“GASB”) Statement No. 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 adopted this standard effective January 1, 2020, which is not expected have a material impact on its financial statements.

GASB Statement No. 92, “Omnibus 2020.” The objectives of this statement are to enhance comparability in accounting and financing reporting and to improve the consistency of authoritative literatures by addressing 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 leases, financial reporting for pensions and other postemployment benefits, fair value measurements and derivative instruments. This statement is effective for periods beginning after July 15, 2020. Earlier application is encouraged. The Utility has not yet determined the potential impact, if any, this statement could have on its financial statements.

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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.

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, 2019, none of the Utility's investment balances were exposed to custodial credit risk.

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3. Restricted and Board Designated Assets

Restricted and board designated assets consist of the following:

Restricted	
Refunding Revenue Bonds, Series 2013	
Revenue Bond Fund	\$ 104,214
Refunding Revenue Bonds, Series 2013	
Debt Service Reserve Fund	491,609
Refunding Revenue Bonds, Series 2016	
Revenue Bond Fund	409,275
Debt Service Reserve Fund	306,264
Depreciation Fund Reserve	<u>157,442</u>
Total restricted	<u>1,468,804</u>
Board designated	
Construction account	5,940,259
Reserve for potential uninsured property	
casualty losses	<u>3,978,736</u>
Total board designated	<u>9,918,995</u>
	<u>\$ 11,387,799</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.

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.

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4. Capital Assets

Capital assets activity consists of the following:

	Useful <u>Life</u>	December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2019</u>
Capital assets not being depreciated					
Land and land rights	N/A	\$ 1,094,331	\$ 55,227	\$ -	\$ 1,149,558
Construction in progress	N/A	6,110,029	11,996,419	7,243,433	10,863,015
		<u>7,204,360</u>	<u>12,051,646</u>	<u>7,243,433</u>	<u>12,012,573</u>
Capital assets being depreciated					
Buildings and improvements	20 - 50	16,832,307	27,828	-	16,860,135
Machinery and equipment	5 - 50	185,490,851	7,903,063	20,123	193,373,791
Vehicles	5	4,272,667	37,523	-	4,310,190
		<u>206,595,825</u>	<u>7,968,414</u>	<u>20,123</u>	<u>214,544,116</u>
Less accumulated depreciation		<u>108,175,261</u>	<u>6,220,716</u>	<u>4,441</u>	<u>114,391,536</u>
Net capital assets		<u>\$ 105,624,924</u>	<u>\$ 13,799,344</u>	<u>\$ 7,259,115</u>	<u>\$ 112,165,153</u>

5. Noncurrent Liabilities

Changes in noncurrent liabilities consist of the following:

	December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2019</u>	Due Within One Year
Long-term debt					
Revenue bonds	\$ 10,860,000	\$ -	\$ 1,285,000	\$ 9,575,000	\$ 1,305,000
Customer deposits	1,139,500	483,099	482,648	1,139,951	482,648
Net pension liability	<u>2,487,323</u>	<u>-</u>	<u>2,358,290</u>	<u>129,033</u>	<u>-</u>
	<u>\$ 14,486,823</u>	<u>\$ 483,099</u>	<u>\$ 4,125,938</u>	<u>\$ 10,843,984</u>	<u>\$ 1,787,648</u>

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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 2.65% to 3.55%, through December 2025.	\$ 5,170,000
Paragould, Arkansas Water, Sewer and Electric Refunding of 2003 Bonds, Series 2016, bearing interest from 2.00% to 2.45% through December 2027.	4,405,000
	9,575,000
Less current maturities	1,305,000
Long-term debt, less current maturities	\$ 8,270,000

Aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,305,000	\$ 259,262	\$ 1,564,262
2021	1,340,000	277,894	1,617,894
2022	1,380,000	192,744	1,572,744
2023	1,415,000	154,482	1,569,482
2024	1,465,000	113,572	1,578,572
2025 - 2027	2,670,000	97,608	2,767,608
	\$ 9,575,000	\$ 1,095,562	\$ 10,670,562

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.

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6. Long-Term Debt (cont.)

At December 31, 2019, a deferred loss on defeasance of \$438,703 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:

2020	\$ 108,349
2021	94,453
2022	79,651
2023	64,021
2024	47,536
2025 - 2027	<u>44,693</u>
	<u>\$ 438,703</u>

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

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

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

The Utility was in compliance with all covenants as of December 31, 2019.

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7. Specific 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, 2019 for the segments which have bonds outstanding is as follows:

Condensed Statement of Net Position

	<u>Electric</u>	<u>Sewer</u>
Assets		
Current assets	\$ 11,462,148	\$ 670,422
Restricted assets	10,672,260	715,539
Capital assets, net	41,929,737	34,445,449
Postemployment benefits other than pensions benefit	679,742	404,172
Deferred outflows of resources	<u>1,807,827</u>	<u>917,088</u>
 Total assets and deferred outflows of resources	 <u>\$ 66,551,714</u>	 <u>\$ 37,152,670</u>
 Liabilities		
Current liabilities	\$ 4,780,259	\$ 1,184,263
Due to (from) other funds	(49,984,275)	33,053,782
Long-term debt, less current maturities	4,375,000	3,895,000
Net pension liability	47,742	28,388
Customer deposits	655,103	-
Deferred inflows of resources	<u>806,736</u>	<u>479,683</u>
Total liabilities	<u>(39,319,435)</u>	<u>38,641,116</u>
 Net position		
Invested in capital assets	36,987,717	30,251,173
Restricted	10,672,260	715,539
Unrestricted	<u>58,211,172</u>	<u>(32,455,158)</u>
Total net position	<u>105,871,149</u>	<u>(1,488,446)</u>
 Total liabilities and net position	 <u>\$ 66,551,714</u>	 <u>\$ 37,152,670</u>

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Notes to Financial Statements

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7. Specific Segment Information (cont.)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Electric</u>	<u>Sewer</u>
Utility charges	\$ 40,747,162	\$ 4,336,618
Other operating revenues	46,920	-
Depreciation expense	(2,116,736)	(1,465,361)
Other operating expenses	<u>(33,842,958)</u>	<u>(3,264,032)</u>
Operating income	4,834,388	(392,775)
Nonoperating income (expenses), net	84,320	(127,309)
Capital contributions	70,124	7,150
Net position - beginning of year	<u>100,882,317</u>	<u>(975,512)</u>
Net position - end of year	<u>\$ 105,871,149</u>	<u>\$ (1,488,446)</u>

Condensed Statement of Cash Flows

	<u>Electric</u>	<u>Sewer</u>
Net cash provided by operating activities	\$ 2,157,653	\$ 5,316,218
Noncapital financing activities	451	590
Capital and related financing activities	(1,950,141)	(5,315,213)
Investing activities	<u>173,680</u>	<u>(4,926)</u>
Net increase (decrease) in cash and cash equivalents	381,643	(3,331)
Cash and cash equivalents - beginning of year	<u>3,882,661</u>	<u>242</u>
Cash and cash equivalents - end of year	<u>\$ 4,264,304</u>	<u>\$ (3,089)</u>

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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, 2019, the Utility paid the City approximately \$4,815,000. Amounts owed to the City were approximately \$365,000 at December 31, 2019.

The Utility contracts out certain repairs and maintenance services to various employees of the Utility. For the year ended December 31, 2019, the Utility paid various employees approximately \$51,000.

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.

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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	132

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Actuarial Methods and Assumptions

Total OPEB benefit in the December 31, 2019 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:	9 years at January 1, 2020
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)

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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 nine years at December 31, 2019.

Long-Term Expected Return on Plan Assets

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic fixed income	40%	1.75%
Domestic equity	45%	5.50%
Foreign equity	<u>15%</u>	<u>5.00%</u>
Total	<u>100%</u>	<u>3.93%</u>

Discount Rate

The single discount rate used to measure the total pension liability was 6.50% as of December 31, 2019.

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).

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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%	Current Single Rate	1%
	Decrease <u>to 5.50%</u>	Assumed <u>6.50%</u>	Increase <u>to 7.50%</u>
Total OPEB liability	\$ 5,364,464	\$ 4,963,456	\$ 4,592,568
Net OPEB benefit	(1,436,134)	(1,837,142)	(2,208,030)

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%	1%
	Decrease <u>to HCCTR</u>	Assumed <u>HCCTR</u>
Total OPEB liability	\$ 4,454,180	\$ 4,963,456
Net OPEB benefit	(2,346,418)	(1,837,142)

Net OPEB Benefit

The Utility's net OPEB benefit was measured at January 1, 2020 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	\$ 4,963,456
Plan net position	<u>6,800,598</u>
Net OPEB benefit	<u>\$ (1,837,142)</u>
Plan net position as a % of total OPEB liability	137%

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10. Postemployment Benefits Other Than Pensions (cont.)

Changes in Net OPEB Benefit

	Total	Plan	Net
	OPEB	Fiduciary	OPEB
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
Balance - December 31, 2018	<u>\$ 4,615,859</u>	<u>\$ 5,698,071</u>	<u>\$ (1,082,212)</u>
Changes for the year			
Service cost	144,461	-	144,461
Interest	301,067	-	301,067
Differences between expected and actual experience	-	-	-
Employer contributions	-	112,589	(112,589)
Employee contributions	-	-	-
Net investment income	-	1,102,527	(1,102,527)
Benefits and refunds	(112,589)	(112,589)	-
Administrative expenses	-	-	-
Assumption change	14,658	-	14,658
Net changes	<u>347,597</u>	<u>1,102,527</u>	<u>(754,930)</u>
Balance - December 31, 2019	<u>\$ 4,963,456</u>	<u>\$ 6,800,598</u>	<u>\$ (1,837,142)</u>

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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, 2019, the Utility recognized OPEB expense of \$550,856. At December 31, 2019, the Utility reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	13,436	-
Net difference between projected and actual earnings on OPEB plan investments	<u>324,103</u>	<u>585,722</u>
 Total	 <u>\$ 337,539</u>	 <u>\$ 585,722</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>	
2020	\$ (37,173)
2021	(37,173)
2022	(37,175)
2023	(145,210)
2024	1,222
Thereafter	<u>7,326</u>
	 <u>\$ (248,183)</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.

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December 31, 2019

11. Pension Plan (cont.)

For the year ended December 31, 2019, the Utility's total covered payroll amounted to \$4,896,154. 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	64
Not receiving benefits	32
Active employees	73

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Notes to Financial Statements

December 31, 2019

11. Pension Plan (cont.)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2019 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:	25
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, 2020 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	\$ 23,441,826
Plan net position	<u>23,312,793</u>
Net pension liability	\$ <u>129,033</u>
Plan net position as a % of total pension liability	99%

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11. Pension Plan (cont.)

Changes in Net Pension Liability

	Total <u>Pension Liability</u>	Plan <u>Fiduciary Net Position</u>	Net <u>Pension Liability (Benefit)</u>
Balance - December 31, 2018	<u>\$ 21,431,104</u>	<u>\$ 18,943,780</u>	<u>\$ 2,487,324</u>
Changes for the year			
Service cost	312,361	-	312,361
Interest	1,483,102	-	1,483,102
Differences between expected and actual experience	258,624	-	258,624
Employer contributions	-	2,317,114	(2,317,114)
Employee contributions	-	-	-
Net investment income	-	2,852,137	(2,852,137)
Benefits and refunds	(800,238)	(800,238)	-
Administrative expenses	-	-	-
Assumption change	756,873	-	756,873
Net changes	<u>2,010,722</u>	<u>4,369,013</u>	<u>(2,358,291)</u>
Balance - December 31, 2019	<u>\$ 23,441,826</u>	<u>\$ 23,312,793</u>	<u>\$ 129,033</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.

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December 31, 2019

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, 2019.

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	\$ 22,206,013	\$ 23,441,826	\$ 21,108,629
Net pension liability (benefit)	2,893,220	129,033	(2,204,164)

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Notes to Financial Statements

December 31, 2019

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, 2019, the Utility recognized pension expense of \$1,958,832. At December 31, 2019, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 715,395	\$ 210,350
Changes of assumptions	605,498	-
Net difference between projected and actual earnings on pension plan investments	1,552,316	1,384,298
Total	\$ 2,873,209	\$ 1,594,648

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>	
2020	\$ 404,679
2021	360,132
2022	463,087
2023	(39,507)
2024	51,994
Thereafter	38,176
	\$ 1,278,561

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

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Notes to Financial Statements

December 31, 2019

12. Concentrations

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

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

- b. The Utility purchases substantially all of its power from two suppliers, GRDA and SWPA. Purchases from these two suppliers were \$28,230,288 during the year ended December 31, 2019.

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 reinsurance 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 reinsurance through commercial carriers for claims in excess of specified stop-loss amounts.

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14. Subsequent Events

The spread of Coronavirus Disease 2019 (“COVID-19”) and actions taken to mitigate the spread of the virus has created economic disruption, decreased economic activity and is expected to adversely affect the global economy. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Utility’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and impact on the Utility’s customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Utility’s financial condition or results of operations is uncertain, as this unprecedented situation continues to evolve rapidly.

The Utility evaluated the events and transactions subsequent to its December 31, 2019 statement of net position date and determined there were no additional significant events, other than noted above, to report through April 30, 2020, which is the date the Utility issued its financial statements.

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

For the Years Ended December 31, 2019 – December 31, 2010

<u>Year Ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 144,461	\$ 144,461	\$ -
Interest	301,067	279,273	-
Differences between expected and actual experience	-	-	-
Assumption changes	14,658	-	-
Benefits and refunds	<u>(112,589)</u>	<u>(64,318)</u>	-
Net change in total OPEB liability	347,597	359,416	-
Total OPEB liability - beginning	<u>4,615,859</u>	<u>4,256,443</u>	-
Total OPEB liability - ending	<u><u>\$ 4,963,456</u></u>	<u><u>\$ 4,615,859</u></u>	<u><u>\$ 4,256,443</u></u>
Plan fiduciary net position			
Contributions			
Employee	\$ -	\$ -	\$ -
Employer	112,589	-	-
Net investment income	1,102,527	(159,435)	817,346
Benefits and refunds	<u>(112,589)</u>	-	-
Administrative expense	-	-	-
Net change in plan fiduciary net position	1,102,527	(159,435)	817,346
Plan fiduciary net position - beginning	<u>5,698,071</u>	<u>5,857,506</u>	<u>5,040,160</u>
Plan fiduciary net position - ending	<u><u>\$ 6,800,598</u></u>	<u><u>\$ 5,698,071</u></u>	<u><u>\$ 5,857,506</u></u>
Net OPEB benefit - ending	<u><u>\$ (1,837,142)</u></u>	<u><u>\$ (1,082,212)</u></u>	<u><u>\$ (1,601,063)</u></u>
Plan fiduciary net position as a percentage of total OPEB benefit	137.01%	123.45%	137.62%
Covered employee payroll	\$ 8,340,740	\$ 7,564,538	\$ -
Net OPEB benefit as a percentage of covered employee payroll	22.03%	14.31%	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
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Schedule of the Utility's Contributions

For the Years Ended December 31, 2019 – December 31, 2010

<u>Year Ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 144,461	\$ 144,461	\$ 195,421
Contributions in relation to the actuarially determined contribution	<u>112,589</u>	<u>64,318</u>	<u>74,257</u>
Contribution deficiency (excess)	<u>\$ 31,872</u>	<u>\$ 80,143</u>	<u>\$ 121,164</u>
Covered employee payroll	\$ 8,340,740	\$ 7,564,538	\$ -
Contributions as a percentage of covered employee payroll	1.35%	0.85%	0.00%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 244,117	\$ 305,072	\$ 426,720	\$ 426,720	\$ -	\$ -	\$ -
<u>1,059,203</u>	<u>1,097,264</u>	<u>960,000</u>	<u>1,374,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (815,086)</u>	<u>\$ (792,192)</u>	<u>\$ (533,280)</u>	<u>\$ (948,214)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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.

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Schedule of the Utility's Investment Returns

For the Years Ended December 31, 2019 – December 31, 2010

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

<u>Years Ended December 31,</u>	
2019	19.3%
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%

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

For the Years Ended December 31, 2019 – December 31, 2010

<u>Year Ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability			
Service cost	\$ 312,361	\$ 326,934	\$ 321,768
Interest	1,483,102	1,386,168	1,334,341
Differences between expected and actual experience	258,624	430,255	(211,514)
Assumption changes	756,873	-	-
Benefits and refunds	(800,238)	(702,361)	(711,248)
Net change in total pension liabilities	2,010,722	1,440,996	733,347
Total pension liability - beginning	<u>21,431,104</u>	<u>19,990,108</u>	<u>19,256,761</u>
Total pension liability - ending	<u>\$ 23,441,826</u>	<u>\$ 21,431,104</u>	<u>\$ 19,990,108</u>
Plan fiduciary net position			
Contributions			
Employee	\$ -	\$ -	\$ -
Employer	2,317,114	2,317,114	2,317,114
Net investment income	2,852,137	(1,162,057)	1,638,272
Benefits and refunds	(800,238)	(702,361)	(711,248)
Administrative expense	-	-	-
Net change in plan fiduciary net position	4,369,013	452,696	3,244,138
Plan fiduciary net position - beginning	<u>18,943,780</u>	<u>18,491,084</u>	<u>15,246,946</u>
Plan fiduciary net position - ending	<u>\$ 23,312,793</u>	<u>\$ 18,943,780</u>	<u>\$ 18,491,084</u>
Net pension liability - ending	<u>\$ 129,033</u>	<u>\$ 2,487,324</u>	<u>\$ 1,499,024</u>
Plan fiduciary net position as a percentage of total pension liability	99.45%	88.39%	92.50%
Covered employee payroll	\$ 4,896,154	\$ 4,810,687	\$ 4,920,325
Net pension liability as a percentage of covered employee payroll	2.64%	51.70%	30.47%

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 321,606	\$ 314,862	\$ 289,985	\$ 308,210	\$ 310,832	\$ 309,691	\$ 334,376	
1,252,230	1,196,815	1,082,359	1,039,069	999,731	948,802	888,339	
278,709	(88,654)	(416,734)	(94,730)	(139,016)	52,480	187,310	
-	-	1,288,595	-	-	-	-	
(648,004)	(621,479)	(621,605)	(628,410)	(588,145)	(579,814)	(488,028)	
1,204,541	801,544	1,622,600	624,139	583,402	731,159	921,997	
<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>	
<u>\$ 19,256,761</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>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1,357,114	1,357,114	2,212,914	1,311,660	785,425	706,701	732,875	
766,101	(392,971)	473,318	1,083,899	733,723	(357,971)	684,378	
(648,004)	(621,479)	(621,605)	(628,410)	(588,145)	(579,814)	(488,028)	
-	-	-	-	-	-	(585)	
1,475,211	342,664	2,064,627	1,767,149	931,003	(231,084)	928,640	
<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>\$ 15,246,946</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>\$ 4,009,815</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>	
79.18%	76.29%	77.85%	72.72%	63.97%	60.10%	64.99%	
\$ 4,826,119	\$ 4,801,700	\$ 4,755,732	\$ 4,832,692	\$ 5,020,517	\$ 5,033,286	\$ 4,972,847	
83.09%	89.15%	80.36%	88.22%	107.69%	114.32%	96.36%	

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.

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Schedule of the Employers' Contributions

For the Years Ended December 31, 2019 – December 31, 2010

<u>Year Ended December 31,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 533,625	\$ 463,434	\$ 663,406
Actual contribution	<u>2,317,114</u>	<u>2,317,114</u>	<u>2,317,114</u>
Contribution deficiency (excess)	<u>\$ (1,783,489)</u>	<u>\$ (1,853,680)</u>	<u>\$ (1,653,708)</u>
Covered employee payroll	\$ 4,896,154	\$ 4,810,687	\$ 4,920,325
Contributions as a percentage of covered employee payroll	47.3%	48.2%	47.1%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 681,502	\$ 633,852	\$ 643,725	\$ 754,699	\$ 785,425	\$ 706,701	\$ 732,785
<u>1,357,114</u>	<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><u>\$ (675,612)</u></u>	<u><u>\$ (723,262)</u></u>	<u><u>\$ (1,569,189)</u></u>	<u><u>\$ (556,961)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (90)</u></u>
\$ 4,826,119	\$ 4,801,700	\$ 4,755,732	\$ 4,832,692	\$ 5,020,517	\$ 5,033,286	\$ 4,972,847
28.1%	28.3%	46.5%	27.1%	15.6%	14.0%	14.7%

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

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Schedule of the Employers' Investment Returns

For the Years Ended December 31, 2019 – December 31, 2010

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

<u>Years Ended December 31,</u>	
2019	14.5%
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%

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
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Divisional Statement of Net Position

December 31, 2019

<u>Assets and Deferred Outflows of Resources</u>	<u>Electric</u>	<u>Sewer</u>
Current assets		
Cash and cash equivalents	\$ 4,264,304	\$ (3,089)
Accounts receivable, net of allowance	5,250,124	510,691
Material and supply inventories	1,821,343	108,464
Prepaid expenses	<u>126,377</u>	<u>54,356</u>
Total current assets	<u>11,462,148</u>	<u>670,422</u>
Long-term assets		
Restricted and board designated assets	10,672,260	715,539
Capital assets, net of accumulated depreciation	41,929,737	34,445,449
Postemployment benefits other than pensions benefit	<u>679,742</u>	<u>404,172</u>
Total long-term assets	<u>53,281,739</u>	<u>35,565,160</u>
Deferred outflows of resources		
Goodwill, net	391,869	-
Deferred loss on bond refunding	227,980	210,724
Other postemployment benefits	124,889	74,259
Pension	<u>1,063,089</u>	<u>632,105</u>
Total deferred outflows of resources	<u>1,807,827</u>	<u>917,088</u>
Total assets and deferred outflows of resources	<u>\$ 66,551,714</u>	<u>\$ 37,152,670</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ 126,492	\$ (162,072)	\$ 3,697,912	\$ 7,923,547
412,030	579,788	369,444	7,122,077
394,450	1,263,096	783	3,588,136
95,348	87,302	85,901	449,284
<u>1,028,320</u>	<u>1,768,114</u>	<u>4,154,040</u>	<u>19,083,044</u>
-	-	-	11,387,799
19,409,717	6,159,745	10,220,505	112,165,153
349,057	293,942	110,229	1,837,142
<u>19,758,774</u>	<u>6,453,687</u>	<u>10,330,734</u>	<u>125,390,094</u>
-	498,704	6,750	897,323
-	-	-	438,704
64,132	54,007	20,252	337,539
<u>545,908</u>	<u>459,715</u>	<u>172,392</u>	<u>2,873,209</u>
<u>610,040</u>	<u>1,012,426</u>	<u>199,394</u>	<u>4,546,775</u>
<u>\$ 21,397,134</u>	<u>\$ 9,234,227</u>	<u>\$ 14,684,168</u>	<u>\$ 149,019,913</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, 2019

	<u>Liabilities and Net Position</u>	<u>Electric</u>	<u>Sewer</u>
Current liabilities			
Current maturities of long-term debt	\$ 795,000	\$ 510,000	
Accounts payable	2,616,716	371,029	
Accrued interest	14,158	7,872	
Customer deposits	482,648	-	
Compensated absences	307,164	261,888	
Other current liabilities	<u>564,573</u>	<u>33,474</u>	
Total current liabilities	<u>4,780,259</u>	<u>1,184,263</u>	
Noncurrent liabilities			
Long-term debt, less current maturities	4,375,000	3,895,000	
Net pension liability	47,742	28,388	
Customer deposits	<u>655,103</u>	<u>-</u>	
Total noncurrent liabilities	<u>5,077,845</u>	<u>3,923,388</u>	
Deferred inflows of resources			
Other postemployment benefits	216,717	128,859	
Pension	<u>590,019</u>	<u>350,824</u>	
Total deferred outflows of resources	<u>806,736</u>	<u>479,683</u>	
Total liabilities and deferred inflows of resources	<u>10,664,840</u>	<u>5,587,334</u>	
Due to (from) other funds			
	<u>(49,984,275)</u>	<u>33,053,782</u>	
Net position			
Invested in capital assets	36,987,717	30,251,173	
Restricted	10,672,260	715,539	
Unrestricted	<u>58,211,172</u>	<u>(32,455,158)</u>	
Total net position	<u>105,871,149</u>	<u>(1,488,446)</u>	
Total liabilities and net position	<u>\$ 66,551,714</u>	<u>\$ 37,152,670</u>	

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 1,305,000
143,760	472,840	64,877	3,669,222
-	-	-	22,030
-	-	-	482,648
235,716	109,178	83,890	997,836
36,038	22,213	33,490	689,788
<u>415,514</u>	<u>604,231</u>	<u>182,257</u>	<u>7,166,524</u>
-	-	-	8,270,000
24,517	20,647	7,739	129,033
2,200	-	-	657,303
<u>26,717</u>	<u>20,647</u>	<u>7,739</u>	<u>9,056,336</u>
111,287	93,716	35,143	585,722
<u>302,984</u>	<u>255,144</u>	<u>95,677</u>	<u>1,594,648</u>
<u>414,271</u>	<u>348,860</u>	<u>130,820</u>	<u>2,180,370</u>
<u>856,502</u>	<u>973,738</u>	<u>320,816</u>	<u>18,403,230</u>
<u>10,241,817</u>	<u>15,020,622</u>	<u>(8,331,946)</u>	<u>-</u>
19,409,717	6,159,745	10,220,505	103,028,857
-	-	-	11,387,799
<u>(9,110,902)</u>	<u>(12,919,878)</u>	<u>12,474,793</u>	<u>16,200,027</u>
<u>10,298,815</u>	<u>(6,760,133)</u>	<u>22,695,298</u>	<u>130,616,683</u>
<u>\$ 21,397,134</u>	<u>\$ 9,234,227</u>	<u>\$ 14,684,168</u>	<u>\$ 149,019,913</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, 2019

	<u>Electric</u>	<u>Sewer</u>
Operating revenues		
Utility charges	\$ 40,747,162	\$ 4,336,618
Other operating income	46,920	-
Total operating revenues	<u>40,794,082</u>	<u>4,336,618</u>
Operating expenses		
Production and distribution	3,895,652	2,840,782
Purchased power	28,734,395	-
Customer accounts	404,375	153,806
Administration and general	612,601	269,444
Amortization	195,935	-
Depreciation	<u>2,116,736</u>	<u>1,465,361</u>
Total operating expenses	<u>35,959,694</u>	<u>4,729,393</u>
Operating income (loss)	<u>4,834,388</u>	<u>(392,775)</u>
Nonoperating income (expenses)		
Interest income	340,797	22,663
Other nonoperating income	-	590
Interest expense	(186,884)	(98,629)
Bond costs - loss on defeasance	(69,593)	(51,933)
Total nonoperating income (expenses)	<u>84,320</u>	<u>(127,309)</u>
Capital contributions	<u>70,124</u>	<u>7,150</u>
Changes in net position	<u>4,988,832</u>	<u>(512,934)</u>
Net position - beginning of year	<u>100,882,317</u>	<u>(975,512)</u>
Net position - end of year	<u>\$ 105,871,149</u>	<u>\$ (1,488,446)</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ 3,675,607	\$ 6,972,823	\$ 5,538,978	\$ 61,271,188
538	-	4,151	51,609
<u>3,676,145</u>	<u>6,972,823</u>	<u>5,543,129</u>	<u>61,322,797</u>
2,735,552	6,509,818	1,798,024	17,779,828
-	-	-	28,734,395
176,059	192,254	98,590	1,025,084
333,111	262,277	166,804	1,644,237
-	249,352	750	446,037
<u>1,103,044</u>	<u>1,073,739</u>	<u>461,836</u>	<u>6,220,716</u>
<u>4,347,766</u>	<u>8,287,440</u>	<u>2,526,004</u>	<u>55,850,297</u>
<u>(671,621)</u>	<u>(1,314,617)</u>	<u>3,017,125</u>	<u>5,472,500</u>
9,205	20,240	13,140	406,045
-	9,688	-	10,278
-	-	-	(285,513)
-	-	-	(121,526)
<u>9,205</u>	<u>29,928</u>	<u>13,140</u>	<u>9,284</u>
<u>64,375</u>	<u>9,487</u>	<u>-</u>	<u>151,136</u>
(598,041)	(1,275,202)	3,030,265	5,632,920
<u>10,896,856</u>	<u>(5,484,931)</u>	<u>19,665,033</u>	<u>124,983,763</u>
<u>\$ 10,298,815</u>	<u>\$ (6,760,133)</u>	<u>\$ 22,695,298</u>	<u>\$ 130,616,683</u>

See independent auditor's report.

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

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

Amortization Schedule

December 31, 2019

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 5,170,000</u>	<u>\$ 641,986</u>	<u>\$ 5,811,986</u>

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

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

Amortization Schedule

December 31, 2019

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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%	585,000	3,583	588,583
		<u>\$ 4,405,000</u>	<u>\$ 403,576</u>	<u>\$ 4,808,576</u>

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

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Statistical Data (Unaudited)

For the Year Ended December 31, 2019

	Number of <u>Customers</u>	kWh or <u>Gallons Billed</u>
<u>Electric</u>		
Industrial	39	296,481,120
Residential	11,903	200,200,298
Commercial	1,880	90,470,667
Security lights	1,341	4,842,043
Street lights	2,657	<u>1,883,706</u>
Total		<u>593,877,834</u>
<u>Water</u>		
Residential	10,629	597,834,800
Commercial	1,247	200,662,000
Industrial	38	<u>174,458,600</u>
Total		<u>972,955,400</u>
<u>Sewer</u>		
Residential	9,743	512,574,000
Commercial	1,158	191,410,000
Industrial	35	<u>158,820,897</u>
Total		<u>862,804,897</u>
<u>Cable television</u>		
Economy and expanded basic	3,166	
Prime and prime plus	531	
<u>Internet services</u>		
High speed silver	344	
Business class gold	2,747	
Business class platinum	1,296	
<u>Fiber services</u>		
Bronze	251	
Fiber 100	3,968	
Fiber 200	150	
Fiber 1000	22	

See independent auditor's report.

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

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Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2019

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

<u>Energy charge</u>	
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)

<u>Energy charge</u>	
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**

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Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2019

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	\$7.92
First 2,000 gallons	\$1.64 per 1,000 gallons
Next 18,000 gallons per month	2.89 per 1,000 gallons
Next 20,000 gallons per month	2.70 per 1,000 gallons
Excess over 40,000 gallons per month	2.55 per 1,000 gallons

Sewer rates (monthly)

Debt service fixed charge	\$8.22
First 2,000 gallons	\$3.10 per 1,000 gallons
Excess over 2,000 gallons per month	4.19 per 1,000 gallons
Residential sewer is capped at 14,000 per month.	

Cable television rates (monthly)

Economy package	\$24.05
Expanded basic package	79.70
Prime package	97.51
Prime plus package	103.88
Standard HD set top	5.00
DVR set top	10.00
DTA box	2.00

Premium channels offered with expanded basic or prime service	
HBO	\$18.51
Cinemax	13.37
Showtime/The Movie Channel	16.30
Starz, Encore	11.38

See independent auditor's report.

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

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Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2019

	<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

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Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2019

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>
2019	11,903	1,880	39	13,822
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

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>
2019	10,629	1,247	38	11,914
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

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>
2019	9,743	1,158	35	10,936
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

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>
2019	3,026,303	3,793,000	1,105,057,904
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

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, 2019, 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 April 30, 2020.

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
April 30, 2020