

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

**December 31, 2020**

**Financial Statements  
And  
Supplementary Information**

**With**

**Independent Auditor's Report**



**FROST**, PLLC  
Certified Public Accountants

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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, 2020, 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, 2020, 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 37 through 42 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***

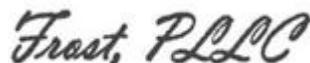
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's basic financial statements. The supplementary information on pages 43 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information on pages 43 through 48 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report on pages 54 and 55 dated May 14, 2021 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.

The image shows a handwritten signature in cursive script that reads "Frost, PLLC".

Certified Public Accountants

Little Rock, Arkansas  
May 14, 2021

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2020**

**Financial Highlights**

	<u>2020</u>	<u>2019</u>
Assets and deferred outflows of resources		
Total current assets	\$ 20,198,460	\$ 19,083,044
Total restricted and board designated assets	32,246,855	11,387,799
Capital assets, net	116,038,460	112,165,153
Postemployment benefits other than pensions benefit	3,146,652	1,837,142
Deferred outflows of resources	<u>3,055,886</u>	<u>4,546,775</u>
Total assets and deferred outflows of resources	<u>174,686,313</u>	<u>149,019,913</u>
Liabilities and deferred inflows of resources		
Total current liabilities	9,538,431	7,166,524
Total noncurrent liabilities	29,958,954	9,056,336
Deferred inflows of resources	<u>2,989,443</u>	<u>2,180,370</u>
Total liabilities and deferred inflows of resources	<u>42,486,828</u>	<u>18,403,230</u>
Net position		
Invested in capital assets, net of related debt	86,931,090	103,028,857
Restricted	32,246,855	11,387,799
Unrestricted	<u>13,021,540</u>	<u>16,200,027</u>
Total net position	<u>\$ 132,199,485</u>	<u>\$ 130,616,683</u>
Operating revenues		
Utility charges	\$ 60,094,134	\$ 61,271,188
Other operating income	<u>55,431</u>	<u>51,609</u>
Total operating revenues	<u>60,149,565</u>	<u>61,322,797</u>
Operating expenses		
Production and distribution	19,487,654	17,779,828
Purchased power	28,976,767	28,734,395
Customer accounts	1,009,709	1,025,084
Administration and general	1,692,495	1,644,237
Amortization	446,037	446,037
Depreciation	<u>6,525,603</u>	<u>6,220,716</u>
Total operating expenses	<u>58,138,265</u>	<u>55,850,297</u>
Total nonoperating income (expense)	<u>(545,246)</u>	<u>9,284</u>
Capital contributions	<u>116,748</u>	<u>151,136</u>
Changes in net position	1,582,802	5,632,920
Net position - beginning of year	<u>130,616,683</u>	<u>124,983,763</u>
Net position - end of year	<u>\$ 132,199,485</u>	<u>\$ 130,616,683</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**

**December 31, 2020**

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, 2020, 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, 2020.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions that account for the changes in net positions from January 1, 2020 to December 31, 2020.

**Total and Capital Assets**

Total Assets increased by approximately \$26,000,000 or 17% during 2020. Capital assets being depreciated increased in 2020 by approximately \$10,000,000. The major capital improvements projects consisted of:

- 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 \$3,500,000 in 2020.
- Relocated service lines to allow for Arkansas Highway Department widening of Highway 49N at a net cost to us of over \$900,000.
- Installed water tank and an associated booster station, along with repairing or replacing water lines to service the western Paragould area at a cost of \$2,400,000. Planned completion is summer of 2021.

Asset additions in 2020 were financed by operating revenue and utility reserves.

**PARAGOULD LIGHT AND WATER COMMISSION  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**

**December 31, 2020**

**Capital Contributions**

Contributions during 2020 were approximately \$117,000. 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 increased by \$24,000,000 in 2020. Long-term debt increased by \$20,000,000 in 2020.

**Operating Revenues and Expenses**

Operating revenues decreased by approximately \$1,173,000 or 1.9% in 2020. See the 'Statistical Data' at the end of this report on each department's customer growth and consumption.

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

Operating expenses increased by \$2,300,000 or 4% in 2020. The most significant single operating expense increase was purchased power, with an increase of approximately \$240,000.

**Long-Term Debt**

In December, in order to fund needed improvements to the sewer system, the City of Paragould, Arkansas issued a new series of Revenue Bonds on behalf of the Utility. A new bond issued in the amount of \$24,475,000 provided funds to retire the liability on the series 2013 Revenue Bonds in the amount of \$4,000,000 and to create a Construction Fund in the amount of \$19,000,000 to finance the betterments deemed necessary. The Utility's trustees paid to the bondholders' principal payments of \$1,305,000 during 2020. 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 5.6 for 2020.

**PARAGOULD LIGHT AND WATER COMMISSION  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**

**December 31, 2020**

**Restricted Assets**

The Utility's bond resolutions require reserve funds to be set aside. The Bond Ordinances require that Bond Debt Service Reserves to be equal to "Maximum annual debt service." The "Restricted and Board Designated Assets" are a combination of bond sinking funds and debt service reserves as required by bond covenants and additional amounts as directed by the Utility's Board of Commissioners for capital needs, or emergency or disaster situations that may arise.

**Rate Structure**

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

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

**MD&A Report**

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

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

Signed:

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Darrell Phillips, General Manager and Chief Executive Officer

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Janet Chronister, Director of Finance

**PARAGOULD LIGHT AND WATER COMMISSION  
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**Statement of Net Position**

**December 31, 2020**

Assets and Deferred Outflows of Resources

Current assets	
Cash and cash equivalents	\$ 9,576,443
Accounts receivable, net of allowance for doubtful accounts of approximately \$360,000	6,992,936
Material and supply inventories	3,248,032
Prepaid expenses	<u>381,049</u>
Total current assets	<u>20,198,460</u>
Long-term assets	
Restricted and board designated assets	32,246,855
Capital assets, net of accumulated depreciation	116,038,460
Postemployment benefits other than pensions benefit	<u>3,146,652</u>
Total long-term assets	<u>151,431,967</u>
Deferred outflows of resources	
Goodwill, net	451,286
Deferred loss on bond refunding	330,354
Other postemployment benefits	228,282
Pension	<u>2,045,964</u>
Total deferred outflows of resources	<u>3,055,886</u>
Total assets and deferred outflows of resources	<u>\$ 174,686,313</u>

Liabilities and Net Position

Current liabilities	
Current maturities of long-term debt	\$ 861,085
Accounts payable	4,069,499
Accrued interest	64,860
Customer deposits	419,168
Compensated absences	1,403,454
Other current liabilities	<u>2,720,365</u>
Total current liabilities	<u>9,538,431</u>
Noncurrent liabilities	
Long-term debt, less current maturities	28,576,639
Net pension liability	580,119
Customer deposits	<u>802,196</u>
Total noncurrent liabilities	<u>29,958,954</u>
Deferred inflows of resources	
Postemployment benefits other than pensions	1,535,002
Pension	<u>1,454,441</u>
Total deferred inflows of resources	<u>2,989,443</u>
Total liabilities and deferred inflows of resources	<u>42,486,828</u>
Net position	
Invested in capital assets	86,931,090
Restricted	32,246,855
Unrestricted	<u>13,021,540</u>
Total net position	<u>132,199,485</u>
Total liabilities and net position	<u>\$ 174,686,313</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION  
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**Statement of Revenues, Expenses and Changes in Net Position**

**For the Year Ended December 31, 2020**

Operating revenues	
Utility charges	\$ 60,094,134
Other operating income	<u>55,431</u>
Total operating revenues	<u>60,149,565</u>
Operating expenses	
Production and distribution	19,487,654
Purchased power	28,976,767
Customer accounts	1,009,709
Administration and general	1,692,495
Amortization	446,037
Depreciation	<u>6,525,603</u>
Total operating expenses	<u>58,138,265</u>
Operating income	<u>2,011,300</u>
Nonoperating income (expenses)	
Interest income	188,607
Other nonoperating income	30,489
Interest expense	(302,242)
Bond costs - loss on defeasance	<u>(462,100)</u>
Total nonoperating expenses	<u>(545,246)</u>
Capital contributions	<u>116,748</u>
Changes in net position	1,582,802
Net position - beginning of year	<u>130,616,683</u>
Net position - end of year	<u>\$ 132,199,485</u>

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

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

**Statement of Cash Flows**

**For the Year Ended December 31, 2020**

Cash flows from operating activities	
Cash received from customers	\$ 60,278,706
Cash paid to suppliers	(38,495,604)
Payments to employees	<u>(8,539,059)</u>
Net cash provided by operating activities	<u>13,244,043</u>
Cash flows from noncapital financing activities	
Change in customer deposits, net	81,413
Other	<u>30,489</u>
Net cash provided by noncapital financing activities	<u>111,902</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(10,282,162)
Bond premium	1,067,724
Proceeds from issuance of bonds	24,475,000
Principal paid on long-term debt	(5,680,000)
Interest paid on long-term debt	<u>(613,162)</u>
Net cash provided by capital and related financing activities	<u>8,967,400</u>
Cash flows from investing activities	
Change in restricted and board designated assets	(20,859,056)
Interest income received	<u>188,607</u>
Net cash used by investing activities	<u>(20,670,449)</u>
Net increase in cash and cash equivalents	1,652,896
Cash and cash equivalents - beginning of year	<u>7,923,547</u>
Cash and cash equivalents - end of year	<u>\$ 9,576,443</u>

Reconciliation of earnings from operations to net cash provided by operating activities	
Operating income	\$ 2,011,300
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	6,525,603
Amortization	446,037
Changes in operating assets and liabilities	
Accounts receivable	129,141
Material and supply inventories	340,104
Prepaid expenses	68,235
Accounts payable	400,277
Other current liabilities and compensated absences	2,436,195
Deferred outflows of resources for other postemployment benefits	109,257
Deferred outflows of resources for pensions	827,245
Deferred inflows of resources for other postemployment benefits	949,280
Deferred inflows of resources for pensions	(140,207)
Net pension liability	451,086
Postemployment benefits other than pensions benefit	<u>(1,309,510)</u>
Net cash provided by operating activities	<u>\$ 13,244,043</u>
 <u>Supplementary disclosure of noncash investing, capital and financing activities</u>	
Capital contributions in aid of construction	\$ 116,748

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

**PARAGOULD LIGHT AND WATER COMMISSION  
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**Statement of Fiduciary Net Position**

**December 31, 2020**

	Other Postemployment Benefits <u>Trust Fund</u>	Pension <u>Trust Fund</u>
Assets		
Cash and cash equivalents	\$ 80,996	\$ 1,266,088
Investments	8,057,077	24,720,062
Accrued interest receivable	<u>-</u>	<u>14,949</u>
Total assets	<u>\$ 8,138,073</u>	<u>\$ 26,001,099</u>
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ 21,401</u>
Net position		
Restricted for		
Pensions	-	25,979,698
Other postemployment benefits	<u>8,138,073</u>	<u>-</u>
Total net position	<u>8,138,073</u>	<u>25,979,698</u>
Total liabilities and net position	<u>\$ 8,138,073</u>	<u>\$ 26,001,099</u>

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

**PARAGOULD LIGHT AND WATER COMMISSION  
D/B/A  
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**Statement of Changes in Fiduciary Net Position**

**For the Year Ended December 31, 2020**

	Other Postemployment Benefits <u>Trust Fund</u>	Pension <u>Trust Fund</u>
Additions		
Employer contributions	\$ -	\$ -
Net investment income	1,355,053	3,648,761
Other income	-	-
Total additions	<u>1,355,053</u>	<u>3,648,761</u>
Deductions		
Distributions	17,578	973,306
Administrative expenses	-	8,550
Total deductions	<u>17,578</u>	<u>981,856</u>
Change in fiduciary net position	1,337,475	2,666,905
Beginning of year	<u>6,800,598</u>	<u>23,312,793</u>
End of year	<u>\$ 8,138,073</u>	<u>\$ 25,979,698</u>

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

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

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**Notes to Financial Statements**

**December 31, 2020**

**1. Summary of Significant Accounting Policies**

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

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

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

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

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

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

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

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

**PARAGOULD LIGHT AND WATER COMMISSION  
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**Notes to Financial Statements**

**December 31, 2020**

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 \$5,450,000 at December 31, 2020. 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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**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, 2020.
- 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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**Notes to Financial Statements**

**December 31, 2020**

**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, 2020, 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 June 15, 2022. Earlier application is encouraged. Effective January 1, 2021, the Utility adopted this statement, which did not have a material impact on the financial statements.

GASB Statement No. 93, “Replacement of Interbank Offered Rates.” This statement will enhance comparability of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The removal of the London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Utility has not determined the impact, if any, that this statement could have on its financial statements.

GASB Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance.” This statement will provide temporary relief to governments and other stakeholders in light of the Coronavirus Disease 2019 (“COVID-19”) pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The effective dates of certain provisions are postponed by one year and others are pushed back by 18 months. The Utility will follow new implementation dates for adoption of the upcoming standards.

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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, 2020, 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 and Improvement Revenue Bonds, Series 2020	
Revenue Bond Fund	\$ 81,674
Construction Fund	20,520,266
Debt Service Reserve Fund	784,459
Refunding Revenue Bonds, Series 2016	
Revenue Bond Fund	382,055
Debt Service Reserve Fund	304,188
Depreciation Fund Reserve	<u>158,971</u>
Total restricted	<u>22,231,613</u>
Board designated	
Construction account	5,997,899
Reserve for potential uninsured property casualty losses	<u>4,017,343</u>
Total board designated	<u>10,015,242</u>
	 <u>\$ 32,246,855</u>

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

The 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>2019</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2020</u>
Capital assets not being depreciated					
Land and land rights	N/A	\$ 1,149,558	\$ -	\$ -	\$ 1,149,558
Construction in progress	N/A	10,863,015	9,918,551	7,657,316	13,124,250
		<u>12,012,573</u>	<u>9,918,551</u>	<u>7,657,316</u>	<u>14,273,808</u>
Capital assets being depreciated					
Buildings and improvements	20 - 50	16,860,135	-	-	16,860,135
Machinery and equipment	5 - 50	193,373,791	8,049,988	103,195	201,320,584
Vehicles	5	4,310,190	138,162	-	4,448,352
		<u>214,544,116</u>	<u>8,188,150</u>	<u>103,195</u>	<u>222,629,071</u>
Less accumulated depreciation		<u>114,391,536</u>	<u>6,525,603</u>	<u>52,720</u>	<u>120,864,419</u>
Net capital assets		<u>\$ 112,165,153</u>	<u>\$ 11,581,098</u>	<u>\$ 7,707,791</u>	<u>\$ 116,038,460</u>

**5. Noncurrent Liabilities**

Changes in noncurrent liabilities consist of the following:

	December 31, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	December 31, <u>2020</u>	Due Within <u>One Year</u>
Long-term debt					
Revenue bonds	\$ 9,575,000	\$ 24,475,000	\$ 5,680,000	\$ 28,370,000	\$ 790,000
Original issue premium	-	1,067,724	-	1,067,724	71,085
Customer deposits	1,139,951	500,851	419,168	1,221,634	419,168
Net pension liability	<u>129,033</u>	<u>451,086</u>	<u>-</u>	<u>580,119</u>	<u>-</u>
	<u>\$ 10,843,984</u>	<u>\$ 26,494,661</u>	<u>\$ 6,099,168</u>	<u>\$ 31,239,477</u>	<u>\$ 1,280,253</u>

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**6. Long-Term Debt**

Long-term debt consists of the following:

Paragould, Arkansas Water, Sewer and Electric Refunding of 2013 Bonds, Series 2020, bearing interest from 2.25% to 5.00%, through December 2045, net of unamortized original issue premium of \$1,067,724 as of December 31, 2020.	\$ 25,542,724
Paragould, Arkansas Water, Sewer and Electric Refunding of 2003 Bonds, Series 2016, bearing interest from 2.00% to 2.45% through December 2027.	<u>3,895,000</u>
	<u>29,437,724</u>
Less current maturities	<u>861,085</u>
Long-term debt, less current maturities	<u>\$ 28,576,639</u>

Aggregate maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 861,085	\$ 773,122	\$ 1,634,207
2022	871,525	766,868	1,638,393
2023	895,168	742,818	1,637,986
2024	918,734	717,488	1,636,222
2025	942,249	690,838	1,633,087
2026 - 2045	<u>24,948,963</u>	<u>7,082,993</u>	<u>32,031,956</u>
	<u>\$ 29,437,724</u>	<u>\$ 10,774,127</u>	<u>\$ 40,211,851</u>

During 2020, the City issued Water, Sewer and Electric Refunding and Improvement Revenue Bonds, Series 2020, dated December 10, 2020, in the aggregate principal amount of \$24,475,000. The Bonds were issued to fund a debt service reserve and pay expenses of issuing the Bonds and refunding the Bonds Refunded.

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**December 31, 2020**

**6. Long-Term Debt (cont.)**

At December 31, 2020, a deferred loss on defeasance of \$330,355 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:

2021	\$ 52,316
2022	46,875
2023	41,026
2024	34,887
2025	28,313
2026 - 2027	<u>126,938</u>
	<u>\$ 330,355</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, 2020.

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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, 2020 for the segments which have bonds outstanding is as follows:

Condensed Statement of Net Position

	<u>Electric</u>	<u>Sewer</u>
Assets		
Current assets	\$ 9,247,813	\$ 4,660,419
Restricted assets	10,174,213	22,072,642
Capital assets, net	41,346,691	33,869,639
Postemployment benefits other than pensions benefit	1,164,261	692,264
Deferred outflows of resources	<u>1,037,406</u>	<u>830,688</u>
Total assets and deferred outflows of resources	<u>\$ 62,970,384</u>	<u>\$ 62,125,652</u>
Liabilities		
Current liabilities	\$ 6,339,301	\$ 1,669,627
Due to (from) other funds	(53,210,564)	33,783,072
Long-term debt, less current maturities	-	28,576,639
Net pension liability	214,644	127,627
Customer deposits	799,996	-
Deferred inflows of resources	<u>1,106,093</u>	<u>657,679</u>
Total liabilities	<u>(44,750,530)</u>	<u>64,814,644</u>
Net position		
Invested in capital assets	41,346,691	4,762,269
Restricted	10,174,213	22,072,642
Unrestricted	<u>56,200,010</u>	<u>(29,523,903)</u>
Total net position	<u>107,720,914</u>	<u>(2,688,992)</u>
Total liabilities and net position	<u>\$ 62,970,384</u>	<u>\$ 62,125,652</u>

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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	\$ 38,898,134	\$ 4,406,132
Other operating revenues	35,972	-
Depreciation expense	(2,139,505)	(1,489,538)
Other operating expenses	<u>(35,020,305)</u>	<u>(3,591,485)</u>
Operating income	1,774,296	(674,891)
Nonoperating expenses, net	(3,564)	(530,505)
Capital contributions	79,033	4,850
Net position - beginning of year	<u>105,871,149</u>	<u>(1,488,446)</u>
Net position - end of year	<u>\$ 107,720,914</u>	<u>\$ (2,688,992)</u>

Condensed Statement of Cash Flows

	<u>Electric</u>	<u>Sewer</u>
Net cash provided by operating activities	\$ 3,909,676	\$ 1,813,254
Noncapital financing activities	81,413	247
Capital and related financing activities	(6,593,066)	23,516,123
Investing activities	<u>653,945</u>	<u>(21,342,774)</u>
Net increase (decrease) in cash and cash equivalents	(1,948,032)	3,986,850
Cash and cash equivalents - beginning of year	<u>4,264,304</u>	<u>(3,089)</u>
Cash and cash equivalents - end of year	<u>\$ 2,316,272</u>	<u>\$ 3,983,761</u>

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**Notes to Financial Statements**

**December 31, 2020**

**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, 2020, the Utility paid the City approximately \$4,600,000. There were no outstanding amounts owed to the City at December 31, 2020.

The Utility contracts out certain repairs and maintenance services to various employees of the Utility. For the year ended December 31, 2020, the Utility paid various employees approximately \$45,000.

**9. Commitments**

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

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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. 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	11
Receiving life insurance	29
Active employees	<u>134</u>
	<u>174</u>

*Actuarial Methods and Assumptions*

Total OPEB benefit in the December 31, 2020 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, 2021
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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**Notes to Financial Statements**

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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, 2020.

*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, 2020.

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% Decrease to <u>5.50%</u>	Current Single Rate Assumed <u>6.50%</u>	1% Increase to <u>7.50%</u>
Total OPEB liability	\$ 5,404,524	\$ 4,991,421	\$ 4,608,416
Net OPEB benefit	(2,733,549)	(3,146,652)	(3,529,657)

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

	1% Decrease to <u>HCCTR</u>	Assumed <u>HCCTR</u>	1% Increase to <u>HCCTR</u>
Total OPEB liability	\$ 4,464,442	\$ 4,991,421	\$ 5,609,252
Net OPEB benefit	(3,673,631)	(3,146,652)	(2,528,821)

*Net OPEB Benefit*

The Utility's net OPEB benefit was measured at January 1, 2021 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	\$ 4,991,421
Plan net position	<u>8,138,073</u>
Net OPEB benefit	<u>\$ (3,146,652)</u>
Plan net position as a % of total OPEB liability	163%

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**10. Postemployment Benefits Other Than Pensions (cont.)**

*Changes in Net OPEB Benefit*

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Benefit)</u>
Balance - December 31, 2019	\$ 4,963,456	\$ 6,800,598	\$ (1,837,142)
Changes for the year			
Service cost	144,461	-	144,461
Interest	323,103	-	323,103
Differences between expected and actual experience	(309,845)	-	(309,845)
Employer contributions	-	129,754	(129,754)
Employee contributions	-	-	-
Net investment income	-	1,337,475	(1,337,475)
Benefits and refunds	(129,754)	(129,754)	-
Administrative expenses	-	-	-
Assumption change	-	-	-
Net changes	<u>27,965</u>	<u>1,337,475</u>	<u>(1,309,510)</u>
Balance - December 31, 2020	<u>\$ 4,991,421</u>	<u>\$ 8,138,073</u>	<u>\$ (3,146,652)</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, 2020, the Utility recognized OPEB expense of \$(121,219). At December 31, 2020, the Utility reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 281,677
Changes of assumptions	12,214	-
Net difference between projected and actual earnings on OPEB plan investments	<u>216,068</u>	<u>1,253,325</u>
Total	<u>\$ 228,282</u>	<u>\$ 1,535,002</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>	
2021	\$ (146,744)
2022	(146,746)
2023	(254,781)
2024	(108,349)
2025	(108,349)
Thereafter	<u>(541,751)</u>
	<u>\$ (1,306,720)</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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**11. Pension Plan (cont.)**

For the year ended December 31, 2020, the Utility's total covered payroll amounted to \$4,923,689. 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 1/180<sup>th</sup> for each of the first 60 months by which early retirement precedes normal retirement age and reduced 1/360<sup>th</sup> for each additional month (after 60 months). The Plan also provides for certain disability benefits for total and permanent disability which is calculated at the greater of the accrued benefit or 45% plus 1% for each year of credit service, up to a maximum of 70%.

*Employees Covered By Benefit Terms*

The following employees were covered by the benefit terms:

Inactive employees	
Receiving benefits	62
Not receiving benefits	32
Active employees	<u>70</u>
	<u>164</u>

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**Notes to Financial Statements**

**December 31, 2020**

**11. Pension Plan (cont.)**

*Actuarial Methods and Assumptions*

The total pension liability in the December 31, 2020 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, 2021 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	\$ 26,559,817
Plan net position	<u>25,979,698</u>
Net pension liability	<u>\$ 580,119</u>
Plan net position as a % of total pension liability	98%

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**Notes to Financial Statements**

**December 31, 2020**

**11. Pension Plan (cont.)**

*Changes in Net Pension Liability*

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Benefit)</u>
Balance - December 31, 2019	\$ 23,441,826	\$ 23,312,793	\$ 129,033
Changes for the year			
Service cost	331,258	-	331,258
Interest	1,622,755	-	1,622,755
Differences between expected and actual experience	(36,486)	-	(36,486)
Employer contributions	-	1,544,743	(1,544,743)
Employee contributions	-	-	-
Net investment income	-	1,972,656	(1,972,656)
Benefits and refunds	(850,494)	(850,494)	-
Administrative expenses	-	-	-
Plan change	<u>2,050,958</u>	<u>-</u>	<u>2,050,958</u>
Net changes	<u>3,117,991</u>	<u>2,666,905</u>	<u>451,086</u>
Balance - December 31, 2020	<u>\$ 26,559,817</u>	<u>\$ 25,979,698</u>	<u>\$ 580,119</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, 2020**

**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, 2020.

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

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

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

	1% Decrease to <u>6%</u>	Current Single Rate <u>Assumed 7%</u>	1% Increase to <u>8%</u>
Total pension liability	\$ 29,723,402	\$ 26,559,817	\$ 23,893,917
Net pension liability (benefit)	3,743,704	580,119	(2,085,781)

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**Notes to Financial Statements**

**December 31, 2020**

**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, 2020, the Utility recognized pension expense of \$2,682,867. At December 31, 2020, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 586,662	\$ 214,525
Changes of assumptions	454,123	-
Net difference between projected and actual earnings on pension plan investments	<u>1,005,179</u>	<u>1,239,916</u>
Total	<u>\$ 2,045,964</u>	<u>\$ 1,454,441</u>

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

<u>Year Ended December 31,</u>	
2021	\$ 289,543
2022	392,498
2023	(110,096)
2024	(18,598)
2025	51,993
Thereafter	<u>(13,817)</u>
	<u>\$ 591,523</u>

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**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 \$27,914,352 during the year ended December 31, 2020.

**13. Risk Management**

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

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

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

**14. Subsequent Events Evaluation Date**

The Utility evaluated the events and transactions subsequent to its December 31, 2020 statement of net position date and determined there were no significant events to report through May 14, 2021, 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, 2020 – December 31, 2011**

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 144,461	\$ 144,461	\$ 144,461
Interest	323,103	301,067	279,273
Differences between expected and actual experience	(309,845)	-	-
Assumption changes	-	14,658	-
Benefits and refunds	<u>(129,754)</u>	<u>(112,589)</u>	<u>(64,318)</u>
Net change in total OPEB liability	27,965	347,597	359,416
Total OPEB liability - beginning	<u>4,963,456</u>	<u>4,615,859</u>	<u>4,256,443</u>
 Total OPEB liability - ending	 <u>\$ 4,991,421</u>	 <u>\$ 4,963,456</u>	 <u>\$ 4,615,859</u>
 Plan fiduciary net position			
Contributions			
Employee	\$ -	\$ -	\$ -
Employer	129,754	112,589	-
Net investment income	1,337,475	1,102,527	(159,435)
Benefits and refunds	(129,754)	(112,589)	-
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	1,337,475	1,102,527	(159,435)
Plan fiduciary net position - beginning	<u>6,800,598</u>	<u>5,698,071</u>	<u>5,857,506</u>
 Plan fiduciary net position - ending	 <u>\$ 8,138,073</u>	 <u>\$ 6,800,598</u>	 <u>\$ 5,698,071</u>
 Net OPEB benefit - ending	 <u>\$ (3,146,652)</u>	 <u>\$ (1,837,142)</u>	 <u>\$ (1,082,212)</u>
 Plan fiduciary net position as a percentage of total OPEB benefit	 163.04%	 137.01%	 123.45%
 Covered employee payroll	 \$ 8,663,643	 \$ 8,340,740	 \$ 7,564,538
 Net OPEB benefit as a percentage of covered employee payroll	 36.32%	 22.03%	 14.31%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,256,443</u>	<u>\$ -</u>	<u>\$ -</u>				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	960,000	960,000	960,000	432,431	-	-
817,346	246,598	(55,945)	138,430	149,462	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>817,346</u>	<u>1,206,598</u>	<u>904,055</u>	<u>1,098,430</u>	<u>581,893</u>	<u>-</u>	<u>-</u>
<u>5,040,160</u>	<u>3,833,562</u>	<u>2,929,507</u>	<u>1,831,077</u>	<u>1,249,184</u>	<u>-</u>	<u>-</u>
<u>\$ 5,857,506</u>	<u>\$ 5,040,160</u>	<u>\$ 3,833,562</u>	<u>\$ 2,929,507</u>	<u>\$ 1,831,077</u>	<u>\$ 1,249,184</u>	<u>\$ -</u>
<u>\$ (1,601,063)</u>	<u>\$ -</u>	<u>\$ -</u>				
137.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Information in this schedule has been determined as of the measurement date (January 1, 2021) of the Utility's net pension liability.

See independent auditor's report.

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**Schedule of the Utility's Contributions**

**For the Years Ended December 31, 2020 – December 31, 2011**

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 144,461	\$ 144,461	\$ 144,461
Contributions in relation to the actuarially determined contribution	<u>129,754</u>	<u>112,589</u>	<u>64,318</u>
Contribution deficiency (excess)	<u>\$ 14,707</u>	<u>\$ 31,872</u>	<u>\$ 80,143</u>
Covered employee payroll	\$ 8,663,643	\$ 8,340,740	\$ 7,564,538
Contributions as a percentage of covered employee payroll	1.50%	1.35%	0.85%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 195,421	\$ 244,117	\$ 305,072	\$ 426,720	\$ 426,720	\$ -	\$ -
<u>74,257</u>	<u>1,059,203</u>	<u>1,097,264</u>	<u>960,000</u>	<u>1,374,934</u>	<u>-</u>	<u>-</u>
<u>\$ 121,164</u>	<u>\$ (815,086)</u>	<u>\$ (792,192)</u>	<u>\$ (533,280)</u>	<u>\$ (948,214)</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, 2021) 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, 2020 – December 31, 2011**

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

<u>Years Ended December 31,</u>	
2020	19.7%
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%

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, 2021) 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, 2020 – December 31, 2011**

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability			
Service cost	\$ 331,258	\$ 312,361	\$ 326,934
Interest	1,622,755	1,483,102	1,386,168
Differences between expected and actual experience	(36,486)	258,624	430,255
Assumption changes	-	756,873	-
Benefit changes	2,050,958	-	-
Benefits payments	<u>(850,494)</u>	<u>(800,238)</u>	<u>(702,361)</u>
Net change in total pension liabilities	3,117,991	2,010,722	1,440,996
Total pension liability - beginning	<u>23,441,826</u>	<u>21,431,104</u>	<u>19,990,108</u>
Total pension liability - ending	<u>\$ 26,559,817</u>	<u>\$ 23,441,826</u>	<u>\$ 21,431,104</u>
Plan fiduciary net position			
Contributions			
Employee	\$ -	\$ -	\$ -
Employer	1,544,743	2,317,114	2,317,114
Net investment income	1,972,656	2,852,137	(1,162,057)
Benefits payments	(850,494)	(800,238)	(702,361)
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	2,666,905	4,369,013	452,696
Plan fiduciary net position - beginning	<u>23,312,793</u>	<u>18,943,780</u>	<u>18,491,084</u>
Plan fiduciary net position - ending	<u>\$ 25,979,698</u>	<u>\$ 23,312,793</u>	<u>\$ 18,943,780</u>
Net pension liability - ending	<u>\$ 580,119</u>	<u>\$ 129,033</u>	<u>\$ 2,487,324</u>
Plan fiduciary net position as a percentage of total pension liability	97.82%	99.45%	88.39%
Covered employee payroll	\$ 4,923,689	\$ 4,896,154	\$ 4,810,687
Net pension liability as a percentage of covered employee payroll	11.78%	2.64%	51.70%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 321,768	\$ 321,606	\$ 314,862	\$ 289,985	\$ 308,210	\$ 310,832	\$ 309,691
1,334,341	1,252,230	1,196,815	1,082,359	1,039,069	999,731	948,802
(211,514)	278,709	(88,654)	(416,734)	(94,730)	(139,016)	52,480
-	-	-	1,288,595	-	-	-
-	-	-	-	-	-	-
<u>(711,248)</u>	<u>(648,004)</u>	<u>(621,479)</u>	<u>(621,605)</u>	<u>(628,410)</u>	<u>(588,145)</u>	<u>(579,814)</u>
733,347	1,204,541	801,544	1,622,600	624,139	583,402	731,159
<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>
<u>\$ 19,990,108</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,317,114	1,357,114	1,357,114	2,212,914	1,311,660	785,425	706,701
1,638,272	766,101	(392,971)	473,318	1,083,899	733,723	(357,971)
(711,248)	(648,004)	(621,479)	(621,605)	(628,410)	(588,145)	(579,814)
-	-	-	-	-	-	-
<u>3,244,138</u>	<u>1,475,211</u>	<u>342,664</u>	<u>2,064,627</u>	<u>1,767,149</u>	<u>931,003</u>	<u>(231,084)</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>\$ 18,491,084</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>\$ 1,499,024</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>
92.50%	79.18%	76.29%	77.85%	72.72%	63.97%	60.10%
\$ 4,920,325	\$ 4,826,119	\$ 4,801,700	\$ 4,755,732	\$ 4,832,692	\$ 5,020,517	\$ 5,033,286
30.47%	83.09%	89.15%	80.36%	88.22%	107.69%	114.32%

Information in this schedule has been determined as of the measurement date (January 1, 2021) of the Utility's net pension liability.

See independent auditor's report.

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

**Schedule of the Employers' Contributions**

**For the Years Ended December 31, 2020 – December 31, 2011**

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 353,924	\$ 533,625	\$ 463,434
Actual contribution	<u>1,544,743</u>	<u>2,317,114</u>	<u>2,317,114</u>
Contribution excess	<u>\$ (1,190,819)</u>	<u>\$ (1,783,489)</u>	<u>\$ (1,853,680)</u>
Covered employee payroll	\$ 4,923,689	\$ 4,896,154	\$ 4,810,687
Contributions as a percentage of covered employee payroll	31.4%	47.3%	48.2%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 663,406	\$ 681,502	\$ 633,852	\$ 643,725	\$ 754,699	\$ 785,425	\$ 706,701
<u>2,317,114</u>	<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>\$ (1,653,708)</u>	<u>\$ (675,612)</u>	<u>\$ (723,262)</u>	<u>\$ (1,569,189)</u>	<u>\$ (556,961)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,920,325	\$ 4,826,119	\$ 4,801,700	\$ 4,755,732	\$ 4,832,692	\$ 5,020,517	\$ 5,033,286
47.1%	28.1%	28.3%	46.5%	27.1%	15.6%	14.0%

Information in this schedule has been determined as of the measurement date (January 1, 2021) of the Utility's net pension liability.

See independent auditor's report.

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

**Schedule of the Employers' Investment Returns**

**For the Years Ended December 31, 2020 – December 31, 2011**

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

<u>Years Ended December 31,</u>	
2020	8.3%
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%

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, 2021) of the Utility's net pension liability.

See independent auditor's report.

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

**Divisional Statement of Net Position**

**December 31, 2020**

<u>Assets and Deferred Outflows of Resources</u>	<u>Electric</u>	<u>Sewer</u>
Current assets		
Cash and cash equivalents	\$ 2,316,272	\$ 3,983,761
Accounts receivable, net of allowance	5,050,150	525,403
Material and supply inventories	1,776,512	116,269
Prepaid expenses	<u>104,879</u>	<u>34,986</u>
Total current assets	<u>9,247,813</u>	<u>4,660,419</u>
Long-term assets		
Restricted and board designated assets	10,174,213	22,072,642
Capital assets, net of accumulated depreciation	41,346,691	33,869,639
Postemployment benefits other than pensions benefit	<u>1,164,261</u>	<u>692,264</u>
Total long-term assets	<u>52,685,165</u>	<u>56,634,545</u>
Deferred outflows of resources		
Goodwill, net	195,934	-
Deferred loss on bond refunding	-	330,354
Other postemployment benefits	84,464	50,222
Pension	<u>757,008</u>	<u>450,112</u>
Total deferred outflows of resources	<u>1,037,406</u>	<u>830,688</u>
Total assets and deferred outflows of resources	<u>\$ 62,970,384</u>	<u>\$ 62,125,652</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ 5,135	\$ 8,196	\$ 3,263,079	\$ 9,576,443
442,496	562,267	412,620	6,992,936
392,118	963,049	84	3,248,032
<u>65,264</u>	<u>108,981</u>	<u>66,939</u>	<u>381,049</u>
<u>905,013</u>	<u>1,642,493</u>	<u>3,742,722</u>	<u>20,198,460</u>
-	-	-	32,246,855
21,633,262	5,816,547	13,372,321	116,038,460
<u>597,864</u>	<u>503,464</u>	<u>188,799</u>	<u>3,146,652</u>
<u>22,231,126</u>	<u>6,320,011</u>	<u>13,561,120</u>	<u>151,431,967</u>
-	249,352	6,000	451,286
-	-	-	330,354
43,374	36,525	13,697	228,282
<u>388,731</u>	<u>327,357</u>	<u>122,756</u>	<u>2,045,964</u>
<u>432,105</u>	<u>613,234</u>	<u>142,453</u>	<u>3,055,886</u>
<u>\$ 23,568,244</u>	<u>\$ 8,575,738</u>	<u>\$ 17,446,295</u>	<u>\$ 174,686,313</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, 2020**

<u>Liabilities and Net Position</u>	<u>Electric</u>	<u>Sewer</u>
Current liabilities		
Current maturities of long-term debt	\$ -	\$ 861,085
Accounts payable	2,937,199	354,080
Accrued interest	-	64,860
Customer deposits	419,168	-
Compensated absences	445,675	338,032
Other current liabilities	<u>2,537,259</u>	<u>51,570</u>
Total current liabilities	<u>6,339,301</u>	<u>1,669,627</u>
Noncurrent liabilities		
Long-term debt, less current maturities	-	28,576,639
Net pension liability	214,644	127,627
Customer deposits	<u>799,996</u>	<u>-</u>
Total noncurrent liabilities	<u>1,014,640</u>	<u>28,704,266</u>
Deferred inflows of resources		
Other postemployment benefits	567,951	337,700
Pension	<u>538,142</u>	<u>319,979</u>
Total deferred outflows of resources	<u>1,106,093</u>	<u>657,679</u>
Total liabilities and deferred inflows of resources	<u>8,460,034</u>	<u>31,031,572</u>
Due to (from) other funds	<u>(53,210,564)</u>	<u>33,783,072</u>
Net position		
Invested in capital assets	41,346,691	4,762,269
Restricted	10,174,213	22,072,642
Unrestricted	<u>56,200,010</u>	<u>(29,523,903)</u>
Total net position	<u>107,720,914</u>	<u>(2,688,992)</u>
Total liabilities and net position	<u>\$ 62,970,384</u>	<u>\$ 62,125,652</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 861,085
296,853	414,441	66,926	4,069,499
-	-	-	64,860
-	-	-	419,168
335,816	161,830	122,101	1,403,454
53,328	32,879	45,329	2,720,365
<u>685,997</u>	<u>609,150</u>	<u>234,356</u>	<u>9,538,431</u>
-	-	-	28,576,639
110,223	92,821	34,804	580,119
2,200	-	-	802,196
<u>112,423</u>	<u>92,821</u>	<u>34,804</u>	<u>29,958,954</u>
291,650	245,600	92,101	1,535,002
276,344	232,711	87,265	1,454,441
<u>567,994</u>	<u>478,311</u>	<u>179,366</u>	<u>2,989,443</u>
<u>1,366,414</u>	<u>1,180,282</u>	<u>448,526</u>	<u>42,486,828</u>
<u>12,738,817</u>	<u>15,910,622</u>	<u>(9,221,947)</u>	<u>-</u>
21,633,262	5,816,547	13,372,321	86,931,090
-	-	-	32,246,855
<u>(12,170,249)</u>	<u>(14,331,713)</u>	<u>12,847,395</u>	<u>13,021,540</u>
<u>9,463,013</u>	<u>(8,515,166)</u>	<u>26,219,716</u>	<u>132,199,485</u>
<u>\$ 23,568,244</u>	<u>\$ 8,575,738</u>	<u>\$ 17,446,295</u>	<u>\$ 174,686,313</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, 2020**

	<u>Electric</u>	<u>Sewer</u>
Operating revenues		
Utility charges	\$ 38,898,134	\$ 4,406,132
Other operating income	<u>35,972</u>	<u>-</u>
Total operating revenues	<u>38,934,106</u>	<u>4,406,132</u>
Operating expenses		
Production and distribution	4,826,445	3,147,640
Purchased power	28,976,767	-
Customer accounts	385,218	163,772
Administration and general	576,141	280,073
Amortization	195,935	-
Depreciation	<u>2,139,505</u>	<u>1,489,538</u>
Total operating expenses	<u>37,100,011</u>	<u>5,081,023</u>
Operating income (loss)	<u>1,834,095</u>	<u>(674,891)</u>
Nonoperating income (expenses)		
Interest income	155,898	14,329
Other nonoperating income	-	247
Interest expense	(159,462)	(142,780)
Bond costs - loss on defeasance	<u>(59,799)</u>	<u>(402,301)</u>
Total nonoperating income (expenses)	<u>(63,363)</u>	<u>(530,505)</u>
Capital contributions	<u>79,033</u>	<u>4,850</u>
Changes in net position	1,849,765	(1,200,546)
Net position - beginning of year	<u>105,871,149</u>	<u>(1,488,446)</u>
Net position - end of year	<u>\$ 107,720,914</u>	<u>\$ (2,688,992)</u>

<u>Water</u>	<u>Cable</u>	<u>Telecommunications</u>	<u>Total</u>
\$ 3,813,698	\$ 6,625,575	\$ 6,350,595	\$ 60,094,134
247	-	19,212	55,431
<u>3,813,945</u>	<u>6,625,575</u>	<u>6,369,807</u>	<u>60,149,565</u>
3,065,633	6,533,388	1,914,548	19,487,654
-	-	-	28,976,767
174,624	185,687	100,408	1,009,709
358,089	301,122	177,070	1,692,495
-	249,352	750	446,037
<u>1,087,262</u>	<u>1,148,718</u>	<u>660,580</u>	<u>6,525,603</u>
<u>4,685,608</u>	<u>8,418,267</u>	<u>2,853,356</u>	<u>58,138,265</u>
<u>(871,663)</u>	<u>(1,792,692)</u>	<u>3,516,451</u>	<u>2,011,300</u>
4,411	7,352	6,617	188,607
-	30,242	-	30,489
-	-	-	(302,242)
-	-	-	(462,100)
<u>4,411</u>	<u>37,594</u>	<u>6,617</u>	<u>(545,246)</u>
<u>31,450</u>	<u>65</u>	<u>1,350</u>	<u>116,748</u>
(835,802)	(1,755,033)	3,524,418	1,582,802
<u>10,298,815</u>	<u>(6,760,133)</u>	<u>22,695,298</u>	<u>130,616,683</u>
<u>\$ 9,463,013</u>	<u>\$ (8,515,166)</u>	<u>\$ 26,219,716</u>	<u>\$ 132,199,485</u>

See independent auditor's report.

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

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

**Amortization Schedule**

**December 31, 2020**

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/1/2021			\$ 347,030	\$ 347,030
12/1/2021	5.00%	\$ 270,000	347,030	617,030
6/1/2022			349,178	349,178
12/1/2022	5.00%	265,000	349,178	614,178
6/1/2023			342,553	342,553
12/1/2023	5.00%	280,000	342,553	622,553
6/1/2024			335,553	335,553
12/1/2024	5.00%	290,000	335,553	625,553
6/1/2025			328,303	328,303
12/1/2025	5.00%	305,000	328,303	633,303
6/1/2026			320,678	320,678
12/1/2026	5.00%	320,000	320,678	640,678
6/1/2027			312,678	312,678
12/1/2027	5.00%	340,000	312,678	652,678
6/1/2028			304,178	304,178
12/1/2028	4.00%	960,000	304,178	1,264,178
6/1/2029			284,978	284,978
12/1/2029	4.00%	995,000	284,978	1,279,978
6/1/2030			265,078	265,078
12/1/2030	3.00%	1,035,000	265,078	1,300,078
6/1/2031			249,553	249,553
12/1/2031	3.00%	1,065,000	249,553	1,314,553
6/1/2032			233,578	233,578
12/1/2032	3.00%	1,100,000	233,578	1,333,578
6/1/2033			217,078	217,078
12/1/2033	3.00%	1,130,000	217,078	1,347,078
6/1/2034			200,128	200,128
12/1/2034	3.00%	1,165,000	200,128	1,365,128
6/1/2035			182,653	182,653
12/1/2035	3.00%	1,200,000	182,653	1,382,653
6/1/2036			164,653	164,653
12/1/2036	2.25%	1,235,000	164,653	1,399,653
6/1/2037			150,760	150,760
12/1/2037	2.25%	1,265,000	150,760	1,415,760

See independent auditor's report.

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

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

**Amortization Schedule**

**December 31, 2020**

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/1/2038			\$ 136,528	\$ 136,528
12/1/2038	2.25%	\$ 1,295,000	136,528	1,431,528
6/1/2039			121,960	121,960
12/1/2039	2.38%	1,325,000	121,960	1,446,960
6/1/2040			106,225	106,225
12/1/2040	2.38%	1,355,000	106,225	1,461,225
6/1/2041			90,135	90,135
12/1/2041	2.38%	1,385,000	90,135	1,475,135
6/1/2042			73,688	73,688
12/1/2042	2.50%	1,420,000	73,688	1,493,688
6/1/2043			55,938	55,938
12/1/2043	2.50%	1,455,000	55,938	1,510,938
6/1/2044			37,750	37,750
12/1/2044	2.50%	1,490,000	37,750	1,527,750
6/1/2045			19,123	19,123
12/1/2045	2.50%	<u>1,530,000</u>	<u>19,122</u>	<u>1,549,122</u>
		<u>\$ 24,475,000</u>	<u>\$ 10,459,913</u>	<u>\$ 34,934,913</u>

See independent auditor's report.

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

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

**Amortization Schedule**

**December 31, 2020**

<u>Date</u>	<u>Coupon</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/1/2021			\$ 39,531	\$ 39,531
12/1/2021	2.00%	\$ 520,000	39,531	559,531
6/1/2022			34,256	34,256
12/1/2022	2.00%	535,000	34,256	569,256
6/1/2023			28,856	28,856
12/1/2023	2.00%	545,000	28,856	573,856
6/1/2024			23,191	23,191
12/1/2024	2.10%	560,000	23,191	583,191
6/1/2025			17,116	17,116
12/1/2025	2.20%	570,000	17,116	587,116
6/1/2026			10,574	10,574
12/1/2026	2.35%	580,000	10,574	590,574
6/1/2027			3,583	3,583
12/1/2027	2.45%	<u>585,000</u>	<u>3,583</u>	<u>588,583</u>
		<u>\$ 3,895,000</u>	<u>\$ 314,214</u>	<u>\$ 4,209,214</u>

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)**

**For the Year Ended December 31, 2020**

	<u>Number of Customers</u>	<u>kWh or Gallons Billed</u>
<u>Electric</u>		
Industrial	39	280,557,070
Residential	12,071	189,820,815
Commercial	1,891	84,124,384
Security lights	1,351	4,875,666
Street lights	2,682	<u>1,815,303</u>
Total		<u><u>561,193,238</u></u>
<u>Water</u>		
Residential	10,879	623,974,620
Commercial	1,253	182,572,300
Industrial	38	<u>159,573,100</u>
Total		<u><u>966,120,020</u></u>
<u>Sewer</u>		
Residential	9,988	539,785,520
Commercial	1,175	172,886,300
Industrial	36	<u>137,439,772</u>
Total		<u><u>850,111,592</u></u>
<u>Cable television</u>		
Economy and expanded basic	1,538	
Prime and prime plus	237	
<u>Internet services</u>		
Bronze	131	
High speed silver	1,311	
Business class gold	509	
Business class platinum	210	
<u>Fiber services</u>		
Bronze	344	
Fiber 100	6,797	
Fiber 200	377	
Fiber 1000	43	

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**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, 2020**

Utility rates

Electric rates

Residential

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

General service

Energy charge

Customer facility charge single-phase	\$11.00
Customer facility charge three-phase	\$34.60
First 750 kWh	.10752 per kWh
Next 9,250 kWh	.07906 per kWh
Over 10,000 kWh	.04985 per kWh

Demand charge

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

Industrial service (monthly demand of 250 kW or greater)

Energy charge

Customer facility charge three-phase	\$34.00
First 750 kWh	.10528 per kWh
Next 9,250 per kWh	.07639 per kWh
Over 10,000 kWh	.04889 per kWh

Demand charge

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

Security lighting

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

See independent auditor's report.

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

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**Statistical Data (Unaudited) (cont.)**

**For the Year Ended December 31, 2020**

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	\$8.00
First 2,000 gallons	\$1.68 per 1,000 gallons
Next 18,000 gallons per month	2.96 per 1,000 gallons
Next 20,000 gallons per month	2.76 per 1,000 gallons
Excess over 40,000 gallons per month	2.61 per 1,000 gallons

Sewer rates (monthly)

Debt service fixed charge	\$8.41
First 2,000 gallons	\$3.17 per 1,000 gallons
Excess over 2,000 gallons per month	4.29 per 1,000 gallons

Residential sewer is capped at 14,000 per month.

Cable television rates (monthly)

Economy package	\$26.43
Expanded basic package	81.81
Prime package	98.96
Prime plus package	105.37
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	16.86
Starz, Encore	11.78

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, 2020**

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

See independent auditor's report.

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

**Statistical Data (Unaudited) (cont.)**

**For the Year Ended December 31, 2020**

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>
2020	12,071	1,891	39	14,001
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

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>
2020	10,879	1,253	38	12,170
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

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>
2020	9,988	1,175	36	11,199
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

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>
2020	3,102,481	4,339,000	1,132,732,599
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

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, 2020, and the related statements of net position, revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 14, 2021.

**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.

The image shows a handwritten signature in black ink that reads "Frost, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Little Rock, Arkansas  
May 14, 2021