NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds (and the interest on the Bonds is exempt from State of Arkansas income taxes and the Bonds are exempt from property taxation in the State of Arkansas.) In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided that with respect to corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. See ***LEGAL MATTERS****,* Tax Exemption *herein.*

$5,575,000
CITY OF PARAGOULD, ARKANSAS
WATER, SEWER AND ELECTRIC
REFUNDING REVENUE BONDS
SERIES 2016

Dated: Date of Delivery Due: June 1, as described below

The Bonds will not be general obligations of the City of Paragould, Arkansas (the "City"), but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water, sewer and electric system (the "System"). The pledge of the System's revenues in favor of the Bonds is on a parity with the pledge in favor of the City's Water, Sewer and Electric Refunding Revenue Bonds, Series 2013.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2016, and the Bonds mature (on June 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

YEAR	AMOUNT	RATE (%)	YIELD (%)	YEAR	AMOUNT	RATE (%)	YIELD (%)
2017	$180,000	2.000	0.750	2023	$545,000	2.000	2.000
2018	490,000	2.000	1.000	2024	560,000	2.100	2.100
2019	500,000	2.000	1.200	2025	570,000	2.200	2.200
2020	510,000	2.000	1.450	2026	580,000	2.350	2.350
2021	520,000	2.000	1.650	2027	585,000	2.450	2.450
2022	535,000	2.000	1.800*				

The Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by Centennial Bank, Jonesboro, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

The Bonds are offered when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to satisfaction of certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.

Dated: June 20, 2016

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*Priced to first optional redemption date, December 1, 2021

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$5,575,000
CITY OF PARAGOULD, ARKANSAS
WATER, SEWER AND ELECTRIC
REFUNDING REVENUE BONDS
SERIES 2016

INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibits hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Paragould, Arkansas (the "City") of its Water, Sewer and Electric Refunding Revenue Bonds, Series 2016 in the aggregate principal amount of $5,575,000 (the "Bonds"). The Bonds are being issued to current refund the City's Water, Sewer and Electric Refunding Revenue Bonds, Series 2011 (the "Bonds Refunded"), fund a debt service reserve, and pay expenses of issuing the Bonds and refunding the Bonds Refunded.

The City is a city of the first class organized under the laws of the State of Arkansas (the "State") located in Greene County, Arkansas (the "County") which is in northeastern Arkansas. The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2, Title 14, Chapter 203 and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation") to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTY**.

The Bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's water, sewer and electric system (the "System"). The pledge of the System's revenues ("System Revenues") in favor of the Bonds is on a parity with the pledge in favor of the City's Water, Sewer and Electric Refunding Revenue Bonds, Series 2013 (the "Parity Bonds"). See **THE BONDS,** Security. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 93-13, adopted on April 26, 1993 and Ordinance No. 2016-14, adopted on June 13, 2016 (collectively, the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in Bonds purchased. See **THE BONDS**, Book-Entry Only System. The Bonds will contain such other terms and provisions as described herein. See **THE BONDS**, Generally.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or integral multiple thereof. Interest is payable December 1, 2016, and semiannually thereafter on each June 1 and December 1. Payment of principal of the Bonds will be made to the owners of the Bonds at the principal office of Centennial Bank, Jonesboro, Arkansas, as trustee and paying agent for the Bonds (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of $5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS,** Generally and Book-Entry Only System.

The Bonds are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended and optional redemption on and after December 1, 2021. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS,** Redemption.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) with respect to corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, (iv) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), (v) interest on the Bonds is exempt from State income taxes and (vi) the Bonds are exempt from property taxation in the State. See **LEGAL MATTERS**, Tax Exemption.

It is expected that the Bonds will be available for delivery on or about July 21, 2016 through the facilities of The Depository Trust Company in New York, New York.

The City and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Little Rock, Arkansas 72201, Attention: Public Finance.

THE BONDS

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Closing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the

Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

Generally. The Bonds shall be dated, mature and bear interest, and interest is payable on the Bonds as set forth on the cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Bond for the privilege of transfer or exchange, but any owner of any Bond requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. The City shall not be required (1) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of that maturity for redemption and ending at the close of business on the day of the first mailing of the relevant notice of redemption, or (ii) to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. Neither the City nor the Trustee shall be affected by any notice to the contrary.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. (1) Extraordinary Redemption. The Bonds must be redeemed from proceeds of the Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine).

(2) Optional Redemption. The Bonds are also subject to redemption at the option of the City, from funds from any source, on and after December 1, 2021, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

The Trustee shall give notice of the call for redemption by first class mail or other standard means, including electronic or facsimile communication, placed in the mails or sent not less than thirty days prior to the date fixed for redemption, to the registered owner of any Bond called for redemption, addressed to such registered owner's registered address. Failure to mail or send an appropriate notice of any such notice to one or more registered owners of Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Bonds as to which notice of redemption is duly given. After the date specified in such call, the Bond or Bonds so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

With respect to notice of redemption of the Bonds at the option of the City, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice, such notice shall state that redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If such moneys shall not have been so received, such notice shall be of no effect, the City shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

In any selection of Bonds by lot, each $5,000 of face value of each Bond shall be treated as a separate Bond of the denomination of $5,000.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.**

Purpose for Bonds. The Bonds are being issued to (a) current refund the Bonds Refunded (the "Refunding"), (b) fund a debt service reserve, and (c) pay costs of issuing the Bonds and accomplishing the Refunding. The Bonds Refunded were issued to current refund the City's Water, Sewer and Electric Refunding Revenue Bonds, Series 2003 (the "2003 Bonds"). The 2003 Bonds were issued to advance refund the City's Water, Sewer and Electric Revenue Bonds, Series 1999, which financed the construction of extensions, betterments and improvements to the sewer facilities of the System.

The Refunding will be accomplished by the defeasance method. A portion of Bond proceeds and available funds of the System will be deposited with the trustee of the Bonds Refunded and used to redeem the Bonds Refunded on October 1, 2016, at a price of par plus accrued interest.

The sources and uses of funds to accomplish the Refunding, fund a debt service reserve, and pay expenses of issuing the Bonds are estimated by the City as follows:

SOURCES:

Principal Amount of Bonds	$5,575,000
Existing Funds for Bonds Refunded	679,498
Original Issue Premium	46,529
Total Sources	$6,301,027

USES:

Refunding Costs	$5,875,076
Debt Service Reserve	303,191
Underwriter's Discount	68,294
Costs of Issuance	54,466
Total Uses	$6,301,027

The payment of Underwriter's discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS**, Underwriting for a description of the Underwriter's discount.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of System Revenues. The lien of System Revenues securing the Bonds is on a parity with the lien on System Revenues in favor of the Parity Bonds. See **DEBT SERVICE REQUIREMENTS** for a description of the debt service due on the Parity Bonds.

There is a debt service reserve securing the Bonds and the Parity Bonds in an amount equal to (a) one-half of the maximum annual principal and interest requirement on the Bonds plus one-half of the maximum annual principal and interest requirement on the Parity Bonds or (b) 10% of the aggregate principal proceeds of the bonds and the Parity Bonds as originally issued, whichever is lesser.

The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein.

The City may issue additional bonds on a parity of security with the Bonds and the Parity Bonds. See **THE AUTHORIZING ORDINANCE**, Parity Bonds.

THE CITY AND THE COUNTY

Location. The City is a city of the first class organized and existing under the laws of the State. The City is the seat of government of the County. The City is located in the northeast part of the State approximately 158 miles northeast of Little Rock, Arkansas and 90 miles northwest of Memphis, Tennessee. The City lies within an area which is considered by a number of seismologists to be subject to major earthquake damage in the event of an earthquake along and in proximity of the New Madrid Fault. Whether an earthquake might occur while any of the Bonds are outstanding, the extent of damage to properties located within the City and the effect upon the City's ability to pay debt service cannot be predicted.

The Population. The population trends for the City and County since 1970 are set forth below:

Year	City	County
1970[1]	10,639	24,765
1980[1]	15,214	30,744
1990[1]	18,540	31,804
2000[1]	22,017	37,331
2010[1]	26,113	42,090
2014[2]	27,464	43,694
2015	N/A[3]	44,196[2]

[1] Census
[2] Estimate as of July 1
[3] Not yet available

Transportation. The City is served by U.S. Highways Nos. 49 and 412. Motor freight carriers and the Union Pacific Railroad make daily shipments from the City to major cities across the United States.

A municipal airport with a 4,500 foot, paved runway serves public aircrafts. Charter service is available. The nearest commercial airport is approximately 20 miles away in Jonesboro, Arkansas.

Government. The government of the City operates under the Mayor-City Council form of government. The current Mayor and aldermen of the City, their principal occupations and their terms are as follows:

Name	Occupation	Term Expires
Mike Gaskill	Mayor	December 31, 2018
Randy Aden	Retired	December 31, 2016
Josh Agee	Self-Employed	December 31, 2016
Jackie Branch	Flower Shop Network	December 31, 2016
Farrell Gibson	Walmart	December 31, 2016
Charles Long	CPA	December 31, 2016
Mark Rowland	Professional Credit Management, Inc.	December 31, 2016
Darrell Taylor	Realtor	December 31, 2016
Susan Williams	Dental Hygienist	December 31, 2016

Medical Facilities. The City is served by one hospital (with approximately 129 beds).

Financial Institutions. The City is served by First National Bank which has its principal offices in the City. The following banks have branch offices in the City: BancorpSouth Bank, Centennial Bank, Focus Bank, Iberiabank, Regions Bank, Simmons Bank, Southern Bank and Union Bank.

Education. Primary and secondary education for the City's inhabitants are provided by two public school systems. Located within the City, there are ten public elementary schools and four public middle schools/high schools. There are also two parochial school systems within the City. Crowley's Ridge College is also located in the City. Arkansas State University, Black River Technical College and Arkansas Northeastern College have branch campuses in the City.

Economy. The economy of the City is a mixture of industry, agriculture and commercial trade. The principal crops grown in the County are soybeans, wheat, rice and cotton. Set forth below are the characteristics of the major employers in the City.

Company	Number of Employees	Product or Service
American Railcar Industries	1,450	Rail Cars
Tenneco Automotive	1,350	Shock Absorbers
Anchor Packaging	725	Plastic Food Containers
Arkansas Methodist Hospital	700	Health Care
Utility Trailer Manufacturing	680	Truck Trailers
L.A. Darling Co.	225	Custom Store Fixtures
Nidec	200	Electric Motors and Parts
Martin Sprocket & Gear	200	Sprockets and Gears
Prestolite Wire Corp./General Cable	185	Auto Wires Cable
Teleflora Florist Service	175	Flower Wire Service
Allen Engineering	130	Concrete Finishing Equipment
Garlock Rubber Technologies	90	Rubber Conveyor Belts

Litigation. There are no lawsuits or regulatory proceedings pending or, to the knowledge of the City, threatened against the City, in which claims of damage are made which, individually or in the aggregate, create a financial exposure which would substantially impair the financial solvency of the City.

County Economic Data. Per capita personal income estimates for the County are as follows[1]:

Year	Per Capita Personal Income
2010	$27,281
2011	27,749
2012	29,556
2013	30,259
2014	30,549

Total personal income estimates for the County are as follows[1]:

Year	Total Personal Income
2010	$1,151,052,000
2011	1,185,744,000
2012	1,275,587,000
2013	1,303,297,000
2014	1,334,795,000

Set forth below are the annual average unemployment rates for the State and the County since 2011 according to the Arkansas Department of Workforce Services.

	Annual Average Unemployment Rate (%)	
Year	County	State
2011	9.7	8.3
2012	8.7	7.6
2013	8.0	7.3
2014	6.4	6.1
2015	5.3	5.2

THE SYSTEM

General. The System, consisting of electric, water and sewer utilities, is owned by the City and operated under the direct control of the Paragould Light and Water Commission (the "Commission"). The names and occupations of members of the Commission and the year in which their terms expire are as follows:

Name	Occupation	Term Expires
Dr. Mack Shotts	Medical Doctor	December 31, 2016
Bobby Kasserman	Banker	December 31, 2019
David Dudley	Banker	December 31, 2019
Kelly Wright	Banker (Retired)	December 31, 2018
Mark Miller	Business Owner/Insurance Agent	December 31, 2016

Operation and management of the System is provided by a utility staff under the direction of a general manager. Darrell Phillips currently serves as the General Manager and Chief Executive Officer of the System, a position he has held since April 2013. Prior to April 2013, Mr. Phillips served as Chief Operating Officer of the System for 26 years.

(1) Source: Bureau of Economic Analysis, United States Department of Commerce, Regional Economic Accounts.

The System employs approximately 118 persons. The names and positions of the key employees and how long each has served in such capacity are set forth below:

Name	Position	Time Served in Position
Darrell Phillips	General Manager and Chief Executive Officer	3 years
Rhonda Davis, CPA	Chief Financial Officer	28 years

Electric System. The electric system was established in 1938. The peak load for 2015 was 131 MW. The distribution lines are 13,200 KVA. The electric system is meter connected with the Southwestern Power Administration and balances real-time load with Southwest Power Pool. The electric system has eight electrical substations, a 19 megawatt generating plant and a 16 megawatt generating plant for peaking purposes.

The City purchases all of the power for its electric facilities from Southwestern Power Administration ("SPA") and the Grand River Dam Authority ("GRDA") under power sales contracts. The contract with SPA terminates on March 31, 2027. The contract with GRDA terminates on June 30, 2038. Under its contract, SPA has agreed to sell to the City up to 50,500 KW of hydroelectric power. GRDA has agreed to sell the City up to 80,000 KW of power. The City believes that the power sales contracts, together with its generating plant, provide adequate assurance of sufficient power for its reasonably foreseeable needs.

The City serves electric users within the City limits. As of December 31, 2015, there were approximately 13,333 electric users. The year end number of electric users by category for each of the past five (5) years is as follows:

Year	Residential	Commercial	Industrial	Total
2015	11,466	1,828	39	13,333
2014	11,412	1,780	39	13,231
2013	11,227	1,761	38	13,026
2012	11,197	1,767	37	13,001
2011	11,083	1,750	37	12,870

Water System. The System's water supply is obtained from eight artesian wells that are 400-500 feet deep. The water is pumped back to an iron removal treatment plant. Chlorine and fluoride are added.

The City serves water users within the City limits. As of December 31, 2015, there were approximately 11,429 water users. The year end number of water users by category for each of the past five (5) years is as follows:

Year	Residential	Commercial	Industrial	Total
2015	10,173	1,221	35	11,429
2014	10,048	1,204	36	11,288
2013	9,861	1,190	35	11,086
2012	9,612	1,190	36	10,838
2011	9,683	1,175	36	10,894

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 is as follows:

Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons
2015	3,133,087	4,131,000	1,143,635,939
2014	3,157,922	4,861,000	1,153,246,363
2013	3,136,243	4,655,000	1,146,035,964
2012	3,241,422	5,529,000	1,183,780,134
2011	3,177,302	4,116,000	1,160,785,078

Sewer System. The sanitary sewer system provides service inside the corporate boundaries of the City. The sewage is collected through a collection system consisting of 64 pumping stations which pump the sewage to a 6.0 mgd activated sludge plant. The plant has two 18 acre lagoons; one is for sludge and the other is a flow equalization basin for wastewater retention.

The City serves sewer users within the City limits. As of December 31, 2015, there were approximately 10,468 users. The year end number of sewer users by category for each of the past five (5) years is as follows:

Year	Residential	Commercial	Industrial	Total
2015	9,287	1,147	34	10,468
2014	9,183	1,134	34	10,351
2013	9,040	1,113	33	10,186
2012	8,979	1,117	33	10,129
2011	8,875	1,102	33	10,010

Largest Users of System. The following users of the System accounted for more than 5% of gross System Revenues for the fiscal year ended December 31, 2015:

Company	Percentage of Total Gross System Revenues (%)
Anchor Packaging	10.8%

The following are the top five users of the System:

1. Anchor Packaging
2. Tenneco Automotive
3. American Railcar Industries
4. Nidec
5. General Cable

Litigation. There is no litigation pending, or to the knowledge of the City, threatened against the System in which claims of damages are made which, individually or in the aggregate, would have a material adverse effect on the operation of the System or the System Revenues.

Rates. Set forth in Exhibit B are the water and sewer rates currently in effect. A schedule of the electric rates currently in effect is attached hereto as Exhibit C.

THE AUTHORIZING ORDINANCE

The Bonds are being issued and secured pursuant to the Authorizing Ordinance, to which reference may be had in its entirety for a detailed statement of its provisions, the description set forth below being a summary of certain provisions. The City will covenant as set forth below in the Authorizing Ordinance.

Rates and General Covenants to Operate. (a) The rates charged for services of the System heretofore fixed by ordinances of the City and the conditions, rights and obligations pertaining thereto, as set out in those ordinances, are ratified, confirmed and continued. None of the facilities or services afforded by the System shall be furnished without a charge being made therefor.

The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the net revenues of the System (net revenues being defined as gross System Revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal electric, water and sewer facilities other than depreciation, interest and amortization of deferred bond discount expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund (described below) and leave a balance equal to at least 140% of the average annual principal and interest requirements on all outstanding bonds to which System Revenues are pledged ("System Bonds"). The City further covenants that the rates shall, if and when necessary from time to time, be increased in such manner as will produce net revenues at least equal to 120% of the average annual principal and interest requirements on all System Bonds, which net revenues shall also be sufficient to deposit the amounts required to be paid into the Depreciation Fund in accordance with the Authorizing Ordinance.

(b) The System shall be continuously operated as a revenue producing undertaking, and all moneys received from its operation shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by resolution of the Commission, subject, however, to the giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC").

<u>Funds and Disposition of Revenues</u>. (a) All System Revenues shall be paid into a special fund designated "Water, Sewer and Electric Fund" (the "Revenue Fund"). The revenues in the Revenue Fund shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the System, to the payment of the principal of and interest on the System Bonds, to the providing of the Depreciation Fund, to the maintenance of debt service reserves and otherwise as described in the Authorizing Ordinance.

(b) There shall be first paid from the Revenue Fund into a fund designated "Water, Sewer and Electric Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid therein during the next succeeding month. If any surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Depreciation Fund.

(c) There shall next be paid from the Revenue Fund into a special fund designated "1993 Water, Sewer and Electric Revenue Bond Fund" (the "Bond Fund") on the first business day of each month the sums in the amounts for the purpose of providing funds for the payment of the principal of and interest on the Bonds and Parity Bonds as they become due, with fees of the Trustee and the trustee for the Parity Bonds in connection therewith.

There shall be paid into the Bond Fund on the first business day of each month until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment the sums necessary to pay the principal of and interest on the Bonds and the Parity Bonds as follows: a sum equal to 1/6 of the next installment of interest due on the Bonds and the Parity Bonds, plus 1/12 of the next installment of principal of the Bonds and the Parity Bonds; provided, however that the monthly payments into the Bond Fund shall be increased in order to make the interest payment on the Bonds due December 1, 2016 and the principal payment on the Bonds due June 1, 2017.

The City shall also pay into the Bond Fund such additional sums as necessary to provide for the Trustee's fees and expenses, fees and expenses of the trustee for the Parity Bonds and any arbitrage rebate payment due to be paid to the United States Treasury under Section 148 (f) of the Code. The City shall receive a credit against monthly deposits into the Bond Fund for all interest earnings on moneys in the Bond Fund and for transfers into the Bond Fund derived from earnings on the Debt Service Reserve during the preceding month.

There is created, as a part of the Bond Fund, a Debt Service Reserve which shall be maintained by the City in an amount equal to (a) one-half of the maximum annual principal and interest requirements on the Bonds plus one-half of the maximum annual principal and interest requirements on the Parity Bonds or (b) 10% of the aggregate principal proceeds of the Bonds and the Parity 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 City shall make additional monthly payments from the Revenue Fund until the impairment or reduction is corrected within a twenty-four month period.

If for any reason the City should fail at any time to make any of the required payments into the Bond Fund, any sums then held in the Debt Service Reserve shall be used to the extent necessary for the payment of principal of or interest on the Bonds and the Parity Bonds, but the Debt Service Reserve shall be reimbursed from the Revenue Fund before any moneys in the Revenue Fund shall be used for any other purpose other than the making of payments required to be made into the Operation and Maintenance Fund and the Bond Fund.

If System Revenues are insufficient to make the required payment on the first business day of the following month into the Bond Fund, then the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the next succeeding twelve month period, and in excess of the Required Level for the Debt Service Reserve such surplus shall either be applied to the redemption of the Bonds or the Parity Bonds that may be called for redemption prior to maturity or transferred to the Revenue Fund.

There shall be withdrawn from the Bond Fund at least five (5) business days before the due date for the principal and/or interest on any Bond or Parity Bond, at maturity or redemption prior to maturity, and deposited with the Trustee or the trustee for the Parity Bonds, as applicable, an amount equal to the amount of such Bond or Parity Bond or interest due thereon for the sole purpose of paying the same, together with the fees of the Trustee and the trustee for the Parity Bonds. There shall also be withdrawn and paid to the United States Treasury any arbitrage rebate due at the times and in the amounts in accordance with Section 148(f) of the Code.

(d) There shall next be paid from the Revenue Fund into a fund designated "Water, Sewer and Electric Depreciation Fund" (the "Depreciation Fund"), on the first business day of each month while any of the Bonds are outstanding, 2% of the gross System Revenues for the preceding month. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements made necessary by the depreciation of the System.

(e) Any surplus in the Revenue Fund after making all disbursements and providing for all funds described may be used, at the option of the City, for any lawful municipal purpose authorized by the City.

<u>Parity Bonds</u>. So long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on System Revenues over the lien securing the Bonds.

The City reserves the right to issue additional bonds to finance or pay the cost of making any future extensions, betterments or improvements to the System, or to refund bonds issued for such purposes, but the City shall not authorize or issue any such additional bonds ranking on a parity with the Bonds unless and until there have been procured and filed with the City Clerk and the Trustee a statement by an Accountant reciting the opinion, based upon necessary investigation, that the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the average annual principal and interest requirements on all the then outstanding System Bonds and the additional bonds then proposed to be issued. The term "net revenues" means gross System Revenues less operation and maintenance expenses other than depreciation, interest and amortization of deferred bond discount expenses, determined in accordance with generally accepted accounting principles. In making the computation set forth above, the City, and the Accountant, on behalf of the City may, based upon the opinion or report of a registered professional engineer not in the regular employ of the City, treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect during or throughout such fiscal year and may include in gross System Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect during or throughout such fiscal year.

Accounts and Records. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the registered owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of the Bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Maintenance; Insurance. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees that it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies selected by the Commission and authorized and qualified under the laws of the State of Arkansas to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses, against loss or damage thereto from fire, lightning, tornados, winds, riot, strike, civil commotion, malicious damage, explosion, extended coverage and against any other loss or damage from any other causes customarily insured against by private companies engaged in similar types of business. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and are either to be placed in the custody of the Trustee or satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Defeasance. Any Bond shall be deemed to be paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond (whether at maturity or upon redemption, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash sufficient to make such payment and/or (2) direct obligations of or obligations fully guaranteed by (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Government Securities") (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. In determining the sufficiency of the deposit of Government Securities there will be considered the principal amount of such Government Securities and interest to be carried thereon until the maturity of such Government Securities.

On the payment of any Bonds within the meaning of the Authorizing Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Government Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if the Trustee has been paid its fees and expenses and if any arbitrage rebate due the United States Treasury under Section 148(f) of the Code has been paid or provided for to the satisfaction of the Trustee, the Trustee shall take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and cancelled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City.

<u>Default and Remedies</u>. (a) If there be any default in the payment of the principal of or interest on any of the Bonds, or if the City defaults in any Bond Fund requirements or in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of Arkansas. And, in the case of a default in the payment of the principal of and interest on any of the Bonds, the Trustee may, and upon the written request of the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the owners of the Bonds, with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the revenues in conformity with the laws of the State and with the Authorizing Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

(b) No registered owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of power or right under the Authorizing Ordinance or under the laws of the State unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more registered owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder except in the manner described in the Authorizing Ordinance. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding Bonds.

(c) No remedy conferred upon or reserved to the Trustee or to the registered owners of the Bonds is intended to be exclusive of any other remedy or remedies, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Authorizing Ordinance or by law.

(d) The Trustee may, and upon the written request of the registered owners of not less than a majority in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(e) In any proceeding to enforce the provisions of the Authorizing Ordinance, the Trustee or any plaintiff bondholder shall be entitled to recover costs of such proceeding, including reasonable attorneys' fees.

Amendment of Authorizing Ordinance. The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth below.

The Trustee may consent to any variation or change in the Authorizing Ordinance to cure any ambiguity, defect or omission therein or any amendment thereto or any other change or variation that the Trustee determines is not to the material prejudice of the owners of the Bonds without the consent of the owners of the outstanding Bonds.

The owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Authorizing Ordinance to the contrary notwithstanding, to consent to and approve, the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance; provided, however, that nothing contained in the Authorizing Ordinance shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien or pledge superior to the lien and pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving sixty (60) days' notice in writing to the City Clerk and the registered owners of the Bonds, and the majority in value of the registered owners of the outstanding Bonds or the City, so long as the City is not in default under the Authorizing Ordinance, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee.

Investments. (a) Moneys held for the credit of the Bond Fund (other than for the Debt Service Reserve therein) shall be invested and reinvested in Permitted Investments (as hereinafter defined), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the next payment date for interest or principal and interest on the Bonds.

(b) Moneys held for the credit of the Debt Service Reserve shall be invested and reinvested in Permitted Investments, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than five (5) years after the date of investment or the final maturity date of the Bonds, whichever is earlier.

(c) Moneys held for the credit of any other fund may be invested and reinvested in Permitted Investments or other investments as may, from time to time, be permitted by law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

(d) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund, except that interest earnings and profits on investments of moneys in the Debt Service Reserve which increase the amount thereof above the Required Level shall to the extent of any such excess be transferred into the Bond Fund and used as a credit against the monthly Bond Fund payments due.

(e) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) ("Government Securities"), (ii) direct obligations of any agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds, or (iv) money market funds comprised exclusively of investments described in (i) or (ii) above.

CONTINUING DISCLOSURE AGREEMENT

Over the last five years, the City has been a party to certain continuing disclosure agreements in connection with its outstanding bonds. Such agreements require the City to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations over the past five years.

As part of each annual report, the City has been obligated to file audited financial statements on EMMA. For one bond issue, the City was required to file the audited financial statements of the City's general purpose funds and the audited financial statements of the System. While the City timely filed the audited financial statements of the System for the years ended December 31, 2010 through 2013, the City failed to file the audited financial statements of the City's general purpose funds for the same periods. The City failed to file a notice of failure to file the audited financial statements of the City's general purpose funds. That bond issue is no longer outstanding.

For four bond issues, the City was required to file the audited financial statements of the System. The City timely filed the audited financial statements of the System for the years ended December 31, 2010, 2011, 2012, 2013 and 2015; however, the audited financial statements for the years ended December 31, 2010, 2011 and 2013 were not linked to all applicable CUSIPs. The audited financial statements of the System for the year ended December 31, 2014 were not timely filed on EMMA. The City made such filing 333 days late. The City failed to provide timely a notice of failure to file such audited financial statements of the System.

All continuing disclosure agreements also required that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies depending on the type of bond issue and how each is secured.

All supplemental data to be provided was included in the audited financial statements of the System. Accordingly, all supplemental data was timely filed for the years ended December 31, 2010, 2011, 2012, 2013 and 2015; however, such supplemental data was not linked to all applicable CUSIPs. As set forth above, the audited financial statements of the System for the year ended December 31, 2014 were not timely filed on EMMA. Thus, the supplemental data contained in such audited financial statements was not timely filed. The City made such filing 333 days late.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5)(i)(C). The City has timely filed all notices of the occurrence of listed events during the past five years.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement to be executed in connection with the Bonds. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2016 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in (1) under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall file a notice to the MSRB.

Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(1) (a) Information of the type set forth in this Official Statement under the caption **THE SYSTEM** with respect to (i) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years, (ii) the number of water, sewer and electric users by category for the fiscal year then ended and the four previous fiscal years and (iii) the top five users of the System for the previous fiscal year and a statement as to which users, if any, accounted for 5% or more of System Revenues for the preceding fiscal year; and (b) the water, sewer and electric rates for the fiscal year then ended.

(2) The annual financial statements of the System prepared using accounting principles generally accepted in the United States of America, which shall be audited in accordance with auditing standards generally accepted in the United States of America.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

7. Modifications to rights of security holders, if material.

8. Bond calls (excluding mandatory sinking fund redemptions), if material.

9. Defeasances and tender offers.

10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person.

13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) After the occurrence of a Listed Event (excluding an event described in (a)(8) above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)(8) above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)(8) above, the Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements for the System for the fiscal years ended December 31, 2015 and 2014. Such audited financial statements were prepared using accounting principles generally accepted in the United States of America and were 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. These financial statements deal with the System and System Revenues and should be read in their entirety, together with any notes and supplemental information affixed thereto.

The Commission operates the City's cable television system and it provides internet services to customers in and around the City. As such, the financial statements reflect cable television system and internet service revenues and assets and liabilities related thereto. Cable television system revenues and internet service revenues are not pledged to the Bonds, and liabilities related to the provision of cable television services and internet services are not liabilities of the System.

Revenues and expenses of the System (electric, water and sewer facilities) after elimination of inter-System sales and expenses, are summarized by management of the System as follows for the preceding five years (years ended December 31):

	Audited				
	2015	2014	2013	2012	2011
Operating Revenues	$49,344,964	$52,278,855	$52,551,421	$52,911,638	$50,232,484
Operating Expenses (Excluding Depreciation)	(41,977,081)	(45,932,380)	(44,194,331)	(44,068,624)	(42,220,954)
Operating Income	7,367,883	6,346,475	8,357,090	8,843,014	8,011,530
Depreciation	(4,257,054)	(4,410,823)	(4,287,555)	(4,098,425)	(3,917,156)
Other Income (Expense)	(417,430)	(484,498)	(578,430)	(588,687)	(717,184)
Net Income	$2,693,399	$1,451,154	$3,491,105	$4,155,902	$3,377,190

DEBT SERVICE COVERAGE

The following table shows the net revenues available for debt service on the Bonds and the Parity Bonds for the fiscal year ended December 31, 2015, the amount of maximum annual debt service expected to be due, and the extent to which debt service is covered by such funds:

Revenues (1)	$49,344,964
Less: Expenses (1)(2)	(41,977,081)
Net Revenues Available for Debt Service (A)	7,367,883
Maximum Annual Debt Service Requirements on Bonds and Parity Bonds (B)(3)	1,578,573
Debt Service Coverage (A/B)	4.67x

(1) Based on the audited financial statements of the System for the fiscal year ended December 31, 2015. Revenues do not include non-operating income.
(2) Total operating expenses before depreciation, interest and bond amortization expenses.
(3) Using a year ending December 31.

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds:

Year	Principal	Interest	Total Debt Service
2016	--	$ 42,561.46	$ 42,561.46
2017	$ 180,000.00	116,062.50	296,062.50
2018	490,000.00	109,362.50	599,362.50
2019	500,000.00	99,462.50	599,462.50
2020	510,000.00	89,362.50	599,362.50
2021	520,000.00	79,062.50	599,062.50
2022	535,000.00	68,512.50	603,512.50
2023	545,000.00	57,712.50	602,712.50
2024	560,000.00	46,382.50	606,382.50
2025	570,000.00	34,232.50	604,232.50
2026	580,000.00	21,147.50	601,147.50
2027	585,000.00	7,166.25	592,166.25
TOTALS	$5,575,000.00	$771,027.71	$6,346,027.71

Set forth below are the debt service requirements for the Bonds and the Parity Bonds for the years 2016-2027:

Year	Bond Debt Service	Debt Service for Parity Bonds	Total Debt Service
2016	$ 42,561.46	$ 973,155.00	$1,015,716.46
2017	296,062.50	973,355.00	1,269,417.50
2018	599,362.50	968,255.00	1,567,617.50
2019	599,462.50	972,955.00	1,572,417.50
2020	599,362.50	964,900.00	1,564,262.50
2021	599,062.50	968,832.50	1,567,895.00
2022	603,512.50	969,232.50	1,572,745.00
2023	602,712.50	966,770.00	1,569,482.50
2024	606,382.50	972,190.00	1,578,572.50
2025	604,232.50	970,062.50	1,574,295.00
2026	601,147.50		601,147.50
2027	592,166.25		592,166.25
TOTALS	$6,346,027.71	$9,699,707.50	$16,045,735.21

LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

Tax Exemption. In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from all State income taxes and the Bonds are exempt from property taxation in the State.

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted in the Authorizing Ordinance to comply with all such requirements.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad

Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The City has designated the Bonds as "qualified tax exempt obligations" and has covenanted not to use the System and the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds" within the meaning of the Code, and has represented that the City and its subordinate entities have not and do not expect to issue more than $10,000,000 of such tax exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under the Section 145 of the Code)) during calendar year 2016.

Prospective purchasers of the Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

> Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of $5,553,235.15 (representing the aggregate principal amount of the Bonds plus original issue premium of $46,528.90 and less Underwriter's discount of $68,293.75). The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the City has been authorized by the City.

CITY OF PARAGOULD, ARKANSAS

By /s/ Mike Gaskill
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

Audited Financial Statements of the System for the Fiscal Years Ended December 31, 2015 and 2014

PLWC

Paragould Light Water & Cable
P.O. Box 9
Paragould, AR 72451

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

December 31, 2015 and 2014

Financial Statements
And
Supplementary Information

With

Independent Auditor's Report

FROST, PLLC
Certified Public Accountants

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FROST, PLLC
Certified Public Accountants
Relationships backed by performance.

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 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, 2015 and 2014, 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 audits. We conducted our audits 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable, as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years 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 information on pages 4 through 7 and 35 through 37 be presented to supplement the basic financial statements. 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 audits were 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 38 through 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information on pages 38 through 42 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 43 through 48 has not been subjected to the auditing procedures applied in the audits 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 49 and 50 dated March 31, 2016 on our consideration of Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paragould Light and Water Commission d/b/a Paragould Light, Water and Cable's internal control over financial reporting and compliance.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
March 31, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015 and 2014

Financial Highlights

	2015	2014 (1)	2013 (1)
Assets and deferred outflows of resources			
Total current assets	$ 24,685,299	$ 22,488,081	$ 21,036,071
Total restricted and board designated assets	4,884,395	5,489,107	5,749,224
Net capital assets	97,979,232	97,900,336	98,400,544
Total intangible assets	1,722,256	1,722,256	1,722,256
Postemployment benefits other than pensions benefit	972,387	188,204	-
Deferred outflows of resources	1,990,750	1,052,567	1,209,345
Total assets and deferred outflows of resources	132,234,319	128,840,551	128,117,440
Liabilities and deferred inflows of resources			
Total current liabilities	6,748,457	7,432,823	6,557,150
Total noncurrent liabilities	17,114,418	17,496,660	20,435,902
Deferred inflows of resources	81,266	-	-
Total liabilities and deferred inflows of resources	23,944,141	24,929,483	26,993,052
Net position			
Invested in capital assets, net of related debt	84,887,980	83,592,903	83,403,283
Restricted	4,884,395	5,489,107	5,749,224
Unrestricted	18,517,803	14,829,058	11,971,881
Total net position	$ 108,290,178	$ 103,911,068	$ 101,124,388
Operating revenues			
Utility charges	$ 60,276,276	$ 62,105,474	$ 59,643,772
Wholesale power	-	402,833	2,336,395
Other operating income	80,162	59,941	68,085
Total operating revenues	60,356,438	62,568,248	62,048,252
Operating expenses			
Production and distribution	16,658,804	16,665,084	15,208,782
Purchased power	32,147,904	35,502,843	34,564,674
Customer accounts	812,302	1,079,503	924,097
Administration and general	1,211,711	1,166,653	1,765,494
Depreciation	5,094,981	5,204,296	5,011,610
Total operating expenses	55,925,702	59,618,379	57,474,657
Total nonoperating expenses	(373,488)	(476,384)	(545,861)
Capital contributions	321,862	313,195	282,926
Changes in net position	4,379,110	2,786,680	4,310,660
Net position - beginning of year	103,911,068	101,124,388	96,813,728
Net position - end of year	$ 108,290,178	$ 103,911,068	$ 101,124,388

(1) As restated for adoption of GASB Statement No. 68.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

December 31, 2015 and 2014

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, 2015, 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 Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the Utility's financial health.

The Statements of Net Position include 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 Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated.

The Statements of Cash Flow report 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.

Total and Capital Assets

Total Assets increased by approximately $3,394,000 or 3.0% in 2015, compared to an increase of $723,000 or 0.6% during 2014. Capital assets being depreciated increased in 2015 by approximately $6,269,000. Accounts receivable decreased in 2015 by approximately $1,484,000. Cash and cash equivalents increased by approximately $3,557,000.

All asset additions in 2015 were financed by operating revenue.

Capital Contributions

Contributions during 2015 were $322,000 as compared to $313,000 in 2014. These contributions are comprised of developer paid fees for cable, electric, water and wastewater lines, in addition to funds paid by builders for the difference in costs of underground electric lines as compared to overhead lines, and water and wastewater connection fees.

Liabilities

Total Liabilities decreased by $985,000 in 2015 and decreased by $2.1 million in 2014. Long-term debt decreased by $1,150,000 in both 2015 and $1,365,000 in 2014.

Accounting Standards

Effective for 2015, the Utility implemented Governmental Accounting Standards Board Statement No. 68 which established standards for pension accounting and financial reporting for the plan sponsor's financial statements. The adoption of the statement required the utility to recognize the net pension liability and pension expenses on our financial statements. The net pension liability is the difference between the plan's assets and its liabilities. The net pension liability reflected as noncurrent liabilities are $3,599,000 and $3,011,000 for 2015 and 2014, respectively. For more extensive information on this subject see "Note 12 Pension Plan" in Notes to Financial Statement.

Operating Revenues and Expenses

Operating revenues decreased by approximately $2,212,000 or 3.54% in 2015, and increased $520,000 or 0.8% in 2014. 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 Cable TV programming costs through a Programming Cost Adjustment. In addition, water and wastewater rates increase annually up to 3% or Consumer Price Index. The adjustment to cable rates are made as programmers increase costs and water and wastewater rates adjustments are implemented at the beginning of each calendar year.

Operating expenses decreased by $3,693,000 or 6.19% in 2015, and increased by $2.1 million or 4.0% in 2014. The most significant single operating expense decrease was purchased power, with a decrease of approximately $3,355,000.

Long-Term Debt

The Utility's trustees paid to the bondholders' principal payments of $1,130,000 and $847,000 during 2015 and 2014, respectively. The final payment for the Capital Improvement Refund Bond that was originally offered and sold to construct the Cable TV system in 1990 was made in February 2015. The Utility makes monthly sinking fund payments to the bond trustees, which are reflected as restricted assets. The bondholders are then paid annual principal payments and semiannual interest payments. Bond covenants require the Utility maintain a Debt Service Coverage Ratio of 1.20. The coverage ratios maintained were 6.59 and 6.52 for 2015 and 2014, respectively.

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 for electric, water, sewer or Cable TV since they are a component unit of the City of Paragould, Arkansas. The Paragould City Council sets rates as recommended by the Utility; however, rate setting for Internet services was delegated to the utilities' Commission. The Council must also approve issuance of bond indebtedness. 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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Rhonda Davis, Chief Financial Officer

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

Statements of Net Position

December 31, 2015 and 2014

Assets and Deferred Outflows of Resources	2015	2014
Current assets		
Cash and cash equivalents	$ 15,656,775	$ 12,099,507
Accounts receivable, net of allowance for doubtful accounts of approximately $360,000 and 480,000 for 2015 and 2014, respectively	6,176,724	7,660,845
Material and supply inventories	2,437,687	2,445,071
Prepaid expenses	414,113	282,658
Total current assets	24,685,299	22,488,081
Long-term assets		
Restricted and Board designated assets	4,884,395	5,489,107
Capital assets, net of accumulated depreciation	97,979,232	97,900,336
Postemployment benefits other than pensions benefit	972,387	188,204
Goodwill	1,722,256	1,722,256
Total long-term assets	105,558,270	105,299,903
Deferred outflows of resources		
Deferred loss on bond refunding	903,748	1,052,567
Net difference between projected and actual earnings on pension plan investments	1,087,002	-
Total deferred outflows of resources	1,990,750	1,052,567
Total assets and deferred outflows of resources	$ 132,234,319	$ 128,840,551

Liabilities and Net Position		2015		2014
Current liabilities				
Current maturities of long-term debt	$	1,150,000	$	1,365,000
Accounts payable		3,448,046		3,581,724
Accrued interest		68,136		75,669
Net pension liability		681,502		810,258
Customer deposits		454,421		456,770
Compensated absences		518,538		470,334
Other current liabilities		427,814		673,068
Total current liabilities		6,748,457		7,432,823
Noncurrent liabilities				
Long-term debt, less current maturities		12,845,000		13,995,000
Net pension liability		3,598,983		3,011,347
Customer deposits		670,435		490,313
Total noncurrent liabilities		17,114,418		17,496,660
Deferred inflows of resources				
Difference between expected and actual experience		81,266		-
Total liabilities and deferred inflows of resources		23,944,141		24,929,483
Net position				
Invested in capital assets		84,887,980		83,592,903
Restricted		4,884,395		5,489,107
Unrestricted		18,517,803		14,829,058
Total net position		108,290,178		103,911,068
Total liabilities and net position	$	132,234,319	$	128,840,551

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

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2015 and 2014

	2015	2014
Operating revenues		
Utility charges	$ 60,276,276	$ 62,105,474
Wholesale power	-	402,833
Other operating income	80,162	59,941
Total operating revenues	60,356,438	62,568,248
Operating expenses		
Production and distribution	16,658,804	16,665,084
Purchased power	32,147,904	35,502,843
Customer accounts	812,302	1,079,503
Administration and general	1,211,711	1,166,653
Depreciation	5,094,981	5,204,296
Total operating expenses	55,925,702	59,618,379
Operating income	4,430,736	2,949,869
Nonoperating income (expenses)		
Interest income	186,208	145,278
Other nonoperating income	34,067	5,523
Interest expense	(444,943)	(466,257)
Bond costs	(148,820)	(160,928)
Total nonoperating expenses	(373,488)	(476,384)
Capital contributions	321,862	313,195
Changes in net position	4,379,110	2,786,680
Net position - beginning of year, as restated (Note 8)	103,911,068	101,124,388
Net position - end of year	$ 108,290,178	$ 103,911,068

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

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

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash received from customers	$ 61,840,559	$ 62,883,555
Cash paid to suppliers	(44,827,096)	(47,690,111)
Payments to employees	(7,789,463)	(8,211,437)
Net cash provided by operating activities	9,224,000	6,982,007
Cash flows from noncapital financing activities		
Increase in customer deposits, net	177,773	38,428
Other	34,067	5,523
Net cash provided by noncapital financing activities	211,840	43,951
Cash flows from capital and related financing activities		
Purchases of capital assets	(4,852,015)	(5,295,330)
Proceeds from sale of capital assets	-	904,437
Principal paid on long-term debt	(1,365,000)	(846,606)
Interest paid and trustee fee paid on long-term debt	(452,477)	(476,819)
Net cash used by capital and related financing activities	(6,669,492)	(5,714,318)
Cash flows from investing activities		
Decrease in restricted and board designated assets	604,712	260,117
Interest income received	186,208	145,278
Net cash provided by investing activities	790,920	405,395
Net increase in cash and cash equivalents	3,557,268	1,717,035
Cash and cash equivalents - beginning of year	12,099,507	10,382,472
Cash and cash equivalents - end of year	$ 15,656,775	$ 12,099,507

		2015		2014
Reconciliation of earnings from operations to net cash provided by operating activities				
Operating income	$	4,430,736	$	2,949,869
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation		5,094,981		5,204,296
Pension expense		936,005		1,871,164
Changes in operating assets and liabilities				
Accounts receivable		1,484,121		315,307
Material and supply inventories		7,384		(23,531)
Prepaid expenses		(131,455)		(26,751)
Accounts payable		(133,678)		(518,861)
Other current liabilities and compensated absences		(197,050)		56,985
Deferred outflows of resources for pensions		(1,087,002)		-
Deferred inflows of resources for pensions		81,266		-
Net pension liability		(477,125)		(2,313,191)
Postemployment benefits other than pensions benefit		(784,183)		(533,280)
Net cash provided by operating activities	$	9,224,000		6,982,007

<u>Supplementary disclosure of noncash investing, capital and financing activities</u>

Capital contributions in aid of construction	$	321,862	$	313,195

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

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.

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.

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.

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.

Notes to Financial Statements

December 31, 2015 and 2014

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

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 is unbilled receivables for approximately $4,795,000 and $5,635,000 at December 31, 2015 and 2014, respectively. 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.

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 $1,000 and an estimated useful life greater than one year. Significant betterments, which increase the useful lives of capital assets, are capitalized and depreciated over the remaining useful life of the related assets. The cost of electric, water and sewer easements are included within land and land rights.

j. **Goodwill** – As a result of certain acquisition and merger transactions, the Utility has recorded goodwill for the excess of the amount paid over the fair value of the assets acquired at the date of the acquisition or merger. The Utility reviews goodwill for impairment whenever triggering events or changes in circumstances indicate that the service utility of the asset may have significantly and unexpectedly declined. No such triggering events or changes in circumstances were identified by management for the years ended December 31, 2015 or 2014.

Notes to Financial Statements

December 31, 2015 and 2014

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

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. **Deferred outflows/inflows of resources** – In addition to assets, the accompanying statements of net position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows/inflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow/inflow of resources expense/expenditure until then. The Utility has two types of items that qualify for reporting as deferred outflows. They are the deferred loss on refunding and the net difference between projected and actual earnings on pension plan investments reported in the accompanying statements of net position. A deferred loss on 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. In addition to liabilities, the accompanying statements of net position include deferred inflow of resources. The Utility has one type of item that qualifies for reporting as deferred inflow. It is the difference between expected and actual experience as a result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27."

m. **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.

n. **Compensated absences** – The Utility provides all eligible employees paid time off benefits. Paid time off benefits are accrued when earned in the financial statements.

o. **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.

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

p. **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 Directors for specified uses are included in unrestricted net position. These amounts are more fully discussed in Note 3.

q. **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 statements 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.

r. **Impairment of capital assets** – GASB Codification 1400, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,” requires the Utility to evaluate 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 years ended December 31, 2015 and 2014, the Utility determined there were no triggering events indicating impairment of its capital assets.

s. **Recent accounting pronouncements** – Effective January 1, 2015, the Utility implemented GASB Statement No. 68. This statement establishes standards for governmental entities in measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenditures related to defined benefit pension plans. In addition, this statement establishes recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. As a result, prior year net pension liability of $4,263,632 has been recorded in the prior period adjustment explained in Note 8.

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

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." This statement amends paragraph 137 of GASB Statement No. 68 in which if it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. The provisions of GASB Statement No. 70 should be applied simultaneously with the provisions of GASB Statement No. 68. The implementation of this statement had no impact on the Utility's financial statements.

2. **Cash and Restricted Assets**

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

Interest Rate Risk

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

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, 2015, none of the Utility's investment balances were exposed to custodial credit risk.

3. **Restricted and Board Designated Assets**

Restricted and Board designated assets consist of the following:

	2015	2014
Restricted		
Capital Improvement Refunding Bonds, Series 2001		
General Obligation Bond Fund	$ -	$ 115,601
Debt Service Reserve Fund	-	125,698
Refunding Revenue Bonds, Series 2013		
Revenue Bond Fund	43,956	439,104
Refunding Revenue Bonds, Series 2013		
Debt Service Reserve Fund	486,678	486,678
Refunding Revenue Bonds, Series 2011		
Revenue Bond Fund	154,073	152,663
Debt Service Reserve Fund	318,089	315,129
Depreciation Fund Reserve	147,751	146,376
Total restricted	1,150,547	1,781,249
Board designated		
Reserve for electrical system upgrades	-	8,761
Reserve for potential uninsured property casualty losses	3,733,848	3,699,097
Total Board designated	3,733,848	3,707,858
	$ 4,884,395	$ 5,489,107

The bond funds are maintained in accordance with the trust indentures related to the $9,090,000 Paragould, Arkansas Water, Sewer and Electric Refunding Revenue Bonds, Series 2013; $7,415,000 Paragould, Arkansas Water, Sewer and Electric Refunding Revenue Bonds, Series 2011 and the $2,465,000 Paragould, Arkansas Capital Improvement Refunding Bonds, Series 2001.

The reserve for self-insurance contains funds designated by the Board of Commissioners (the “Board”) to be set aside to cover any liability which may occur that the Utility’s insurance might not cover.

4. **Capital Assets**

Capital assets activity consists of the following:

	Useful Life	December 31, 2014	Increases	Decreases	December 31, 2015
Capital assets not being depreciated					
Land and land rights	N/A	$ 860,767	$ 122,082	$ -	$ 982,849
Construction in progress	N/A	7,518,101	4,118,668	5,721,833	5,914,936
		8,378,868	4,240,750	5,721,833	6,897,785
Capital assets being depreciated					
Buildings and improvements	20 - 50	15,791,276	114,078	-	15,905,354
Machinery and equipment	5 - 50	157,388,984	6,557,490	327,831	163,618,643
Vehicles	5	4,169,421	9,834	84,119	4,095,136
		177,349,681	6,681,402	411,950	183,619,133
Less accumulated depreciation		87,828,213	5,094,981	385,508	92,537,686
Net capital assets		$ 97,900,336	$ 5,827,171	$ 5,748,275	$ 97,979,232

	Useful Life	December 31, 2013	Increases	Decreases	December 31, 2014
Capital assets not being depreciated					
Land and land rights	N/A	$ 860,767	$ -	$ -	$ 860,767
Construction in progress	N/A	7,782,375	4,668,650	4,932,924	7,518,101
		8,643,142	4,668,650	4,932,924	8,378,868
Capital assets being depreciated					
Buildings and improvements	20 - 50	15,775,762	15,514	-	15,791,276
Machinery and equipment	5 - 50	152,984,098	4,716,472	311,586	157,388,984
Vehicles	5	3,884,411	285,010	-	4,169,421
		172,644,271	5,016,996	311,586	177,349,681
Less accumulated depreciation		82,886,869	5,204,296	262,952	87,828,213
Net capital assets		$ 98,400,544	$ 4,481,350	$ 4,981,558	$ 97,900,336

5. Noncurrent Liabilities

Changes in noncurrent liabilities consist of the following:

	December 31, 2014	Increases	Decreases	December 31, 2015	Due Within One Year
Long-term debt					
Revenue bonds	$ 15,360,000	$ -	$ 1,365,000	$ 13,995,000	$ 1,150,000
Compensated absences	470,334	83,721	35,517	518,538	518,538
Customer deposits	947,083	632,194	454,421	1,124,856	454,421
Net pension liability	3,821,605	458,880	-	4,280,485	681,502
	$ 20,599,022	$ 1,174,795	$ 1,854,938	$ 19,918,879	$ 2,804,461

	December 31, 2013	Increases	Decreases	December 31, 2014	Due Within One Year
Long-term debt					
Revenue bonds	$ 16,206,606	$ -	$ 846,606	$ 15,360,000	$ 1,365,000
Compensated absences	451,760	30,059	11,485	470,334	470,334
Customer deposits	908,655	495,198	456,770	947,083	456,770
Net pension liability	4,263,632	-	442,027	3,821,605	810,258
	$ 21,830,653	$ 525,257	$ 1,756,888	$ 20,599,022	$ 3,102,362

6. Long-Term Debt

Long-term debt consists of the following:

	2015	2014
Paragould, Arkansas Water, Sewer and Electric Refunding of 2005 Bonds, Series 2013 bearing interest from 1.00% to 3.75%, through December 2025.	$ 8,215,000	$ 8,940,000
Paragould, Arkansas Water, Sewer and Electric Refunding of 2003 Bonds, Series 2011, bearing interest from 2.00% to 4.13%, through October 2027.	5,780,000	6,185,000

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

	2015	2014
Paragould, Arkansas Capital Improvement Refunding Bonds, Series 2001, bearing interest from 3.25% to 4.70%. This was paid in full in the current year.	$ -	$ 235,000
	13,995,000	15,360,000
Less current maturities	1,150,000	1,365,000
Long-term debt, less current maturities	$ 12,845,000	$ 13,995,000

Aggregate maturities of long-term debt are as follows:

	Principal	Interest	Total
2016	$ 1,150,000	$ 427,975	$ 1,577,975
2017	1,175,000	404,975	1,579,975
2018	1,190,000	380,005	1,570,005
2019	1,220,000	353,549	1,573,549
2020	1,245,000	322,660	1,567,660
2021 - 2025	6,885,000	994,758	7,879,758
2026 - 2027	1,130,000	69,426	1,199,426
	$ 13,995,000	$ 2,953,348	$ 16,948,348

During 2011, the City issued Water, Sewer, and Electric Refunding Bonds, Series 2011, dated June 1, 2011, in the aggregate principal amount of $7,415,000. The Bonds were issued to advance refund, by the defeasance method, the Bonds Refunded, fund a debt service reserve, and pay expenses of issuing the Bonds and refunding the Bonds Refunded.

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

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

At December 31, 2015, a deferred loss on defeasance of $903,748 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:

2016	$	140,226
2017		130,567
2018		120,432
2019		109,785
2020		98,378
2021 - 2025		288,978
2026 - 2027		15,382
	$	903,748

The Bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's water, sewer, and electric system (the "System"). The pledge of the System's revenues ("System Revenues") in favor of the Bonds is senior to the pledge in favor of the City's Water, Sewer and Electric Revenue Bonds, Series 1991.

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

a. **Bond fund and debt service accounts** – The Utility is required to deposit into the bond fund account each month an amount sufficient to pay 1/12 of the annual principal installment and 1/6 of the annual interest installment next becoming due. In addition, the Utility shall maintain in the debt service account an amount equal to (a) one-half of the maximum annual principal and interest requirements on the bonds or (b) 10% of the aggregate principal and proceeds of such bonds as originally issued, whichever is lesser (the "Required Level"). Should the debt service reserve become impaired or be reduced below the Required Level, the Utility shall make additional monthly payments from the revenue fund until the impairment or reduction is corrected within a 24-month period.

b. **Depreciation reserve account** – The Utility is required to maintain in a separate bank account 2% of the gross System Revenues for the preceding month to be used for the purpose of paying the cost of major repairs or damage and for replacements to the facilities. If the amount falls below the required sum, the Utility is required to make monthly deposits to the fund.

7. Segment Information

The Utility has issued bonds to finance certain specific capital projects. Investors in the revenue bonds rely solely on the revenue generated by specific activities for repayment. Summary financial information as of and for the year ended December 31, 2015 for the segments which have bonds outstanding is as follows:

Condensed Statement of Net Position

	Electric	Sewer
Assets		
Current assets	$ 15,216,695	$ 1,089,083
Restricted assets	4,412,233	472,162
Capital assets	41,652,687	29,070,788
Postemployment benefits other than pensions benefit	359,783	213,925
Intangible assets	587,804	-
Deferred outflows of resources	951,075	594,004
Total assets and deferred outflows of resources	$ 63,180,277	$ 31,439,962
Liabilities		
Current liabilities	$ 4,756,266	$ 901,091
Due to (from) other funds	(39,932,155)	25,058,522
Long-term debt, net	7,475,000	5,370,000
Long-term net pension liability	1,331,624	791,777
Customer deposits	668,235	-
Deferred inflows of resources	30,068	17,879
Total liabilities	(25,670,962)	32,139,269
Net position		
Invested in capital assets	33,986,571	23,645,652
Restricted	4,412,233	472,162
Unrestricted	50,452,435	(24,817,121)
Total net position	88,851,239	(699,307)
Total liabilities and net position	$ 63,180,277	$ 31,439,962

7. **Segment Information (cont.)**

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Electric	Sewer
Utility charges	$ 41,628,581	$ 4,157,106
Other operating revenues	78,838	-
Depreciation expense	(2,088,653)	(1,259,445)
Other operating expenses	(36,374,523)	(2,920,700)
Operating income (loss)	3,244,243	(23,039)
Nonoperating expenses, net	(195,185)	(228,998)
Capital contributions	183,504	17,027
Net position - beginning of year, as restated	85,618,677	(464,297)
Net position - end of year	$ 88,851,239	$ (699,307)

Condensed Statement of Cash Flows

	Electric	Sewer
Net cash provided by operating activities	$ 4,147,111	$ 2,120,789
Noncapital financing activities	177,773	10,879
Capital and related financing activities	(3,254,456)	(1,705,715)
Investing activities	512,084	9,105
Net increase in cash and cash equivalents	1,582,512	435,058
Cash and cash equivalents - beginning of year	7,142,099	4,046
Cash and cash equivalents - end of year	$ 8,724,611	$ 439,104

8. Beginning Balances Restated

The beginning net position was restated for adoption of GASB Statement No. 68.

The financial statements were restated as follows:

Net position as of December 31, 2013, as previously reported	$ 105,388,020
Restatement of net pension liability	(4,263,632)
Net position as of January 1, 2014, as restated	$ 101,124,388

9. 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 years ended December 31, 2015 and 2014, the Utility paid the City approximately $3,885,000. Amounts owed to the City were approximately $285,000 and $305,000 at December 31, 2015 and 2014, respectively.

The Utility contracts out certain repairs and maintenance services to various employees of the Utility. For the years ended December 31, 2015 and 2014, the Utility paid various employees approximately $47,000 and $48,000, respectively.

10. 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 (“CEO”) 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.

10. **Commitments (cont.)**

d. The Utility maintains health coverage for employees of the Utility 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.

11. **Postemployment Benefits Other Than Pensions**

GASB Codification Po50, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,” establishes standards for the measurement, recognition and display of OPEB.

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. 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. Additionally, the Utility will pay 100% of the health insurance premium of the spouse until he or she reaches age 65 or is Medicare eligible. There are currently 14 participants eligible to receive benefits.

Funding Policies, Annual OPEB Cost and Net OPEB Obligation

Prior to 2013, the required contribution was based on projected pay-as-you-go financing requirements. For the years ended December 31, 2015 and 2014, the Utility contributed $960,000. During 2012, the Utility created the Paragould Light, Water and Cable Employee Benefit Trust (the “Trust”) to hold the OPEB funds. During February 2013, the Utility funded the Trust in the amount of $1,249,184. The plan does not issue a stand-alone financial report. The Trust does not issue stand-alone financial statements.

The Utility’s annual OPEB cost (expense) for the plan is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Codification Po50. The Utility is required to obtain an actuarial valuation triennially. The most recent completed actuarial valuation was as of December 31, 2013. Accordingly, the amounts presented in the tables below for ARC, annual OPEB cost, actuarial accrued liability and covered payroll were determined as of that date. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Notes to Financial Statements

December 31, 2015 and 2014

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

The Utility's annual OPEB cost for the current year and related information for the plan is as follows:

	2015	2014	2013
ARC	$ 305,072	$ 426,720	$ 426,720
Interest on net OPEB obligation	(12,233)	-	84,848
Adjustment to ARC	20,242	-	96,910
Annual OPEB cost	313,081	426,720	414,658
Contributions made	1,097,264	960,000	1,374,934
Decrease in net pension obligation	(784,183)	(533,280)	(960,276)
Net OPEB (benefit) obligation - beginning of year	(188,204)	345,076	1,305,352
Net OPEB (benefit) obligation - end of year	$ (972,387)	$ (188,204)	$ 345,076

The Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year for the plan are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB (Benefit) Obligation
2015	$ 313,081	350%	$ (972,387)
2014	426,720	225%	(188,204)
2013	414,658	332%	345,076

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

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the funded assets of the plan are as follows:

Actuarial value of plan assets	$ 1,831,077
Actuarial accrued liability	
Retirees	408,551
Fully eligible active employees	330,959
Other active employees	2,955,515
Total actuarial accrued liability	3,695,025
Unfunded actuarial accrued liability	$ (1,863,948)
Funded ratio	49.6%
Covered payroll	$ 5,217,899
Unfunded actuarial accrued liability as a percentage of covered payroll	35.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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.

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

The most significant assumptions and the most recent valuation underlying the computation of the actuarial accrued liability as of December 31, 2013 were as follows:

Actuarial cost method	Projected unit credit method
Discount rate	6.50%
Projected salary increases	4.50%
Healthcare inflation rate	10.0% initial
	5.0% ultimate

The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open period basis. The amortization period was 30 years at December 31, 2013.

12. **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 pension plan.

For the years ended December 31, 2015 and 2014, the Utility's total covered payroll amounted to $4,801,700 and $4,755,732, respectively. 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.

12. **Pension Plan (cont.)**

Benefits Provided

The Plan provides retirement, disability and death benefits. Retirement benefits for employees attaining the age of 65, or the age of 55 with 30 years of credited service, are calculated based upon the sum of 1.4% of final average compensation times credited service up to 30 years plus 0.65% of any final average compensation in excess of covered compensation, times credited service up to 30 years, plus 0.25% of final average compensation times credited service in excess of 30 years. Based upon the Plan, employees may be eligible for early retirement options under certain conditions defined in the Plan. The early retirement benefits are reduced by 1/180th for each of the first 60 months by which early retirement precedes normal retirement age and reduced 1/360th for each additional month (after 60 months). The Plan also provides for certain disability benefits for total and permanent disability which is calculated at the greater of the accrued benefit or 45% plus 1% for each year of credit service, up to a maximum of 70%.

Employees Covered By Benefit Terms

The following employees were covered by the benefit terms:

	2015	2014
Inactive employees - receiving benefits	55	54
Inactive employees - not receiving beneifts	32	32
Active employees	86	87
	173	173

Funding Policy

Under the provisions of the Plan, no contributions are required by the employee to the pension plan. The Utility's contribution is based on an actuarially determined rate; the current rate is 14.19% of annual covered payroll, or $681,502. The contribution level for the 2016 Plan year should be at least $681,502. This amount will pay off the unfunded actuarial accrued liability in 30 years from January 1, 2015 (29 years from now).

12. **Pension Plan (cont.)**

Total of Funding Progress

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
1/1/2012	$ 8,666,292	$ 14,420,535	$ 5,754,243	60.1%	$ 5,033,286	114.3%
1/1/2013	9,597,295	15,003,937	5,406,642	64.0%	5,020,517	107.7%
1/1/2014	11,364,444	15,628,076	4,263,632	72.7%	4,832,692	88.2%
1/1/2015	13,429,071	17,250,676	3,821,605	77.8%	4,755,732	80.4%
1/1/2016	13,771,735	18,052,220	4,280,485	76.3%	4,801,700	89.1%

Three-Year Trend Information

Calendar Year Ending	Annual Required Contribution	Amount Contributed	Percentage Contributed
2013	$ 754,699	$ 1,311,660	173.8%
2014	649,785	2,212,914	340.6%
2015	633,852	1,357,114	214.1%

Actuarial Methods and Assumptions

For 2015, the Utility's required contribution was determined as part of the December 31, 2015 annual actuarial valuation using the entry-age normal cost method. The actuarial assumptions included (a) annual investment return of 7%, (b) future compensation will increase at the rate of 4.5% per year, compounded annually, (c) future annual increases in Social Security of 4% assuming the national average wage index and (d) the RP 2014 Mortality Table was used.

The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open period basis. The amortization period at December 31, 2015 was 30 years. The actuarial value of assets represents their respective market value at December 31, 2015.

12. **Pension Plan (cont.)**

The actuarial assumptions used in the January 1, 2016 valuation were based on the period January 1, 2015 through December 31, 2015. At January 1, 2015, the assumed mortality changed from the 1983 GAM Table to the RP 2014 Health Mortality Table.

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.

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

12. **Pension Plan (cont.)**

Change in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - December 31, 2014	$ 17,250,676	$ 13,429,071	$ 3,821,605
Changes for the year			
Service cost	314,862	-	314,862
Interest	1,196,815	-	1,196,815
Differences between expected and actual experience	(88,654)	-	(88,654)
Employer contributions	-	1,357,114	(1,357,114)
Employee contributions	-	-	-
Net investment income	-	(392,971)	392,971
Benefits and refunds	(621,479)	(621,479)	-
Administrative expenses	-	-	-
Assumption change	-	-	-
Other	-	-	-
Net changes	801,544	342,664	458,880
Balance - December 31, 2015	$ 18,052,220	$ 13,771,735	$ 4,280,485

Single Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of December 31, 2015 and 2014.

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.

12. **Pension Plan (cont.)**

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 6%	Current Single Rate Assumed 7%	1% Increase to 8%
Total pension liability	$ 20,313,915	$ 18,052,220	$ 15,890,525
Net pension liabiilty	6,442,180	4,280,485	2,118,790

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.

13. **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended December 31, 2015 and 2014, the Utility recognized pension expense of $936,005 and $1,871,164, respectively. At December 31, 2015, the Utility reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 81,266
Net difference between projected and actual earnings on pension plan investments	1,087,002	-
Total	$ 1,087,002	$ 81,266

13. **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)**

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

Year Ended December 31,	Net Deferred Outflow of Resources
2016	$ 264,363
2017	264,363
2018	264,363
2019	264,361
2020	(7,388)
Thereafter	(44,326)
	$ 1,005,736

The Utility's expected future pension payments are classified as current liabilities on the Statement of Net Position.

14. **Concentrations**

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

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

b. The Utility purchases the majority of its power from two suppliers, GRDA and SWPA. Purchases from these two suppliers were $32,147,904 and $33,290,794 during the years ended December 31, 2015 and 2014, respectively.

15. 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.

16. Subsequent Events Evaluation Date

The Utility evaluated the events and transactions subsequent to its December 31, 2015 statement of net position date and determined there were no significant events to report through March 31, 2016, which is the date the Utility issued its financial statements.

PARAGOULD LIGHT AND WATER COMMISSION
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PARAGOULD LIGHT, WATER AND CABLE

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

For the Fiscal Years Ended December 31, 2015 - 2006

Fiscal Year Ended December 31,	2015	2014	2013
Total pension liability			
Service cost	$ 314,862	$ 289,985	$ 308,210
Interest	1,196,815	1,082,359	1,039,069
Differences between expected and actual experience	(88,654)	(416,734)	(94,730)
Assumption changes	-	1,288,595	-
Benefits and refunds	(621,479)	(621,605)	(628,410)
Net change in total pension liabilities	801,544	1,622,600	624,139
Total pension liability - beginning	17,250,676	15,628,076	15,003,937
Total pension liability - ending	$ 18,052,220	$ 17,250,676	$ 15,628,076
Plan fiduciary net position			
Contributions			
Employee	$ -	$ -	$ -
Employer	1,357,114	2,212,914	1,311,660
Net investment income	(392,971)	473,318	1,083,899
Benefits and refunds	(621,479)	(621,605)	(628,410)
Administrative expense	-	-	-
Other	-	-	-
Net change in plan fiduciary net position	342,664	2,064,627	1,767,149
Plan fiduciary net position - beginning	13,429,071	11,364,444	9,597,295
Plan fiduciary net position - ending	$ 13,771,735	$ 13,429,071	$ 11,364,444
Net pension liability - ending	$ 4,280,485	$ 3,821,605	$ 4,263,632
Plan fiduciary net position as a percentage of total pension liability	76.29%	77.85%	72.72%
Covered employee payroll	$ 4,801,700	$ 4,755,732	$ 4,832,692
Net pension liability as a percentage of covered employee payroll	89.15%	80.36%	88.22%

Notes to schedule:

At January 1, 2015, assumed mortality changed from the 1983 GAM Table to RP 2014 Health Mortality Table.

2012	2011	2010	2009	2008	2007	2006
$ 310,832	$ 309,691	$ 334,376	$ 326,750	$ 341,674	$ 311,767	$ 304,462
999,731	948,802	888,339	839,521	799,376	707,188	674,472
(139,016)	52,480	187,310	(20,096)	(138,891)	686,309	(116,805)
-	-	-	-	-	-	-
(588,145)	(579,814)	(488,028)	(417,163)	(425,231)	(381,242)	(415,595)
583,402	731,159	921,997	729,012	576,928	1,324,022	446,534
14,420,535	13,689,376	12,767,379	12,038,367	11,461,439	10,137,417	9,690,883
$ 15,003,937	$ 14,420,535	$ 13,689,376	$ 12,767,379	$ 12,038,367	$ 11,461,439	$ 10,137,417
$ -	$ -	$ -	$ -	$ -	$ -	$ -
785,425	706,701	732,875	762,722	625,613	524,834	558,608
733,723	(357,971)	684,378	853,472	(1,515,896)	314,637	817,250
(588,145)	(579,814)	(488,028)	(417,163)	(425,231)	(381,242)	(415,595)
-	-	(585)	(590)	(616)	(672)	(803)
-	-	-	-	-	-	-
931,003	(231,084)	928,640	1,198,441	(1,316,130)	457,557	959,460
8,666,292	8,897,376	7,968,736	6,770,295	8,086,425	7,628,868	6,669,408
$ 9,597,295	$ 8,666,292	$ 8,897,376	$ 7,968,736	$ 6,770,295	$ 8,086,425	$ 7,628,868
$ 5,406,642	$ 5,754,243	$ 4,792,000	$ 4,798,643	$ 5,268,072	$ 3,375,014	$ 2,508,549
63.97%	60.10%	64.99%	62.41%	56.24%	70.55%	75.25%
$ 5,020,517	$ 5,033,286	$ 4,972,847	$ 5,436,850	$ 5,309,846	$ 5,545,675	$ 5,051,709
107.69%	114.32%	96.36%	88.26%	99.21%	60.86%	49.66%

See independent auditor’s report.

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

Schedule of Contributions

For the Fiscal Years Ended December 31, 2015 - 2006

Fiscal Year Ended December 31,	2015	2014	2013
Actuarially determined contribution	$ 633,852	$ 643,725	$ 754,699
Actual contribution	1,357,114	2,212,914	1,311,660
Contribution deficiency (excess)	$ (723,262)	$ (1,569,189)	$ (556,961)
Covered employee payroll	$ 4,801,700	$ 4,755,732	$ 4,832,692
Contributions as a percentage of covered employee payroll	28.3%	46.5%	27.1%

Notes to schedule:

Valuation date:	Actuarilly determined contributions are calculated as of December 31 after the valuation date.
Acturial cost method:	Entry age normal
Amortization method:	Level dollar over 30 years from January 1, 2015.
Remaining amortization period:	29
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
Mortaility:	RP 2014 Healthy Mortality Table (1983 GAM before 1/1/2015)

	2012	2011	2010	2009	2008	2007	2006
	$ 785,425	$ 706,701	$ 732,785	$ 762,722	$ 625,613	$ 524,834	$ 558,608
	785,425	706,701	732,875	762,722	625,613	524,834	558,608
	$ -	$ -	$ (90)	$ -	$ -	$ -	$ -
	$ 5,020,517	$ 5,033,286	$ 4,972,847	$ 5,436,850	$ 5,309,846	$ 5,545,675	$ 5,051,709
	15.6%	14.0%	14.7%	14.0%	11.8%	9.5%	11.1%

See independent auditor’s report.

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

Schedule of Investment Returns

For the Fiscal Years Ended December 31, 2015 - 2006

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

Fiscal Years Ended December 31,	
2015	-2.8%
2014	3.9%
2013	10.9%
2012	8.4%
2011	-4.0%
2010	8.5%
2009	12.3%
2008	-18.6%
2007	4.1%
2006	12.1%

Notes to schedule:

The amounts shown are net of investment expenses.

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

Divisional Statement of Net Position

December 31, 2015

Assets and Deferred Outflows of Resources	Electric	Sewer
Current assets		
Cash and cash equivalents	$ 8,724,611	$ 439,104
Accounts receivable, net of allowance	4,573,340	516,762
Material and supply inventories	1,806,158	81,127
Prepaid expenses	112,586	52,090
Total current assets	15,216,695	1,089,083
Long-term assets		
Restricted and Board designated assets	4,412,233	472,162
Capital assets, net of accumulated depreciation	41,652,687	29,070,788
Postemployment benefits other than pensions benefit	359,783	213,925
Goodwill	587,804	-
Total long-term assets	47,012,507	29,756,875
Deferred outflows of resources		
Deferred loss on bond refunding	548,884	354,864
Net difference between projected and actual earnings on pension plan investments	402,191	239,140
Total deferred outflows of resources	951,075	594,004
Total assets and deferred outflows of resources	$ 63,180,277	$ 31,439,962

Water	Cable	Telecommunications	Total
$ 24,586	$ 145,325	$ 6,323,149	$ 15,656,775
385,849	499,005	201,768	6,176,724
315,382	234,857	163	2,437,687
95,624	59,461	94,352	414,113
821,441	938,648	6,619,432	24,685,299
-	-	-	4,884,395
21,135,597	5,440,828	679,332	97,979,232
184,754	155,582	58,343	972,387
-	1,126,952	7,500	1,722,256
21,320,351	6,723,362	745,175	105,558,270
-	-	-	903,748
206,530	173,920	65,221	1,087,002
206,530	173,920	65,221	1,990,750
$ 22,348,322	$ 7,835,930	$ 7,429,828	$ 132,234,319

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, 2015

Liabilities and Net Position	Electric	Sewer
Current liabilities		
Current maturities of long-term debt	$ 740,000	$ 410,000
Accounts payable	2,692,275	169,380
Accrued interest	19,430	48,706
Net pension liability	252,156	149,930
Customer deposits	454,421	-
Compensated absences	200,458	112,888
Other current liabilities	397,526	10,187
Total current liabilities	4,756,266	901,091
Noncurrent liabilities		
Long-term debt, less current maturities	7,475,000	5,370,000
Net pension liability	1,331,624	791,777
Customer deposits	668,235	-
Total noncurrent liabilities	9,474,859	6,161,777
Deferred inflows of resources		
Difference between expected and actual experience	30,068	17,879
Total liabilities and deferred inflows of resources	14,261,193	7,080,747
Due to (from) other funds	(39,932,155)	25,058,522
Net position		
Invested in capital assets	33,986,571	23,645,652
Restricted	4,412,233	472,162
Unrestricted	50,452,435	(24,817,121)
Total net position	88,851,239	(699,307)
Total liabilities and net position	$ 63,180,277	$ 31,439,962

	Water	Cable	Telecommunications	Total
	$ -	$ -	$ -	$ 1,150,000
	87,492	489,543	9,356	3,448,046
	-	-	-	68,136
	129,485	109,040	40,891	681,502
	-	-	-	454,421
	119,108	48,766	37,318	518,538
	9,353	6,328	4,420	427,814
	345,438	653,677	91,985	6,748,457
	-	-	-	12,845,000
	683,807	575,838	215,937	3,598,983
	2,200	-	-	670,435
	686,007	575,838	215,937	17,114,418
	15,441	13,003	4,875	81,266
	1,046,886	1,242,518	312,797	23,944,141
	9,975,459	10,315,168	(5,416,994)	-
	21,135,597	5,440,828	679,332	84,887,980
	-	-	-	4,884,395
	(9,809,620)	(9,162,584)	11,854,693	18,517,803
	11,325,977	(3,721,756)	12,534,025	108,290,178
	$ 22,348,322	$ 7,835,930	$ 7,429,828	$ 132,234,319

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, 2015

	Electric	Sewer
Operating revenues		
Utility charges	$ 41,628,581	$ 4,157,106
Other operating income	78,838	-
Total operating revenues	41,707,419	4,157,106
Operating expenses		
Production and distribution	3,513,639	2,591,329
Purchased power	32,147,904	-
Customer accounts	255,988	142,920
Administration and general	456,992	186,451
Depreciation	2,088,653	1,259,445
Total operating expenses	38,463,176	4,180,145
Operating income (loss)	3,244,243	(23,039)
Nonoperating income (expenses)		
Interest income	144,301	13,475
Other nonoperating income	-	10,879
Interest expense	(243,124)	(200,894)
Bond costs	(96,362)	(52,458)
Total nonoperating income (expenses)	(195,185)	(228,998)
Capital contributions	183,504	17,027
Changes in net position	3,232,562	(235,010)
Net position - beginning of year, as restated (Note 8)	85,618,677	(464,297)
Net position - end of year	$ 88,851,239	$ (699,307)

	Water	Cable	Telecommunications	Total
	$ 3,479,209	$ 7,514,907	$ 3,496,473	$ 60,276,276
	1,230	-	94	80,162
	3,480,439	7,514,907	3,496,567	60,356,438
	2,275,463	6,720,094	1,558,279	16,658,804
	-	-	-	32,147,904
	155,418	171,479	86,497	812,302
	250,977	207,585	109,706	1,211,711
	908,956	697,871	140,056	5,094,981
	3,590,814	7,797,029	1,894,538	55,925,702
	(110,375)	(282,122)	1,602,029	4,430,736
	6,753	14,926	6,753	186,208
	-	23,188	-	34,067
	-	(925)	-	(444,943)
	-	-	-	(148,820)
	6,753	37,189	6,753	(373,488)
	63,949	57,382	-	321,862
	(39,673)	(187,551)	1,608,782	4,379,110
	11,365,650	(3,534,205)	10,925,243	103,911,068
	$ 11,325,977	$ (3,721,756)	$ 12,534,025	$ 108,290,178

See independent auditor’s report.

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

Paragould, Arkansas Water, Sewer and Electric Refunding of 2003 Bonds Series 2011

Amortization Schedule

December 31, 2015

Date	Coupon	Principal	Interest	Total
10/1/2016	2.00%	$ 410,000	$ 194,819	$ 604,819
10/1/2017	2.35%	420,000	186,619	606,619
10/1/2018	2.63%	425,000	176,749	601,749
10/1/2019	2.95%	435,000	165,593	600,593
10/1/2020	3.15%	450,000	152,760	602,760
10/1/2021	3.35%	465,000	138,585	603,585
10/1/2022	3.50%	485,000	123,008	608,008
10/1/2023	3.70%	500,000	106,033	606,033
10/1/2024	3.85%	520,000	87,533	607,533
10/1/2025	4.00%	540,000	67,513	607,513
10/1/2026	4.00%	560,000	45,913	605,913
10/1/2027	4.13%	570,000	23,513	593,513
		$ 5,780,000	$ 1,468,638	$ 7,248,638

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 2013

Amortization Schedule

December 31, 2015

Date	Coupon	Principal	Interest	Total
6/1/2016			$ 116,578	$ 116,578
12/1/2016	2.00%	$ 740,000	116,578	856,578
6/1/2017			109,178	109,178
12/1/2017	2.00%	755,000	109,178	864,178
6/1/2018			101,628	101,628
12/1/2018	2.00%	765,000	101,628	866,628
6/1/2019			93,978	93,978
12/1/2019	2.30%	785,000	93,978	878,978
6/1/2020			84,950	84,950
12/1/2020	2.65%	795,000	84,950	879,950
6/1/2021			74,416	74,416
12/1/2021	3.00%	820,000	74,416	894,416
6/1/2022			62,116	62,116
12/1/2022	3.25%	845,000	62,116	907,116
6/1/2023			48,385	48,385
12/1/2023	3.40%	870,000	48,385	918,385
6/1/2024			33,595	33,595
12/1/2024	3.55%	905,000	33,595	938,595
6/1/2025			17,531	17,531
12/1/2025	2.75%	935,000	17,531	952,531
		$ 8,215,000	$ 1,484,710	$ 9,699,710

See independent auditor’s report.

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

Statistical Data (Unaudited)

For the Year Ended December 31, 2015

	Number of Customers	kWh or Gallons Billed
Electric		
Industrial	39	302,239,690
Residential	11,466	195,486,796
Commercial	1,828	91,518,048
Security lights	1,334	4,760,521
Street lights	2,489	1,881,971
Total		595,887,026
Water		
Residential	10,173	589,616,000
Commercial	1,221	217,760,600
Industrial	35	183,365,800
Total		990,742,400
Sewer		
Residential	9,287	524,940,200
Commercial	1,147	201,682,300
Industrial	34	160,513,107
Total		887,135,607
Cable television		
Total subscribers	9,625	
Internet services		
Bronze service	1,921	
Silver service	4,632	
Gold service	744	
Platinum service	185	

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, 2015

<u>Utility rates</u>

<u>Electric rates</u>

Residential	
Customer facility charge	$8.00
First 750 kWh	.07468 per kWh
Excess over 750 kWh	.06858 per kWh
General service	
<u>Energy charge</u>	
Customer facility charge single-phase	$11.00
Customer facility charge three-phase	$34.60
First 750 kWh	.10752 per kWh
Next 9,250 kWh	.07906 per kWh
Over 10,000 kWh	.04985 per kWh
<u>Demand charge</u>	
First 25 kW of billing demand	no charge
Next 475 kW of billing demand	$6.32 per kW
Billing demand in excess of 500 kW	5.64 per kW
Industrial service (monthly demand of 250 kW or greater)	
<u>Energy charge</u>	
Customer facility charge three-phase	$34.00
First 750 kWh	.10528 per kWh
Next 9,250 per kWh	.07639 per kWh
Over 10,000 kWh	.04889 per kWh
<u>Demand charge</u>	
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.

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2015

Utility rates (cont.)

Power cost adjustment

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

Water rates (monthly)	
Debt service fixed charge	$7.40
First 2,000 gallons	$1.54 per 1,000 gallons
Next 18,000 gallons per month	2.70 per 1,000 gallons
Next 20,000 gallons per month	2.53 per 1,000 gallons
Excess over 40,000 gallons per month	2.38 per 1,000 gallons

Sewer rates (monthly)	
Debt service fixed charge	$7.69
First 2,000 gallons	$2.90 per 1,000 gallons
Excess over 2,000 gallons per month	3.92 per 1,000 gallons

Residential sewer is capped at 14,000 per month.

Cable television rates (monthly)	
Economy package	$19.43
Expanded basic package	58.61
Prime package	76.90
Prime plus package	83.41
Standard HD Set Top	5.00
DVR Set Top	10.00
DTA Box	2.00

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

Statistical Data (Unaudited) (cont.)

For the Year Ended December 31, 2015

Utility rates (cont.)

Cable television rates (cont.)	
Premium channels offered with expanded basic or prime service	
HBO	$19.09
Cinemax	15.69
Showtime/The Movie Channel	14.75
Starz, Encore	11.08
Add any	
2 premium channels	$25.64
3 premium channels	41.46
4 premium channels	58.64

	Bundled Internet Rate	Internet Rate
Internet services (monthly)		
Bronze service	$24.95	$34.95
Silver service	38.45	48.45
Gold service	62.95	72.95
Platinum service	89.95	99.95

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, 2015

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

Year	Residential	Commercial	Industrial	Total
2015	11,466	1,828	39	13,333
2014	11,412	1,780	39	13,231
2013	11,227	1,761	38	13,026
2012	11,197	1,767	37	13,001
2011	11,083	1,750	37	12,870

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

Year	Residential	Commercial	Industrial	Total
2015	10,173	1,221	35	11,429
2014	10,048	1,204	36	11,288
2013	9,861	1,190	35	11,086
2012	9,612	1,190	36	10,838
2011	9,683	1,175	36	10,894

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

Year	Residential	Commercial	Industrial	Total
2015	9,287	1,147	34	10,468
2014	9,183	1,134	34	10,351
2013	9,040	1,113	33	10,186
2012	8,979	1,117	33	10,129
2011	8,875	1,102	33	10,010

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:

Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year
2015	3,133,087	4,131,000	1,143,635,939
2014	3,157,922	4,861,000	1,153,246,363
2013	3,136,243	4,655,000	1,146,035,964
2012	3,241,422	5,529,000	1,183,780,134
2011	3,177,302	4,116,000	1,160,785,078

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, 2015

The following users of the system accounted for more than 5% of gross revenues of the system for the year ended December 31, 2015:

Company	Percentage of Total Gross Revenues (%)
Anchor Packaging	10.8%

The following are the top five users of the system:

1. Anchor Packaging
2. Tenneco Automotive
3. American Railcar
4. Nidec
5. General Cable

See independent auditor's report.

FROST, PLLC
Certified Public Accountants
Relationships backed by performance.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2015, 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 March 31, 2016.

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.

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Compliance and Other Matters

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

Purpose of this Report

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

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
March 31, 2016

EXHIBIT B

WATER AND SEWER RATES

Rates. Set forth below are the monthly water and sewer rates for the System currently in effect.

Water Rates

Fixed Charge:

Meter Size	Rate
5/8"	$ 7.45 per month
3/4"	7.45 per month
1"	11.17 per month
1 1/2"	11.17 per month
2"	18.63 per month
3"	55.87 per month
4"	80.70 per month
6"	136.56 per month
8"	235.87 per month
10"	343.13 per month
12"	451.01 per month

Volume:

For the first 2,000 gallons per month, or portion thereof	$1.55 per 1,000 gallons
For the next 18,000 gallons per month, or portion thereof	$2.72 per 1,000 gallons
For the next 20,000 gallons per month, or portion thereof	$2.55 per 1,000 gallons
Over 40,000 gallons	$2.40 per 1,000 gallons

The City is authorized to increase its water rates as of January 15 of each year by the amount of the increase in the Consumer Price Index for the preceding year, not to exceed 3%.

Sewer Rates

Fixed Charge:

Meter Size	Rate
5/8"	$ 7.74 per month
3/4"	7.74 per month
1"	10.82 per month
1 1/4"	13.27 per month
1 1/2"	15.94 per month
2"	22.07 per month
3"	36.42 per month
4"	56.92 per month
6"	108.12 per month
8"	169.58 per month
10"	251.52 per month
12"	333.47 per month

Volume:

For the first 2,000 gallons per month, or portion thereof	$2.92 per 1,000 gallons
Gallons in excess of 2,000 per month	$3.95 per 1,000 gallons

The City is authorized to increase its sewer rates as of January 15 of each year by the amount of the increase in the Consumer Price Index for the preceding year, not to exceed 3%.

EXHIBIT C

SCHEDULE OF ELECTRIC RATES

RESIDENTIAL

Customer Facility Charge	$ 8.00
First 750 kWh	0.07468
Excess over 750 kWh	0.06858
PCA Base (Power cost over this amt passed-thru)	0.04876

GENERAL SERVICE

<u>Energy Charge</u>	
Customer Facility Charge Single-Phase	$ 11.00
Customer Facility Charge Three-Phase	$ 34.60
First 750 kWh	0.10752
Next 9,250 kWh	0.07906
Over 10,000 kWh	0.04985
PCA Base (Power cost over this amt passed-thru)	0.04876
<u>Demand Charge</u>	
First 25 kW of Billing Demand	$ -0-
Next 475 kW of Billing Demand	$ 6.32
Billing Demand in excess of 500 kW	$ 5.64

INDUSTRIAL SERVICE (Monthly demand of 250 kW or greater)

<u>Energy Charge</u>	
Customer Facility Chg Three-Phase	$ 34.00
First 750 kWh	0.10528
Next 9,250 kWh	0.07639
Over 10,000 kWh	0.04889
PCA Base (Power cost over this amt passed-thru)	0.04876
<u>Demand Charge</u>	
First 25 kW of Billing Demand	$ -0-
Next 475 kW of Billing Demand	$ 5.81
Billing Demand > of 500 kW	$ 5.20

SECURITY LIGHTING SERVICE

100-Watt HPS	$ 6.50/month
250-Watt HPS	$ 10.00/month
400-Watt Metal Halide	$ 17.00/month
1000-Watt Metal Halide	$ 26.25/month
Monthly pole charge for poles installed before 11-1-03	$ 1.05/month
One-time fee for pole charge after 11-1-03	$ 125.00/month