



Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

City of Benton, Arkansas

Regulatory Basis Financial Statements,
Supplementary Information and Other Reports

For the Years Ended December 31, 2016 and 2015

City of Benton, Arkansas
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Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable Mayor and City Council
City of Benton, Arkansas

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Benton, Arkansas, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Arkansas code, as described in Note 1(B) and 1(C), to meet the requirements permitted by the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1(B) and 1(C) to the financial statements, to meet the financial reporting requirements permitted by the State of Arkansas, the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas code, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Arkansas Code.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1(B) and 1(C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Benton, Arkansas, as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

The utilities fund has not been included in the City's regulatory basis financial statements. The regulatory basis as prescribed or permitted by Arkansas code requires the utility fund to be presented as part of the other funds in the aggregate, thus increasing the column's assets, liabilities, revenues, and expenditures. The amount by which this departure would affect the assets, liabilities, revenues, and expenditures of the other funds in the aggregate column is not reasonably determinable. In our opinion, disclosure of this information is required by the regulatory basis of accounting described in Note 1(B) and 1(C).

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the omissions described in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above do not present fairly, in accordance with regulatory basis of accounting, as described in Note 1(B) and 1(C), the financial position of the other funds in the aggregate of the City, as of December 31, 2016 and 2015, and the regulatory basis revenues, expenditures, and changes in net position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund and street funds of the City of Benton, Arkansas, as of December 31, 2016 and 2015, and the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general and street funds for the years then ended in accordance with the financial reporting provisions of the Arkansas code described in Note 1(C).

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise the City of Benton, Arkansas' basis financial statements. The supplementary information on pages 29 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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, because of the effects on the financial information in the supporting schedules of the omissions discussed above, such information is not presented fairly in all material respects in relation to the financial statements taken as a whole. The supplementary information in the schedule of capital assets is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we do not express an opinion or provide any assurance on the schedule of capital assets.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, 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 the City's internal control over financial reporting and compliance.

Yoakum, Lovell & Co., P.C.
Certified Public Accountants

Benton, Arkansas
June 8, 2017

City of Benton, Arkansas
 Combined Balance Sheet - Regulatory
 Presentation - Modified Accrual Basis
 December 31, 2016

Assets	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Funds in the Aggregate</u>
Assets			
Cash and Equivalents:			
Unassigned	\$ 1,309,177	\$ 2,446,629	\$ 2,469,667
Council Committed	531,700	294,508	5,638
Restricted	76,182	1,974,383	13,313,732
Investments-Restricted			19,619,120
Other Receivables	138,110	1,783,965	54,998
Due from Other Funds	108		180
Prepaid Expenses	50,480	13,360	14,890
Total Assets	<u>\$ 2,105,757</u>	<u>\$ 6,512,845</u>	<u>\$ 35,478,225</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 205,167	\$ 2,123,668	\$ 2,236,018
Accrued Compensation	155,895	9,492	14,858
Due to Other Funds	180		
Assets Held in Trust			21,428,479
Total Liabilities	<u>361,242</u>	<u>2,133,160</u>	<u>23,679,355</u>
Fund Balances			
Restricted for Debt Service			3,995,849
Restricted for Capital Outlay		2,011,238	4,210,247
Restricted for Other Activities	76,182		1,266,913
Unrestricted:			
Committed	531,700	294,508	5,638
Unassigned	1,136,633	2,073,939	2,320,223
Total Fund Balances	<u>1,744,515</u>	<u>4,379,685</u>	<u>11,798,870</u>
Total Liabilities and Fund Balances	<u>\$ 2,105,757</u>	<u>\$ 6,512,845</u>	<u>\$ 35,478,225</u>

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

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Regulatory Presentation - Modified Accrual Basis
 For the Year Ended December 31, 2016

	General Fund	Street Fund	Other Funds in the Aggregate
Revenues			
Tax Revenues	\$ 2,060,174	\$ 2,715,214	\$ 17,556,585
Bonds, Fines and Fees	513,731		909,443
Permits and Licenses	482,073	117,069	
Federal and State Grants	365,247	2,627,009	189,190
Investment Income	1,691	5,299	104,723
Other	417,997	189,972	692,289
Total Revenues	<u>3,840,913</u>	<u>5,654,563</u>	<u>19,452,230</u>
Expenditures			
Human Resources	11,202,661	667,215	918,713
Operations and Maintenance	1,201,385	586,430	356,389
Utilities	89,890	11,757	99,226
Outside Services	1,370,213	63,200	520,059
Educational/Professional	191,175	3,541	26,124
Capital Outlay	1,319,023	8,513,066	33,306,045
Principal Payments			2,756,352
Interest Payments			2,129,519
Total Expenditures	<u>15,374,347</u>	<u>9,845,209</u>	<u>40,112,427</u>
Excess (Deficit) of Revenues over Expenditures	<u>(11,533,434)</u>	<u>(4,190,646)</u>	<u>(20,660,197)</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets	34,861		3,312
Proceeds from Debt		1,986,142	
Bond Discount and Issue Costs		(2,560)	
Transfers In	11,915,494	1,678,116	10,575,641
Transfers Out	(834,026)	(1,150,000)	(20,708,659)
Total Other Financing Sources and (Uses)	<u>11,116,329</u>	<u>2,511,698</u>	<u>(10,129,706)</u>
Changes in Fund Balances	(417,105)	(1,678,948)	(30,789,903)
Fund Balances at Beginning of Year	<u>2,161,620</u>	<u>6,058,633</u>	<u>42,588,773</u>
Fund Balances at End of Year	<u>\$ 1,744,515</u>	<u>\$ 4,379,685</u>	<u>\$ 11,798,870</u>

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

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Regulatory Presentation - Modified Accrual Basis
 For the Year Ended December 31, 2015

	General Fund	Street Fund	Other Funds in the Aggregate
Revenues			
Tax Revenues	\$ 2,413,578	\$ 2,702,581	\$ 15,888,117
Bonds, Fines and Fees	575,563		1,174,056
Permits and Licenses	500,348	113,192	
Federal and State Grants	54,932	675,317	47,779
Investment Income	2,058	7,834	129,386
Other	473,943	60,869	427,721
Total Revenues	<u>4,020,422</u>	<u>3,559,793</u>	<u>17,667,059</u>
Expenditures			
Human Resources	10,247,011	680,083	776,618
Operations and Maintenance	771,627	734,430	362,303
Utilities	83,450	13,299	92,465
Outside Services	1,058,630	54,747	454,600
Educational/Professional	216,245	3,843	25,763
Capital Outlay	1,809,820	5,160,008	8,999,046
Principal Payments			1,407,751
Interest Payments			1,968,386
Total Expenditures	<u>14,186,783</u>	<u>6,646,410</u>	<u>14,086,932</u>
Excess (Deficit) of Revenues over Expenditures	<u>(10,166,361)</u>	<u>(3,086,617)</u>	<u>3,580,127</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets			51,625
Proceeds From Debt			7,827,285
Bond Discount And Issue Costs			(161,916)
Transfers In	11,306,491	1,468,340	9,271,164
Transfers Out	(989,479)	(111,165)	(19,770,954)
Total Other Financing Sources and (Uses)	<u>10,317,012</u>	<u>1,357,175</u>	<u>(2,782,796)</u>
Changes in Fund Balances	150,651	(1,729,442)	797,331
Fund Balances at Beginning of Year	<u>2,010,969</u>	<u>7,788,075</u>	<u>41,791,442</u>
Fund Balances at End of Year	<u>\$ 2,161,620</u>	<u>\$ 6,058,633</u>	<u>\$ 42,588,773</u>

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

City of Benton, Arkansas
Statement of Revenues and Expenditures - Budget and Actual -
General Fund - Regulatory Presentation - Modified Accrual Basis
For the Year Ended December 31, 2016

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,358,118	\$ 2,060,174	\$ (297,944)
Bonds, Fines and Fees	598,489	513,731	(84,758)
Permits and Licenses	312,220	482,073	169,853
Federal and State Grants	430,082	365,247	(64,835)
Investment Income	1,800	1,691	(109)
Other	214,931	417,997	203,066
Total Revenues	<u>3,915,640</u>	<u>3,840,913</u>	<u>(74,727)</u>
Expenditures			
Human Resources	11,844,552	11,202,661	641,891
Operations and Maintenance	1,525,335	1,201,385	323,950
Utilities	214,403	89,890	124,513
Outside Services	1,715,297	1,370,213	345,084
Educational/Professional	233,583	191,175	42,408
Capital Outlay	1,166,833	1,319,023	(152,190)
Total Expenditures	<u>16,700,003</u>	<u>15,374,347</u>	<u>1,325,656</u>
Excess (Deficit) of Revenues over Expenditures	<u>(12,784,363)</u>	<u>(11,533,434)</u>	<u>1,250,929</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets		34,861	34,861
Transfers In	13,194,531	11,915,494	(1,279,037)
Transfers Out	(1,000,000)	(834,026)	165,974
Total Other Financing Sources and (Uses)	<u>12,194,531</u>	<u>11,116,329</u>	<u>(1,078,202)</u>
Change in Fund Balance	<u>\$ (589,832)</u>	<u>\$ (417,105)</u>	<u>\$ 172,727</u>

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

City of Benton, Arkansas
Statement of Revenues and Expenditures - Budget and Actual -
General Fund - Regulatory Presentation - Modified Accrual Basis
For the Year Ended December 31, 2015

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,297,476	\$ 2,413,578	\$ 116,102
Bonds, Fines and Fees	664,351	575,563	(88,788)
Permits and Licenses	294,160	500,348	206,188
Federal and State Grants	215,537	54,932	(160,605)
Investment Income	900	2,058	1,158
Other	212,520	473,943	261,423
Total Revenues	<u>3,684,944</u>	<u>4,020,422</u>	<u>335,478</u>
Expenditures			
Human Resources	10,590,690	10,247,011	343,679
Operations and Maintenance	824,014	771,627	52,387
Utilities	187,607	83,450	104,157
Outside Services	1,364,569	1,058,630	305,939
Educational/Professional	219,984	216,245	3,739
Capital Outlay	1,766,575	1,809,820	(43,245)
Total Expenditures	<u>14,953,439</u>	<u>14,186,783</u>	<u>766,656</u>
Excess (Deficit) of Revenues over Expenditures	<u>(11,268,495)</u>	<u>(10,166,361)</u>	<u>1,102,134</u>
Other Financing Sources and (Uses)			
Transfers In	11,709,335	11,306,491	(402,844)
Transfers Out	(1,016,791)	(989,479)	27,312
Total Other Financing Sources and (Uses)	<u>10,692,544</u>	<u>10,317,012</u>	<u>(375,532)</u>
Change in Fund Balance	<u>\$ (575,951)</u>	<u>\$ 150,651</u>	<u>\$ 726,602</u>

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

City of Benton, Arkansas
Statement of Revenues and Expenditures - Budget and Actual -
Street Fund - Regulatory Presentation - Modified Accrual Basis
For the Year Ended December 31, 2016

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,718,178	\$ 2,715,214	\$ (2,964)
Permits and Licenses	106,980	117,069	10,089
Federal and State Grants	2,400,000	2,627,009	227,009
Investment Income	8,150	5,299	(2,851)
Other	57,000	189,972	132,972
Total Revenues	<u>5,290,308</u>	<u>5,654,563</u>	<u>364,255</u>
Expenditures			
Human Resources	788,192	667,215	120,977
Operations and Maintenance	1,338,710	586,430	752,280
Utilities	26,500	11,757	14,743
Outside Services	75,400	63,200	12,200
Educational/Professional	6,500	3,541	2,959
Capital Outlay	7,587,650	8,513,066	(925,416)
Total Expenditures	<u>9,822,952</u>	<u>9,845,209</u>	<u>(22,257)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(4,532,644)</u>	<u>(4,190,646)</u>	<u>341,998</u>
Other Financing Sources and (Uses)			
Proceeds from Debt	5,000,000	1,986,142	(3,013,858)
Bond Discount and Issue Costs	(150,000)	(2,560)	147,440
Transfers In	1,124,925	1,678,116	553,191
Transfers Out	(150,000)	(1,150,000)	(1,000,000)
Total Other Financing Sources and (Uses)	<u>5,824,925</u>	<u>2,511,698</u>	<u>(3,313,227)</u>
Change in Fund Balance	<u>\$ 1,292,281</u>	<u>\$ (1,678,948)</u>	<u>\$ (2,971,229)</u>

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

City of Benton, Arkansas
Statement of Revenues and Expenditures - Budget and Actual -
Street Fund - Regulatory Presentation - Modified Accrual Basis
For the Year Ended December 31, 2015

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,659,444	\$ 2,702,581	\$ 43,137
Permits and Licenses	98,700	113,192	14,492
Federal and State Grants	595,040	675,317	80,277
Investment Income	9,600	7,834	(1,766)
Other	60,000	60,869	869
Total Revenues	<u>3,422,784</u>	<u>3,559,793</u>	<u>137,009</u>
Expenditures			
Human Resources	753,057	680,083	72,974
Operations and Maintenance	1,188,210	734,430	453,780
Utilities	27,600	13,299	14,301
Outside Services	72,400	54,747	17,653
Educational/Professional	6,150	3,843	2,307
Capital Outlay	6,593,450	5,160,008	1,433,442
Total Expenditures	<u>8,640,867</u>	<u>6,646,410</u>	<u>1,994,457</u>
Excess (Deficit) of Revenues over Expenditures	<u>(5,218,083)</u>	<u>(3,086,617)</u>	<u>2,131,466</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets			
Transfers In	1,681,840	1,468,340	(213,500)
Transfers Out	(152,288)	(111,165)	41,123
Total Other Financing Sources and (Uses)	<u>1,529,552</u>	<u>1,357,175</u>	<u>(172,377)</u>
Change in Fund Balance	<u>\$ (3,688,531)</u>	<u>\$ (1,729,442)</u>	<u>\$ 1,959,089</u>

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

The City of Benton, Arkansas (the City) was incorporated on December 28, 1848, under the provisions of the State of Arkansas. The city operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety (police, fire, and animal control), streets, public improvements, culture-recreation, planning and zoning, and general administrative services. Other services include utilities.

The following is a summary of the significant accounting policies:

- A. **The Reporting Entity** – The City, for financial purposes, includes all of the funds relevant to the operations of the City. The utilities fund is not presented in this report. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.
- B. **Basis of Presentation – Regulatory Fund Accounting** – The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Arkansas code. Arkansas code requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of: a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and street fund; notes to the financial statements; and a supplemental schedule of capital assets.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying financial statements:

1. **General Fund** – The general fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund. The general fund heading, as it appears in the financial statements, includes the following funds: elected staff, legal, information technology, central communications, police, fire, community development, economic development and professional technical.
2. **Street Fund** – The street fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for maintaining and constructing highways and streets.
3. **Other Funds in the Aggregate** – Other funds in the aggregate consist of all funds included in the financial statements except for the general and street funds. The following types of funds are included in this column as follows:
 - a) **Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following special revenue funds are reported with other funds in the aggregate: public safety, animal control, parks and recreation, contingency, sales tax, event center, advertising and promotion commission and the 911.

City of Benton, Arkansas
Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (cont'd)

- b) Capital Project Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The following capital project funds are reported with other funds in the aggregate: economic development grant, military road redesign and park improvements.
 - c) Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund included activity for the Series 2015 sales and use tax bonds, the Series 2015 capital improvement revenue bonds, the Series 2014 sales and use tax bonds, the Series 2012 hotel and restaurant gross receipts tax revenue bonds, the Series 2012 capital improvement refunding and improvement revenue bonds, the Series 2015 general revenue promissory note and the lease-purchase of park lighting, and is reported with other funds in the aggregate.
 - d) Trust and Agency Funds – Trust and agency funds are used to account for assets held by the entity in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and other funds. No activity is reported for these funds in the statements of revenues, expenditures and changes in fund balances, and the total of these assets are offset by a corresponding liability (assets held in trust) on the balance sheet. The following trust and agency funds are reported with other funds in the aggregate: Benton firefighters pension, City of Benton employees' pension, Benton Utilities employees' pension, municipal court judge and clerk pension, administration of justice, police bond and fine, and district court bond and fine.
- C. Measurement Focus and Regulatory Basis of Accounting – The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Arkansas code. The regulatory basis differs from accounting principles generally accepted in the United States. The financial statements are reported using the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. All major revenues are susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when the liability has matured and payment is due. General capital asset acquisitions that provide future benefits are considered expenditures.
- D. Cash and Equivalents – Cash and equivalents consist of all cash on hand, deposited in the bank, or deposited in certificates of deposit.
- E. Cash Deposits – All cash deposits were insured or collateralized with securities held by the City, by the pledging financial institution's trust department, or by its agent in the City's name as of the balance sheet date.
- F. Investments – The City's only investments were maintained in the Park Improvements and in trust for the pension funds. All of these investments were insured, registered, or securities held by the City or its agent in the City's name as of the balance sheet date. All investments are carried at fair value. Under the authority of Act 6 of 1985, the Board of Directors of the fireman's pension fund elected to deposit funds with investment banking firms. These funds are to be invested in corporate stocks and bonds and U.S. government obligations. Income from these investments is to be reinvested, and an annual management fee will be deducted from these funds.

City of Benton, Arkansas
Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (cont'd)

- G. Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in the financial statements:
1. Formal budgetary integration is employed as a management control device during the year for the general, street, animal control and parks/recreation funds. These budgets are adopted on a basis consistent with the regulatory basis of accounting. Under the regulatory basis of accounting only the general and street fund budgets have been presented in the basic financial statements. The city council approves all budgets. Payables are reported on the accrual method and there are no allowances made for encumbrances. Appropriations are cut off at year end and are not lapsed into the next year.
 2. The budget amounts shown in the basic financial statements are the final authorized amounts as revised during the year.
- H. Use of Estimates – The preparation of financial statements in conformity with the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.
- I. Property Taxes – Property taxes are levied on the third Monday in February and are due and payable at that time through October 10th. Unpaid taxes are delinquent on October 11th. Property tax revenues are recognized when received.
- J. Fund Balance – In the basic financial statements, funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change. A commitment should be assumed for funds that have been separately established, even though such funds are reported as unassigned.

Note 2: Legal or Contractual Provisions for Deposits and Investments

- A. Governmental Fund Types – State law generally requires that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations the principal and interest on which are fully guaranteed by the United States of America.
- B. Pension Trust Funds – State law provides that if the total assets of the pension trust fund are less than one hundred thousand dollars (\$100,000), the funds may be deposited or invested as noted above. If the total assets of the fund exceed one hundred thousand dollars (\$100,000), the fund may employ a professional investment advisor to invest the assets subject to the prudent investor rule and/or in no-load mutual funds.

Note 3: Legal Debt Limit – Tax Secured Bond Issues

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. There were no property tax secured bond issues as of December 31, 2016 and 2015.

City of Benton, Arkansas
Notes to the Financial Statements

Note 4: Council Committed Funds

The following is a schedule of the council committed funds at December 31:

	2016	2015
General Fund		
Communications Systems Fund	\$ 20,579	\$ 62,561
Financial Stability Fund	511,121	693,546
	531,700	756,107
Street Fund		
Stormwater Fund	294,508	193,379
Other Funds in the Aggregate		
Fire Truck Reserve Fund	2,770	167,769
Contingency Fund	2,868	2,867
	5,638	170,636
Total Council Committed Funds	\$ 831,846	\$ 1,120,122

Communication Systems Fund – The City Council passed Ordinance 43 in November 1997 to create a communications system fund from revenues provided under lease agreements between the City and various wireless telephone providers. The funds may only be expended with a two-thirds vote of the full City Council.

Financial Stability Fund – In accordance with Ordinance 84 of 2007, the City deposited fifty percent of any actual unpledged revenues into the financial stability fund from any budget years that have been previously closed, beginning with the 2007 budget year.

Stormwater Fund – In October 2011, the City Council approved Ordinance 59 of 2011 amending Ordinance 64 of 2006 to specify that stormwater funds be deposited into a fund separate of the general fund to be appropriated and expended as directed by the City Council.

Fire Truck Reserve Fund – In December 2012, the City Council approved Ordinance 73 of 2012 establishing a fire truck reserve fund for the purchase of a new fire truck.

Contingency Fund – In October 2004, the City Council approved the transfer of funds from the utility fund to a contingency fund pursuant to Ordinance 25 of 1998.

Note 5: Restricted Funds

Restricted funds are cash and equivalents that have been limited to uses specified either externally by creditors, grantors, contributors, or laws and regulations of other governments or internally by law through constitutional provisions or enabling legislation. The following is a schedule of the restricted funds at December 31:

	2016	2015
General Fund		
Court Automation Fund	\$ 53,427	\$ 43,566
Police Drug Control Funds	22,750	41,919
Economic Development Funds	5	5
	76,182	85,490
Street Fund		
Special Projects Fund	253,524	
Street Improvements Fund	1,720,859	1,928,543
	1,974,383	1,928,543

City of Benton, Arkansas
Notes to the Financial Statements

Note 5: Restricted Funds (cont'd)

Other Funds in the Aggregate		
Economic Development Grant Fund	2,619	2,618
Military Redesign Fund		856,177
Park Improvements Fund	6,238,992	8,092,095
Debt Service Fund	3,293,177	3,265,458
Public Safety Fund	1,109,606	593,604
Parks and Recreation Fund	157,303	1,052
A&P Commission Fund	702,672	258,728
911 Fund	4	3
Agency and Pension Trust Funds	<u>1,809,359</u>	<u>1,313,657</u>
	<u>13,313,732</u>	<u>14,383,392</u>
Total Restricted Funds	<u>\$ 15,364,297</u>	<u>\$ 16,397,425</u>

Note 6: Investments

The following is a schedule of the investments at December 31:

	<u>2016</u>	<u>2015</u>
Simmons Bank		
Mutual Funds	\$ 18,013,111	\$ 16,804,790
First Security Bank		
U.S. Government Agency Obligations		26,985,944
LPL Financial		
Mutual Funds	<u>1,606,009</u>	<u>1,647,591</u>
Total Investments	<u>\$ 19,619,120</u>	<u>\$ 45,438,325</u>

Note 7: Commitments

Long-Term Debt – The City had outstanding commitments for the lease-purchase agreements for park lighting, the Series 2012 hotel and restaurant gross receipts tax revenue bonds, the Series 2012 capital improvement refunding and improvement revenue bonds, the Series 2014 sales and use tax bonds, the Series 2015 capital improvement revenue bonds, the Series 2015 sales and use tax bonds and the Series 2015 general revenue promissory note.

A Musco Finance, LLC lease-purchase had a balance of \$234,247 and \$460,599 at December 31, 2016 and 2015, respectively, maturing annually at 3.95% through November 2017, secured by the park lighting.

A Musco Finance, LLC lease-purchase had a balance of \$1,312,110 at December 31, 2016, maturing annually at 4.45% through January 2021, secured by the park lighting.

The Series 2012 hotel and restaurant gross receipts tax revenue bonds had a balance of \$5,955,000 and \$6,430,000 at December 31, 2016 and 2015, respectively. The bonds mature annually on August 1 at varying amounts through 2027, with interest due semi-annually on February 1 and August 1 at interest rates ranging from 1.162-4.555%, secured by a pledge of revenues derived by the City from a 1.5% tax on gross receipts from motels, hotels, restaurants and similar establishments within the City.

The Series 2012 capital improvement refunding and improvement revenue bonds had a balance of \$2,790,000 and \$2,985,000 at December 31, 2016 and 2015, respectively. The bonds mature annually on September 1 at varying amounts through 2028, with interest due semi-annually on March 1 and September 1 at interest rates ranging from 1.0-3.5%, secured by a pledge of revenues derived by the City from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City.

City of Benton, Arkansas
Notes to the Financial Statements

Note 7: Commitments (cont'd)

The Series 2014 sales and use tax bonds had a balance of \$36,465,000 and \$37,195,000 at December 31, 2016 and 2015, respectively. The bonds mature annually on June 1 at varying amounts through 2044, with interest due semi-annually on June 1 and December 1 at interest rates ranging from 2.0-5.0%, secured by a pledge of the tax receipts revenue derived by the City.

The Series 2015 capital improvement revenue bonds had a balance of \$6,355,000 and \$6,455,000 at December 31, 2016 and 2015, respectively. The bonds mature annually on September 1 at varying amounts through 2045, with interest due semi-annually on March 1 and September 1 at interest rates ranging from 2.0-4.0%, secured by a pledge of revenues derived by the City from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City.

The Series 2015 sales and use tax bonds had a balance of \$1,305,000 and \$1,335,000 at December 31, 2016 and 2015, respectively. The bonds mature annually on June 1 at varying amounts through 2044, with interest due semi-annually on June 1 and December 1 at interest rates ranging from 3.0-3.875%, secured by a pledge of tax receipts revenue derived by the City.

The Series 2015 general revenue promissory note had a balance of \$986,142 at December 31, 2016. The note is a multiple advance non-revolving note of up to \$5,000,000. The principal is due annually on March 31 through March 31, 2020 in the amount of the lesser of the amount of principal then outstanding or \$1,000,000, with the outstanding balance due on January 12, 2021. The interest, at a rate of 1.79%, is due quarterly. The note is secured by general revenues.

The future scheduled maturities of long-term debt are as follows:

	Principal	Interest	Total
2017	\$ 3,004,034	\$ 2,158,364	\$ 5,162,398
2018	1,844,263	2,080,589	3,924,852
2019	1,895,812	2,026,363	3,922,175
2020	1,952,884	1,964,367	3,917,251
2021	2,020,506	1,896,577	3,917,083
2022-2026	9,670,000	8,398,064	18,068,064
2027-2031	7,870,000	6,475,041	14,345,041
2032-2036	8,690,000	4,800,281	13,490,281
2037-2041	10,580,000	2,873,134	13,453,134
2042-2045	7,875,000	581,419	8,456,419
	<u>\$ 55,402,499</u>	<u>\$ 33,254,199</u>	<u>\$ 88,656,698</u>

The following schedule details the changes in the city's long-term debt for the years ending December 31:

	2016	2015
Beginning Balance	\$ 54,860,599	\$ 47,800,000
Additions	3,298,252	8,468,350
Retired	(2,756,352)	(1,407,751)
Ending Balance	<u>\$ 55,402,499</u>	<u>\$ 54,860,599</u>

City of Benton, Arkansas
Notes to the Financial Statements

Note 7: Commitments (cont'd)

Compensated Absences – It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the City's services. It is the City's policy to pay up to a maximum of 90 accumulated sick days to employees who retire from the City. The following is a schedule of compensated absences at December 31, 2016 and 2015:

	General Fund	Street Fund	Other Funds	2016 Total
Unused Vacation	\$ 201,403	\$ 11,644	\$ 13,904	\$ 226,951
Unused Sick Leave	389,407	34,039	6,982	430,428
	<u>\$ 590,810</u>	<u>\$ 45,683</u>	<u>\$ 20,886</u>	<u>\$ 657,379</u>

	General Fund	Street Fund	Other Funds	2015 Total
Unused Vacation	\$ 184,683	\$ 12,236	\$ 10,221	\$ 207,140
Unused Sick Leave	312,744	39,918	5,351	358,013
	<u>\$ 497,427</u>	<u>\$ 52,154</u>	<u>\$ 15,572</u>	<u>\$ 565,153</u>

Benton Police Pension Fund – The City of Benton has a single-employer defined benefit plan which covers all full-time policemen hired prior to January 1, 1983. Plan assets were consolidated with the Arkansas Local Police and Fire Retirement System (LOPFI) in December 2010 and effective January 1, 2011, the plan was administered by LOPFI. The total annual estimated cost to consolidate is approximately \$230,000 for fifteen years.

Note 8: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League program (public entity risk pools) for coverage in the following areas:

Building and Contents Program – This program covers city-owned property as listed on the statement of values. Coverage is limited to \$5,000,000 limit per building /location. Excess limits are provided up to the actual replacement cost limits of the property as per the statement of values, annual aggregate of \$10,000,000 per location for buildings and contents and electronic data processing equipment. The program administrator establishes annually a service charge based on the property covered.

Vehicle Program – This program provides automobile liability and auto physical damage. Automobile liability is limited to \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident. Auto physical damage comprehensive/collision coverage is actual cash value of the vehicle. The program administrator establishes annually a service charge based on the vehicles covered.

Workers' Compensation – This program provides statutory benefits for losses incurred by municipal officials and employees while performing work for the municipality. Rates for municipalities participating in this program are revised annually based on the cost experience of the particular municipality or group as determined by the Workers' Compensation Commission.

City of Benton, Arkansas
Notes to the Financial Statements

Note 8: Risk Management (cont'd)

Municipal Legal Defense Program – The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages - not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials and employees because of judgment in any one lawsuit for more than 25 percent of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$2,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City participates in the self-insured fidelity bond program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the state risk manager and approved by the board. These premiums are paid by the state treasurer from funds withheld from the municipal aid fund. There is a \$1,000 deductible per occurrence.

Note 9: Interfund Balances

The following is a schedule of interfund balances at December 31, 2016:

	Due from Other Funds		
	General Fund	Other Funds in the Aggregate	Due to Other Fund
General Fund	\$ 108	180	\$ 180
Utilities Fund	108		108
	\$ 108	\$ 180	\$ 288

All balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these balances are expected to be settled in 2017.

The following is a schedule of interfund balances at December 31, 2015:

	Due from Other Funds				
	General Fund	Street Fund	Other Funds in the Aggregate	Utilities Fund	Due to Other Fund
Utilities Fund	\$ 8,249	\$ 4,110	\$ 42	\$	\$ 12,401
Other Funds in the Aggregate				70	70
	\$ 8,249	\$ 4,110	\$ 42	\$ 70	\$ 12,471

The amount of \$8,970 due from utilities fund to the general, street and other funds in the aggregate resulted from administration costs charged to the utilities fund employee costs and reimbursed through transfers from the various funds. All of these balances are expected to be settled in 2016.

City of Benton, Arkansas
Notes to the Financial Statements

Note 9: Interfund Balances (cont'd)

All remaining balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these balances are expected to be settled in 2016.

Note 10: Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) reimburse a capital project or improvement fund for capital expenditures, (4) reimburse employee costs charged to the utilities fund and reimbursed through transfers from the various funds and (5) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of interfund transfers for the year ending December 31, 2016:

	Transfers in from Other Funds				Transfers Out to Other Funds
	General Fund	Street Fund	Other Funds in the Aggregate	Utilities Fund	
General Fund	\$	\$	\$ 434,026	\$ 400,000	\$ 834,026
Street Fund	150,000		1,000,000		1,150,000
Other Funds in the Aggregate	9,888,928	1,678,116	9,141,615		20,708,659
Utilities Fund	1,876,566				1,876,566
	<u>\$ 11,915,494</u>	<u>\$ 1,678,116</u>	<u>\$ 10,575,641</u>	<u>\$ 400,000</u>	<u>\$ 24,569,251</u>

The following is a schedule of interfund transfers for the year ending December 31, 2015:

	Transfers in from Other Funds				Transfers Out to Other Funds
	General Fund	Street Fund	Other Funds in the Aggregate	Utilities Fund	
General Fund	\$	\$	\$ 420,000	\$ 569,479	\$ 989,479
Street Fund	48,000			63,165	111,165
Other Funds in the Aggregate	9,420,118	1,468,340	8,851,164	31,332	19,770,954
Utilities Fund	1,838,373				1,838,373
	<u>\$ 11,306,491</u>	<u>\$ 1,468,340</u>	<u>\$ 9,271,164</u>	<u>\$ 663,976</u>	<u>\$ 22,709,971</u>

Note 11: Retirement Plans

Certain financial disclosures are required for a defined benefit pension plan. This information provides clarification in assessing the present and future ability of the pension plan to pay benefits as they become due; however, the information will not change the value or presentation of the financial statements. These disclosures are determined by an actuary and presented in addition to the financial statements.

- A. Arkansas District Judges Retirement System – Act 1374 of 2004 created the Arkansas District Judges Retirement System (ADJRS). ADJRS is a cost-sharing multiple-employer defined benefit plan. Information regarding this plan is provided in the act. ADJRS will issue a publicly available financial report that includes financial statements and required supplementary information of the plan, which may be obtained by contacting the following:

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

Arkansas District Judges Retirement System
124 West Capitol, Suite 400
Little Rock, Arkansas 72201

- B. The Arkansas Local Police And Fire Retirement System – Act 364 of 1981 created the Arkansas Local Police And Fire Retirement System (LOPFI) for all new hires of policemen or firemen since January 1, 1983. LOPFI is a statewide agent multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the Arkansas. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the plan, which may be obtained by contacting the following:

Arkansas Local Police and Fire Retirement System
P.O. Drawer 34164
Little Rock, Arkansas 72203
(501) 682-1745

Employees are entitled to a monthly pension based on a formula determined by average pay during the sixty consecutive months prior to retirement and longevity of service. Covered firemen are required to contribute six percent of their salary. Covered policemen are not required to contribute to the plan. The system is supported on the local level by a portion of the state insurance turnback subsidy. Should the state insurance turnback and employee withholdings be of an insufficient amount to fund the state requirements, the general fund of the City of Benton is to provide the additional required support.

- C. Benton Firefighters Pension Fund – The City has a single-employer defined benefit plan which covers all full-time firemen hired prior to January 1, 1983. The plan was established in accordance with Act 491 of Arkansas Code Annotated of 1987. The plan is administered by a seven-member board of trustees comprised of the mayor, city clerk, fire chief and four members of the fire department. The plan's assets are held by the City in a pension trust fund. The financial statements and disclosures for the plan are also available in a stand-alone financial report provided by the actuary. Membership in the plan as of December 31, 2015, is as follows:

Retirees and Beneficiaries Currently	
Receiving Benefits	29
Current Employees	<u>1</u>
Total	<u>30</u>

Employees who have been duly appointed and enrolled and have served for a period of 20 years or more shall be entitled to retirement benefits. They are entitled to a monthly pension equal to one half of the salary attached to the rank that they may have held preceding retirement. Further, any employee who voluntarily retires with more than 20 years of continuous service shall receive the sum of \$20.00 per month for each year of additional service up to \$100.00 per month.

Covered employees are required to contribute six percent of their salary. The City matches the employee's contributions up to 6% of their salary. Any remaining amount necessary to pay benefits is received from a millage tax on real estate and personal property, state insurance turnback funds, and general revenues, if necessary. The following is a schedule of changes in the employers' net pension liability and related ratios for the years ending December 31:

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

	2015	2014	2013
Total Pension Liability			
Interest	\$ 349,832	\$ 351,811	\$ 355,764
Differences Between Actual and Expected Experience	(438,256)	63,381	16,977
Benefit Payments	(457,259)	(452,252)	(451,381)
Net Change in Pension Liability	\$ (545,683)	\$ (37,060)	\$ (78,640)
Pension Liability – Beginning	\$ 7,225,278	\$ 7,262,338	\$ 7,340,978
Pension Liability – Ending	\$ 6,679,595	\$ 7,225,278	\$ 7,262,338
Plan Fiduciary Net Position			
Contributions – Employee	\$ 7,885	\$ 7,333	\$ 7,658
Contributions – Employer	343,006	448,788	328,381
Net Investment Income	(91,556)	68,530	136,551
Benefits Payments	(457,259)	(452,252)	(451,381)
Administrative Expense	(229)	(2,850)	(2,750)
Other/Reconciliation	5,600	1,599	1,850
Net Change in Plan Net Position	\$ (192,553)	\$ 71,148	\$ 20,309
Net Position – Beginning	\$ 1,909,222	\$ 1,838,074	\$ 1,817,765
Net Position – Ending	\$ 1,716,669	\$ 1,909,222	\$ 1,838,074
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	25.70%	26.42%	25.31%

The annual required contribution for 2015 was determined as part of the December 31, 2015, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases ranging from 4.2% to 8.0% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value. The covered payroll is zero. The schedule of contributions is shown below:

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)
12/31/12	\$ 1,266,414	\$ 324,770	\$ 941,644
12/31/13	\$ 1,245,349	\$ 328,381	\$ 916,968
12/31/14	\$ 1,223,038	\$ 448,788	\$ 774,250
12/31/15	\$ 1,198,640	\$ 343,006	\$ 855,634

The long-term expected rate of return on pension plan investments was determined using a building block method of best-estimate ranges of expected future real rates of return. The target allocation of the plan is shown below:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Domestic Fixed Income	80%	2.25%
Domestic Equity	10%	4.75%
Cash	10%	0.25%

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

The 1983 Group Annuity Mortality Table was used for life expectancy. For females, the male table was used with a five-year setback. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. A single discount rate of 5.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.0%. Regarding the sensitivity of the net pension liability to changes in the single discount rate the following presents the plan's net pension liability, calculated using a single discount rate of 5.0% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease to 4.0%	Current Single Rate Assumed	1% Increase to 6.0%
Total Pension Liability	\$ 7,374,872	\$ 6,679,595	\$ 6,095,813
Net Pension Liability	\$ 5,658,203	\$ 4,962,926	\$ 4,379,144

D. Benton Police Pension Fund – The City of Benton had a single-employer defined benefit plan which covered all full-time policemen hired prior to January 1, 1983. The plan was established in accordance with Act 250 of Arkansas Code Annotated of 1987. The plan was administered by a seven-member board of trustees comprised of the mayor, city clerk and three members of the police department elected by participating members. These five members then elected the other members, one which was a reputable physician and the other a police department retiree. The plan's assets were held by the City in a pension trust fund. Plan assets were consolidated with the Arkansas Local Police and Fire Retirement System (LOPFI) in December 2010 and effective January 1, 2011, the plan was administered by LOPFI. See Note 7: Commitments for estimated costs.

E. City of Benton Employees' Pension Plan – The employees of the City of Benton are covered by a single-employer defined benefit plan which covers all full-time employees who have six months of service.

The plan is administered by Simmons First Trust Company. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. Membership in the plan as of January 1, 2016, is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	31
Vested Terminated Employees	26
Disabled	2
Current Employees	<u>69</u>
Total	<u>128</u>

The plan provides retirement benefits as well as disability benefits. Participants begin vesting at five years of service and are 100 percent vested at fifteen years of service. All employees are entitled to a retirement benefit based on period of service. For services prior to October 31, 1968, benefits are based on .5 percent of monthly compensation and .5 percent of average monthly compensation in excess of \$400 multiplied by years of service from date of hire to October 31, 1968. For service between October 31, 1968, and December 31, 1989, benefits are based on 2 percent of average monthly compensation and .75 percent of average monthly compensation in excess of \$400 multiplied by years of service from the later of October 31, 1969, to December 31, 1989. For services after December 31, 1989, benefits are based on 2.75% of average monthly compensation multiplied by years of service (maximum 30 years) to normal retirement date.

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

Employees may take early retirement between 55 and 65. The employee must complete ten years of service and be at least 55 years of age to be eligible for benefits. The early retirement pension is the actuarial equivalent of the accrued benefits at normal retirement age.

Employees hired after December 31, 2011, contribute two percent of their salary until January 1 following the date of hire and four percent thereafter. No employee contributes after thirty years of service. The City of Benton's contribution is actuarially determined. The following is a schedule of changes in the employers' net pension liability and related ratios for the years ending December 31:

	2015	2014	2013
Total Pension Liability			
Service Cost	\$ 163,185	\$ 191,066	\$ 167,195
Service Transfer	884,253		
Interest	398,461	380,084	367,650
Difference Between Actual and Expected Experience	183,754	(47,382)	(32,219)
Benefit Payments	(318,742)	(339,033)	(334,846)
Net Change in Pension Liability	\$ 1,310,911	\$ 184,735	\$ 167,780
Pension Liability – Beginning	\$ 5,688,489	\$ 5,503,754	\$ 5,335,974
Pension Liability – Ending	\$ 6,999,400	\$ 5,688,489	\$ 5,503,754
Plan Fiduciary Net Position			
Contributions – Employee	\$ 38,058	\$ 20,532	\$ 14,146
Contributions – Employer	260,014	285,000	325,000
Other Income – Service Transfer	884,253		
Net Investment Income	(228,530)	239,632	618,081
Benefits Payments	(318,742)	(339,033)	(334,846)
Net Change in Plan Net Position	\$ 635,053	\$ 206,131	\$ 622,381
Net Position – Beginning	\$ 5,121,216	\$ 4,915,085	\$ 4,292,704
Net Position – Ending	\$ 5,756,269	\$ 5,121,216	\$ 4,915,085
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.24%	90.03%	89.30%

The annual required contribution for 2016 was determined as part of the January 1, 2016, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value.

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Payroll
12/31/14	\$ 257,680	\$ 285,000	\$ (27,320)	\$ 1,697,363	16.8%
12/31/15	\$ 211,645	\$ 260,014	\$ (48,369)	\$ 1,483,023	17.5%

The long-term expected rate of return on pension plan investments was determined using a building block method of best-estimate ranges of expected future real rates of return. The target allocation of the plan is shown below:

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Fixed Income	30%	2.25%
Domestic Equity	50%	4.75%
Foreign Equity	5%	6.25%
Alternatives	8%	4.50%
Cash	7%	0.25%

The 1983 Group Annuity Mortality Table was used for life expectancy. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2016, was ten years. The single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. Regarding the sensitivity of the net pension liability to changes in the single discount rate the following presents the plan's net pension liability, calculated using a single discount rate of 7.0% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	<u>1% Decrease to 6.0%</u>	<u>Current Single Rate Assumed</u>	<u>1% Increase to 8.0%</u>
Total Pension Liability	\$ 7,849,940	\$ 6,999,400	\$ 6,282,779
Net Pension Liability	\$ 2,093,641	\$ 1,243,131	\$ 526,510

- F. Benton Utilities Employees' Pension Plan – The employees of the City utilities are covered by a single-employer defined benefit plan which covers all full-time employees who have six months of service.

The plan is administered by Simmons First Trust Company. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. Membership in the plan as of January 1, 2016, is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	52
Vested Terminated Employees	25
Disabled	1
Current Employees	<u>81</u>
Total	<u>159</u>

The plan provides retirement benefits as well as disability benefits. Benefits begin vesting at five years of service and are 100 percent vested at fifteen years of service. All employees are entitled to a retirement benefit based on period of service.

For services prior to October 31, 1968, benefits are based on .5 percent of monthly compensation and .5 percent of average monthly compensation in excess of \$400 multiplied by years of service from date of hire to October 31, 1968. For service between October 31, 1968, and December 31, 1989, benefits are based on 2 percent of average monthly compensation and .75 percent of average monthly compensation in excess of \$400 multiplied by years of service from the later of October 31, 1969, to December 31, 1989. For services after December 31, 1989, benefits are based on 2.75 percent of average monthly compensation multiplied by years of service (maximum 30 years) to normal retirement date.

Employees may take early retirement between 55 and 65. The employee must complete ten years of service and be at least 55 years of age to be eligible for benefits.

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

The early retirement pension is the actuarial equivalent of the accrued benefits at normal retirement age.

Employees hired after December 31, 2011, contribute two percent of their salary until January 1 following the date of hire and four percent thereafter. No employee contributes after thirty years of service. The following is a schedule of changes in the employers' net pension liability and related ratios for the years ending December 31:

	2015	2014	2013
Total Pension Liability			
Service Cost	\$ 340,980	\$ 335,144	\$ 337,147
Service Transfer	(884,253)		
Interest	1,144,187	1,074,426	1,038,990
Differences Between Actual and Expected Experiences	(327,057)	146,426	(164,843)
Benefit Payments	(723,117)	(742,510)	(665,637)
Net Change in Pension Liability	\$ (449,260)	\$ 813,486	\$ 545,657
Pension Liability – Beginning	\$ 16,366,107	\$ 15,552,621	\$ 15,006,964
Pension Liability – Ending	\$ 15,916,847	\$ 16,366,107	\$ 15,552,621
Plan Fiduciary Net Position			
Contributions – Employee	\$ 38,301	\$ 29,480	\$ 14,000
Contributions – Employer	700,012	750,000	700,000
Other – Service Transfer	(884,253)		
Net Investment Income	(493,083)	620,952	1,554,607
Benefits Payments	(723,117)	(742,510)	(665,637)
Net Change in Plan Net Position	\$ (1,362,140)	\$ 657,922	\$ 1,602,970
Net Position – Beginning	\$ 13,464,084	\$ 12,806,162	\$ 11,203,192
Net Position – Ending	\$ 12,101,944	\$ 13,464,084	\$ 12,806,162
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.03%	82.27%	82.34%

The annual required contribution for 2016 was determined as part of the January 1, 2016, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value.

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Payroll
12/31/14	697,224	750,000	(52,776)	3,236,306	23.2%
12/31/15	716,658	700,012	16,646	3,758,978	18.6%

The long-term expected rate of return on pension plan investments was determined using a building block method of best-estimate ranges of expected future real rates of return. The target allocation of the plan is shown below:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Fixed Income	30%	2.25%
Domestic Equity	50%	4.75%
Foreign Equity	5%	6.25%
Alternatives	8%	4.50%
Cash	7%	0.25%

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

The 1983 Group Annuity Mortality Table was used for life expectancy. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2015, was ten years. The single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. Regarding the sensitivity of the net pension liability to changes in the single discount rate of 7.0% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease to 6.0%	Current Single Rate Assumed	1% Increase to 8.0%
Total Pension Liability	\$ 16,557,236	\$ 15,916,847	\$ 15,326,758
Net Pension Liability	\$ 4,455,292	\$ 3,814,903	\$ 3,224,814

- G. Other Postemployment Benefits – The City has a collective bargaining agreement with the AFSCME union for post-employment health benefits for employees who retire under certain conditions that can continue their medical coverage. The financial statements and disclosures for the post-employment health benefits are also available in a stand-alone financial report provided by the actuary. Covered employees in the post-employment health benefits as of December 31, 2010, are as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	39
Current Employees	<u>241</u>
Total	<u>280</u>

Retired covered employees of the AFSCME union who have been employed for a period of 20 years or more and at least 55 years of age shall be entitled to the health benefits. They are entitled to continue medical coverage, but must pay the same premium as an active employee.

The following is a reconciliation of the net other post-employment benefits obligation (NOPEB) for the year ending December 31, 2010:

	2010
Annual Required Contribution (ARC)	\$ 277,528
Annual OPEB Cost (AOC)	277,528
Actual Contribution Made	<u>(256,750)</u>
Increase (Decrease) in NOPEB	20,778
NOPEB - Beginning of Year	20,778
NOPEB – End of Year	<u>\$ 20,778</u>

The annual required contribution for 2010 was determined as part of the December 31, 2010, actuarial valuation using the projected unit credit method. The actuarial assumption included a medical inflation for the following year of 10% gradually decreasing to 5% in the ninth following year.

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

The following represents the schedule of funding:

		<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>		
2010		\$ 277,528	92.5%	\$ 20,778		
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (B)</u>	<u>Unfunded Accrued Liability (UAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAL as a % of Covered Payroll ((B-A)/C)</u>
12/31/09	\$	\$ 3,386,637	\$ 3,386,637	0%	\$ 0	N/A

Note 12: Subsequent Event

Subsequent events were evaluated through June 8, 2017, which is the date the financial statements were available to be issued.

City of Benton, Arkansas
Schedule of General Fund Expenditures by
Department - Modified Accrual Basis
For the Year Ended December 31, 2016

	Elected Staff	Administrative Services	Legal	Central Communications	Information Technology
Salaries	\$ 243,129	\$ 317,023	\$ 65,346	\$ 528,410	\$
Retirement	5,618	36,943	20,612	66,618	
Fringe Benefits	20,729	68,026	13,630	136,822	
Vehicle	1,061				
Repairs and Maintenance	130,172	9,846		260	
Supplies	9,200	10,402		1,504	55
Other	20,400			16	
Electricity Generation					
Utilities	11,959	4,255		5,339	758
Outside Services	188,590	19,290	394,517	100,078	71,383
Educational/Professional	73,840	3,073		9,885	
Capital Outlay	2,176	8,293		72,845	29,574
	<u>\$ 706,874</u>	<u>\$ 477,151</u>	<u>\$ 494,105</u>	<u>\$ 921,777</u>	<u>\$ 101,770</u>

Police	Fire	Community Development	Economic Development	Professional Technical	Total
\$ 3,512,534	\$ 3,062,049	\$ 381,801	\$ 72,444	\$ 112,757	\$ 8,295,493
510,427	399,713	47,486	8,785	5,932	1,102,134
818,307	637,756	84,428	15,967	9,369	1,805,034
236,547	63,598	13,059	2,584		316,849
52,967	21,820	2,606			217,671
162,468	370,401	5,722	847	2,640	563,239
77,124	5,862	224			103,626
	3,973				3,973
28,853	24,307	8,604	663	1,179	85,917
399,462	42,117	40,771	114,005		1,370,213
74,136	19,468	6,958	3,815		191,175
396,546	767,109	40,099	652	1,729	1,319,023
<u>\$ 6,269,371</u>	<u>\$ 5,418,173</u>	<u>\$ 631,758</u>	<u>\$ 219,762</u>	<u>\$ 133,606</u>	<u>\$ 15,374,347</u>

City of Benton, Arkansas
Schedule of General Fund Expenditures by
Department - Modified Accrual Basis
For the Year Ended December 31, 2015

	Elected Staff	Legal	Central Communications	Information Technology
Salaries	\$ 223,747	\$ 62,750	\$ 500,958	\$
Retirement	4,814	7,673	65,519	
Fringe Benefits	21,105	13,642	124,882	
Vehicle	2,205			
Repairs and Maintenance	51,745		311	
Supplies	15,572		2,263	140
Other	17,006		474	
Electricity Generation				
Utilities	14,385		4,830	912
Outside Services	110,633	390,366	143,587	93,715
Educational/Professional	79,355	100	6,021	
Capital Outlay	31,383		676,516	139,679
	<u>\$ 571,950</u>	<u>\$ 474,531</u>	<u>\$ 1,525,361</u>	<u>\$ 234,446</u>

Police	Fire	Community Development	Economic Development	Professional Technical	Total
\$ 3,316,012	\$ 2,907,386	\$ 285,486	\$ 33,908	\$ 121,630	\$ 7,451,877
582,229	418,754	34,110			1,113,099
797,243	655,133	63,601	4,543	1,886	1,682,035
254,654	63,442	12,819	773		333,893
24,391	19,480	3,978	1,707		101,612
138,494	79,035	7,939	750	3,082	247,275
54,606	3,012	13,749			88,847
	1,217				1,217
26,780	25,713	7,014	1,073	1,526	82,233
173,690	41,909	37,993	63,789	2,948	1,058,630
92,184	25,971	8,055	4,559		216,245
386,307	530,744	41,066	1,926	2,199	1,809,820
<u>\$ 5,846,590</u>	<u>\$ 4,771,796</u>	<u>\$ 515,810</u>	<u>\$ 113,028</u>	<u>\$ 133,271</u>	<u>\$ 14,186,783</u>

City of Benton, Arkansas
 Combined Balance Sheet - Street Fund
 Modified Accrual Basis
 December 31, 2016

Assets	<u>Street Operating Fund</u>	<u>Street Improvement Fund</u>	<u>Stormwater Projects Fund</u>	<u>Special Projects Fund</u>	<u>Total Street Fund</u>
Assets					
Cash and Equivalents:					
Unassigned	\$ 2,446,629	\$	\$	\$	\$ 2,446,629
Council Committed			294,508		294,508
Restricted		1,720,859		253,524	1,974,383
Other Receivables		392,720		1,391,245	1,783,965
Prepaid Expenses	13,360				13,360
Total Assets	<u>\$ 2,459,989</u>	<u>\$ 2,113,579</u>	<u>\$ 294,508</u>	<u>\$ 1,644,769</u>	<u>\$ 6,512,845</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 376,558	\$ 530,964	\$	\$ 1,216,146	\$ 2,123,668
Accrued Compensation	9,492				9,492
Total Liabilities	<u>386,050</u>	<u>530,964</u>	<u></u>	<u>1,216,146</u>	<u>2,133,160</u>
Fund Balances					
Restricted for Capital Outlay		1,582,615		428,623	2,011,238
Unrestricted:					
Committed			294,508		294,508
Unassigned	2,073,939				2,073,939
Total Fund Balances	<u>2,073,939</u>	<u>1,582,615</u>	<u>294,508</u>	<u>428,623</u>	<u>4,379,685</u>
Total Liabilities and Fund Balances	<u>\$ 2,459,989</u>	<u>\$ 2,113,579</u>	<u>\$ 294,508</u>	<u>\$ 1,644,769</u>	<u>\$ 6,512,845</u>

City of Benton, Arkansas
 Combined Balance Sheet - Street Fund
 Modified Accrual Basis
 December 31, 2015

Assets	<u>Street Operating Fund</u>	<u>Street Improvement Fund</u>	<u>Stormwater Projects Fund</u>	<u>Total Street Fund</u>
Assets				
Cash and Equivalents:				
Unassigned	\$ 4,642,698	\$	\$	\$ 4,642,698
Council Committed			193,379	193,379
Restricted		1,928,543		1,928,543
Other Receivables		387,816		387,816
Due From Other Funds	4,110			4,110
Prepaid Expenses	11,000			11,000
Total Assets	<u>\$ 4,657,808</u>	<u>\$ 2,316,359</u>	<u>\$ 193,379</u>	<u>\$ 7,167,546</u>
 Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 265,858	\$ 834,955	\$ 944	\$ 1,101,757
Accrued Compensation	7,156			7,156
Total Liabilities	<u>273,014</u>	<u>834,955</u>	<u>944</u>	<u>1,108,913</u>
 Fund Balances				
Restricted for Capital Outlay		1,481,404		1,481,404
Unrestricted:				
Committed			192,435	192,435
Unassigned	4,384,794			4,384,794
Total Fund Balances	<u>4,384,794</u>	<u>1,481,404</u>	<u>192,435</u>	<u>6,058,633</u>
 Total Liabilities and Fund Balances	 <u>\$ 4,657,808</u>	 <u>\$ 2,316,359</u>	 <u>\$ 193,379</u>	 <u>\$ 7,167,546</u>

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Street Fund - Modified Accrual Basis
 For the Year Ended December 31, 2016

	Street Operating Fund	Street Improvement Fund	Stormwater Projects Fund	Special Projects Fund	Total Street Fund
Revenues					
Tax Revenues	\$ 2,715,214	\$	\$	\$	\$ 2,715,214
Permits and Licenses			117,069		117,069
Federal and State Grants		884,714		1,742,295	2,627,009
Investment Income	3,391	1,308	231	369	5,299
Other	53,073			136,899	189,972
Total Revenues	<u>2,771,678</u>	<u>886,022</u>	<u>117,300</u>	<u>1,879,563</u>	<u>5,654,563</u>
Expenditures					
Human Resources	667,215				667,215
Operations and Maintenance	571,203		15,227		586,430
Utilities	11,757				11,757
Outside Services	63,200				63,200
Educational/Professional	3,541				3,541
Capital Outlay	3,677,402	1,401,142		3,434,522	8,513,066
Total Expenditures	<u>4,994,318</u>	<u>1,401,142</u>	<u>15,227</u>	<u>3,434,522</u>	<u>9,845,209</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,222,640)</u>	<u>(515,120)</u>	<u>102,073</u>	<u>(1,554,959)</u>	<u>(4,190,646)</u>
Other Financing Sources and (Uses)					
Proceeds from Debt				1,986,142	1,986,142
Bond Discount and Issue Costs				(2,560)	(2,560)
Transfers In	61,785	1,616,331			1,678,116
Transfers Out	(150,000)	(1,000,000)			(1,150,000)
Total Other Financing Sources and (Uses)	<u>(88,215)</u>	<u>616,331</u>		<u>1,983,582</u>	<u>2,511,698</u>
Changes in Fund Balances	(2,310,855)	101,211	102,073	428,623	(1,678,948)
Fund Balances at Beginning of Year	<u>4,384,794</u>	<u>1,481,404</u>	<u>192,435</u>		<u>6,058,633</u>
Fund Balances at End of Year	<u>\$ 2,073,939</u>	<u>\$ 1,582,615</u>	<u>\$ 294,508</u>	<u>\$ 428,623</u>	<u>\$ 4,379,685</u>

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Street Fund - Modified Accrual Basis
 For the Year Ended December 31, 2015

	Street Operating Fund	Street Improvement Fund	Stormwater Projects Fund	Special Projects Fund	Total Street Fund
Revenues					
Tax Revenues	\$ 2,702,581	\$	\$	\$	\$ 2,702,581
Permits and Licenses			113,192		113,192
Federal and State Grants	45,128	618,670	11,519		675,317
Investment Income	4,858	2,440	237	299	7,834
Other	60,869				60,869
Total Revenues	<u>2,813,436</u>	<u>621,110</u>	<u>124,948</u>	<u>299</u>	<u>3,559,793</u>
Expenditures					
Human Resources	680,083				680,083
Operations and Maintenance	602,028	53	132,349		734,430
Utilities	13,299				13,299
Outside Services	54,747				54,747
Educational/Professional	3,843				3,843
Capital Outlay	1,966,964	2,912,220	11,969	268,855	5,160,008
Total Expenditures	<u>3,320,964</u>	<u>2,912,273</u>	<u>144,318</u>	<u>268,855</u>	<u>6,646,410</u>
Excess (Deficit) of Revenues over Expenditures	<u>(507,528)</u>	<u>(2,291,163)</u>	<u>(19,370)</u>	<u>(268,556)</u>	<u>(3,086,617)</u>
Other Financing Sources and (Uses)					
Transfers In		1,468,340			1,468,340
Transfers Out	(111,165)				(111,165)
Total Other Financing Sources and (Uses)	<u>(111,165)</u>	<u>1,468,340</u>			<u>1,357,175</u>
Changes in Fund Balances	(618,693)	(822,823)	(19,370)	(268,556)	(1,729,442)
Fund Balances at Beginning of Year	<u>5,003,487</u>	<u>2,304,227</u>	<u>211,805</u>	<u>268,556</u>	<u>7,788,075</u>
Fund Balances at End of Year	<u>\$ 4,384,794</u>	<u>\$ 1,481,404</u>	<u>\$ 192,435</u>	<u>\$</u>	<u>\$ 6,058,633</u>

Special Revenue Funds							Total Other Funds in the Aggregate
Public Safety	Animal Control	Parks and Recreation	Contingency	Event Center	A&P Commission	911	
\$	\$ 137,654	\$ 1,090,896	\$	\$ 429,235	\$ 811,882	\$	\$ 2,469,667
2,770			2,868				5,638
1,109,606		157,303			702,672	4	13,313,732
		54,998					19,619,120
		180					54,998
	1,940	12,950					180
<u>\$ 1,112,376</u>	<u>\$ 139,594</u>	<u>\$ 1,316,327</u>	<u>\$ 2,868</u>	<u>\$ 429,235</u>	<u>\$ 1,514,554</u>	<u>\$ 4</u>	<u>\$ 35,478,225</u>
\$	\$ 13,009	\$ 191,079	\$	\$ 566	\$	\$	\$ 2,236,018
	5,241	9,617					14,858
	<u>18,250</u>	<u>200,696</u>		<u>566</u>			<u>21,428,479</u>
							<u>23,679,355</u>
					702,672		3,995,849
1,109,606		157,303				4	4,210,247
			2,868				1,266,913
2,770				428,669	811,882		5,638
<u>1,112,376</u>	<u>121,344</u>	<u>958,328</u>	<u>2,868</u>	<u>428,669</u>	<u>811,882</u>	<u>4</u>	<u>2,320,223</u>
	<u>121,344</u>	<u>1,115,631</u>		<u>428,669</u>	<u>1,514,554</u>		<u>11,798,870</u>
<u>\$ 1,112,376</u>	<u>\$ 139,594</u>	<u>\$ 1,316,327</u>	<u>\$ 2,868</u>	<u>\$ 429,235</u>	<u>\$ 1,514,554</u>	<u>\$ 4</u>	<u>\$ 35,478,225</u>

City of Benton, Arkansas
 Combined Balance Sheet - Other Funds in
 the Aggregate - Modified Accrual Basis
 December 31, 2015

Assets	Capital Project Funds			Debt Service Fund	Agency and Pension Trust Funds
	Economic Development Grant	Military Redesign	Park Improvements		
Assets					
Cash and Equivalents:					
Unassigned	\$	\$	\$	\$	\$
Council Committed					
Restricted	2,618	856,177	8,092,095	3,265,458	1,313,657
Investments-Restricted			26,985,944		18,452,381
Other Receivables					
Due From Other Funds					
Prepaid Expenses					
Total Assets	\$ 2,618	\$ 856,177	\$ 35,078,039	\$ 3,265,458	\$ 19,766,038
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$	\$	\$ 317,279	\$	\$
Accrued Compensation					
Due to Other Funds					
Assets Held in Trust					19,766,038
Total Liabilities			317,279		19,766,038
Fund Balances					
Restricted for Debt Service				3,265,458	
Restricted for Capital Outlay	2,618	856,177	34,760,760		
Restricted for Other Activities					
Unrestricted:					
Committed					
Unassigned					
Total Fund Balances	2,618	856,177	34,760,760	3,265,458	
Total Liabilities and Fund Balances	\$ 2,618	\$ 856,177	\$ 35,078,039	\$ 3,265,458	\$ 19,766,038

Special Revenue Funds							Total Other Funds in the Aggregate
Public Safety	Animal Control	Parks and Recreation	Contingency	Event Center	A&P Commission	911	
\$	\$ 124,919	\$1,346,642	\$	\$ 236,981	\$ 974,215	\$	\$ 2,682,757
167,769			2,867				170,636
593,604		1,052			258,728	3	14,383,392
		41,729					45,438,325
	42						41,729
	1,900	10,710					42
<u>\$ 761,373</u>	<u>\$ 126,861</u>	<u>\$1,400,133</u>	<u>\$ 2,867</u>	<u>\$ 236,981</u>	<u>\$1,232,943</u>	<u>\$ 3</u>	<u>\$62,729,491</u>
\$	\$ 3,700	\$ 44,805	\$	\$ 562	\$	\$	\$ 366,346
	2,831	5,433					8,264
		70					70
							19,766,038
	<u>6,531</u>	<u>50,308</u>		<u>562</u>			<u>20,140,718</u>
					258,728		3,524,186
593,604		1,052				3	35,619,555
			2,867				594,659
167,769							170,636
	120,330	1,348,773		236,419	974,215		2,679,737
<u>761,373</u>	<u>120,330</u>	<u>1,349,825</u>	<u>2,867</u>	<u>236,419</u>	<u>1,232,943</u>	<u>3</u>	<u>42,588,773</u>
<u>\$ 761,373</u>	<u>\$ 126,861</u>	<u>\$1,400,133</u>	<u>\$ 2,867</u>	<u>\$ 236,981</u>	<u>\$1,232,943</u>	<u>\$ 3</u>	<u>\$62,729,491</u>

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in Fund
 Balances - Other Funds in the Aggregate - Modified Accrual Basis
 For the Year Ended December 31, 2016

	Capital Project Funds			Debt Service Fund
	Economic Development Grant	Military Redesign	Park Improvements	
Revenues				
Tax Revenues	\$	\$	\$	\$
Bonds, Fines and Fees				909,443
Federal and State Grants				
Investment Income	1	296	88,038	6,403
Other				
Total Revenues	<u>1</u>	<u>296</u>	<u>88,038</u>	<u>915,846</u>
Expenditures				
Human Resources				
Operations and Maintenance				7,448
Utilities				
Outside Services				
Educational/Professional				
Capital Outlay		794,688	30,641,170	
Principal Payments				2,756,352
Interest Payments				2,129,519
Total Expenditures		<u>794,688</u>	<u>30,641,170</u>	<u>4,893,319</u>
Excess (Deficit) of Revenues over Expenditures	<u>1</u>	<u>(794,392)</u>	<u>(30,553,132)</u>	<u>(3,977,473)</u>
Other Financing Sources and (Uses)				
Gain on Sale of Assets				
Transfers In				4,280,192
Transfers Out		(61,785)		(275,000)
Total Other Financing Sources and (Uses)		<u>(61,785)</u>		<u>4,005,192</u>
Changes in Fund Balances	1	(856,177)	(30,553,132)	27,719
Fund Balance at Beginning of Year	<u>2,618</u>	<u>856,177</u>	<u>34,760,760</u>	<u>3,265,458</u>
Fund Balance at End of Year	<u>\$ 2,619</u>	<u>\$</u>	<u>\$ 4,207,628</u>	<u>\$ 3,293,177</u>

Public Safety	Animal Control	Parks and Recreation	Special Revenue Funds					Total Other Funds in the Aggregate
			Contingency	Sales Tax	Event Center	A&P Commission	911	
\$	\$ 117	\$	\$	\$16,163,313	\$	\$1,216,893	\$176,262	\$17,556,585
		189,190						909,443
681	120	6,586	1		173	2,424		189,190
	35,415	302,965			353,909			104,723
<u>681</u>	<u>35,652</u>	<u>498,741</u>	<u>1</u>	<u>16,163,313</u>	<u>354,082</u>	<u>1,219,317</u>	<u>176,262</u>	<u>692,289</u>
	277,550	635,975			5,188			918,713
	80,839	239,054			26,023	3,025		356,389
	7,412	24,821			66,993			99,226
	10,359	214,828			176,314	118,558		520,059
	11,837	13,032			545	710		26,124
	71,979	1,798,208						33,306,045
								2,756,352
								2,129,519
	<u>459,976</u>	<u>2,925,918</u>			<u>275,063</u>	<u>122,293</u>		<u>40,112,427</u>
681	(424,324)	(2,427,177)	1	16,163,313	79,019	1,097,024	176,262	(20,660,197)
	3,312							3,312
3,232,663	422,026	2,527,529			113,231			10,575,641
(2,882,341)		(334,546)		(16,163,313)		(815,413)	(176,261)	(20,708,659)
<u>350,322</u>	<u>425,338</u>	<u>2,192,983</u>		<u>(16,163,313)</u>	<u>113,231</u>	<u>(815,413)</u>	<u>(176,261)</u>	<u>(10,129,706)</u>
351,003	1,014	(234,194)	1		192,250	281,611	1	(30,789,903)
761,373	120,330	1,349,825	2,867		236,419	1,232,943	3	42,588,773
<u>\$1,112,376</u>	<u>\$121,344</u>	<u>\$1,115,631</u>	<u>\$ 2,868</u>	<u>\$</u>	<u>\$428,669</u>	<u>\$1,514,554</u>	<u>\$ 4</u>	<u>\$11,798,870</u>

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in Fund
 Balances - Other Funds in the Aggregate - Modified Accrual Basis
 For the Year Ended December 31, 2015

	Capital Project Funds			Debt Service Fund
	Economic Development Grant	Military Redesign	Park Improvements	
Revenues				
Tax Revenues	\$	\$	\$	\$
Bonds, Fines and Fees				1,174,056
Federal and State Grants				
Investment Income	1	852	117,483	4,795
Other				
Total Revenues	<u>1</u>	<u>852</u>	<u>117,483</u>	<u>1,178,851</u>
Expenditures				
Human Resources				
Operations and Maintenance				6,305
Utilities				
Outside Services				
Educational/Professional				
Capital Outlay			8,642,327	
Principal Payments				1,407,751
Interest Payments				1,968,386
Total Expenditures			<u>8,642,327</u>	<u>3,382,442</u>
Excess (Deficit) of Revenues over Expenditures	<u>1</u>	<u>852</u>	<u>(8,524,844)</u>	<u>(2,203,591)</u>
Other Financing Sources and (Uses)				
Gain on Sale of Assets				
Proceeds From Debt			7,827,285	
Bond Discount and Issuance Costs			(161,916)	
Transfers In				3,552,393
Transfers Out			(428,345)	(730,000)
Total Other Financing Sources and (Uses)			<u>7,237,024</u>	<u>2,822,393</u>
Changes in Fund Balances	1	852	(1,287,820)	618,802
Fund Balance at Beginning of Year	<u>2,617</u>	<u>855,325</u>	<u>36,048,580</u>	<u>2,646,656</u>
Fund Balance at End of Year	<u>\$ 2,618</u>	<u>\$ 856,177</u>	<u>\$ 34,760,760</u>	<u>\$ 3,265,458</u>

FINANCIAL STATEMENTS

Special Revenue Fund								Total Other Funds in the Aggregate
Public Safety	Animal Control	Parks and Recreation	Contingency	Sales Tax	Event Center	A&P Commission	911	
\$	\$ 127	\$	\$	\$14,683,398	\$	\$1,039,395	\$165,197	\$15,888,117
	2,000	45,779						1,174,056
443	107	3,507	1		84	2,113		47,779
	44,122	69,738			313,861			129,386
443	46,356	119,024	1	14,683,398	313,945	1,041,508	165,197	427,721
								17,667,059
	280,198	492,016			4,404			776,618
	68,682	250,924			23,759	12,633		362,303
	7,405	25,463			59,597			92,465
	4,845	185,107			203,066	61,582		454,600
	13,456	11,272			825	210		25,763
	102,579	250,449			3,691			8,999,046
								1,407,751
								1,968,386
	477,165	1,215,231			295,342	74,425		14,086,932
443	(430,809)	(1,096,207)	1	14,683,398	18,603	967,083	165,197	3,580,127
						51,625		51,625
								7,827,285
								(161,916)
2,936,680	420,000	2,228,455			133,636			9,271,164
(2,603,563)	(6,565)	(317,312)		(14,683,398)		(836,574)	(165,197)	(19,770,954)
333,117	413,435	1,911,143		(14,683,398)	133,636	(784,949)	(165,197)	(2,782,796)
333,560	(17,374)	814,936	1		152,239	182,134		797,331
427,813	137,704	534,889	2,866		84,180	1,050,809	3	41,791,442
\$ 761,373	\$120,330	\$1,349,825	\$ 2,867	\$	\$236,419	\$1,232,943	\$ 3	\$42,588,773

City of Benton, Arkansas
 Other Supplementary Information
 Schedule of Capital Assets
 December 31, 2016 and 2015

	2016	2015
Land and Improvements	\$ 7,701,968	\$ 6,590,138
Buildings and Improvements	24,873,776	22,759,514
Service Facilities and Equipment	8,784,340	7,815,932
Infrastructure	49,568,777	46,247,942
Construction in Progress	49,629,419	13,211,400
Total Capital Assets	\$ 140,558,280	\$ 96,624,926

Note 1: Under the modified accrual basis of accounting, all capital assets are recorded as expenditures in the year in which they were purchased. The schedule above summarizes those assets that qualify as capital assets. Capital assets are valued at cost on the date of purchase, unless donated. Donated capital assets are valued at their estimated fair value on the date donated. Assets are capitalized in accordance with Ordinance 38 of 2004. Any asset with an estimated useful life greater than one year and a value that exceeds the following threshold will be recognized as a capital asset by the City:

Land	All Assets
Land Improvements	\$25,000
Building	\$50,000
Building Improvements	\$50,000
Machinery and Equipment	\$5,000
Vehicle	\$5,000
Infrastructure	\$250,000



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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*

Honorable Mayor and City Council
City of Benton, 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 accompanying regulatory basis financial statements of the general fund, street fund and other funds in the aggregate of the City of Benton, Arkansas, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City of Benton, Arkansas's basic financial statements, and have issued our report thereon dated June 8, 2017. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1(B) and 1(C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1(B) and 1(C), our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the utilities fund, which is material to other funds in the aggregate.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from

material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lyokum, Lovell & Co. P.C.
Certified Public Accountants

Benton, Arkansas
June 8, 2017



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance with Certain State Acts

Honorable Mayor and City Council
City of Benton, Arkansas

We have examined management's assertions that the City of Benton, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the years ended December 31, 2016 and 2015.

- A. Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1998 (Arkansas Statutes 19-5301 – 19-5317);
- B. Municipal Courts, Police Courts, City Courts and Justice of the Peace Courts Accounting Law of 1977, Act 332 of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1996 (Arkansas Statutes 22-1101 - 22-1108);
- C. Municipal Court and Police Department Uniform Filing Fees and Court Cost, Act 1256 of 1996;
- D. Bonding of Municipal Officers and Employees, Act 338 of 1955 and Act 677 of 1975 (Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
- E. Improvement Contracts Over \$10,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995 (Arkansas Statutes 14-611 – 14-614);
- F. Budgets, Purchases Over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995 (Arkansas Statutes 19-4421 – 19-4430);
- G. Investment of Public Funds, Act 273 of 1943; Act 106 of 1973, Act 402 of 1995 and Act 1341 of 2000 (Arkansas Statutes 13-901 – 13-904); and
- H. Deposit of Public Funds, Act 21 of 1935, Acts 57 And 62 of 1945, Act 122 of 1947, Act 18 of 1964, Acts 89 and 107 of 1973, Act 250 of 1987, Act 459 of 1991 and Acts 232 and 700 of 1995 (Arkansas Statutes 13-801 – 13-805).

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Benton, Arkansas, complied, in all material respects, with the aforementioned requirements for the years ended December 31, 2016 and 2015.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specified parties.

Goakum, Lovell & Co., P.C.
Certified Public Accountants

Benton, Arkansas
June 8, 2017