



**Yoakum, Lovell & Co., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas

Financial Statements  
and Supplementary Information

December 31, 2016 and 2015

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
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December 31, 2016 and 2015

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### **Management's Discussion and Analysis**

The management's discussion and analysis of Benton Municipal Light and Water Works' (Utility System) financial performance provides an overview of the Utility System's financial activities for the year ended December 31, 2016. Please read it in conjunction with the Utility System's financial statements, which are presented on pages 7 through 18.

#### **Required Financial Statements**

The financial statements of the Utility System report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States. The balance sheets include information of the Utility System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Utility System's creditors (liabilities). The statements of revenues, expenses and changes in net position identify the Utility System's revenues and expenses for the years ended December 31, 2016 and 2015. This statement provides information on the Utility System's operations over the past two years and can be used to determine whether the Utility System has recovered all of its costs through user fees and other charges. The third financial statement is the statement of cash flows. This statement provides information on the Utility System's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the statements of cash flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance for each of the last two years.

#### **2016 Financial Highlights**

- The Utility's total revenues increased by \$694,176 or 2.06% from \$33,670,484 at December 31, 2015, to \$34,364,660 at December 31, 2016. The increase in revenues is in great part due to an increase in water and waste water utility rates and increase in connection fees for electric, water and waste water.
- The Utility's total expenses increased by \$1,135,128 or 3.37% from \$33,712,442 at December 31, 2015, to \$34,847,570 at December 31, 2016. The increase in expenses corresponds to the increase in usage from 2015 to 2016.
- The Utility's total assets and deferred outflows of resources increased by \$1,025,776 or 1.04% from \$98,168,190 at December 31, 2015, to \$99,193,966 at December 31, 2016. The main reason for the increase is due to increases to the deferred pension outflows in 2016.

#### **Financial Analysis of the Utility System**

The statements of net position (condensed balance sheets) and condensed statements of revenues, expenses and changes in net position provide an indication of the Utility System's financial condition. The Utility System's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

Investment income increased by 7.08% or \$1,897 due to an increase of restricted interest income on bond money for utility projects.

### Condensed Statements of Net Position

	2016	(Restated) 2015	(Restated) 2014
Current Assets	\$ 8,308,934	\$ 9,994,594	\$ 9,765,379
Restricted Assets	2,987,255	3,182,096	3,924,761
Capital Assets, Net	85,272,185	83,435,299	83,104,784
Deferred Outflows	2,625,592	1,556,201	69,605
Total Assets and Deferred Outflows	<u>\$ 99,193,966</u>	<u>\$ 98,168,190</u>	<u>\$ 96,864,529</u>
Current Liabilities	\$ 7,119,568	\$ 6,127,237	\$ 6,197,897
Long-Term Liabilities	50,196,858	51,025,536	51,967,820
Total Liabilities	<u>57,316,426</u>	<u>57,152,773</u>	<u>58,165,717</u>
Deferred Inflows	290,717		
Net Investment in Capital Assets	38,172,254	34,676,446	32,557,851
Restricted	1,820,567	1,791,668	2,363,742
Unrestricted	1,594,002	4,547,303	3,777,219
Total Net Position	<u>41,586,823</u>	<u>41,015,417</u>	<u>38,698,812</u>
Total Liabilities and Net Position	<u>\$ 99,193,966</u>	<u>\$ 98,168,190</u>	<u>\$ 96,864,529</u>

Total net position increased by \$571,406 from \$41,015,417 at December 31, 2015, to \$41,586,823 at December 31, 2016, an increase of 1.39%. Current liabilities increased by \$992,331, or 16.20%.

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2016	(Restated) 2015	(Restated) 2014
Operating Revenues:			
Services Fees and Penalties	\$ 34,085,612	\$ 33,422,147	\$ 32,777,210
Other Revenue	250,341	221,527	245,380
Total Operating Revenues	34,335,953	33,643,674	33,022,590
Investment Income	28,707	26,810	19,929
Total Revenue	<u>34,364,660</u>	<u>33,670,484</u>	<u>33,042,519</u>
Operating Expenses:			
Power Costs	16,293,183	15,218,778	15,876,653
Plant Production Expenses	2,312,788	2,173,993	1,935,068
General and Distribution Expenses	5,115,675	4,846,582	4,509,941
Administrative Expenses	2,128,131	2,083,326	1,921,829
Depreciation Expense	5,314,678	5,232,639	5,078,522
Franchise Fees	1,876,566	1,838,373	1,762,016
Total Operating Expenses	33,041,021	31,393,691	31,084,029
Issuance Cost of Refunding Bonds		437,975	
Interest Expense	1,806,549	1,880,776	2,037,096
Total Expenses	<u>34,847,570</u>	<u>33,712,442</u>	<u>33,121,125</u>
Net Income (Loss) Before Contributions and Transfers	(482,910)	(41,958)	(78,606)
Capital Contributions	1,054,316	2,094,588	606,941
Transfers		263,975	331,465
Change in Net Position	571,406	2,316,605	859,800
Net Position at Beginning of Year	41,015,417	38,698,812	37,839,012
Net Position at End of Year	<u>\$ 41,586,823</u>	<u>\$ 41,015,417</u>	<u>\$ 38,698,812</u>

Total revenues from services, fees and penalties reflect an increase from 2015 to 2016. The increase amount was \$663,465, or 1.99%. The increase in revenues is in great part due to an increase in water and waste water utility rates and increase in connection fees for electric, water and waste water.

Net loss of \$482,910 before capital contributions, transfers, and extraordinary items, less capital contributions of \$1,054,316 were the two items that resulted in an increase of \$571,406 in net position for the year ending December 31, 2016.

### **Capital Assets**

At December 31, 2016, the Utility had \$38,172,254 net invested in capital assets. This investment in capital assets includes land, buildings, vehicles, equipment, utility infrastructure, construction materials and construction in progress. The total increase in the Utility's investment in capital assets for the year of 2016 was \$3,495,808 or 10.08%, due to an increase in construction projects and a decrease in bonds payable. A scheduled summary showing the changes to the capital assets during the year of 2016 can be found in Note 4 on page 13 of this audit report. A scheduled summary showing the changes to the revenue bonds payable during the year of 2016 can be found in Note 6 on page 14 of this audit report.

### **Debt Administration**

At December 31, 2016, the Utility had \$44,756,886 in outstanding revenue bonds payable compared to \$46,212,312 outstanding at December 31, 2015. This decrease of \$1,455,426 is the difference in the amount of bonds retired (paid off) during the year. An accumulated compensable (accrued salary, vacation and sick leave) balance of \$526,507 at December 31, 2016, is an increase of \$134,760 over the \$391,747 accrued as of December 31, 2015. A scheduled summary showing changes to the debt administration can be found in Note 1G on page 11 of this audit report.

### **Economic Factors and Next Year's Budget and Rates**

Because of the increasing need for each utility department, (Electric, Water, and Wastewater) to become independently solvent; in May of 2016, the PUC requested the City Council to approve 2% yearly increases for the Wastewater Rates starting in August of 2016 and continuing each April 1<sup>st</sup> through 2019. Thanks to the research of facts and statistics for the Wastewater Department by Randy Hawkins, and his excellent presentation of these facts; the City Council approved a yearly increase of 3% through 2020. The first increase went into effect Aug 1, 2016 and each subsequent increase will go into effect on April 1<sup>st</sup>. In 2015 the PUC had requested a continuation of the 2% yearly increases for the Water Rates through 2019. This was approved by the City Council in Dec. 2015. Having each utility (Electric, Water & Wastewater) become solvent and not dependent on the others, is essential for the success of future projects to meet the needs of the citizens of Benton.

The Utility began receiving its wholesale electric power supply from the Constellation Energy Group on April 1, 2007. The contracted purchase price represented an increase of \$0.042656 per kwh over the previous Entergy contract price of \$0.037500 per kwh. The Commission issued a request for proposals (RFP) in early March 2012 with the assistance of consulting engineer GDS in order to solicit bids from wholesale energy providers to provide power to the City of Benton beginning in April 2014. The Utility Commission was successful in signing a new wholesale electric contract on November 19, 2012, with Constellation Energy Group (Excelon) for the city's wholesale power requirements beginning April 1, 2014. This reduced the energy cost to \$.0492 per kwh through May 31, 2019. The balance of the electric power requirements over the 5 mw entitlement we have on Plum Point Unit #1 (PPA) is being provided by Constellation and their contract expires June 1, 2019. The Utility Commission passed a rate reduction of 17.5% beginning April 1, 2014, because of the wholesale power contracts with Constellation and ownership in Plum Point power plant. This equates to a current MWh price of \$49.92.

In February of 2016, the PUC entered into a contract with GDS and Associates to facilitate new wholesale power contracts. GDS was very successful in their efforts to bring competition into the negotiations for our electrical needs. On Dec. 14, 2016, the contracts were signed to enter into a Wholesale Power Contract with Constellation beginning June 1, of 2019. The new contract lowers or cost per MWh to \$31.89. This lowered rate is expected to save \$3-\$4 million per year. These savings are necessary to meet the growing needs of the city and ensure adequate repair and maintenance of the infrastructure. The citizens of Benton have enjoyed reliable electrical service for many years. This reduction in the wholesale rate will allow us to continue to provide this excellent service. While this wholesale rate reduction will not result in a reduction of the retail rate to our customers, it is hoped that our efforts to make all services solvent, will allow this in the future. This will give our customers true control of their utility costs

Also in 2016, a new Billing and Customer Service Office was built on the property of the Electric Distribution Complex. This was a somewhat unexpected/unbudgeted cost to the Utility. WD&D was the architect and Massey Construction was the builder. The office began operations on Jan. 13, 2017. Massey's construction cost was \$464,044. Other related costs; engineering, architects, site preparation, moving the electric lay-down yard and buildings, paving, fencing, landscaping, signage etc. were approximately \$300,000. Most of these costs were paid from the Facilities Capital Improvement fund with the balance coming from the 2016 budget.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Utility's finances. If you have any questions about this report or need additional information, contact the Utility Comptroller, Attn: Cindy Hawkins, at 1827 Dale Avenue, Benton, AR 72015, call (501) 776-5931, or e-mail at [cindy@bentonar.org](mailto:cindy@bentonar.org)



Cindy Hawkins  
Comptroller  
Benton Utilities



**Yoakum, Lovell & Co., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable Mayor and Benton Public Utility Commission  
Benton Municipal Light and Water Works  
City of Benton, State of Arkansas

We have audited the accompanying financial statements of the Benton Municipal Light and Water Works of the City of Benton, State of Arkansas, as of and for the years ended December 31, 2016 and 2015, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benton Municipal Light and Water Works of the City of Benton, State of Arkansas as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in the net pension liability and related ratios and schedule of contributions for Benton Utilities employees' pension plan on pages 1 through 4 and pages 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 through 31 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Benton Municipal Light and Water Works and do not purport to, and do not present fairly the financial position of the City of Benton, State of Arkansas, as of December 31, 2016 and 2015, the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Yoakum, Lovell & Co., PLLC*  
Certified Public Accountants

Benton, Arkansas  
March 11, 2017

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Statements of Net Position  
December 31, 2016 and 2015

<b>Assets and Deferred Outflows of Resources</b>	<u>2016</u>	<u>(Restated) 2015</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,255,033	\$ 3,026,113
Utility Billings, Net of Allowance for Uncollectibles	2,296,833	2,156,883
Accounts Receivable	32,423	142,526
Prepaid Expenses	95,218	101,549
Supplies Inventory	21,809	20,380
Board Designated Funds	3,607,618	4,547,143
<b>Total Current Assets</b>	<u>8,308,934</u>	<u>9,994,594</u>
<b>Non-Current Assets</b>		
Restricted Funds	2,987,255	3,182,096
Capital Assets:		
Total Plant, Property and Equipment	175,017,073	167,865,507
Less Accumulated Depreciation	<u>(89,744,888)</u>	<u>(84,430,208)</u>
<b>Total Non-Current Assets</b>	<u>88,259,440</u>	<u>86,617,395</u>
<b>Deferred Outflows of Resources</b>		
Deferred Pension Outflows	1,837,881	706,115
Deferred Loss on Early Retirement of Debt	787,711	850,086
<b>Total Deferred Outflows of Resources</b>	<u>2,625,592</u>	<u>1,556,201</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 99,193,966</u>	<u>\$ 98,168,190</u>

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

<b>Liabilities and Net Position</b>		2016	(Restated) 2015
<b>Current Liabilities</b>			
Accounts Payable	\$	2,415,915	\$ 1,648,326
Customer Overpayments		5,612	6,871
Metered Deposits		1,863,217	1,772,948
Accrued Compensation		526,507	391,747
Sales Tax Payable		19,333	32,843
Accrued Interest Payable		655,162	671,950
Due to City Funds		128,135	147,126
Bonds Payable - Current Maturities		1,505,687	1,455,426
<b>Total Current Liabilities</b>		<u>7,119,568</u>	<u>6,127,237</u>
<b>Non-Current Liabilities</b>			
Revenue Bonds Payable, Less			
Current Maturities		43,251,199	44,756,886
Premium on Revenue Bonds		3,259,199	3,539,017
Discount on Revenue Bonds		(128,443)	(142,390)
Net Pension Liability		3,814,903	2,872,023
<b>Total Non-Current Liabilities</b>		<u>50,196,858</u>	<u>51,025,536</u>
<b>Total Liabilities</b>		<u>57,316,426</u>	<u>57,152,773</u>
<b>Deferred Inflows of Resources</b>			
Deferred Pension Inflows		290,717	
<b>Net Position</b>			
Net Investment in Capital Assets		38,172,254	34,676,446
Restricted for Debt Service		1,820,567	1,791,668
Unrestricted		1,594,002	4,547,303
<b>Total Net Position</b>		<u>41,586,823</u>	<u>41,015,417</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$</b>	<u><u>99,193,966</u></u>	<b>\$</b> <u><u>98,168,190</u></u>

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2016 and 2015

	2016	(Restated) 2015
Operating Revenues		
Charges for Service	\$ 32,516,782	\$ 32,483,960
Service Charges and Connection Fees	1,329,704	703,763
Penalties	239,126	234,424
Other Income	250,341	221,527
Total Operating Revenues	<u>34,335,953</u>	<u>33,643,674</u>
Operating Expenses		
Power Costs	16,293,183	15,218,778
Plant Production Expenses	2,312,788	2,173,993
General and Distribution Expenses	5,115,675	4,846,582
Administrative Expenses	2,128,131	2,083,326
Depreciation	5,314,678	5,232,639
Franchise Fees	1,876,566	1,838,373
Total Operating Expenses	<u>33,041,021</u>	<u>31,393,691</u>
Operating Income	<u>1,294,932</u>	<u>2,249,983</u>
Non-Operating Revenues (Expenses)		
Interest Income	28,707	26,810
Interest Expense	(1,806,549)	(1,880,776)
Issuance Costs of Refunding Bonds		(437,975)
Total Non-Operating Revenues (Expenses)	<u>(1,777,842)</u>	<u>(2,291,941)</u>
Net Loss Before Contributions and Transfers	(482,910)	(41,958)
Capital Contributions	1,054,316	2,094,588
Transfers from the City of Benton Appropriations		263,975
Changes in Net Position	571,406	2,316,605
Total Net Position - Beginning of Year	<u>41,015,417</u>	<u>38,698,812</u>
Total Net Position - End of Year	<u>\$ 41,586,823</u>	<u>\$ 41,015,417</u>

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

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	2016	(Restated) 2015
Cash Flows from Operating Activities		
Receipts from Customers	\$ 33,930,893	\$ 33,386,113
Payments to Suppliers	(19,087,608)	(19,493,818)
Payments to Employees	(5,889,154)	(5,942,301)
Payments to City for Franchise Fees	(1,895,557)	(1,710,261)
Other Receipts	360,444	101,472
Net Cash Provided by Operating Activities	<u>7,419,018</u>	<u>6,341,205</u>
Cash Flow from Non-Capital Financing Activities		
Transfers from Board Designated Funds	939,525	18,122
Transfers from City Funds		336,101
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>939,525</u>	<u>354,223</u>
Cash Flows from Capital and Related Financing		
Purchases of Capital Assets	(7,015,499)	(5,323,621)
Principal Paid On Capital Debt	(1,455,426)	(27,895,177)
Interest Paid On Capital Debt	(2,026,831)	(1,677,056)
Proceeds from Revenue Bonds Issued		28,217,930
Deferred Loss of Revenue Bonds		(2,376,907)
Bond Issuance Costs		(437,975)
Contributions from Developers	1,054,316	2,048,094
Transfers from Restricted Accounts	285,110	872,158
Net Cash Used by Capital and Related Financing	<u>(9,158,330)</u>	<u>(6,572,554)</u>
Cash Flows from Investing Activities		
Interest Received	28,707	26,810
Net Cash Provided by Investing Activities	<u>28,707</u>	<u>26,810</u>
Net Change in Cash and Cash Equivalents	(771,080)	149,684
Cash and Cash Equivalents - Beginning of Year	3,026,113	2,876,429
Cash and Cash Equivalents - End of Year	<u>\$ 2,255,033</u>	<u>\$ 3,026,113</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 1,294,932	\$ 1,543,868
Items Not Requiring Cash:		
Depreciation	5,314,678	5,232,639
Changes in Assets and Liabilities:		
Receivables, Net	(31,106)	(87,893)
Prepays	6,331	(1,392)
Inventories	(1,429)	(4,337)
Accounts Payable	612,531	(306,045)
Accrued Expenses	121,250	(161,199)
Net Pension Liability	101,831	125,564
Net Cash Provided by Operating Activities	<u>\$ 7,419,018</u>	<u>\$ 6,341,205</u>

Non-Cash Capital Financing Activities:

Capital assets of \$46,494 were acquired through noncash contributions from street projects and developers for the year ended December 31, 2015.

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

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

**Note 1: Summary of Significant Accounting Policies**

The financial statements of the Benton Municipal Light and Water Works have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of the Benton Municipal Light and Water Works' accounting policies are described below:

- A. Reporting Entity** - The Benton Municipal Light and Water Works (the Utilities) is a part of the City of Benton, State of Arkansas (the City). The City is governed by the Mayor Council form of government which operated the utility system in prior years through January 1, 2006. Effective February 1, 2006, a Utility Commission was created and granted full power to manage, operate, control, supervise, improve, extend, maintain, and contract concerning the utility system, subject to the authorizing legislation and certain conditions set from time to time by the City Council. The statements reflect the results of operations or three departments: light, water and waste water. Material transactions between the departments have been eliminated.
- B. Basis of Accounting** - The Benton Municipal Light and Water Works is a proprietary enterprise type fund. The financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.
- C. Cash and Cash Equivalents** – For purposes of the statements of cash flows, the Utilities considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- D. Cash Deposits** – All cash deposits were insured or collateralized with securities held by the pledging financial institution, trust department, or by its agent in the City's name as of the balance sheet date.
- E. Inventories** - Inventories are stated at the lower of cost or market on a first-in, first-out method.
- F. Board Designated Funds** – The Utilities Board has designated that certain funds are to be deposited into separate accounts and are to be used for certain designated purposes. The funds may only be spent with the approval of the Utilities Board.
- G. Accumulated Compensated Absences** - It is the Utilities' 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 Utilities' services. It is the Utilities' policy to pay up to a maximum of 90 accumulated sick days to employees who retire from the Utilities. The following is a schedule of accrued compensation at December 31, 2016 and 2015, respectively:

	2016	2015
Accrued Salaries	\$ 92,269	\$ 74,889
Accrued Vacation	112,989	86,478
Accrued Sick	321,249	230,380
	\$ 526,507	\$ 391,747

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

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

**H. Capital Assets** – Capital assets, which include plant, property, equipment, and infrastructure assets, are stated at historical cost. Donated assets are valued at their fair market value on the date donated. Maintenance and repairs are charged directly against income as incurred. Renewals and betterments, which extend the useful lives of the assets, are capitalized. Interest costs incurred for specific projects are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more. Infrastructure assets capitalized have an original cost of \$250,000 or more. Depreciation has been provided for primarily on the straight-line method. Estimated useful lives are as follows:

Buildings	10 - 40 years
Vehicles	3 - 5 years
Furniture	3 - 10 years
Equipment and service	3 - 40 years

**I. Net Position** – The Utilities must report its net position as either restricted, unrestricted, or net investment in capital assets. These components of net position are defined below:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of the remaining balance in net position that does not meet the definition of restricted or net investment in capital assets.

**J. Use of Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

**K. Capitalized Interest** - Interest costs are capitalized when incurred by the Utilities on debt where proceeds were used to finance the construction of assets.

**Note 2: Board Designated Funds**

The Benton Public Utilities Board has designated the following funds as of December 31, 2016 and 2015:

	2016	2015
Public Utility Reservoir Contingent Fund	\$ 91,956	\$ 91,407
Public Utility Emergency Fund	2,511,776	2,172,269
Water System Capital Improvement Fund	749,695	743,041
Electric Capital Improvement Fund	27,886	305,794
Facilities Capital Improvement Fund	3,803	138,844
Wastewater Capital Improvement Fund	162,801	162,638
Alcoa Road Relocation and Improvement Fund	58,653	202,441
Construction Fund		175,161
Economic Development Fund	1,048	555,548
	\$ 3,607,618	\$ 4,547,143

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

**Note 2: Board Designated Funds (Cont'd)**

Board designated funds consist of funds in depository accounts. The carrying value is the market value for these accounts.

**Note 3: Restricted Funds**

The restricted funds as of December 31, 2016 and 2015 are as follows:

	2016	2015
Bond Funds	\$ 858,661	\$ 827,505
Debt Service Funds	1,617,068	1,636,113
Depreciation Fund	511,526	718,478
Total Restricted Funds	\$ 2,987,255	\$ 3,182,096

Restricted funds consist of funds in depository accounts and Treasury and Government Obligations. It is management's intent to hold the obligations to maturity, therefore the notes are carried at cost which approximates fair value.

**Note 4: Capital Assets**

The following is a summary of capital assets as of December 31, 2016 and 2015:

	Balance 12/31/15	Additions	Deletions	Transfers	Balance 12/31/16
Land	\$ 1,000,642	\$	\$	\$	\$ 1,000,642
Buildings - Administrative	1,000,466				1,000,466
Vehicles	3,270,992	36,731			3,307,723
Furniture and Office Equipment	175,781				175,781
Service Facilities and Equipment	158,987,255	2,191,311		4,059,556	165,238,122
Construction Materials	1,513,670	115,094			1,628,764
Construction in Process	1,916,701	4,808,430		(4,059,556)	2,665,575
	\$ 167,865,507	\$ 7,151,566	\$	\$	\$ 175,017,073
	Balance 12/31/14	Additions	Deletions	Transfers	Balance 12/31/15
Land	\$ 941,476	\$ 59,166	\$	\$	\$ 1,000,642
Buildings - Administrative	1,000,466				1,000,466
Vehicles	3,189,141	93,211	(11,360)		3,270,992
Furniture and Office Equipment	175,781				175,781
Service Facilities and Equipment	154,502,788	1,808,545		2,675,922	158,987,255
Construction Materials	1,187,861	325,809			1,513,670
Construction in Process	1,316,200	3,276,423		(2,675,922)	1,916,701
	\$ 162,313,713	\$ 5,563,154	\$ (11,360)	\$	\$ 167,865,507

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

**Note 5: Supplemental Cash Flow Disclosure**

The interest paid in the years ended December 31, 2016 and 2015 was \$2,026,831 and \$1,677,056, respectively.

**Note 6: Revenue Bonds Payable**

The interest rates and maturity dates of the revenue bonds payable as of December 31, 2016 are as follows:

Issue of March 6, 2009	4.75%	6/01/2039
Issue of April 1, 2012	1.00% to 5.00%	9/01/2036
Issue of July 1, 2015	2.00% to 5.00%	9/01/2036

The following schedule details the changes in revenue bonds payable for the years ending December 31:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 46,212,312	\$ 48,482,489	\$ 49,852,429
Issued		25,625,000	
Retired	(1,455,426)	(27,895,177)	(1,369,940)
Ending Balance	<u>\$ 44,756,886</u>	<u>\$ 46,212,312</u>	<u>\$ 48,482,489</u>

Maturities of revenue bonds as of December 31, 2016 are as follows:

	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2017	\$ 1,505,687	\$ 1,973,323	\$ 3,479,010
2018	1,545,960	1,930,200	3,476,160
2019	1,591,247	1,888,563	3,479,810
2020	1,636,547	1,840,713	3,477,260
2021	1,686,862	1,791,498	3,478,360
2022-2026	9,604,585	7,786,115	17,390,700
2027-2031	11,990,058	5,395,817	17,385,875
2032-2036	15,158,301	2,228,499	17,386,800
2037-2039	37,639	2,723	40,362
	<u>\$ 44,756,886</u>	<u>\$ 24,837,451</u>	<u>\$ 69,594,337</u>

**Bond Premium** – The series 2006, 2012 and 2015 revenue bonds were issued at a premium. The interest method of amortization is used to amortize the premium, based on the effective interest rate of the issue. The amount amortized for the years ended December 31, 2016 and 2015 was \$279,820 and \$220,554, respectively. The amortization is included in interest expense on the statement of revenues and expenses.

**Bond Discount** – The series 2012 revenue bonds were issued at a discount. The interest method of amortization is used to amortize the discount, based on the effective interest rate of the issue. The amount amortized for the years ended December 31, 2016 and 2015 was \$13,947 and \$14,929, respectively. The amortization is included in interest expense on the statement of revenues and expenses.

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

**Note 6: Revenue Bonds Payable (Cont'd)**

Loss from Early Retirement of Debt – The Benton Utilities Commission on December 12, 2011 requested and received a resolution dated December 19, 2011 from the Benton City Council for the issuance of a 2012 Refunding and Improvement Bond Issue. The bonds were issued April 1, 2012. The proceeds of the \$24,600,000 issue refunded the 1995, 1997, 2001a, 2002, 2004a and 2004b bonds outstanding. The Benton Utilities Commission requested and received a resolution dated June 8, 2015 from the Benton City Council for the issuance of a 2015 Refunding Bond Issue. The bonds were issued July 1, 2015. The proceeds of the \$25,625,000 issue refunded the 2006 bonds outstanding. The difference between the book value of the refunded debt and the amount required to retire the debt created an economic loss of \$89,795 for the 2012 refunding and \$810,515 for the 2015 refunding. Each respective loss was deferred over the life of the refunded debt using the interest method of amortization, based on the effective interest rate. The amount amortized for the years ended December 31, 2016 and 2015 was \$62,377 and \$30,034, respectively. For the years ended December 31, 2016 and 2015, this amortization is included in interest expense on the statement of revenues and expenses.

**Note 7: Retirement Plan**

The employees of the Benton Municipal Light and Water Works 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. As of the date of this report, the stand-alone financial report for 2016 is not available.

For financial statement purposes, the Utilities has recorded net pension liability and net pension inflows and outflows for the year ending December 31, 2015 using December 31, 2014 actuarial information and recorded net pension liability and net pension inflows and outflows for the year ending December 31, 2016 using December 31, 2015 actuarial information.

Membership in the plan as of December 31, 2015, 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 their period of service.

For services prior to October 31, 1968, benefits are based on .5% of monthly compensation and .5% 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% of average monthly compensation and .75% 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.

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

**Note 7: Retirement Plan (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 before December 31, 2011 make no contribution to the plan. For employees hired after December 31, 2011, 2% of compensation is contributed until January 1 following date of hire and 4% contribution thereafter. No employee contributes after thirty years of service. The Benton Municipal Light and Water Works' contribution is actuarially determined.

The following is a schedule of changes in the employers' net pension liability and related ratios for years ending December 31:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
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 Experience	(297,057)	116,426	(164,843)
Benefit Payments	(723,117)	(742,510)	(665,637)
Net Change in Total Pension Liability	<u>\$ (419,260)</u>	<u>\$ 783,486</u>	<u>\$ 545,657</u>
Total Pension Liability – Beginning	<u>\$ 16,336,107</u>	<u>\$ 15,552,621</u>	<u>\$ 15,006,964</u>
Total Pension Liability – Ending	<u>\$ 15,916,847</u>	<u>\$ 16,336,107</u>	<u>\$ 15,552,621</u>
Plan Fiduciary Net Position			
Contributions – Employee Mandatory	\$ 38,301	\$ 29,480	\$ 14,000
Contributions – Employer	700,012	750,000	700,000
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	<u>\$ (1,362,140)</u>	<u>\$ 657,922</u>	<u>\$ 1,602,970</u>
Net Position – Beginning	<u>\$ 13,464,084</u>	<u>\$ 12,806,162</u>	<u>\$ 11,203,192</u>
Net Position – Ending	<u>\$ 12,101,944</u>	<u>\$ 13,464,084</u>	<u>\$ 12,806,162</u>

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:

<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%
Total	<u>100%</u>	
Expected Inflation		3.00%

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

**Note 7: Retirement Plan (Cont'd)**

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 7.0% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefits increases. The actuarial value of assets was based on the fair market value.

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. A 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:

	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

Deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$ 290,717
Net difference between projected and actual earnings on pension plan investments	1,148,881	
Contributions subsequent to measurement date	689,000	
	\$ 1,837,881	\$ 290,717

Contributions made subsequent to the measurement date will reversed in year ending December 31, 2017, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the financial statements as follows:

Years ended December 31:		2017	\$ 250,880
		2018	250,880
		2019	250,880
		2020	250,880
		2021	(36,340)
		Thereafter	(109,016)
			\$ 858,164

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Notes to the Financial Statements

**Note 8: Subsequent Events**

Management has evaluated subsequent events through March 11, 2017, the date which the financial statements were available to be issued.

**Note 9: Related Party Transactions**

The Utilities pays a franchise fee to the City and reimburses and receives reimbursement from the City for certain shared costs. The Utilities owed the City \$128,135 and \$147,126 at December 31, 2016 and 2015, respectively. In the years ended December 31, 2016 and 2015, the City transferred \$400,000 in both years to the Utilities for ongoing Utility construction projects.

**Note 10: Restatement of Financial Statements**

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement replaces the requirements of Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50 *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. This statement requires the liability of employers to employees for defined benefit plans (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The Utilities has restated its 2015 financial statements for amounts previously reported when the Utilities adopted GASB Statement No. 68. The restatement includes an adjustment to (a) deferred pension outflows of \$706,115 related to the deferred recognition of pension expense, (b) reducing pension expense of \$706,115 related to the 2015 deferred pension outflows and (c) to increase unrestricted net position by \$706,115. The effects of the restatement on the balance sheet and statements of revenues, expenses and changes in net position as of December 31, 2015 are as follows:

	December 31, 2015	
	As Previously Reported	Restated
Total Assets and Deferred Outflows of Resources	\$ 97,462,075	\$ 98,168,190
Ending Unrestricted Net Position	3,841,188	4,547,303
Total Operating Expenses	32,099,806	31,393,691
Change in Net Position	\$ 1,610,490	\$ 2,316,605

Benton Municipal Light And Water Works  
City of Benton, State of Arkansas  
Schedule of Operating, Board Designated  
and Restricted Funds  
December 31, 2016 and 2015

	2016	2015
Operating Funds		
Cash on Hand	\$ 2,500	\$ 2,600
Demand Deposits - General Operating Accounts		
Bank of the Ozarks	1,415,346	1,392,514
First Security Bank	837,187	1,630,999
Total Operating Funds	2,255,033	3,026,113
Board Designated		
Reservoir Contingent Fund - First Security Bank	91,956	91,407
Utility Emergency Fund - First Security Bank	2,511,776	2,172,269
Water System Capital Improvement Fund - Bank of the Ozarks	749,695	743,041
Electric Capital Improvement Fund - Bank of the Ozarks	27,886	305,794
Facilities Capital Improvement Fund - Bank of the Ozarks	3,803	138,844
Wastewater Capital Improvement Fund - Bank of the Ozarks	162,801	162,638
Alcoa Road Utilities Relocation Fund - Bank of the Ozarks	58,653	202,441
Construction Fund - Bank of the Ozarks		175,161
Economic Development Fund - Bank of the Ozarks	1,048	555,548
Total Board Designated	3,607,618	4,547,143
Restricted Funds		
Bond Funds		
03/06/09 Issue - Regions Corporate Trust	1,348	1,347
04/01/12 Issue - US Bank	857,313	826,158
07/01/15 Issue - Simmons Trust	575,722	502,412
Total Bond Funds	1,434,383	1,329,917
Depreciation Fund		
Public Utilities - First Security Bank	511,526	718,478
Debt Service Escrow Fund		
04/01/12 01/01/15 Issue - US Bank	1,041,346	1,133,701
Total Debt Service Escrow Fund	1,041,346	1,133,701
Total Restricted Funds	2,987,255	3,182,096
Total Operating, Designated and Restricted Funds	\$ 8,849,906	\$ 10,755,352

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Departmental Statements of Revenues and Expenses  
For the Years Ended December 31, 2016 and 2015

	(Restated) 2015		(Restated) 2016		(Restated) 2015		Eliminations		(Restated) 2015	
	Light Dept.	Water Dept.	Water Dept.	Waste Water Dept.	Water Dept.	Waste Water Dept.	2016	2015	Combined Total	Combined Total
<b>Revenue - Operations</b>										
Fees	\$ 23,198,196	\$ 23,307,073	\$ 5,288,995	\$ 5,329,258	\$ 5,085,030	\$ 4,880,002	\$ (1,055,439)	\$ (1,032,373)	\$ 32,516,782	\$ 32,483,960
Service Charges and Connection Fees	400,549	248,977	455,810	156,758	473,345	298,028			1,329,704	703,763
Penalties	154,986	152,598	34,928	34,186	49,212	47,640			239,126	234,424
Other Income	197,931	131,603	22,714	28,187	29,696	61,737			250,341	221,527
<b>Total Revenue - Operations</b>	<b>23,951,662</b>	<b>23,840,251</b>	<b>5,802,447</b>	<b>5,548,389</b>	<b>5,637,283</b>	<b>5,287,407</b>	<b>(1,055,439)</b>	<b>(1,032,373)</b>	<b>34,335,953</b>	<b>33,643,674</b>
<b>Expenses - Operations</b>										
Power Costs	16,293,183	15,218,778							16,293,183	15,218,778
Plant Production	2,837,497	2,513,085	1,494,880	1,512,498	1,745,738	1,553,072	(927,830)	(891,577)	2,312,788	2,173,993
General and Distribution	731,637	722,412	1,294,002	1,184,210	1,105,162	1,276,193	(120,986)	(126,906)	5,115,675	4,846,582
Administrative	1,086,958	1,059,460	693,993	687,115	709,124	687,689	(6,623)	(13,890)	2,128,131	2,083,326
Depreciation	1,267,686	1,257,800	301,570	1,551,953	2,604,782	2,621,226			5,314,678	5,232,639
Franchise Fees			5,407,383	292,263	307,310	288,310			1,876,566	1,838,373
<b>Total Expenses - Operations</b>	<b>22,216,961</b>	<b>20,771,535</b>	<b>5,407,383</b>	<b>5,228,039</b>	<b>6,472,116</b>	<b>6,426,490</b>	<b>(1,055,439)</b>	<b>(1,032,373)</b>	<b>33,041,021</b>	<b>31,393,691</b>
Operating Income (Loss)	1,734,701	3,068,716	395,064	320,350	(834,833)	(1,139,083)			1,294,932	2,249,983
<b>Non-Operating Revenues (Expenses)</b>										
Interest Income	26,196	24,375	1,810	1,436	701	999			28,707	26,810
Interest Expense	(85,012)	(88,264)	(464,176)	(482,639)	(1,257,361)	(1,309,873)			(1,806,549)	(1,880,776)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(58,816)</b>	<b>(63,889)</b>	<b>(462,366)</b>	<b>(481,203)</b>	<b>(1,256,660)</b>	<b>(1,308,874)</b>			<b>(1,777,842)</b>	<b>(1,853,966)</b>
<b>Net Income (Loss) Before Contributions and Transfers</b>	<b>\$ 1,675,885</b>	<b>\$ 3,004,827</b>	<b>\$ (67,302)</b>	<b>\$ (160,853)</b>	<b>\$ (2,091,493)</b>	<b>\$ (2,447,957)</b>			<b>(482,910)</b>	<b>396,017</b>
Capital Contributions									1,054,316	2,094,588
Bond Issuance Costs										(437,975)
Transfers In:										263,975
Appropriations										
<b>Change in Net Position</b>									<b>\$ 571,406</b>	<b>\$ 2,316,605</b>

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Schedule of Plant Production and Treatment Expenses  
For the Year Ended December 31, 2016

	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 491,222	\$ 427,695	\$ 918,917
Fringe Benefits	215,166	192,026	407,192
Vehicle Operations	12,074	18,539	30,613
Building Maintenance	71,433	108,096	179,529
Equipment Repairs	106,520	182,070	288,590
Office Supplies	457	544	1,001
Janitorial Supplies and Services	3,458	3,207	6,665
Computer Supplies	789	1,356	2,145
Chemicals	155,608	42,404	198,012
Laboratory	3,850	24,893	28,743
Electric, Water and Waste Water	349,096	579,543	928,639
Miscellaneous	12,081	38,124	50,205
Heat - Natural Gas	1,663	58,354	60,017
Telephone	4,472	5,049	9,521
Equipment Rental		1,475	1,475
Small Tool Expense	1,838	2,824	4,662
Professional and Consulting	28,255	12,461	40,716
Insurance	33,000	39,504	72,504
Small Equipment Expense	3,898	7,574	11,472
<b>Total</b>	<b>\$ 1,494,880</b>	<b>\$ 1,745,738</b>	<b>\$ 3,240,618</b>

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Schedule of General, Distribution and Collection Expenses  
For the Year Ended December 31, 2016

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 1,449,237	\$ 578,394	\$ 434,937	\$ 2,462,568
Fringe Benefits	569,223	283,284	199,895	1,052,402
Vehicle Operations	136,060	69,351	55,949	261,360
Building Maintenance	7,438	100,871	6,074	114,383
Line Maintenance	93,955	145,345	54,156	293,456
Equipment Repairs	8,660	5,561	30,094	44,315
Street light Repairs	54,244			54,244
Lift Station Maintenance			93,318	93,318
Office Supplies	1,022	1,457	205	2,684
Janitorial Supplies and Services	8,336	2,600	2,895	13,831
Computer Supplies	2,189	1,407	1,014	4,610
Computer Services	32,915	1,887	1,346	36,148
Natural Gas	1,988	1,652	400	4,040
Electric, Water and Waste Water	10,706	8,946	135,186	154,838
Miscellaneous	47,162	13,409	11,322	71,893
Telephone	18,061	9,689	4,081	31,831
Equipment Rental	831	5,962	1,663	8,456
Small Tool Expense	17,198	1,721	2,165	21,084
Professional and Consulting	338,335	49,028	54,158	441,521
Insurance	25,941	4,600	10,892	41,433
Small Equipment Expense	13,996	8,838	5,412	28,246
Total	<u>\$ 2,837,497</u>	<u>\$ 1,294,002</u>	<u>\$ 1,105,162</u>	<u>\$ 5,236,661</u>

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Schedule of Administrative Expenses  
For the Year Ended December 31, 2016

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 303,287	\$ 303,287	\$ 303,286	\$ 909,860
Fringe Benefits	124,938	124,938	124,937	374,813
Vehicle Operations	4,891	4,891	4,890	14,672
Building Maintenance	2,243	2,243	2,242	6,728
Equipment Repairs	7,421	7,421	7,422	22,264
Office Supplies	11,326	11,326	11,326	33,978
Postage	28,345	28,345	28,346	85,036
Janitorial Supplies and Services	2,477	2,477	2,476	7,430
Computer Supplies	1,554	1,554	1,554	4,662
Computer and Billing Services	43,164	43,164	43,165	129,493
Electricity, Water and Waste Water	2,208	2,208	2,207	6,623
Miscellaneous	23,215	27,075	23,207	73,497
Heat - Natural Gas	196	196	195	587
Telephone	3,887	3,887	3,887	11,661
Professional and Consulting	101,376	101,376	101,375	304,127
Customer Collection Expense	7,900	7,900	7,899	23,699
Insurance	390	390	391	1,171
Small Equipment Expense	11,819	11,819	11,820	35,458
Bad Debt Expense	51,000	9,496	28,499	88,995
<b>Total</b>	<b>\$ 731,637</b>	<b>\$ 693,993</b>	<b>\$ 709,124</b>	<b>\$ 2,134,754</b>

Benton Municipal Light and Water Works  
 City of Benton, State of Arkansas  
 Supplemental Water and Sewer Disclosures

The following is a summary of water and sewer rates and usage information for the system at December 31, 2016:

**Sewer Monthly Rates**

- (a) 0-2 mg minimum average water usage - \$13.10
- (b) All over 2 mg minimum average water usage - \$13.10 minimum, plus \$4.95 per mg for all over 2 mg, out of city limits \$22.93 minimum and \$8.66 mg for all over 2 mg.
- (c) New residential customers charged \$30.00 per month until six (6) winter month's time frame established.
- (d) Commercial/industrial customers will be based on actual monthly water usage unless a leveled bill is approved by the utilities general manager.
- (e) Those sewer customers moving from one location to another on the city system, and having a previously established six (6) winter months usage time frame at the old location, shall have the sewer rate for their previous location continued at their new location.

**Number of Sewer Users**

	<u>2016</u>
Residential	13,536
Commercial	1,204
Industrial	<u>18</u>
	<u><u>14,758</u></u>

<b>Annual Billable Water</b>	<u>2016</u> <u>Gallons (000s)</u>
Total annual billable water	967,420
Less water billable to non-sewer customers	<u>(24,192)</u>
Net billable to sewer customers	<u><u>943,228</u></u>
Residential	726,286
Commercial	160,349
Industrial	<u>56,593</u>
Total water billable to sewer customers	<u><u>943,228</u></u>

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Revenue Bond Amortization Schedule  
Issue Dated March 6, 2009

December 31, 2016

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
			221,886
06/01/2017	2,810	5,270	219,076
12/01/2017	2,877	5,203	216,199
06/01/2018	2,945	5,135	213,254
12/01/2018	3,015	5,065	210,239
06/01/2019	3,087	4,993	207,152
12/01/2019	3,160	4,920	203,992
06/01/2020	3,235	4,845	200,757
12/01/2020	3,312	4,768	197,445
06/01/2021	3,391	4,689	194,054
12/01/2021	3,471	4,609	190,583
06/01/2022	3,554	4,526	187,029
12/01/2022	3,638	4,442	183,391
06/01/2023	3,724	4,356	179,667
12/01/2023	3,813	4,267	175,854
06/01/2024	3,903	4,177	171,951
12/01/2024	3,996	4,084	167,955
06/01/2025	4,091	3,989	163,864
12/01/2025	4,188	3,892	159,676
06/01/2026	4,288	3,792	155,388
12/01/2026	4,390	3,690	150,998
06/01/2027	4,494	3,586	146,504
12/01/2027	4,601	3,479	141,903
06/01/2028	4,710	3,370	137,193
12/01/2028	4,822	3,258	132,371
06/01/2029	4,936	3,144	127,435
12/01/2029	5,053	3,027	122,382
06/01/2030	5,173	2,907	117,209
12/01/2030	5,296	2,784	111,913
06/01/2031	5,422	2,658	106,491
12/01/2031	5,551	2,529	100,940
06/01/2032	5,683	2,397	95,257
12/01/2032	5,818	2,262	89,439
06/01/2033	5,956	2,124	83,483
12/01/2033	6,097	1,983	77,386
06/01/2034	6,242	1,838	71,144
12/01/2034	6,390	1,690	64,754
06/01/2035	6,542	1,538	58,212
12/01/2035	6,697	1,383	51,515
03/01/2036	6,857	1,223	44,658

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Revenue Bond Amortization Schedule  
Issue Dated March 6, 2009

December 31, 2016

Maturity Date	Principal	Interest	Principal Outstanding
12/01/2036	7,019	1,061	37,639
06/01/2037	7,186	894	30,453
12/01/2037	7,357	723	23,096
06/24/2038	7,531	549	15,565
12/01/2038	7,710	370	7,855
06/01/2039	7,855	187	
	<u>\$ 221,886</u>	<u>\$ 141,676</u>	

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Revenue Bond Amortization Schedule  
Issue Dated April 1, 2012

December 31, 2016

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$ 18,940,000
03/01/2017		398,825	18,940,000
09/01/2017	1,285,000	398,825	17,655,000
03/01/2018		379,550	17,655,000
09/01/2018	1,055,000	379,550	16,600,000
03/01/2019		363,725	16,600,000
09/01/2019	825,000	363,725	15,775,000
03/01/2020		351,350	15,775,000
09/01/2020	845,000	351,350	14,930,000
03/01/2021		338,675	14,930,000
09/01/2021	875,000	338,675	14,055,000
03/01/2022		321,175	14,055,000
09/01/2022	910,000	321,175	13,145,000
03/01/2023		302,975	13,145,000
09/01/2023	945,000	302,975	12,200,000
03/01/2024		284,075	12,200,000
09/01/2024	985,000	284,075	11,215,000
03/01/2025		259,450	11,215,000
09/01/2025	1,030,000	259,450	10,185,000
03/01/2026		233,700	10,185,000
09/01/2026	1,090,000	233,700	9,095,000
03/01/2027		206,450	9,095,000
09/01/2027	1,140,000	206,450	7,955,000
03/01/2028		177,950	7,955,000
09/01/2028	1,190,000	177,950	6,765,000
03/01/2029		154,894	6,765,000
09/01/2029	1,240,000	154,893	5,525,000
03/01/2030		130,869	5,525,000
09/01/2030	1,290,000	130,869	4,235,000
03/01/2031		105,875	4,235,000
09/01/2031	625,000	105,875	3,610,000
03/01/2032		90,250	3,610,000
09/01/2032	655,000	90,250	2,955,000
03/01/2033		73,875	2,955,000
09/01/2033	685,000	73,875	2,270,000
03/01/2034		56,750	2,270,000
09/01/2034	720,000	56,750	1,550,000
03/01/2035		38,750	1,550,000
09/01/2035	755,000	38,750	795,000
03/01/2036		19,875	795,000

Benton Municipal Light and Water Works  
 City of Benton, State of Arkansas  
 Revenue Bond Amortization Schedule  
 Issue Dated April 1, 2012

December 31, 2016

Maturity Date	Principal	Interest	Principal Outstanding
09/01/2036	795,000	19,875	
	\$ 18,940,000	\$ 8,578,075	

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Revenue Bond Amortization Schedule  
Issue Dated July 1, 2015

December 31, 2016

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
03/01/2017		582,600	25,595,000
09/01/2017	215,000	582,600	25,380,000
03/01/2018		580,450	25,380,000
09/01/2018	485,000	580,450	24,895,000
03/01/2019		575,600	24,895,000
09/01/2019	760,000	575,600	24,135,000
03/01/2020		564,200	24,135,000
09/01/2020	785,000	564,200	23,350,000
03/01/2021		552,425	23,350,000
09/01/2021	805,000	552,425	22,545,000
03/01/2022		536,325	22,545,000
09/01/2022	840,000	536,325	21,705,000
03/01/2023		515,325	21,705,000
09/01/2023	880,000	515,325	20,825,000
03/01/2024		493,325	20,825,000
09/01/2024	920,000	493,325	19,905,000
03/01/2025		470,325	19,905,000
09/01/2025	970,000	470,325	18,935,000
03/01/2026		455,775	18,935,000
09/01/2026	995,000	455,775	17,940,000
03/01/2027		435,875	17,940,000
09/01/2027	1,035,000	435,875	16,905,000
03/01/2028		410,000	16,905,000
09/01/2028	1,095,000	410,000	15,810,000
03/01/2029		382,625	15,810,000
09/01/2029	1,145,000	382,625	14,665,000
03/01/2030		354,000	14,665,000
09/01/2030	1,200,000	354,000	13,465,000
03/01/2031		324,000	13,465,000
09/01/2031	1,980,000	324,000	11,485,000
03/01/2032		274,500	11,485,000
09/01/2032	2,080,000	274,500	9,405,000
03/01/2033		222,500	9,405,000
09/01/2033	2,185,000	222,500	7,220,000
03/01/2034		167,875	7,220,000
09/01/2034	2,290,000	167,875	4,930,000
03/01/2035		110,625	4,930,000
09/01/2035	2,405,000	110,625	2,525,000
03/01/2036		50,500	2,525,000

Benton Municipal Light and Water Works  
 City of Benton, State of Arkansas  
 Revenue Bond Amortization Schedule  
 Issue Dated July 1, 2015

December 31, 2016

Maturity Date	Principal	Interest	Principal Outstanding
09/01/2036	2,525,000	50,500	
	\$ 25,595,000	\$ 16,117,700	

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Estimated Debt Service Coverage

December 31, 2016

Year Ending 12/31	03/06/2009 Bonds	4/1/2012 Bonds	7/1/2015 Bonds	Total Bonds
2017	\$ 16,160	\$ 2,082,650	\$ 1,380,200	\$ 3,479,010
2018	16,160	1,814,100	1,645,900	3,476,160
2019	16,160	1,552,450	1,911,200	3,479,810
2020	16,160	1,547,700	1,913,400	3,477,260
2021	16,160	1,552,350	1,909,850	3,478,360
2022	16,160	1,552,350	1,912,650	3,481,160
2023	16,160	1,550,950	1,910,650	3,477,760
2024	16,160	1,553,150	1,906,650	3,475,960
2025	16,160	1,548,900	1,910,650	3,475,710
2026	16,160	1,557,400	1,906,550	3,480,110
2027	16,160	1,552,900	1,906,750	3,475,810
2028	16,160	1,545,900	1,915,000	3,477,060
2029	16,160	1,549,787	1,910,250	3,476,197
2030	16,160	1,551,738	1,908,000	3,475,898
2031	16,160	836,750	2,628,000	3,480,910
2032	16,160	835,500	2,629,000	3,480,660
2033	16,160	832,750	2,630,000	3,478,910
2034	16,160	833,500	2,625,750	3,475,410
2035	16,160	832,500	2,626,250	3,474,910
2036	16,160	834,750	2,626,000	3,476,910
2037	16,160			16,160
2038	16,160			16,160
2039	8,042			8,042
Totals	<u>\$ 363,562</u>	<u>\$ 27,518,075</u>	<u>\$ 41,712,700</u>	<u>\$ 69,594,337</u>

Benton Municipal Light and Water Works  
City of Benton, State of Arkansas  
Required Supplementary Information  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Benton Utilities Employees' Pension Plan

	12/31/15	12/31/14	12/31/13	12/31/12
<b>Total Pension Liability</b>				
Service Cost	\$ 340,980	\$ 335,144	\$ 337,147	\$ 307,809
Service Transfer	(884,253)			
Interest	1,144,187	1,074,426	1,038,990	959,291
Difference Between Actual and Expected Experience	(297,057)	116,426	(164,843)	498,699
Benefit Payments	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Total Pension Liability	<u>\$ (419,260)</u>	<u>\$ 783,486</u>	<u>\$ 545,657</u>	<u>\$ 1,147,634</u>
Total Pension Liability - Beginning	<u>\$ 16,336,107</u>	<u>\$ 15,552,621</u>	<u>\$ 15,006,964</u>	<u>\$ 13,859,330</u>
Total Pension Liability - Ending	<u><u>\$ 15,916,847</u></u>	<u><u>\$ 16,336,107</u></u>	<u><u>\$ 15,552,621</u></u>	<u><u>\$ 15,006,964</u></u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employee Mandatory	\$ 38,301	\$ 29,480	\$ 14,000	\$ 2,263
Contributions - Employer	700,012	750,000	700,000	725,000
Service Transfer	(884,253)			
Net Investment Income	(493,083)	620,952	1,554,607	918,794
Benefits Payments	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Plan Net Position	<u>\$ (1,362,140)</u>	<u>\$ 657,922</u>	<u>\$ 1,602,970</u>	<u>\$ 1,027,892</u>
Plan Fiduciary Net Position - Beginning	<u>\$ 13,464,084</u>	<u>\$ 12,806,162</u>	<u>\$ 11,203,192</u>	<u>\$ 10,175,300</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 12,101,944</u></u>	<u><u>\$ 13,464,084</u></u>	<u><u>\$ 12,806,162</u></u>	<u><u>\$ 11,203,192</u></u>
Net Pension Liability - Ending	<u><u>\$ 3,814,903</u></u>	<u><u>\$ 2,872,023</u></u>	<u><u>\$ 2,746,459</u></u>	<u><u>\$ 3,803,772</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>76.03%</u>	<u>82.42%</u>	<u>82.34%</u>	<u>74.65%</u>
Covered Payroll	<u>\$ 3,758,978</u>	<u>\$ 3,223,284</u>	<u>\$ 3,236,306</u>	<u>\$ 3,263,281</u>
Net Pension Liability as a Percentage of Payroll	<u>101.49%</u>	<u>89.10%</u>	<u>84.86%</u>	<u>116.56%</u>

Benton Municipal Light and Water Works  
 City of Benton, State of Arkansas  
 Required Supplementary Information  
 Schedule of Contributions  
 Benton Utilities Employees' Pension Plan

Actuarial Valuation Date	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contribution as a % of Payroll (b/c)
12/31/14	\$ 697,224	\$ 750,000	\$ (52,776)	\$ 3,236,306	23.17%
12/31/15	\$ 716,658	\$ 700,012	\$ 16,646	\$ 3,758,978	18.62%