

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, 2010 AND 2009

BENTON MUNICIPAL LIGHT AND WATER WORKS
 CITY OF BENTON, STATE OF ARKANSAS
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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, 2010. 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 REPORTS 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 CREDITORS (LIABILITIES). THE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS IDENTIFY THE UTILITY SYSTEM'S REVENUES AND EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009. 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.

2010 FINANCIAL HIGHLIGHTS

- THE UTILITY'S TOTAL REVENUES INCREASED BY \$4,442,153 OR (13.094%) FROM \$33,924,040 AT DECEMBER 31, 2009 TO \$38,366,193 AT DECEMBER 31, 2010. THE SUMMER MONTHS WERE HOTTER THAN NORMAL, AND HOTTER THAN THE SUMMERS OF 2008 AND 2009, RESULTING IN A HIGHER UTILITY UTILIZATION BY USERS, THEREFORE RESULTING IN HIGHER REVENUES FOR THE SYSTEM.
- THE UTILITY'S TOTAL EXPENSES INCREASED BY \$4,039,735 OR (11.786%) FROM \$34,274,617 AT DECEMBER 31, 2009 TO \$38,314,352 AT DECEMBER 31, 2010. THE PRINCIPAL COST INCREASE FACTORS WERE AN INCREASE IN WHOLESALE POWER COSTS AND INTEREST EXPENSE.
- THE UTILITY'S TOTAL ASSETS DECREASED BY \$3,388,694 OR (3.392%) FROM \$99,900,667 AT DECEMBER 31, 2009 TO \$96,511,973 AT DECEMBER 31, 2010. THE DECREASE IS DUE TO A DECREASE IN NET CAPITAL ASSETS. THE UTILITY COMPLETED SEVERAL CONSTRUCTION PROJECTS IN THE WASTEWATER DEPARTMENT AND CONVERTED THE ASSETS FROM CONSTRUCTION WORK-IN-PROGRESS TO DEPRECIABLE ASSETS. THE ADDITIONAL ACCUMULATED DEPRECIATION FOR THESE ASSETS, AS WELL AS THE DECREASE IN RESTRICTED ASSETS (BOND FUNDS USED FOR CONSTRUCTION) ACCOUNT FOR THE DECREASE IN NET CAPITAL ASSETS.
- INVESTMENT INCOME DECREASED BY \$17,357 OR (39.719%) DUE TO THE CONTINUATION OF SIGNIFICANTLY LOW INTEREST RATES.

FINANCIAL ANALYSIS OF THE UTILITY SYSTEM

THE STATEMENTS OF NET ASSETS (CONDENSED BALANCE SHEETS) AND CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROVIDE AN INDICATION OF THE UTILITY SYSTEM'S FINANCIAL CONDITION AND ALSO INDICATE THAT THE FINANCIAL CONDITION OF THE UTILITY SYSTEM IMPROVED DURING THE LAST TWO FISCAL YEARS. THE UTILITY SYSTEM'S NET ASSETS REFLECT THE DIFFERENCE BETWEEN ASSETS AND LIABILITIES. AN INCREASE IN NET ASSETS OVER TIME TYPICALLY INDICATES AN IMPROVEMENT IN FINANCIAL CONDITION.

CONDENSED BALANCE SHEETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS	11,008,728	10,566,717	11,944,522
RESTRICTED ASSETS	4,383,570	6,338,096	16,474,017
CAPITAL ASSETS, NET	80,523,423	82,346,302	75,012,146
OTHER ASSETS	<u>596,252</u>	<u>649,552</u>	<u>688,128</u>
TOTAL ASSETS	<u>96,511,973</u>	<u>99,900,667</u>	<u>104,118,813</u>
CURRENT LIABILITIES	6,011,698	6,896,272	9,029,624
LONG-TERM LIABILITIES	<u>44,210,634</u>	<u>45,793,918</u>	<u>47,076,337</u>
TOTAL LIABILITIES	<u>50,222,332</u>	<u>52,690,190</u>	<u>56,105,961</u>
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	39,400,460	41,414,001	42,386,271
RESTRICTED ASSETS		630	535,645
UNRESTRICTED ASSETS	<u>6,889,181</u>	<u>5,795,846</u>	<u>5,090,936</u>
TOTAL NET ASSETS	<u>46,289,641</u>	<u>47,210,477</u>	<u>48,012,852</u>
TOTAL LIABILITIES & NET ASSETS	<u>96,511,973</u>	<u>99,900,667</u>	<u>104,118,813</u>

TOTAL NET ASSETS DECREASED BY \$920,836 FROM \$47,210,477 AT DECEMBER 31, 2009 TO \$46,289,641 AT DECEMBER 31, 2010, A DECREASE OF 1.950%. CURRENT LIABILITIES DECREASED BY \$884,574 OR (12.827%) DUE PRIMARILY TO THE PAYMENT OF LARGE CONSTRUCTION PAYMENTS IN 2010 WHICH WERE ACCRUED ON DECEMBER 31, 2009.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:			
SERVICES, FEE AND PENALTIES	37,498,798	33,548,621	34,067,536
OTHER REVENUE	<u>841,053</u>	<u>331,720</u>	<u>218,431</u>
TOTAL OPERATING REVENUES	38,339,851	33,880,341	34,285,967
INVESTMENT INCOME	<u>26,342</u>	<u>43,699</u>	<u>382,778</u>
TOTAL REVENUE	<u>38,366,193</u>	<u>33,924,040</u>	<u>34,668,745</u>
OPERATING EXPENSES:			
POWER COSTS	21,997,066	20,028,978	21,522,859

PLANT PRODUCTION EXPENSES	2,231,020	1,787,962	1,949,758
GENERAL AND DISTRIBUTION EXPENSES	4,782,304	4,337,629	4,261,400
ADMINISTRATIVE EXPENSES	2,368,209	2,469,342	2,433,977
DEPRECIATION EXPENSE	<u>4,824,942</u>	<u>4,375,371</u>	<u>4,021,876</u>
TOTAL OPERATING EXPENSES	36,203,541	32,988,282	34,189,870
INTEREST EXPENSE	<u>2,110,811</u>	<u>1,286,335</u>	<u>1,110,806</u>
TOTAL EXPENSES	<u>38,314,352</u>	<u>34,274,617</u>	<u>35,300,676</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION, TRANSFERS, AND EXTRAORDINARY ITEMS	51,841	(350,577)	(631,931)
CAPITAL CONTRIBUTIONS	893,536	1,314,473	2,330,125
TRANSFERS	<u>(1,866,213)</u>	<u>(1,766,271)</u>	<u>(1,685,986)</u>
CHANGE IN NET ASSETS	(920,836)	(802,375)	12,208
NET ASSETS AT BEGINNING OF YEAR	<u>47,210,477</u>	<u>48,012,852</u>	<u>48,000,644</u>
NET ASSETS AT END OF YEAR	<u>46,289,641</u>	<u>47,210,477</u>	<u>48,012,852</u>

TOTAL REVENUES FROM SERVICES, FEES AND PENALTIES REFLECT A SUBSTANTIAL INCREASE FROM 2009 TO 2010. THE INCREASE AMOUNT WAS \$3,950,177, OR (11.774%). THE INCREASE IN REVENUES IS THE RESULT OF A HOT, DRY SUMMER IN 2010.

NET INCOME OF \$51,841 BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS, AND EXTRAORDINARY ITEMS, PLUS CAPITAL CONTRIBUTIONS OF \$893,536, LESS TRANSFERS TO THE CITY OF BENTON OF \$1,866,213 WERE THE THREE ITEMS WHICH RESULTED IN A DECREASE OF (\$920,836) IN NET ASSETS FOR THE YEAR ENDING DECEMBER 31, 2010.

THE ABOVE SCHEDULE INDICATES THAT THE UTILITY'S TOTAL REVENUES INCREASED BY \$4,442,153 OR (13.094%) FROM \$33,924,040 AT DECEMBER 31, 2009 TO \$38,366,193 AT DECEMBER 31, 2010. THE SUMMER MONTHS WERE RECORD-SETTING HOT, RESULTING IN A HIGHER UTILITY UTILIZATION BY USERS.

TOTAL EXPENSES INCREASED BY \$4,039,735 OR (11.786%) FROM \$34,274,617 AT DECEMBER 31, 2009 TO \$38,314,352 AT DECEMBER 31, 2010. THE PRINCIPAL COST INCREASE FACTORS WERE AN INCREASE IN WHOLESALE POWER COSTS AND HIGHER PLANT PRODUCTION EXPENSES.

CAPITAL ASSETS

AT DECEMBER 31, 2010 THE UTILITY HAD \$80,523,423 (NET OF DEPRECIATION) INVESTED IN CAPITAL ASSETS. THIS INVESTMENT IN CAPITAL ASSETS INCLUDES LAND, BUILDINGS, VEHICLES, EQUIPMENT, UTILITY INFRASTRUCTURE, CONSTRUCTION MATERIALS AND CONSTRUCTION IN PROGRESS. THE TOTAL DECREASE IN THE UTILITY'S INVESTMENT IN CAPITAL ASSETS FOR THE YEAR OF 2010 WAS \$1,822,879, OR A

DECREASE OF 2.214%, DUE TO A SUBSTANTIAL INCREASE IN ACCUMULATED DEPRECIATION FOR THE WASTEWATER PROJECTS THAT WERE CONVERTED FROM CONSTRUCTION WORK-IN-PROGRESS TO DEPRECIABLE ASSETS. A SCHEDULED SUMMARY SHOWING THE CHANGES TO THE VARIOUS CATEGORIES OF CAPITAL ASSETS DURING THE YEAR OF 2010 CAN BE FOUND IN NOTE 5 ON PAGE 15 OF THIS AUDIT REPORT.

DEBT ADMINISTRATION

AT DECEMBER 31, 2010, THE UTILITY HAD \$44,365,249 IN OUTSTANDING REVENUE BONDS PAYABLE COMPARED TO \$45,841,099 OUTSTANDING AT DECEMBER 31, 2009. THIS DECREASE OF \$1,475,850 IS THE AMOUNT OF BONDS RETIRED (PAID OFF) DURING THE YEAR. ACCUMULATED COMPENSABLE (ACCRUED VACATION AND SICK LEAVE) BALANCES OF \$430,903 AT DECEMBER 31, 2010 IS AN INCREASE OF \$56,813 OVER THE \$374,090 ACCRUED AS OF DECEMBER 31, 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

THE UTILITY COMMISSION ISSUED \$26,500,000 IN UTILITY REVENUE BONDS IN LATE DECEMBER 2006 FOR MAJOR WASTEWATER INFRASTRUCTURE IMPROVEMENTS AND REPAIRS TO ADDRESS GROWTH AND AN AGING SYSTEM. IN ALL, SEVEN PROJECTS WERE SCHEDULED AND ALL OF THEM WERE COMPLETED IN 2007 AND 2008 WITH THE EXCEPTION OF THE 5 MGD WASTEWATER TREATMENT PLANT EXPANSION, WHICH WAS SUBSTANTIALLY COMPLETED IN SEPTEMBER, 2009 AT COST OF \$15.29 MILLION. THE UTILITY COMMISSION SOUGHT AND GAINED APPROVAL OF A WASTEWATER RATE INCREASE IN JUNE, 2009. THERE WAS ALSO A WATER RATE INCREASE SOUGHT AND APPROVED IN JANUARY, 2009 WHICH INCLUDES AN AUTOMATIC 2% ANNUAL RATE INCREASE. THE RATE INCREASES ARE PROJECTED TO RESULT IN SUFFICIENT REVENUES TO OPERATE AND MAINTAIN THE SYSTEM AND COVER DEBT SERVICE REQUIREMENTS.

THE UTILITY BEGAN RECEIVING ITS WHOLESALE ELECTRIC POWER SUPPLY FROM THE CONSTELLATION ENERGY GROUP ON APRIL 1, 2007. THE CONTRACTED PURCHASE PRICE REPRESENTS AN INCREASE OF \$0.42656 PER KWH OVER PREVIOUS ENTERGY CONTRACT PRICE OF \$0.37500. THE UTILITY COMMISSION CONTINUES TO EXPLORE OPTIONS FOR LONG-TERM, LOWER COST POWER. OTHER OPTIONS ARE: (1) FORMING A JOINT ACTION AGENCY COMPRISED OF SEVERAL OTHER ARKANSAS MUNICIPALITIES TO ALLOW FOR RESOURCE SHARING AND REDUCED ENERGY COSTS, (2) POSSIBLY BUYING OWNERSHIP IN A NEW OR EXISTING COAL-FIRED GENERATING PLANT, AND/OR (3) ENTERING INTO A LONG-TERM PURCHASE POWER AGREEMENT WITH A PROVIDER OTHER THAN CONSTELLATION ENERGY GROUP AT A SIGNIFICANTLY LOWER COST. THE UTILITY COMMISSION CONTINUES TO PROJECT NO ELECTRIC RATE INCREASE IN THE IMMEDIATE FUTURE, RELYING ON RESERVE BALANCES AVAILABLE TO OFFSET LOSSES IN THE ELECTRIC DEPARTMENT, SHOULD WE EXPERIENCE ANOTHER ABNORMAL WET AND COOL SUMMER IN 2011.

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 DEPARTMENT OF FINANCE, ATTN: KAREN SCOTT, AT P. O. BOX 607, BENTON, ARKANSAS 72018-0607, CALL (501) 776-5917, OR E-MAIL AT KARENS@BENTONAR.ORG.

KAREN L. SCOTT
DIRECTOR OF FINANCE & ADMINISTRATION
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 BALANCE SHEETS OF THE BENTON MUNICIPAL LIGHT AND WATER WORKS OF THE CITY OF BENTON, STATE OF ARKANSAS, AS OF DECEMBER 31, 2010 AND 2009, AND THE RELATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS AND CASH FLOWS FOR THE YEARS THEN ENDED. THESE FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF THE BENTON MUNICIPAL LIGHT AND WATER WORKS OF THE CITY OF BENTON, STATE OF ARKANSAS'S MANAGEMENT. OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDITS.

WE CONDUCTED OUR AUDITS IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDITS TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT. AN AUDIT INCLUDES EXAMINING, ON A TEST BASIS, EVIDENCE SUPPORTING THE AMOUNTS AND DISCLOSURES IN THE FINANCIAL STATEMENTS. AN AUDIT ALSO INCLUDES ASSESSING THE ACCOUNTING PRINCIPLES USED AND SIGNIFICANT ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL FINANCIAL STATEMENT PRESENTATION. WE BELIEVE THAT OUR AUDITS PROVIDE A REASONABLE BASIS FOR OUR OPINION.

AS DISCUSSED IN NOTE 1, THE FINANCIAL STATEMENTS PRESENT ONLY THE BENTON MUNICIPAL LIGHT AND WATER WORKS AND ARE NOT INTENDED TO PRESENT FAIRLY THE FINANCIAL POSITION OF THE CITY OF BENTON, STATE OF ARKANSAS, AND THE RESULTS OF ITS OPERATIONS AND CASH FLOWS OF ITS GOVERNMENTAL ACTIVITIES IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES.

IN OUR OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF THE BENTON MUNICIPAL LIGHT AND WATER WORKS, CITY OF BENTON, STATE OF ARKANSAS, AS OF DECEMBER 31, 2010 AND 2009, AND THE RESULTS OF ITS OPERATIONS AND ITS CASH FLOWS FOR THE YEARS THEN ENDED IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES.

THE MANAGEMENT'S DISCUSSION AND ANALYSIS AND SCHEDULE OF FUNDING PROGRESS FOR BENTON UTILITIES EMPLOYEES' PENSION PLAN ON PAGES 1 THROUGH 4 AND PAGE 36, ARE NOT A REQUIRED PART OF THE BASIC FINANCIAL STATEMENTS BUT ARE SUPPLEMENTARY INFORMATION REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES. WE HAVE APPLIED CERTAIN LIMITED PROCEDURES, WHICH CONSISTED PRINCIPALLY OF INQUIRIES OF MANAGEMENT REGARDING THE METHODS OF MEASUREMENT AND PRESENTATION OF THE REQUIRED SUPPLEMENTARY INFORMATION. HOWEVER, WE DID NOT AUDIT THE INFORMATION AND EXPRESS NO OPINION ON THEM.

OUR AUDIT WAS CONDUCTED FOR THE PURPOSE OF FORMING AN OPINION ON THE FINANCIAL STATEMENTS OF THE BENTON MUNICIPAL LIGHT AND WATER WORKS OF THE CITY OF BENTON, STATE OF ARKANSAS. THE SUPPLEMENTARY INFORMATION PRESENTED ON PAGES 19 THROUGH 35 ARE PRESENTED FOR PURPOSES OF ADDITIONAL ANALYSIS AND ARE NOT A REQUIRED PART OF THE BASIC FINANCIAL STATEMENTS. THIS INFORMATION HAS NOT BEEN SUBJECTED TO THE AUDITING PROCEDURES APPLIED IN THE AUDIT OF THE BASIC FINANCIAL STATEMENTS AND, ACCORDINGLY, WE EXPRESS NO OPINION ON THEM.

Yakum, Joveel & Co. PC
CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS
FEBRUARY 18, 2011

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	\$ 3,982,821	\$ 4,145,913
UTILITY BILLINGS, NET OF ALLOWANCE FOR UNCOLLECTIBLES	2,845,167	2,553,984
ACCOUNTS RECEIVABLE	69,113	175,507
DUE FROM CITY FUNDS	9,836	
PREPAID EXPENSES	110,670	107,230
SUPPLIES INVENTORY	19,754	21,749
BOARD DESIGNATED FUNDS	3,971,367	3,562,334
TOTAL CURRENT ASSETS	<u>11,008,728</u>	<u>10,566,717</u>
NON-CURRENT ASSETS		
RESTRICTED FUNDS - NOTE 3	4,383,570	6,338,096
CAPITAL ASSETS:		
TOTAL PLANT, PROPERTY AND EQUIPMENT	140,920,842	138,011,704
LESS ACCUMULATED DEPRECIATION	(60,397,419)	(55,665,402)
DEFERRED BOND COSTS	596,252	649,552
TOTAL NON-CURRENT ASSETS	<u>85,503,245</u>	<u>89,333,950</u>
TOTAL ASSETS	<u>\$ 96,511,973</u>	<u>\$ 99,900,667</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

<u>LIABILITIES</u>		
	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 1,986,969	\$ 3,068,679
DUE TO CITY FUNDS		9,483
CUSTOMER OVERPAYMENTS	8,512	4,748
METERED DEPOSITS	1,352,561	1,233,801
ACCRUED COMPENSATION	430,903	374,090
SALES TAX PAYABLE	42,877	45,806
ACCRUED INTEREST PAYABLE	669,473	683,816
BONDS PAYABLE - CURRENT MATURITIES	1,520,403	1,475,849
TOTAL CURRENT LIABILITIES	<u>6,011,698</u>	<u>6,896,272</u>
NON-CURRENT LIABILITIES		
REVENUE BONDS PAYABLE, LESS		
CURRENT MATURITIES	42,844,846	44,365,250
PREMIUM ON REVENUE BONDS	1,471,699	1,548,804
DISCOUNT ON REVENUE BONDS	(105,911)	(120,136)
TOTAL NON-CURRENT LIABILITIES	<u>44,210,634</u>	<u>45,793,918</u>
TOTAL LIABILITIES	<u>50,222,332</u>	<u>52,690,190</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS, NET OF		
RELATED DEBTS	39,400,460	41,414,001
RESTRICTED		
FACILITIES DEVELOPMENT AND RISK		
MITIGATION FUND		630
UNRESTRICTED	6,889,181	5,795,846
TOTAL NET ASSETS	<u>46,289,641</u>	<u>47,210,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 96,511,973</u>	<u>\$ 99,900,667</u>

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
CHARGES FOR SERVICE	\$36,202,932	\$32,576,975
SERVICE CHARGES AND CONNECTION FEES	602,833	444,812
PENALTIES	510,556	435,772
FEMA - STORM DAMAGE	182,477	91,062
CONSTRUCTION REVENUE	573,945	
OTHER INCOME	267,108	331,720
TOTAL OPERATING REVENUES	<u>38,339,851</u>	<u>33,880,341</u>
EXPENSES - OPERATIONS		
POWER COSTS	21,997,066	20,017,978
PLANT PRODUCTION EXPENSES	2,231,020	1,787,962
GENERAL AND DISTRIBUTION EXPENSES	4,610,659	4,337,629
ADMINISTRATIVE EXPENSES	2,368,209	2,365,924
CONSTRUCTION COSTS	171,645	
DEPRECIATION	4,824,942	4,375,371
TOTAL EXPENSES - OPERATIONS	<u>36,203,541</u>	<u>32,884,864</u>
OPERATING INCOME	<u>2,136,310</u>	<u>995,477</u>
NON-OPERATING REVENUES (EXPENSES)		
INTEREST REVENUE	26,342	43,699
INTEREST EXPENSE	(2,110,811)	(1,389,753)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,084,469)</u>	<u>(1,346,054)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	51,841	(350,577)
CAPITAL CONTRIBUTIONS	893,536	1,314,473
TRANSFERS (TO) CITY OF BENTON		
FRANCHISE FEES	(1,866,213)	(1,672,604)
APPROPRIATIONS		(93,667)
CHANGES IN NET ASSETS	(920,836)	(802,375)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>47,210,477</u>	<u>48,012,852</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$46,289,641</u>	<u>\$47,210,477</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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIPTS FROM CUSTOMERS	\$ 37,599,918	\$33,732,658
PAYMENTS TO SUPPLIERS	(27,238,959)	(25,641,885)
PAYMENTS TO EMPLOYEES	(5,165,982)	(5,104,845)
OTHER RECEIPTS	555,979	253,577
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,750,956	3,239,505
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
TRANSFERS (TO) BOARD DESIGNATED FUNDS	(409,033)	(1,202,390)
TRANSFERS TO CITY FUNDS	(1,885,532)	(1,773,199)
CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(2,294,565)	(2,975,589)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING		
PURCHASES OF CAPITAL ASSETS	(2,307,228)	(10,569,980)
PROCEEDS FROM REVENUE BONDS		257,000
DEFERRED COSTS OF REVENUE BONDS		(17,735)
PRINCIPAL PAID ON CAPITAL DEBT	(1,475,850)	(1,489,886)
INTEREST PAID ON CAPITAL DEBT	(2,132,377)	(2,179,398)
CONTRIBUTIONS FROM DEVELOPERS	196,344	946,197
TRANSFERS TO DESIGNATED OR RESTRICTED ACCOUNTS	2,073,286	10,291,365
NET CASH USED BY CAPITAL AND RELATED FINANCING	(3,645,825)	(2,762,437)
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST AND DIVIDENDS RECEIVED	26,342	43,699
NET CASH PROVIDED BY INVESTING ACTIVITIES	26,342	43,699
NET CHANGE IN CASH AND CASH EQUIVALENTS	(163,092)	(2,454,822)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,145,913	6,600,735
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,982,821	\$ 4,145,913
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING INCOME	\$ 2,136,310	\$ 995,477
ITEMS NOT REQUIRING CASH:		
DEPRECIATION	4,824,942	4,375,371
CHANGES IN ASSETS AND LIABILITIES:		
RECEIVABLES, NET	(181,025)	131,300
PREPAIDS	(3,440)	(1,421)
INVENTORIES	1,995	(4,805)
ACCOUNTS PAYABLE	(1,081,710)	(2,267,635)
ACCRUED EXPENSES	53,884	11,218
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,750,956	\$ 3,239,505

NONCASH CAPITAL FINANCING ACTIVITIES

CAPITAL ASSETS OF \$697,192 AND \$368,276 WERE ACQUIRED THROUGH CONTRIBUTIONS FROM DEVELOPERS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009, RESPECTIVELY.

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 FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS - MANAGEMENT HAS EVALUATED SUBSEQUENT EVENTS THROUGH, FEBRUARY 18, 2011, THE DATE WHICH THE FINANCIAL STATEMENTS WERE AVAILABLE TO BE ISSUED.

- a. ORGANIZATION - THE BENTON MUNICIPAL LIGHT AND WATER WORKS 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 HAS OPERATED THE UTILITY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2005, AND PRIOR YEARS. 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 OF THREE DEPARTMENTS: LIGHT, WATER AND WASTE WATER. MATERIAL TRANSACTIONS BETWEEN THE DEPARTMENTS HAVE BEEN ELIMINATED.
- b. BASIS OF PRESENTATION - THE FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES. THE CITY'S REPORTING ENTITY APPLIES ALL RELEVANT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS AND APPLICABLE FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) PRONOUNCEMENTS AND ACCOUNTING PRINCIPAL BOARD (APB) OPINIONS ISSUED ON OR BEFORE NOVEMBER 30, 1989, UNLESS THEY CONFLICT WITH GASB PRONOUNCEMENTS OR APB OPINIONS ISSUED AFTER NOVEMBER 30, 1989.
- c. BASIS OF ACCOUNTING - THE BENTON MUNICIPAL LIGHT AND WATER WORKS, CITY OF BENTON, STATE OF ARKANSAS, 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.
- d. CASH AND CASH EQUIVALENTS - FOR PURPOSES OF THE STATEMENTS OF CASH FLOWS, THE CITY CONSIDERS ALL HIGHLY LIQUID INVESTMENTS WITH AN INITIAL MATURITY OF THREE MONTHS OR LESS TO BE CASH EQUIVALENTS.
- 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. INVENTORIES - INVENTORIES ARE STATED AT THE LOWER OF COST OR MARKET ON A FIRST-IN, FIRST-OUT METHOD.
- g. BOARD DESIGNATED FUNDS - THE BENTON PUBLIC 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 BENTON PUBLIC UTILITIES BOARD.

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
NOTES TO 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. CAPITALIZED INTEREST - INTEREST COSTS ARE CAPITALIZED WHEN INCURRED BY THE CITY ON DEBT WHERE PROCEEDS WERE USED TO FINANCE THE CONSTRUCTION OF ASSETS. SEE NOTE 4 FOR THE INTEREST CAPITALIZED DURING THE YEAR.
- j. DEFERRED BOND COST - THE COST OF ACQUIRING BONDS IS CAPITALIZED WHEN INCURRED. THE COST IS BEING AMORTIZED BY VARIOUS METHODS OVER THE LIFE OF THE RELATED BOND ISSUE.
- k. ACCUMULATED 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 ACCRUED COMPENSATION AT DECEMBER 31, 2010 AND 2009, RESPECTIVELY:

	<u>2010</u>	<u>2009</u>
ACCRUED SALARIES	\$ 136,787	\$ 121,152
ACCRUED VACATION	88,245	82,950
ACCRUED SICK	205,871	169,988
	<u>\$ 430,903</u>	<u>\$ 374,090</u>

- l. NET ASSETS - UNDER GASB 34, THE ASSOCIATION MUST REPORT ITS NET ASSETS AS EITHER RESTRICTED, UNRESTRICTED, OR INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT. THESE COMPONENTS OF NET ASSETS ARE DEFINED BELOW:

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT - THIS COMPONENT OF NET ASSETS 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, NET OF ANY FUNDS THAT HAVE BEEN RESTRICTED FOR THE PAYMENT OF THOSE BORROWINGS, ANY FUNDS SET ASIDE FOR THE PURCHASE OF CAPITAL ASSETS, OR ANY UNAMORTIZED ASSETS ORIGINATING FROM THE ISSUANCE OF DEBT.

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

RESTRICTED - THIS COMPONENT OF NET ASSETS 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 ASSETS CONSISTS OF NET ASSETS THAT DO NOT MEET THE DEFINITION OF RESTRICTED OR INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT.

- m. 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.

NOTE 2: BOARD DESIGNATED FUNDS

THE BENTON PUBLIC UTILITIES BOARD HAS DESIGNATED THE FOLLOWING FUNDS AS OF DECEMBER 31, 2010 AND 2009:

	<u>2010</u>	<u>2009</u>
PUBLIC UTILITY RESERVOIR MITIGATION FUND	\$ 91,827	\$ 93,952
PUBLIC UTILITY RATE RESERVE FUND	1,028,494	1,026,303
PUBLIC UTILITY CONTINGENCY FUND	964,190	962,136
UTILITY BOND RETIREMENT FUND	1,483,566	1,479,862
WATER SYSTEM CAPITAL IMPROVEMENT FUND	400,073	
FEMA FUND	3,217	81
	<u>\$ 3,971,367</u>	<u>\$ 3,562,334</u>

THE ACCOUNTS FOR THESE FUNDS ARE INVESTED IN THE STEPHENS LOCAL GOVERNMENT CASH MANAGEMENT TRUST. THE CARRYING VALUE IS THE MARKET VALUE FOR THESE INVESTMENTS.

NOTE 3: RESTRICTED FUNDS

THE RESTRICTED FUNDS AS OF DECEMBER 31, 2010 AND 2009 ARE AS FOLLOWS:

	<u>2010</u>	<u>2009</u>
BOND FUNDS	\$ 1,421,562	\$ 1,259,562
DEBT SERVICE FUNDS	2,379,128	2,538,789
DEPRECIATION FUND	362,558	528,706
FACILITIES IMPROVEMENT FUNDS	220,322	2,010,409
FACILITIES DEVELOPMENT AND RISK MITIGATION		630
TOTAL RESTRICTED FUNDS	<u>\$ 4,383,570</u>	<u>\$ 6,338,096</u>

RESTRICTED FUNDS CONSIST OF FUNDS IN DEPOSITORY ACCOUNTS, TREASURY NOTES, CERTIFICATES OF DEPOSIT AND STEPHENS LOCAL GOVERNMENT CASH MANAGEMENT TRUST. IT IS MANAGEMENT'S INTENT TO HOLD THE TREASURY NOTES TO MATURITY, THEREFORE THE NOTES ARE CARRIED AT COST. THE EXTERNAL INVESTMENT POOLS ARE CASH MANAGEMENT TRUSTS INVESTED IN U. S. TREASURY SECURITIES OR CERTAIN APPROVED OBLIGATIONS OF U. S. GOVERNMENT AGENCIES OR INSTRUMENTALITIES, CERTIFICATES OF DEPOSITS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

NOTE 3: RESTRICTED FUNDS (CONT'D)

COLLATERALIZED BY GOVERNMENT SECURITIES, WRITTEN REPURCHASE AGREEMENTS COLLATERALIZED BY GOVERNMENT SECURITIES, OR COMMERCIAL PAPER. THE FOLLOWING IS A SUMMARY OF THE RESTRICTED FUNDS INVESTMENTS AS OF DECEMBER 31, 2010 AND 2009:

	<u>DECEMBER 31, 2010</u>		
	<u>CARRYING VALUE</u>	<u>FAIR MARKET VALUE</u>	<u>UNRECOGNIZED GAIN</u>
BOND FUNDS			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
CASH MANAGEMENT TRUST	\$ 724,752	\$ 724,752	\$
GOLDMAN SACHS TREASURY	476,174	476,174	
TOTAL BOND FUNDS	<u>1,200,926</u>	<u>1,200,926</u>	
DEPRECIATION FUNDS			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
CASH MANAGEMENT TRUST	362,558	362,558	
DEBT SERVICE FUND			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
CASH MANAGEMENT TRUST	79,300	79,300	
STEPHENS INSURED			
CERTIFICATES OF DEPOSIT	1,385,000	1,385,000	
TOTAL DEBT SERVICE FUND	<u>1,464,300</u>	<u>1,464,300</u>	
IMPROVEMENT FUNDS			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
MANAGEMENT TRUST	44,753	44,753	
GOLDMAN SACHS TREASURY			
INSTRUMENTS	175,569	175,569	
TOTAL IMPROVEMENT FUNDS	<u>220,322</u>	<u>220,322</u>	
TOTAL	<u>\$ 3,248,106</u>	<u>\$ 3,248,106</u>	<u>\$</u>

	<u>DECEMBER 31, 2009</u>		
	<u>CARRYING VALUE</u>	<u>FAIR MARKET VALUE</u>	<u>UNRECOGNIZED GAIN</u>
BOND FUNDS			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
CASH MANAGEMENT TRUST	\$ 611,454	\$ 611,454	\$
GOLDMAN SACHS TREASURY	462,098	462,098	
TOTAL BOND FUNDS	<u>1,073,552</u>	<u>1,073,552</u>	
DEPRECIATION FUNDS			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
CASH MANAGEMENT TRUST	528,706	528,706	
DEBT SERVICE FUND			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
CASH MANAGEMENT TRUST	79,131	79,131	
STEPHENS INSURED			
CERTIFICATES OF DEPOSIT	2,000,000	2,000,000	
TOTAL DEBT SERVICE FUND	<u>2,079,131</u>	<u>2,079,131</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

NOTE 3: RESTRICTED FUNDS (CONT'D)

IMPROVEMENT FUNDS			
EXTERNAL INVESTMENT POOL			
STEPHENS LOCAL GOVERNMENT			
MANAGEMENT TRUST	45,288	45,288	
GOLDMAN SACHS TREASURY			
INSTRUMENTS	1,954,361	1,954,361	
TOTAL IMPROVEMENT FUNDS	<u>1,999,649</u>	<u>1,999,649</u>	
TOTAL	<u>\$ 5,681,038</u>	<u>\$ 5,681,038</u>	<u>\$</u>

NOTE 4: SUPPLEMENTAL CASH FLOW DISCLOSURE

THE INTEREST PAID IN THE YEARS ENDED DECEMBER 31, 2010 AND 2009 WAS \$2,132,377 AND \$2,179,398, RESPECTIVELY. THE INTEREST CAPITALIZED IN THE YEAR ENDED DECEMBER 31, 2009 WAS \$798,629.

NOTE 5: CAPITAL ASSETS

THE FOLLOWING IS A SUMMARY OF CAPITAL ASSETS AS OF DECEMBER 31, 2010 AND 2009:

	BALANCE 12/31/09	ADDITIONS	DELETIONS	TRANSFERS	BALANCE 12/31/10
LAND	\$ 608,245	\$	\$	\$	\$ 608,245
BUILDINGS-ADMINISTRATIVE	691,636				691,636
VEHICLES	3,133,752	64,979	(92,925)		3,105,806
FURNITURE AND OFFICE EQUIPMENT	175,781				175,781
SERVICE FACILITIES AND EQUIPMENT	132,382,242	1,945,845		826,626	135,154,713
CONSTRUCTION MATERIALS	773,318	235,087			1,008,405
CONSTRUCTION IN PROCESS	246,730	756,152		(826,626)	176,256
	<u>\$138,011,704</u>	<u>\$3,002,063</u>	<u>\$ (92,925)</u>	<u>\$</u>	<u>\$140,920,842</u>
	BALANCE 12/31/08	ADDITIONS	DELETIONS	TRANSFERS	BALANCE 12/31/09
LAND	\$ 603,289	\$	\$	\$ 4,956	\$ 608,245
BUILDINGS-ADMINISTRATIVE	674,805	16,831			691,636
VEHICLES	3,247,271	28,854	(142,373)		3,133,752
FURNITURE AND OFFICE EQUIPMENT	175,781				175,781
SERVICE FACILITIES AND EQUIPMENT	113,982,586	1,152,719		17,246,937	132,382,242
CONSTRUCTION MATERIALS	631,069	142,249			773,318
CONSTRUCTION IN PROCESS	7,129,749	10,368,874		(17,251,893)	246,730
PROPERTY AND EQUIPMENT	<u>\$126,444,550</u>	<u>\$11,709,527</u>	<u>\$ (142,373)</u>	<u>\$</u>	<u>\$138,011,704</u>

NOTE 6: REVENUE BONDS PAYABLE

BONDS PAYABLE - THE INTEREST RATES AND MATURITY DATES OF THE REVENUE BONDS PAYABLE AS OF DECEMBER 31, 2010 ARE AS FOLLOWS:

ISSUE OF NOVEMBER 01, 1995	2.50%	4/15/2018
ISSUE OF DECEMBER 15, 1997	3.25%	4/15/2018
ISSUE OF DECEMBER 01, 2001A	2.45% TO 4.70%	9/01/2016
ISSUE OF OCTOBER 01, 2002	2.50% TO 5.00%	9/01/2030
ISSUE OF JUNE 01, 2004A	1.30% TO 4.10%	9/01/2016

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

NOTE 6: REVENUE BONDS PAYABLE (CONT'D)

ISSUE OF JUNE	01, 2004B	1.90% TO 4.10%	9/01/2016
ISSUE OF DECEMBER	01, 2006	5.00%	9/01/2036
ISSUE OF MARCH	03, 2009	4.75%	6/01/2039

MATURITIES OF REVENUE BONDS AS OF DECEMBER 31, 2010 ARE AS FOLLOWS:

	<u>PRINCIPAL</u>	<u>INTEREST AND SERVICE FEES</u>	<u>TOTAL</u>
2011	\$ 1,520,403	\$ 2,076,073	\$ 3,596,476
2012	1,580,495	2,022,117	3,602,612
2013	1,561,146	1,963,929	3,525,075
2014	1,627,379	1,904,890	3,532,269
2015	1,694,209	1,841,587	3,535,796
2016-2020	6,314,172	8,308,136	14,622,308
2021-2025	7,017,769	6,841,461	13,859,230
2026-2030	8,947,763	4,909,287	13,857,050
2031-2035	11,425,398	2,435,902	13,861,300
2036-2039	2,676,515	136,257	2,812,772
	<u>\$44,365,249</u>	<u>\$ 32,439,639</u>	<u>\$76,804,888</u>

THE FOLLOWING SCHEDULE DETAILS THE CHANGES IN REVENUE BONDS PAYABLE FOR THE YEARS ENDING DECEMBER 31:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
BEGINNING BALANCE	\$ 45,841,099	\$ 47,073,985	\$ 48,518,540
ISSUED		257,000	
RETIRED	(1,475,850)	(1,489,886)	(1,444,555)
ENDING BALANCE	<u>\$ 44,365,249</u>	<u>\$ 45,841,099</u>	<u>\$ 47,073,985</u>

BOND DISCOUNT - THE SERIES 2001, 2002, AND 2004 REVENUE BONDS WERE ISSUED AT DISCOUNTS. THE INTEREST METHOD OF AMORTIZATION IS USED TO AMORTIZE THE DISCOUNTS, BASED ON THE EFFECTIVE INTEREST RATE ON EACH ISSUE. THE AMOUNT AMORTIZED FOR THE YEARS ENDING DECEMBER 31, 2010 AND 2009, WAS \$14,226 AND \$15,512, RESPECTIVELY. THE AMORTIZATION IS INCLUDED IN INTEREST EXPENSE ON THE STATEMENT OF REVENUES AND EXPENSES. DURING THE CONSTRUCTION PERIOD, THIS AMOUNT IS CAPITALIZED WITH THE CONSTRUCTION COSTS.

BOND PREMIUM - THE SERIES 2007 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, 2010 AND 2009 WAS \$77,105 IN BOTH YEARS. THE AMORTIZATION IS INCLUDED IN INTEREST EXPENSE ON THE STATEMENT OF REVENUES AND EXPENSES. DURING THE CONSTRUCTION PERIOD, \$49,747 WAS CAPITALIZED WITH THE CONSTRUCTION COSTS FOR THE YEAR ENDED DECEMBER 31, 2009.

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.

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

NOTE 7: RETIREMENT PLAN (CONT'D)

THE PLAN IS ADMINISTERED BY STEPHENS CAPITAL MANAGEMENT, INC. 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 2010 IS NOT AVAILABLE. MEMBERSHIP IN THE PLAN AS OF DECEMBER 31, 2009, IS AS FOLLOWS:

RETIREES AND BENEFICIARIES CURRENTLY	
RECEIVING BENEFITS	36
VESTED TERMINATED EMPLOYEES	24
DISABLED	1
CURRENT EMPLOYEES	<u>82</u>
TOTAL	<u>143</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.

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 MAKE NO CONTRIBUTION TO THE PLAN. THE BENTON MUNICIPAL LIGHT AND WATER WORKS' CONTRIBUTION IS ACTUARIALLY DETERMINED. THE AMOUNT CONTRIBUTED WAS \$750,000 IN 2010, \$625,000 IN 2009 AND \$600,000 IN 2008.

THE FOLLOWING IS A RECONCILIATION OF THE NET PENSION OBLIGATION (NPO) FOR THE YEARS ENDING DECEMBER 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
ANNUAL REQUIRED			
CONTRIBUTION (ARC)	\$ 670,844	\$ 508,252	\$ 504,252
INTEREST ON NPO	(28,349)	(21,531)	(14,404)
ADJUSTMENT TO ARC	<u>29,771</u>	<u>22,382</u>	<u>15,127</u>
ANNUAL PENSION COST (APC)	672,266	509,103	504,975
ACTUAL CONTRIBUTION MADE	<u>(625,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>
INCREASE (DECREASE) IN NPO	47,266	(90,897)	(95,025)
NPO - BEGINNING OF YEAR	<u>(377,981)</u>	<u>(287,084)</u>	<u>(192,059)</u>
NPO - END OF YEAR	<u>\$ (330,715)</u>	<u>\$ (377,981)</u>	<u>\$ (287,084)</u>

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
NOTES TO FINANCIAL STATEMENTS

NOTE 7: RETIREMENT PLAN (CONT'D)

THE ANNUAL REQUIRED CONTRIBUTION FOR 2010 WAS DETERMINED AS PART OF THE JANUARY 1, 2010, ACTUARIAL VALUATION USING THE ENTRY AGE NORMAL COST METHOD. THE ACTUARIAL ASSUMPTIONS INCLUDED 7.5% 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 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, 2010 WAS THIRTY YEARS. THE FOLLOWING REPRESENTS THE TRENDS FOR THE LAST THREE YEARS:

	APC	% OF APC CONTRIBUTED	NPO
2009	\$ 672,266	93.0%	\$ (330,715)
2008	\$ 509,103	117.8%	\$ (377,981)
2007	\$ 504,975	118.8%	\$ (287,084)

NOTE 8: CONSTRUCTION REVENUE/COSTS

THE BENTON PUBLIC UTILITIES BOARD CONTRACTED WITH THE STATE OF ARKANSAS HIGHWAY AND TRANSPORTATION DEPARTMENT FOR THE RELOCATION OF ELECTRICAL UTILITIES FOR THE MILITARY ROAD PROJECT. THE ELECTRIC DEPARTMENT RECEIVED \$573,945 FOR THE PROJECT. THE ELECTRIC DEPARTMENT INCURRED \$171,645 FOR MATERIAL COSTS FOR THE PROJECT. WAGES, BENEFITS, OVERHEAD AND EQUIPMENT COSTS INCURRED FOR THE PROJECT WERE NOT ALLOCATED TO THE JOB COST. MANAGEMENT BELIEVES THIS PROJECT DID NOT SIGNIFICANTLY INCREASE PAYROLL, OVERHEAD OR OTHER OPERATING COSTS AND CHOSE TO NOT RECLASSIFY THE EXPENSES TO CONSTRUCTION COSTS.

NOTE 9: RECLASSIFICATIONS

CERTAIN ACCOUNTS IN THE PRIOR-YEAR FINANCIAL STATEMENTS HAVE BEEN RECLASSIFIED FOR COMPARATIVE PURPOSES TO CONFORM WITH THE PRESENTATION IN THE CURRENT-YEAR FINANCIAL STATEMENTS. THE RECLASSIFICATIONS DID NOT AFFECT THE AMOUNT OF TOTAL ASSETS, LIABILITIES OR CHANGE IN NET ASSETS FROM THE PRIOR-YEAR.

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
SCHEDULE OF OPERATING, BOARD DESIGNATED
AND RESTRICTED FUNDS
DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING FUNDS		
CASH ON HAND	\$ 2,600	\$ 2,600
DEMAND DEPOSITS - GENERAL OPERATING ACCOUNTS		
BANK OF THE OZARKS	3,205,985	3,379,431
UNION BANK	256,993	247,740
STEPHENS INVESTMENT POOL	517,243	516,142
TOTAL OPERATING FUNDS	3,982,821	4,145,913
BOARD DESIGNATED		
RESERVOIR MITIGATION FUND - STEPHENS INVESTMENT POOL	91,827	93,952
UTILITY RATE RESERVE FUND - STEPHENS INVESTMENT POOL	1,028,494	1,026,303
UTILITY CONTINGENCY FUND - STEPHENS INVESTMENT POOL	964,190	962,136
UTILITY BOND RETIREMENT FUND	1,483,566	1,479,862
WATER SYSTEM CAPITAL IMPROVEMENT FUND - BANK OF THE OZARKS	400,073	
FEMA FUND - BANK OF THE OZARKS	3,217	81
TOTAL BOARD DESIGNATED	3,971,367	3,562,334
RESTRICTED FUNDS		
BOND FUNDS		
11/01/95 ISSUE - ADFA	71,700	71,699
12/17/97 ISSUE - ADFA	16,191	16,191
12/01/01A ISSUE - BANK OF THE OZARKS	130,125	95,376
10/01/02 ISSUE - STEPHENS INVESTMENT POOL	455,658	340,524
06/01/04 ISSUE - STEPHENS INVESTMENT POOL	269,094	270,930
12/01/06 ISSUE - GOLDMAN SACHS TREASURY INSTRUMENT	476,174	462,098
03/06/09 ISSUE - REGION CORPORATE TRUST DEPARTMENT	2,620	2,744
TOTAL BOND FUNDS	1,421,562	1,259,562
DEPRECIATION FUND		
PUBLIC UTILITIES - BANK OF THE OZARKS	362,558	528,706
DEBT SERVICE ESCROW FUND		
12/01/01A ISSUE - FIRST SECURITY BANK	142,967	200,733
10/01/02 ISSUE - STEPHENS CASH MANAGEMENT TRUST	79,300	79,131
10/01/02 ISSUE - STEPHENS INSURED CD'S		600,000
10/01/02 ISSUE - STEPHENS CASH ACCOUNT	642,222	148,771
10/01/06 ISSUE - GOLDMAN SACHS FS TREASURY FUND	128,018	97,771
10/01/06 ISSUE - STEPHENS INSURED CD'S	1,385,000	1,400,000
10/01/06 ISSUE - STEPHENS CASH ACCOUNT	1,621	12,383
TOTAL DEBT SERVICE ESCROW FUND	2,379,128	2,538,789
WATER SYSTEM IMPROVEMENT FUND		
WASTE WATER CAPITAL IMPROV. FUND-CASH MANAGEMENT TRUST		
WASTE WATER 2006 PROJECT CONSTRUCTION FUND:		
GOLDMAN SACHS TREASURY INVESTMENTS	175,569	1,954,361
WASTE WATER 2009 PROJECT CONSTRUCTION FUND		
REGIONS CORPORATE TRUST DEPARTMENT		11,390
FACILITIES DEV. AND RISK MITIGATION-STEPHENS CASH MGMT TRUST		630
WATER SYSTEM IMPROVEMENT FUND - STEPHENS CASH MGMT TRUST	44,753	44,658
TOTAL WATER SYSTEM IMPROVEMENT FUNDS	220,322	2,011,039
TOTAL RESTRICTED FUNDS	4,383,570	6,338,096
TOTAL OPERATING, DESIGNATED AND RESTRICTED FUNDS	\$12,337,758	\$14,046,343

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
DEPARTMENTAL STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010		2009		2010		2009		ELIMINATIONS		2010		2009	
	LIGHT DEPT.	WATER DEPT.	WATER DEPT.	WATER DEPT.	WASTE WATER	WASTE WATER	WASTE WATER	WASTE WATER	2010	2009	COMBINED TOTAL	COMBINED TOTAL		
REVENUE - OPERATIONS														
FEE	\$27,517,096	\$24,741,347	\$5,490,006	\$4,635,287	\$4,758,725	\$4,326,305					\$36,202,932	\$32,576,975		
SERVICE CHARGES AND CONNECTION FEES	279,835	198,179	76,310	83,513	246,688	163,120					602,833	444,812		
PENALTIES	334,778	286,249	73,649	64,755	102,129	84,768					510,556	435,772		
FEMA - STORM DAMAGE		30,740	132,795	6,426	49,682	53,896					182,477	91,062		
CONSTRUCTION REVENUE	573,945										573,945			
OTHER INCOME	206,188	289,182	26,252	15,236	34,668	27,302					276,108	331,720		
TOTAL REVENUE - OPERATIONS	28,911,842	25,545,697	5,799,012	4,805,217	5,191,892	4,655,391			(1,562,895)	(1,125,964)	38,339,851	33,880,341		
EXPENSES - OPERATIONS														
POWER COSTS	21,997,066	20,017,978									21,997,066	20,017,978		
PLANT PRODUCTION			1,755,872	1,407,117	1,885,607	1,348,713			(1,410,459)	(967,868)	2,231,020	1,787,962		
GENERAL AND DISTRIBUTION	2,717,368	2,308,728	778,044	762,443	1,247,756	1,397,751			(132,509)	(131,293)	4,610,659	4,337,629		
ADMINISTRATIVE	885,841	946,355	736,864	707,286	765,431	739,086			(19,927)	(26,803)	2,368,209	2,365,924		
CONSTRUCTION COSTS	171,645										171,645			
DEPRECIATION	979,074	991,146	1,425,378	1,467,426	2,420,490	1,916,799					4,824,942	4,375,371		
TOTAL EXPENSES - OPERATIONS	26,750,994	24,264,207	4,696,158	4,344,272	6,319,284	5,402,349			(1,562,895)	(1,125,964)	36,203,541	32,884,864		
OPERATING INCOME	2,160,848	1,281,490	1,102,854	460,945	(1,127,392)	(746,958)					2,136,310	995,477		
NONOPERATING REVENUES (EXPENSES)														
INTEREST REVENUE	16,916	17,131	4,907	15,120	4,519	11,448					26,342	43,699		
INTEREST EXPENSE		(2,575)	(568,497)	(603,495)	(1,542,314)	(783,683)					(2,110,811)	(1,389,753)		
TOTAL NONOPERATING REVENUES (EXPENSES)	16,916	14,556	(563,590)	(588,375)	(1,537,795)	(772,235)					(2,084,469)	(1,346,054)		
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$2,177,764	\$1,296,046	\$539,264	\$127,430	\$(2,665,187)	\$(1,519,193)					51,841	(350,577)		
CAPITAL CONTRIBUTIONS														
TRANSFERS OUT:														
FRANCHISE FEES											893,536	1,314,473		
APPROPRIATIONS											(1,866,213)	(1,672,604)		
CHANGE IN NET ASSETS											\$920,836	\$(802,385)		

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, 2010

	WATER DEPT.	WASTE WATER DEPT.	COMBINED TOTAL
SALARIES	\$ 362,610	\$ 318,916	\$ 681,526
FRINGE BENEFITS	164,731	173,870	338,601
VEHICLE OPERATIONS	11,570	29,566	41,136
BUILDING MAINTENANCE	392,217	31,773	423,990
EQUIPMENT REPAIRS	62,249	156,605	218,854
RESERVOIR REPAIRS	1,024		1,024
OFFICE SUPPLIES	141	434	575
JANITORIAL SUPPLIES AND SERVICES	935	3,641	4,576
COMPUTER SUPPLIES	892	3,793	4,685
CHEMICALS	215,611	57,822	273,433
LABORATORY	2,692	30,307	32,999
MISCELLANEOUS	12,527	21,847	34,374
ELECTRIC, WATER AND WASTE WATER	491,339	919,868	1,411,207
HEAT - NATURAL GAS	4,112	80,376	84,488
TELEPHONE	2,610	4,837	7,447
INSTRUMENTATION AND SUPPLIES	168		168
EQUIPMENT RENTAL	86		86
SMALL TOOLS	1,363	1,286	2,649
PROFESSIONAL AND CONSULTING	6,112	8,937	15,049
INSURANCE	22,011	23,333	45,344
SMALL EQUIPMENT	872	18,396	19,268
TOTAL	<u>\$1,755,872</u>	<u>\$1,885,607</u>	<u>\$3,641,479</u>

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
SCHEDULE OF GENERAL, DISTRIBUTION AND COLLECTIONS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	LIGHT DEPT.	WATER DEPT.	WASTE WATER DEPT.	COMBINED TOTAL
SALARIES	\$1,070,331	\$347,446	\$ 334,839	\$1,752,616
FRINGE BENEFITS	507,119	175,010	163,193	845,322
VEHICLE OPERATIONS	144,107	42,911	54,223	241,241
BUILDING MAINTENANCE	7,429	4,071	2,999	14,499
LINE MAINTENANCE	324,991	153,452	390,955	869,398
EQUIPMENT REPAIRS	6,396	2,988	2,175	11,559
STREET LIGHT REPAIRS	11,743			11,743
LIFT STATION MAINTENANCE			109,330	109,330
OFFICE SUPPLIES	1,177	620	316	2,113
JANITORIAL SUPPLIES AND SERVICES	4,399	2,628	2,773	9,800
COMPUTER SUPPLIES	1,079	1,252	733	3,064
COMPUTER SERVICES	6,059	158	335	6,552
ELECTRICAL GENERATION - NATURAL GAS	6,346	4,435	460	11,241
ELECTRIC, WATER AND WASTE WATER	10,924	11,694	140,428	163,046
MISCELLANEOUS	34,594	6,618	5,219	46,431
TELEPHONE	9,858	5,234	2,700	17,792
EQUIPMENT RENTAL		86		86
SMALL TOOL EXPENSE	14,598	1,968	2,555	19,121
PROFESSIONAL AND CONSULTING	497,548	2,259	12,780	512,587
INSURANCE	37,936	12,897	19,505	70,338
SMALL EQUIPMENT EXPENSE	20,734	2,317	2,238	25,289
TOTAL	<u>\$2,717,368</u>	<u>\$778,044</u>	<u>\$1,247,756</u>	<u>\$4,743,168</u>

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	LIGHT DEPT.	WATER DEPT.	WASTE WATER DEPT.	COMBINED TOTAL
SALARIES	\$371,803	\$371,803	\$371,803	\$1,115,409
FRINGE BENEFITS	163,108	163,108	163,109	489,325
VEHICLE OPERATIONS	12,090	12,090	12,089	36,269
BUILDING MAINTENANCE	1,899	1,899	1,899	5,697
EQUIPMENT REPAIRS	6,844	6,844	6,843	20,531
OFFICE SUPPLIES	11,735	11,735	11,736	35,206
POSTAGE	24,826	24,826	24,825	74,477
JANITORIAL SUPPLIES AND SERVICES	4,940	4,940	4,940	14,820
COMPUTER SUPPLIES COMPUTER AND BILLING SERVICES	2,996	2,996	2,995	8,987
	19,460	19,460	19,459	58,379
ELECTRICITY, WATER AND WATER MISCELLANEOUS	6,642	6,642	6,643	19,927
	18,494	18,494	18,493	55,481
HEAT - NATURAL GAS	3,584	3,584	3,584	10,752
TELEPHONE	4,790	4,790	4,789	14,369
PROFESSIONAL AND CONSULTING	14,805	14,805	14,805	44,415
CUSTOMER COLLECTION EXPENSE	22,686	22,686	22,685	68,057
INSURANCE	10,321	10,321	10,322	30,964
SMALL EQUIPMENT EXPENSE	6,064		1,192	7,256
ASSOCIATIONAL DUES		18,663		18,663
BAD DEBT EXPENSE	178,754	17,178	63,220	259,152
 TOTAL	 <u>\$885,841</u>	 <u>\$736,864</u>	 <u>\$765,431</u>	 <u>\$2,388,136</u>

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, 2010:

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 \$4.80 PER MG FOR ALL OVER 2 MG, OUT OF CITY LIMITS \$22.93 MINIMUM AND \$8.40 MG FOR ALL OVER 2 MG.

(C) NEW RESIDENTIAL CUSTOMERS CHARGED \$30.00 PER MONTH UNTIL SIX (6) WINTER MONTHS TIME FRAME ESTABLISHED.

(D) COMMERCIAL/INDUSTRIAL CUSTOMERS WILL BE BASED ON ACTUAL MONTHLY WATER USAGE UNLESS A LEVELIZED 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>2010</u>
RESIDENTIAL	12,234
COMMERCIAL	421
INDUSTRIAL	13
	<u>12,668</u>

<u>ANNUAL BILLABLE WATER</u>	<u>2010 GALLONS (000s)</u>
TOTAL ANNUAL BILLABLE WATER	1,059,000
LESS WATER BILLABLE TO NON-SEWERED CUSTOMERS	(45,504)
NET BILLABLE TO SEWER CUSTOMERS	<u>1,013,496</u>
RESIDENTIAL	769,661
COMMERCIAL	177,012
INDUSTRIAL	66,823
TOTAL WATER BILLABLE TO SEWER CUSTOMERS	<u>1,013,496</u>

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED NOVEMBER 1, 1995

DECEMBER 31, 2010

MATURITY DATE	PRINCIPAL	INTEREST	1% SERVICE FEE	PRINCIPAL OUTSTANDING
				2,816,009
04/15/2011	165,797	35,200	14,081	2,650,212
10/15/2011	168,700	33,128	13,250	2,481,512
04/15/2012	171,651	31,019	12,408	2,309,861
10/15/2012	174,656	28,873	11,549	2,135,205
04/15/2013	177,712	26,690	10,676	1,957,493
10/15/2013	180,822	24,469	9,787	1,776,671
04/15/2014	183,987	22,208	8,883	1,592,684
10/15/2014	187,206	19,909	7,963	1,405,478
04/15/2015	190,482	17,569	7,027	1,214,996
10/15/2015	193,815	15,188	6,075	1,021,181
04/15/2016	197,207	12,765	5,106	823,974
10/15/2016	200,658	10,300	4,120	623,316
04/15/2017	204,169	7,792	3,117	419,147
10/15/2017	207,743	5,239	2,096	211,404
04/15/2018	211,404	2,643	1,057	
	<u>\$2,816,009</u>	<u>\$292,992</u>	<u>\$117,195</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED DECEMBER 17, 1997

DECEMBER 31, 2010

<u>MATURITY DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>1% SERVICE FEE</u>	<u>PRINCIPAL OUTSTANDING</u>
				\$ 618,310
04/15/2011	35,431	10,047	3,092	582,879
10/15/2011	36,184	9,472	2,914	546,695
04/15/2012	36,953	8,884	2,733	509,742
10/15/2012	37,738	8,283	2,549	472,004
04/15/2013	38,540	7,670	2,360	433,464
10/15/2013	39,359	7,044	2,167	394,105
04/15/2014	40,196	6,404	1,971	353,909
10/15/2014	41,050	5,751	1,770	312,859
04/15/2015	41,922	5,084	1,564	270,937
10/15/2015	42,813	4,402	1,355	228,124
04/15/2016	43,723	3,707	1,141	184,401
10/15/2016	44,652	2,996	922	139,749
04/15/2017	45,601	2,271	699	94,148
10/15/2017	46,570	1,530	471	47,578
04/15/2018	47,578	773	238	
	<u>\$618,310</u>	<u>\$ 84,318</u>	<u>\$25,946</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED DECEMBER 1, 2001A

DECEMBER 31, 2010

<u>MATURITY DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL OUTSTANDING</u>
			\$1,435,000
03/01/2011	\$	32,018	1,435,000
09/01/2011	215,000	32,017	1,220,000
03/01/2012		27,502	1,220,000
09/01/2012	225,000	27,503	995,000
03/01/2013		22,665	995,000
09/01/2013	230,000	22,665	765,000
03/01/2014		17,605	765,000
09/01/2014	245,000	17,605	520,000
03/01/2015		12,093	520,000
09/01/2015	255,000	12,092	265,000
03/01/2016		6,227	265,000
09/01/2016	265,000	6,228	
	<u>\$1,435,000</u>	<u>\$236,220</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED OCTOBER 1, 2002

DECEMBER 31, 2010

MATURITY DATE	PRINCIPAL	INTEREST	PRINCIPAL OUTSTANDING
			\$ 9,115,000
03/01/2011		208,850	9,115,000
09/01/2011	300,000	208,850	8,815,000
03/01/2012		203,750	8,815,000
09/01/2012	310,000	203,750	8,505,000
03/01/2013		198,325	8,505,000
09/01/2013	320,000	198,325	8,185,000
03/01/2014		192,525	8,185,000
09/01/2014	335,000	192,525	7,850,000
03/01/2015		186,160	7,850,000
09/01/2015	345,000	186,160	7,505,000
03/01/2016		179,260	7,505,000
09/01/2016	360,000	179,260	7,145,000
03/01/2017		171,880	7,145,000
09/01/2017	375,000	171,880	6,770,000
03/01/2018		164,005	6,770,000
09/01/2018	390,000	164,005	6,380,000
09/01/2019		155,620	6,380,000
03/01/2019	410,000	155,620	5,970,000
09/01/2020		146,600	5,970,000
03/01/2020	425,000	146,600	5,545,000
09/01/2021		137,037	5,545,000
03/01/2021	445,000	137,038	5,100,000
09/01/2022		126,802	5,100,000
03/01/2022	465,000	126,803	4,635,000
09/01/2023		115,875	4,635,000
03/01/2023	485,000	115,875	4,150,000
09/01/2024		103,750	4,150,000
03/01/2024	510,000	103,750	3,640,000
09/01/2025		91,000	3,640,000
03/01/2025	535,000	91,000	3,105,000
09/01/2026		77,625	3,105,000
03/01/2026	565,000	77,625	2,540,000
09/01/2027		63,500	2,540,000
03/01/2027	590,000	63,500	1,950,000
09/01/2028		48,750	1,950,000
03/01/2028	615,000	48,750	1,335,000
09/01/2029		33,375	1,335,000
03/01/2029	650,000	33,375	685,000
09/01/2030		17,125	685,000
03/01/2030	685,000	17,125	
	<u>\$ 9,115,000</u>	<u>\$ 5,243,630</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
 CITY OF BENTON, STATE OF ARKANSAS
 REVENUE BOND AMORTIZATION SCHEDULE
 ISSUE DATED JUNE 1, 2004A

DECEMBER 31, 2010

<u>MATURITY DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL OUTSTANDING</u>
			\$ 2,365,000
03/01/2011		44,311	2,365,000
09/01/2011	405,000	44,312	1,960,000
03/01/2012		37,629	1,960,000
09/01/2012	420,000	37,629	1,540,000
03/01/2013		30,174	1,540,000
09/01/2013	365,000	30,173	1,175,000
03/01/2014		23,421	1,175,000
09/01/2014	375,000	23,422	800,000
03/01/2015		16,203	800,000
09/01/2015	395,000	16,202	405,000
03/01/2016		8,303	405,000
09/01/2016	405,000	8,302	
	<u>\$2,365,000</u>	<u>\$320,081</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED JUNE 1, 2004B

DECEMBER 31, 2010

MATURITY DATE	PRINCIPAL	INTEREST	PRINCIPAL OUTSTANDING
			\$1,265,000
03/01/2011		23,831	1,265,000
09/01/2011	190,000	23,831	1,075,000
03/01/2012		20,697	1,075,000
09/01/2012	200,000	20,696	875,000
03/01/2013		17,146	875,000
09/01/2013	205,000	17,146	670,000
03/01/2014		13,354	670,000
09/01/2014	215,000	13,354	455,000
03/01/2015		9,215	455,000
09/01/2015	225,000	9,215	230,000
03/01/2016		4,715	230,000
09/01/2016	230,000	4,715	
	<u>\$1,265,000</u>	<u>\$177,915</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED DECEMBER 1, 2006

DECEMBER 31, 2010

MATURITY DATE	PRINCIPAL	INTEREST	PRINCIPAL OUTSTANDING
			\$26,500,000
03/01/2011		662,500	26,500,000
09/01/2011		662,500	26,500,000
03/01/2012		662,500	26,500,000
09/01/2012		662,500	26,500,000
03/01/2013		662,500	26,500,000
09/01/2013		662,500	26,500,000
03/01/2014		662,500	26,500,000
09/01/2014		662,500	26,500,000
03/01/2015		662,500	26,500,000
09/01/2015		662,500	26,500,000
03/01/2016		662,500	26,500,000
09/01/2016		662,500	26,500,000
03/01/2017		662,500	26,500,000
09/01/2017	185,000	662,500	26,315,000
03/01/2018		657,875	26,315,000
09/01/2018	460,000	657,875	25,855,000
03/01/2019		646,375	25,855,000
09/01/2019	745,000	646,375	25,110,000
03/01/2020		627,750	25,110,000
09/01/2020	785,000	627,750	24,325,000
03/01/2021		608,125	24,325,000
09/01/2021	820,000	608,125	23,505,000
03/01/2022		587,625	23,505,000
09/01/2022	865,000	587,625	22,640,000
03/01/2023		566,000	22,640,000
09/01/2023	905,000	566,000	21,735,000
03/01/2024		543,375	21,735,000
09/01/2024	950,000	543,375	20,785,000
03/01/2025		519,625	20,785,000
09/01/2025	1,000,000	519,625	19,785,000
03/01/2026		494,625	19,785,000
09/01/2026	1,045,000	494,625	18,740,000
03/01/2027		468,500	18,740,000
09/01/2027	1,100,000	468,500	17,640,000
03/01/2028		441,000	17,640,000
09/01/2028	1,160,000	441,000	16,480,000
03/01/2029		412,000	16,480,000
09/01/2029	1,215,000	412,000	15,265,000
03/01/2030		381,625	15,265,000

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED DECEMBER 1, 2006

DECEMBER 31, 2010

MATURITY DATE	PRINCIPAL	INTEREST	PRINCIPAL OUTSTANDING
09/01/2030	1,275,000	381,625	13,990,000
03/01/2031		349,750	13,990,000
09/01/2031	2,055,000	349,750	11,935,000
03/01/2032		298,375	11,935,000
09/01/2032	2,160,000	298,375	9,775,000
03/01/2033		244,375	9,775,000
09/01/2033	2,270,000	244,375	7,505,000
03/01/2034		187,625	7,505,000
09/01/2034	2,380,000	187,625	5,125,000
03/01/2035		128,125	5,125,000
09/01/2035	2,500,000	128,125	2,625,000
03/01/2036		65,625	2,625,000
09/01/2036	2,625,000	65,625	
	<u>\$26,500,000</u>	<u>\$25,731,750</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED MARCH 6, 2009

DECEMBER 31, 2010

MATURITY DATE	PRINCIPAL	INTEREST	PRINCIPAL OUTSTANDING
			\$ 250,930
06/01/2011	2,120	5,960	248,810
12/01/2011	2,171	5,909	246,639
06/01/2012	2,222	5,858	244,417
12/01/2012	2,275	5,805	242,142
06/01/2013	2,329	5,751	239,813
12/01/2013	2,384	5,696	237,429
06/01/2014	2,441	5,639	234,988
12/01/2014	2,499	5,581	232,489
06/01/2015	2,558	5,522	229,931
12/01/2015	2,619	5,461	227,312
06/01/2016	2,681	5,399	224,631
12/01/2016	2,745	5,335	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

BENTON MUNICIPAL LIGHT AND WATER WORKS
CITY OF BENTON, STATE OF ARKANSAS
REVENUE BOND AMORTIZATION SCHEDULE
ISSUE DATED MARCH 6, 2009

DECEMBER 31, 2010

MATURITY DATE	PRINCIPAL	INTEREST	PRINCIPAL OUTSTANDING
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
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>\$ 250,930</u>	<u>\$ 209,592</u>	

BENTON MUNICIPAL LIGHT AND WATER WORKS
 CITY OF BENTON, STATE OF ARKANSAS
 ESTIMATED DEBT SERVICE COVERAGE

DECEMBER 31, 2010

YEAR	11/01/95	12/17/97	12/01/01A	10/01/02	06/01/04A	06/01/04B	12/1/2006	03/06/2009	TOTAL
ENDING 12/31	BONDS	BONDS	BONDS	BONDS	BONDS	BONDS	BONDS	BONDS	BONDS
2011	\$ 430,156	\$ 97,140	\$ 279,035	\$ 717,700	\$ 493,623	\$ 237,662	\$ 1,325,000	\$ 16,160	\$ 3,596,476
2012	430,156	97,140	280,005	717,500	495,258	241,393	1,325,000	16,160	3,602,612
2013	430,156	97,140	275,330	716,650	425,347	239,292	1,325,000	16,160	3,525,075
2014	430,156	97,142	280,210	720,050	421,843	241,708	1,325,000	16,160	3,532,269
2015	430,156	97,140	279,185	717,320	427,405	243,430	1,325,000	16,160	3,535,796
2016	430,156	97,141	277,455	718,520	421,605	239,430	1,325,000	16,160	3,525,467
2017	430,156	97,142		718,760			1,510,000	16,160	2,772,218
2018	215,104	48,589		718,010			1,775,750	16,160	2,773,613
2019				721,240			2,037,750	17,160	2,776,150
2020				718,200			2,040,500	16,160	2,774,860
2021				719,075			2,036,250	16,160	2,771,485
2022				718,605			2,040,250	16,160	2,775,015
2023				716,750			2,037,000	16,160	2,769,910
2024				717,500			2,036,750	16,160	2,770,410
2025				717,000			2,039,250	16,160	2,772,410
2026				720,250			2,034,250	16,160	2,770,660
2027				717,000			2,037,000	16,160	2,770,160
2028				712,500			2,042,000	16,160	2,770,660
2029				716,750			2,039,000	16,160	2,771,910
2030				719,250			2,038,250	16,160	2,773,660
2031							2,754,500	16,160	2,770,660
2032							2,756,750	16,160	2,772,910
2033							2,758,750	16,160	2,774,910
2034							2,755,250	15,160	2,770,410
2035							2,756,250	16,160	2,772,410
2036							2,756,250	16,160	2,772,410
2037								16,160	16,160
2038								16,160	16,160
2039								8,042	8,042
TOTALS	\$3,226,196	\$728,574	\$1,671,220	\$14,358,630	\$2,685,081	\$1,442,915	\$52,231,750	\$ 460,522	\$76,804,888

BENTON MUNICIPAL LIGHT AND WATER WORKS
 CITY OF BENTON, STATE OF ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR
 BENTON UTILITIES EMPLOYEES' PENSION PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY		UNFUNDED ACCRUED LIABILITY (UAL)		FUNDED RATIO (a/b)		COVERED PAYROLL (c)		UAL AS A % OF COVERED PAYROLL (b-a)/c
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c				
12/31/09	\$8,965,792	\$12,539,395	\$3,573,603	71.50%	\$3,236,853	110.40%				
12/31/08	\$7,626,071	\$11,899,434	\$4,273,363	64.09%	\$3,268,385	130.75%				
12/31/07	\$8,851,233	\$11,271,934	\$2,420,701	78.52%	\$3,192,087	75.83%				
12/31/06	\$8,215,017	\$10,642,209	\$2,427,192	77.19%	\$3,131,928	77.50%				
12/31/05	\$7,066,797	\$9,824,570	\$2,757,773	71.93%	\$2,855,763	96.57%				