



Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

City of Benton, Arkansas

Regulatory Basis Financial Statements,
Supplementary Information and Other Reports

For the Years Ended December 31, 2015 and 2014

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

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Honorable Mayor and City Council
City of Benton, Arkansas

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Benton, Arkansas, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Benton, Arkansas, as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

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

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the omissions described in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above do not present fairly, in accordance with regulatory basis of accounting, as described in Note 1(B) and 1(C), the financial position of the other funds in the aggregate of the City, as of December 31, 2015 and 2014, and the regulatory basis revenues, expenditures, and changes in net position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund and street funds of the City of Benton, Arkansas, as of December 31, 2015 and 2014, and the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general and street funds for the years then ended in accordance with the financial reporting provisions of the Arkansas code described in Note 1(C).

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the regulatory basis financial statements that collectively comprise the City of Benton, Arkansas' basis financial statements. The supplementary information on pages 28 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, because of the effects on the financial information in the supporting schedules of the omissions discussed above, such information is not presented fairly in all material respects in relation to the financial statements taken as a whole. The supplementary information in the schedule of capital assets is required by the regulatory basis of presentation and is presented for the purpose of additional analysis. We have not applied auditing procedures to this information and, accordingly, we do not express an opinion or provide any assurance on the schedule of capital assets.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Benton, Arkansas
May 24, 2016

City of Benton, Arkansas
 Combined Balance Sheet - Regulatory
 Presentation - Modified Accrual Basis
 December 31, 2014

Assets	General Fund	Street Fund	Other Funds in the Aggregate
Assets			
Cash and Equivalents:			
Unassigned	\$ 1,851,977	\$ 5,116,695	\$ 1,670,226
Council Committed	754,413	214,565	5,012
Restricted	63,333	2,778,040	10,609,897
Investments-Restricted			50,160,646
Other Receivables	7,073		72,937
Prepaid Expenses	46,580	11,341	11,830
Total Assets	<u>\$ 2,723,376</u>	<u>\$ 8,120,641</u>	<u>\$ 62,530,548</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 323,806	\$ 302,811	\$ 84,991
Accrued Compensation	338,237	23,440	24,103
Due to Other Funds	50,364	6,315	3,118
Assets Held in Trust			20,626,894
Total Liabilities	<u>712,407</u>	<u>332,566</u>	<u>20,739,106</u>
Fund Balances			
Restricted for Debt Service			2,775,803
Restricted for Capital Outlay		2,572,783	36,906,522
Restricted for Other Activities	63,333		426,861
Unrestricted:			
Committed	754,413	211,805	5,012
Unassigned	1,193,223	5,003,487	1,677,244
Total Fund Balances	<u>2,010,969</u>	<u>7,788,075</u>	<u>41,791,442</u>
Total Liabilities and Fund Balances	<u>\$ 2,723,376</u>	<u>\$ 8,120,641</u>	<u>\$ 62,530,548</u>

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

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

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

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

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Regulatory Presentation - Modified Accrual Basis
 For the Year Ended December 31, 2014

	General Fund	Street Fund	Other Funds in the Aggregate
Revenues			
Tax Revenues	\$ 2,366,315	\$ 2,679,374	\$ 12,337,062
Bonds, Fines and Fees	600,818		1,036,503
Permits and Licenses	303,620	116,249	
Federal and State Grants	178,797	166,999	232,500
Investment Income	2,136	7,623	(33,872)
Other	381,278	309,846	354,689
Total Revenues	<u>3,832,964</u>	<u>3,280,091</u>	<u>13,926,882</u>
Expenditures			
Human Resources	9,055,326	668,990	622,277
Operations and Maintenance	991,908	576,830	376,690
Utilities	78,335	13,049	41,715
Outside Services	1,028,001	52,893	492,227
Educational/Professional	186,235	3,439	43,670
Capital Outlay	1,113,370	1,637,414	2,053,194
Principal Payments			738,691
Interest Payments			1,288,762
Total Expenditures	<u>12,453,175</u>	<u>2,952,615</u>	<u>5,657,226</u>
Excess (Deficit) of Revenues over Expenditures	<u>(8,620,211)</u>	<u>327,476</u>	<u>8,269,656</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets	96,064	10,697	284,562
Proceeds From Debt			38,261,068
Bond Discount And Issue Costs			(487,043)
Transfers In	9,202,784	2,352,376	6,813,846
Transfers Out	(637,532)	(1,054,831)	(15,198,748)
Total Other Financing Sources and (Uses)	<u>8,661,316</u>	<u>1,308,242</u>	<u>29,673,685</u>
Changes in Fund Balances	41,105	1,635,718	37,943,341
Fund Balances at Beginning of Year	<u>1,969,864</u>	<u>6,152,357</u>	<u>3,848,101</u>
Fund Balances at End of Year	<u>\$ 2,010,969</u>	<u>\$ 7,788,075</u>	<u>\$ 41,791,442</u>

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

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

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

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

City of Benton, Arkansas
Statement of Revenues and Expenditures - Budget and Actual -
General Fund - Regulatory Presentation - Modified Accrual Basis
For the Year Ended December 31, 2014

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,278,865	\$ 2,366,315	\$ 87,450
Bonds, Fines and Fees	724,171	600,818	(123,353)
Permits and Licenses	294,160	303,620	9,460
Federal and State Grants	152,674	178,797	26,123
Investment Income	900	2,136	1,236
Other	197,320	381,278	183,958
Total Revenues	3,648,090	3,832,964	184,874
Expenditures			
Human Resources	9,298,734	9,055,326	243,408
Operations and Maintenance	950,700	991,908	(41,208)
Utilities	179,888	78,335	101,553
Outside Services	1,003,405	1,028,001	(24,596)
Educational/Professional	199,355	186,235	13,120
Capital Outlay	1,131,736	1,113,370	18,366
Total Expenditures	12,763,818	12,453,175	310,643
Excess (Deficit) of Revenues over Expenditures	(9,115,728)	(8,620,211)	495,517
Other Financing Sources and (Uses)			
Gain on Sale of Assets	57,617	96,064	38,447
Transfers In	8,410,330	9,202,784	792,454
Transfers Out	(393,074)	(637,532)	(244,458)
Total Other Financing Sources and (Uses)	8,074,873	8,661,316	586,443
Change in Fund Balance	\$ (1,040,855)	\$ 41,105	\$ 1,081,960

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

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

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

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

City of Benton, Arkansas
Statement of Revenues and Expenditures - Budget and Actual -
Street Fund - Regulatory Presentation - Modified Accrual Basis
For the Year Ended December 31, 2014

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Tax Revenues	\$ 2,082,287	\$ 2,679,374	\$ 597,087
Permits and Licenses	98,700	116,249	17,549
Federal and State Grants	819,040	166,999	(652,041)
Investment Income	9,600	7,623	(1,977)
Other	310,000	309,846	(154)
Total Revenues	<u>3,319,627</u>	<u>3,280,091</u>	<u>(39,536)</u>
Expenditures			
Human Resources	740,126	668,990	71,136
Operations and Maintenance	1,002,660	576,830	425,830
Utilities	25,932	13,049	12,883
Outside Services	71,696	52,893	18,803
Educational/Professional	4,035	3,439	596
Capital Outlay	4,615,450	1,637,414	2,978,036
Total Expenditures	<u>6,459,899</u>	<u>2,952,615</u>	<u>3,507,284</u>
Excess (Deficit) of Revenues over Expenditures	<u>(3,140,272)</u>	<u>327,476</u>	<u>3,467,748</u>
Other Financing Sources and (Uses)			
Gain on Sale of Assets		10,697	10,697
Transfers In	2,674,796	2,352,376	(322,420)
Transfers Out	(1,080,380)	(1,054,831)	25,549
Total Other Financing Sources and (Uses)	<u>1,594,416</u>	<u>1,308,242</u>	<u>(286,174)</u>
Change in Fund Balance	<u>\$ (1,545,856)</u>	<u>\$ 1,635,718</u>	<u>\$ 3,181,574</u>

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

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

The following is a summary of the significant accounting policies:

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

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

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

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

City of Benton, Arkansas
Notes to the Financial Statements

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

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

City of Benton, Arkansas
Notes to the Financial Statements

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

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

Note 2: Legal or Contractual Provisions for Deposits and Investments

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

Note 3: Legal Debt Limit – Tax Secured Bond Issues

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. There were no property tax secured bond issues as of December 31, 2015 and 2014.

City of Benton, Arkansas
Notes to the Financial Statements

Note 4: Council Committed Funds

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

	<u>2015</u>	<u>2014</u>
General Fund		
Communications Systems Fund	\$ 62,561	\$ 72,334
Financial Stability Fund	693,546	682,079
	<u>756,107</u>	<u>754,413</u>
Street Fund		
Stormwater Fund	193,379	214,565
Other Funds in the Aggregate		
Fire Truck Reserve Fund	167,769	2,146
Contingency Fund	2,867	2,866
	<u>170,636</u>	<u>5,012</u>
Total Council Committed Funds	<u>\$ 1,120,122</u>	<u>\$ 973,990</u>

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

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

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

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

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

Note 5: Restricted Funds

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

	<u>2015</u>	<u>2014</u>
General Fund		
Court Automation Fund	\$ 43,566	\$ 27,742
Police Drug Control Funds	41,919	35,586
Economic Development Funds	5	5
	<u>85,490</u>	<u>63,333</u>
Street Fund		
Special Projects Fund		268,556
Street Improvements Fund	1,928,543	2,509,484
	<u>1,928,543</u>	<u>2,778,040</u>

City of Benton, Arkansas
Notes to the Financial Statements

Note 5: Restricted Funds (cont'd)

Other Funds in the Aggregate		
Economic Development Grant Fund	2,618	2,617
Military Redesign Fund	856,177	836,088
Park Improvements Fund	8,092,095	3,979,128
Debt Service Fund	3,265,458	2,646,656
Public Safety Fund	593,604	425,667
Parks and Recreation Fund	1,052	1,191
A&P Commission Fund	258,728	129,147
911 Fund	3	3
Agency and Pension Trust Funds	<u>1,313,657</u>	<u>2,589,400</u>
	<u>14,383,392</u>	<u>10,609,897</u>
 Total Restricted Funds	 <u>\$ 16,397,425</u>	 <u>\$ 13,451,270</u>

Note 6: Investments

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

	<u>2015</u>	<u>2014</u>
Simmons Bank Mutual Funds	\$ 16,804,790	\$ 16,298,759
First Security Bank U.S. Government Agency Obligations	26,985,944	32,123,152
LPL Financial Mutual Funds	<u>1,647,591</u>	<u>1,738,735</u>
Total Investments	<u>\$ 45,438,325</u>	<u>\$ 50,160,646</u>

Note 7: Commitments

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

The Regions Equipment Finance Corporation lease-purchase matured annually at 1.98% through March 7, 2014, secured by the vehicles purchased.

The Musco Finance, LLC lease-purchase had a balance of \$460,599 and \$678,350 at December 31, 2015 and 2014, respectively, maturing annually at 3.95% through November 2017, secured by the park lighting.

The Series 2012 hotel and restaurant gross receipts tax revenue bonds had a balance of \$6,430,000 and \$6,900,000 at December 31, 2015 and 2014, respectively. The bonds mature annually on August 1 at varying amounts through 2027, with interest due semi-annually on February 1 and August 1 at interest rates ranging from 1.162-4.555%, secured by a pledge of revenues derived by the City from a 1.5% tax on gross receipts from motels, hotels, restaurants and similar establishments within the City.

The Series 2012 capital improvement refunding and improvement revenue bonds had a balance of \$2,985,000 and \$3,180,000 at December 31, 2015 and 2014, respectively. The bonds mature annually on September 1 at varying amounts through 2028, with interest due semi-annually on March 1 and September 1 at interest rates ranging from 1.0-3.5%, secured by a pledge of revenues derived by the City from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City.

City of Benton, Arkansas
Notes to the Financial Statements

Note 7: Commitments (cont'd)

The Series 2014 sales and use tax bonds had a balance of \$37,195,000 and \$37,720,000 at December 31, 2015 and 2014, respectively. The bonds mature annually on June 1 at varying amounts through 2044, with interest due semi-annually on June 1 and December 1 at interest rates ranging from 2.0-5.0%, secured by a pledge of the tax receipts revenue derived by the City.

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

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,756,352	\$ 2,119,555	\$ 3,875,907
2017	1,794,247	2,078,309	3,872,556
2018	1,590,000	2,031,152	3,621,152
2019	1,630,000	1,988,475	3,618,475
2020	1,675,000	1,938,551	3,613,551
2021-2025	9,325,000	8,748,283	18,073,283
2026-2030	8,405,000	6,847,627	15,252,627
2031-2035	8,350,000	5,142,084	13,492,084
2036-2040	10,170,000	3,296,688	13,466,688
2041-2045	10,165,000	976,640	11,141,640
	<u>\$ 54,860,599</u>	<u>\$ 35,167,364</u>	<u>\$ 90,027,963</u>

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

	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 47,800,000	\$ 10,831,649
Additions	8,468,350	37,720,000
Retired	(1,407,751)	(751,649)
Ending Balance	<u>\$ 54,860,599</u>	<u>\$ 47,800,000</u>

Compensated Absences – It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the City's services. It is the City's policy to pay up to a maximum of 90 accumulated sick days to employees who retire from the City. The following is a schedule of compensated absences at December 31, 2015 and 2014:

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 7: Commitments (cont'd)

	General Fund	Street Fund	Other Funds	2014 Total
Unused Vacation	\$ 162,638	\$ 10,700	\$ 8,009	\$ 181,347
Unused Sick Leave	145,795	44,300	4,259	194,354
	<u>\$ 308,433</u>	<u>\$ 55,000</u>	<u>\$ 12,268</u>	<u>\$ 375,701</u>

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

Note 8: Risk Management

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

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

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

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

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

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 8: Risk Management (cont'd)

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

Note 9: Interfund Balances

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

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

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

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

The following is a schedule of interfund balances at December 31, 2014:

	Due from Other Funds	
	Utilities Fund	Due to Other Fund
General Fund	\$ 50,364	\$ 50,364
Street Fund	6,315	6,315
Other Funds in the Aggregate	3,118	3,118
	\$ 59,797	\$ 59,797

The amount of \$27,621 due the utilities fund from the general, street and other funds in the aggregate resulted from administration costs charged to the utilities fund employee costs and reimbursed through transfers from the various funds.

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 10: Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) reimburse a capital project or improvement fund for capital expenditures, (4) reimburse employee costs charged to the utilities fund and reimbursed through transfers from the various funds and (5) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of interfund transfers for the year ending December 31, 2015:

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

The following is a schedule of interfund transfers for the year ending December 31, 2014:

	Transfers In From Other Funds				Transfers Out to Other Funds
	General Fund	Street Fund	Other Funds in the Aggregate	Utilities Fund	
General Fund	\$	\$	\$ 438,704	\$ 198,828	\$ 637,532
Street Fund		1,000,000		54,831	1,054,831
Other Funds in the Aggregate	7,440,603	1,352,376	6,375,142	30,627	15,198,748
Utilities Fund	1,762,181				1,762,181
	<u>\$ 9,202,784</u>	<u>\$ 2,352,376</u>	<u>\$ 6,813,846</u>	<u>\$ 284,286</u>	<u>\$ 18,653,292</u>

Note 11: Retirement Plans

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

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

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

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

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

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

- C. Benton Firefighters Pension Fund – The City has a single-employer defined benefit plan which covers all full-time firemen hired prior to January 1, 1983. The plan was established in accordance with Act 491 of Arkansas Code Annotated of 1987. The plan is administered by a seven-member board of trustees comprised of the mayor, city clerk, fire chief and four members of the fire department. The plan's assets are held by the City in a pension trust fund. The financial statements and disclosures for the plan are also available in a stand-alone financial report provided by the actuary. Membership in the plan as of December 31, 2014, is as follows:

Retirees and Beneficiaries Currently	
Receiving Benefits	31
Current Employees	<u>2</u>
Total	<u>33</u>

Employees who have been duly appointed and enrolled and have served for a period of 20 years or more shall be entitled to retirement benefits. They are entitled to a monthly pension equal to one half of the salary attached to the rank that they may have held preceding retirement. Further, any employee who voluntarily retires with more than 20 years of continuous service shall receive the sum of \$5.00 per month for each year of additional service up to \$25.00 per month.

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

	2014	2013
Total Pension Liability		
Interest	\$ 351,811	\$ 355,764
Differences Between Actual and Expected Experience	63,381	16,977
Benefit Payments	<u>(452,252)</u>	<u>(451,381)</u>
Net Change in Pension Liability	\$ (37,060)	\$ (78,640)
Pension Liability – Beginning	\$ 7,262,338	\$ 7,340,978
Pension Liability – Ending	<u>\$ 7,225,278</u>	<u>\$ 7,262,338</u>
Plan Fiduciary Net Position		
Contributions – Employee	\$ 7,333	\$ 7,658
Contributions – Employer	448,712	328,360
Contributions – Other	38,608	28,881
Net Investment Income	68,530	136,551
Benefits Payments	(452,252)	(451,381)
Supplements	(36,062)	(27,010)
Administrative Expense	(2,850)	(2,750)
Reconciliation	<u>(871)</u>	<u></u>
Net Change in Plan Net Position	\$ 71,148	\$ 20,309
Net Position – Beginning	\$ 1,838,074	\$ 1,817,765
Net Position – Ending	<u>\$ 1,909,222</u>	<u>\$ 1,838,074</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	26.42%	25.31%

The annual required contribution for 2015 was determined as part of the December 31, 2014, actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases ranging from 4.2% to 8.0% per year. Both (a) and (b) included an inflation component of 4.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value. The covered payroll is zero. The schedule of contributions is shown below:

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)
12/31/12	\$ 1,266,415	\$ 323,794	\$ 942,621
12/31/13	\$ 1,245,349	\$ 328,360	\$ 916,989
12/31/14	\$ 1,223,038	\$ 448,712	\$ 774,326

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

Asset Class	Target Allocation	Long Term Expected Rate of Return
Domestic Fixed Income	80%	5.0%
Domestic Equity	10%	7.8%
Cash	10%	2.0%

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

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

	1% Decrease to 4.0%	Current Single Rate Assumed	1% Increase to 6.0%
Total Pension Liability	\$ 8,048,990	\$ 7,225,278	\$ 6,543,350
Net Pension Liability	\$ 6,139,768	\$ 5,316,056	\$ 4,634,128

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

The plan is administered by Simmons First Trust Company. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. Membership in the plan as of January 1, 2015, is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	31
Vested Terminated Employees	25
Disabled	2
Current Employees	<u>45</u>
Total	<u>103</u>

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

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

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

	2014	2013	2012
Total Pension Liability			
Service Cost	\$ 191,066	\$ 167,195	\$ 186,675
Interest	380,084	367,650	357,199
Difference Between Actual and Expected Experience	(47,382)	(32,219)	(70,926)
Benefit Payments	(339,033)	(334,846)	(292,969)
Net Change in Pension Liability	\$ 184,735	\$ 167,780	\$ 179,979
Pension Liability – Beginning	\$ 5,503,754	\$ 5,335,974	\$ 5,155,995
Pension Liability – Ending	\$ 5,688,489	\$ 5,503,754	\$ 5,335,974
Plan Fiduciary Net Position			
Contributions – Employee	\$ 20,532	\$ 14,146	\$ 3,106
Contributions – Employer	285,000	325,000	350,000
Net Investment Income	239,632	618,081	355,000
Benefits Payments	(339,033)	(334,846)	(292,969)
Net Change in Plan Net Position	\$ 206,131	\$ 622,381	\$ 415,137
Net Position – Beginning	\$ 4,915,085	\$ 4,292,704	\$ 3,877,567
Net Position – Ending	\$ 5,121,216	\$ 4,915,085	\$ 4,292,704
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.03%	89.30%	80.45%

The annual required contribution for 2015 was determined as part of the January 1, 2015, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value.

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Contribution Covered Payroll	Contribution as % of Payroll
12/31/14	\$ 257,680	\$ 285,000	\$ (27,320)	\$ 1,697,363	16.8%

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

Asset Class	Target Allocation	Long Term Expected Rate of Return
Fixed Income	30%	5.0%
Domestic Equity	50%	7.8%
Foreign Equity	5%	9.0%
Alternatives	8%	7.3%
Cash	7%	2.0%

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

The 1983 Group Annuity Mortality Table was used for life expectancy. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2015, was ten years. The single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. Regarding the sensitivity of the net pension liability to changes in the single discount rate 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	\$ 6,354,292	\$ 5,688,489	\$ 5,128,141
Net Pension Liability	\$ 1,233,076	\$ 567,273	\$ 6,925

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

The plan is administered by Simmons First Trust Company. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. Membership in the plan as of January 1, 2015, is as follows:

Retirees and Beneficiaries	
Currently Receiving Benefits	53
Vested Terminated Employees	26
Disabled	1
Current Employees	<u>73</u>
Total	<u>153</u>

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

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

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

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Pension Liability			
Service Cost	\$ 335,144	\$ 337,147	\$ 307,809
Interest	1,074,426	1,038,990	959,291
Differences Between Actual and Expected Experiences	116,426	(164,843)	498,699
Benefit Payments	<u>(742,510)</u>	<u>(665,637)</u>	<u>(618,165)</u>
Net Change in Pension Liability	\$ 783,486	\$ 545,657	\$ 1,147,634
Pension Liability – Beginning	<u>\$ 15,552,621</u>	<u>\$ 15,006,964</u>	<u>\$ 13,859,330</u>
Pension Liability – Ending	<u>\$ 16,336,107</u>	<u>\$ 15,552,621</u>	<u>\$ 15,006,964</u>
Plan Fiduciary Net Position			
Contributions – Employee	\$ 29,480	\$ 14,000	\$ 2,263
Contributions – Employer	750,000	700,000	725,000
Net Investment Income	620,952	1,554,607	918,794
Benefits Payments	<u>(742,510)</u>	<u>(665,637)</u>	<u>(618,165)</u>
Net Change in Plan Net Position	\$ 657,922	\$ 1,602,970	\$ 1,027,892
Net Position – Beginning	<u>\$ 12,806,162</u>	<u>\$ 11,203,192</u>	<u>\$ 10,175,300</u>
Net Position – Ending	<u>\$ 13,464,084</u>	<u>\$ 12,806,162</u>	<u>\$ 11,203,192</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.42%	82.34%	74.65%

The annual required contribution for 2015 was determined as part of the January 1, 2015, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefit increases. The actuarial value of assets was based on the fair market value.

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Contribution Covered Payroll	Contribution as % of Payroll Payroll
12/31/14	697,224	750,000	(52,776)	3,236,306	23.2%

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%	5.0%
Domestic Equity	50%	7.8%
Foreign Equity	5%	9.0%
Alternatives	8%	7.3%
Cash	7%	2.0%

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

City of Benton, Arkansas
Notes to the Financial Statements

Note 11: Retirement Plans (cont'd)

	1% Decrease to 6.0%	Current Single Rate Assumed	1% Increase to 8.0%
Total Pension Liability	\$ 18,319,749	\$ 16,336,107	\$ 14,705,102
Net Pension Liability	\$ 4,855,665	\$ 2,872,023	\$ 1,241,018

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

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

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

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

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

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

The following represents the schedule of funding:

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

Note 12: Subsequent Event

Subsequent events were evaluated through May 24, 2016, which is the date the financial statements were available to be issued.

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

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

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

City of Benton, Arkansas
 Schedule of General Fund Expenditures by
 Department - Modified Accrual Basis
 For the Year Ended December 31, 2014

	<u>Elected Staff</u>	<u>Legal</u>	<u>Central Communications</u>	<u>Information Technology</u>
Salaries	\$ 265,606	\$ 65,250	\$ 363,715	\$
Retirement	5,404	33,572	55,138	
Fringe Benefits	21,639	5,848	92,684	
Vehicle	1,340		3	
Repairs and Maintenance	120,732			
Supplies	9,750		381	
Other	7,650		209	
Electricity Generation				
Utilities	14,148		4,535	877
Outside Services	184,594	503,157	24,518	43,271
Educational/Professional	91,777	100	2,496	
Capital Outlay	6,976		149,096	
	<u>\$ 729,616</u>	<u>\$ 607,927</u>	<u>\$ 692,775</u>	<u>\$ 44,148</u>

Police	Fire	Community Development	Professional Technical	Total
\$ 3,031,010	\$ 2,528,153	\$ 284,480	\$ 12,351	\$ 6,550,565
445,264	394,447	42,236		976,061
746,500	597,213	64,744	72	1,528,700
298,826	63,410	15,959		379,538
113,628	20,893	5,776		261,029
182,482	57,347	5,111		255,071
57,750	12,115	18,546		96,270
	1,518			1,518
26,250	23,759	6,479	769	76,817
140,073	52,009	80,379		1,028,001
64,433	16,990	10,439		186,235
499,195	425,959	32,144		1,113,370
<u>\$ 5,605,411</u>	<u>\$ 4,193,813</u>	<u>\$ 566,293</u>	<u>\$ 13,192</u>	<u>\$ 12,453,175</u>

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

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

City of Benton, Arkansas
 Combined Balance Sheet - Street Fund
 Modified Accrual Basis
 December 31, 2014

Assets	<u>Street Operating Fund</u>	<u>Street Improvement Fund</u>	<u>Stormwater Projects Fund</u>	<u>Special Projects Fund</u>	<u>Total Street Fund</u>
Assets					
Cash and Equivalents:					
Unassigned	\$ 5,116,695	\$	\$	\$	\$ 5,116,695
Council Committed			214,565		214,565
Restricted		2,509,484		268,556	2,778,040
Prepaid Expenses	11,341				11,341
Total Assets	<u>\$ 5,128,036</u>	<u>\$ 2,509,484</u>	<u>\$ 214,565</u>	<u>\$ 268,556</u>	<u>\$ 8,120,641</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 94,794	\$ 205,257	\$ 2,760	\$	\$ 302,811
Accrued Compensation	23,440				23,440
Due to Other Funds	6,315				6,315
Total Liabilities	<u>124,549</u>	<u>205,257</u>	<u>2,760</u>		<u>332,566</u>
Fund Balances					
Restricted for Capital Outlay		2,304,227		268,556	2,572,783
Unrestricted:					
Committed			211,805		211,805
Unassigned	5,003,487				5,003,487
Total Fund Balances	<u>5,003,487</u>	<u>2,304,227</u>	<u>211,805</u>	<u>268,556</u>	<u>7,788,075</u>
Total Liabilities and Fund Balances	<u>\$ 5,128,036</u>	<u>\$ 2,509,484</u>	<u>\$ 214,565</u>	<u>\$ 268,556</u>	<u>\$ 8,120,641</u>

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

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

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - Street Fund - Modified Accrual Basis
 For the Year Ended December 31, 2014

	Street Operating Fund	Street Improvement Fund	Stormwater Projects Fund	Special Projects Fund	Total Street Fund
Revenues					
Tax Revenues	\$ 2,679,374	\$	\$	\$	\$ 2,679,374
Permits and Licenses			116,249		116,249
Federal and State Grants	166,999				166,999
Investment Income	3,697	1,780	181	1,965	7,623
Other	59,846	250,000			309,846
Total Revenues	<u>2,909,916</u>	<u>251,780</u>	<u>116,430</u>	<u>1,965</u>	<u>3,280,091</u>
Expenditures					
Human Resources	668,990				668,990
Operations and Maintenance	543,802		33,028		576,830
Utilities	13,049				13,049
Outside Services	52,893				52,893
Educational/Professional	3,439				3,439
Capital Outlay	511,003	300,528	29,661	796,222	1,637,414
Total Expenditures	<u>1,793,176</u>	<u>300,528</u>	<u>62,689</u>	<u>796,222</u>	<u>2,952,615</u>
Excess (Deficit) of Revenues over Expenditures	<u>1,116,740</u>	<u>(48,748)</u>	<u>53,741</u>	<u>(794,257)</u>	<u>327,476</u>
Other Financing Sources and (Uses)					
Gain on Sale of Assets	10,697				10,697
Transfers In	1,000,000	1,352,376			2,352,376
Transfers Out	(54,831)			(1,000,000)	(1,054,831)
Total Other Financing Sources and (Uses)	<u>955,866</u>	<u>1,352,376</u>		<u>(1,000,000)</u>	<u>1,308,242</u>
Changes in Fund Balances	<u>2,072,606</u>	<u>1,303,628</u>	<u>53,741</u>	<u>(1,794,257)</u>	<u>1,635,718</u>
Fund Balances at Beginning of Year	<u>2,930,881</u>	<u>1,000,599</u>	<u>158,064</u>	<u>2,062,813</u>	<u>6,152,357</u>
Fund Balances at End of Year	<u>\$ 5,003,487</u>	<u>\$ 2,304,227</u>	<u>\$ 211,805</u>	<u>\$ 268,556</u>	<u>\$ 7,788,075</u>

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

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

Special Revenue Funds							Total Other Funds in the Aggregate
Public Safety	Animal Control	Parks and Recreation	Contingency	Event Center	A&P Commission	911	
\$	\$ 124,919	\$ 1,346,642	\$	\$ 236,981	\$ 974,215	\$	\$ 2,682,757
167,769			2,867				170,636
593,604		1,052			258,728	3	14,383,392
		41,729					45,438,325
	42						41,729
	1,900	10,710					42
<u>\$ 761,373</u>	<u>\$ 126,861</u>	<u>\$ 1,400,133</u>	<u>\$ 2,867</u>	<u>\$ 236,981</u>	<u>\$ 1,232,943</u>	<u>\$ 3</u>	<u>12,610</u>
							<u>\$ 62,729,491</u>
\$	\$ 3,700	\$ 44,805	\$	\$ 562	\$	\$	\$ 366,346
	2,831	5,433					8,264
		70					70
	6,531	50,308		562			19,766,038
							<u>20,140,718</u>
					258,728		3,524,186
593,604		1,052				3	35,619,555
167,769			2,867				594,659
	120,330	1,348,773		236,419	974,215		170,636
<u>761,373</u>	<u>120,330</u>	<u>1,349,825</u>	<u>2,867</u>	<u>236,419</u>	<u>1,232,943</u>	<u>3</u>	<u>2,679,737</u>
							<u>42,588,773</u>
<u>\$ 761,373</u>	<u>\$ 126,861</u>	<u>\$ 1,400,133</u>	<u>\$ 2,867</u>	<u>\$ 236,981</u>	<u>\$ 1,232,943</u>	<u>\$ 3</u>	<u>\$ 62,729,491</u>

City of Benton, Arkansas
 Combined Balance Sheet - Other Funds in
 the Aggregate - Modified Accrual Basis
 December 31, 2014

Assets	Capital Project Funds			Debt Service Fund	Agency and Pension Trust Funds
	Economic Development Grant	Military Redesign	Park Improvements		
Assets					
Cash and Equivalents:					
Unassigned	\$	\$	\$	\$	\$
Council Committed					
Restricted	2,617	836,088	3,979,128	2,646,656	2,589,400
Investments-Restricted			32,123,152		18,037,494
Other Receivables		19,237			
Prepaid Expenses					
Total Assets	<u>\$ 2,617</u>	<u>\$ 855,325</u>	<u>\$ 36,102,280</u>	<u>\$ 2,646,656</u>	<u>\$ 20,626,894</u>
 Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$	\$	\$ 53,700	\$	\$
Accrued Compensation					
Due to Other Funds					
Assets Held in Trust					20,626,894
Total Liabilities	<u></u>	<u></u>	<u>53,700</u>	<u></u>	<u>20,626,894</u>
 Fund Balances					
Restricted for Debt Service				2,646,656	
Restricted for Capital Outlay	2,617	855,325	36,048,580		
Restricted for Other Activities					
Unrestricted:					
Committed					
Unassigned					
Total Fund Balances	<u>2,617</u>	<u>855,325</u>	<u>36,048,580</u>	<u>2,646,656</u>	<u></u>
 Total Liabilities and Fund Balances	<u>\$ 2,617</u>	<u>\$ 855,325</u>	<u>\$ 36,102,280</u>	<u>\$ 2,646,656</u>	<u>\$ 20,626,894</u>

Special Revenue Funds							Total Other Funds in the Aggregate
Public Safety	Animal Control	Parks and Recreation	Contingency	Event Center	A&P Commission	911	
\$	\$ 156,067	\$ 507,418	\$	\$ 84,903	\$ 921,838	\$	\$ 1,670,226
2,146			2,866				5,012
425,667		1,191			129,147	3	10,609,897
		53,700					50,160,646
	1,310	10,520					72,937
<u>\$ 427,813</u>	<u>\$ 157,377</u>	<u>\$ 572,829</u>	<u>\$ 2,866</u>	<u>\$ 84,903</u>	<u>\$ 1,050,985</u>	<u>\$ 3</u>	<u>\$62,530,548</u>
\$	\$ 9,436	\$ 20,956	\$	\$ 723	\$ 176	\$	\$ 84,991
	9,680	14,423					24,103
	557	2,561					3,118
	19,673	37,940		723	176		20,626,894
							20,739,106
					129,147		2,775,803
425,667		1,191				3	36,906,522
							426,861
2,146			2,866				5,012
	137,704	533,698		84,180	921,662		1,677,244
<u>427,813</u>	<u>137,704</u>	<u>534,889</u>	<u>2,866</u>	<u>84,180</u>	<u>1,050,809</u>	<u>3</u>	<u>41,791,442</u>
<u>\$ 427,813</u>	<u>\$ 157,377</u>	<u>\$ 572,829</u>	<u>\$ 2,866</u>	<u>\$ 84,903</u>	<u>\$ 1,050,985</u>	<u>\$ 3</u>	<u>\$62,530,548</u>

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

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

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

City of Benton, Arkansas
 Combined Statement of Revenues, Expenditures and Changes in Fund
 Balances - Other Funds in the Aggregate - Modified Accrual Basis
 For the Year Ended December 31, 2014

	Capital Project Funds			Debt Service Fund
	Economic Development Grant	Military Redesign	Park Improvements	
Revenues				
Tax Revenues	\$	\$	\$	\$
Bonds, Fines and Fees				1,036,503
Federal and State Grants		183,364		
Investment Income	2	441	(39,676)	1,150
Other				
Total Revenues	<u>2</u>	<u>183,805</u>	<u>(39,676)</u>	<u>1,037,653</u>
Expenditures				
Human Resources				
Operations and Maintenance				3,667
Utilities				
Outside Services				
Educational/Professional				
Capital Outlay		275,868	564,944	
Principal Payments				738,691
Interest Payments				1,288,762
Total Expenditures		<u>275,868</u>	<u>564,944</u>	<u>2,031,120</u>
Excess (Deficit) of Revenues over Expenditures	<u>2</u>	<u>(92,063)</u>	<u>(604,620)</u>	<u>(993,467)</u>
Other Financing Sources and (Uses)				
Gain on Sale of Assets				
Proceeds From Debt			38,261,068	
Bond Discount and Issuance Costs			(487,043)	
Transfers In				3,335,867
Transfers Out			(1,120,825)	(743,000)
Total Other Financing Sources and (Uses)			<u>36,653,200</u>	<u>2,592,867</u>
Changes in Fund Balances	2	(92,063)	36,048,580	1,599,400
Fund Balance at Beginning of Year	<u>2,615</u>	<u>947,388</u>		<u>1,047,256</u>
Fund Balance at End of Year	<u>\$ 2,617</u>	<u>\$ 855,325</u>	<u>\$ 36,048,580</u>	<u>\$ 2,646,656</u>

Special Revenue Fund								Total Other Funds in the Aggregate
Public Safety	Animal Control	Parks and Recreation	Contingency	Sales Tax	Event Center	A&P Commission	911	
\$	\$ 111	\$	\$	\$11,216,208	\$ 51	\$ 955,861	\$164,831	\$12,337,062
	7,636	41,500						1,036,503
105	113	1,344	2		44	2,602	1	232,500
	39,525	65,261			249,781	122		(33,872)
105	47,385	108,105	2	11,216,208	249,876	958,585	164,832	354,689
								13,926,882
	221,445	393,802			7,030			622,277
	67,451	270,013			26,822	8,737		376,690
	7,229	14,374			20,112			41,715
	12,857	227,545			239,588	12,237		492,227
	7,393	4,378			3,525	28,374		43,670
	1,344	862,534			9,777	338,727		2,053,194
								738,691
								1,288,762
	317,719	1,772,646			306,854	388,075		5,657,226
105	(270,334)	(1,664,541)	2	11,216,208	(56,978)	570,510	164,832	8,269,656
	1,445	5,120				277,997		284,562
								38,261,068
1,550,977	348,000	1,480,840			98,162			(487,043)
(1,123,269)	(6,492)	(24,137)		(11,216,208)		(799,986)	(164,831)	6,813,846
427,708	342,953	1,461,823		(11,216,208)	98,162	(521,989)	(164,831)	(15,198,748)
427,813	72,619	(202,718)	2		41,184	48,521	1	29,673,685
	65,085	737,607	2,864		42,996	1,002,288	2	37,943,341
								3,848,101
\$ 427,813	\$137,704	\$ 534,889	\$ 2,866	\$	\$ 84,180	\$1,050,809	\$ 3	\$41,791,442

City of Benton, Arkansas
 Other Supplementary Information
 Schedule of Capital Assets
 December 31, 2015 and 2014

	2015	2014
Land and Improvements	\$ 6,590,138	\$ 5,753,383
Buildings and Improvements	22,759,514	22,166,683
Service Facilities and Equipment	7,815,932	6,900,209
Infrastructure	46,247,942	45,368,031
Construction in Progress	13,211,400	1,525,181
Total Capital Assets	\$ 96,624,926	\$ 81,713,487

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

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

Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Benton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund and other funds in the aggregate of the City of Benton, Arkansas, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City of Benton, Arkansas's basic financial statements, and have issued our report thereon dated May 24, 2016. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Arkansas code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1(B) and 1(C) and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1(B) and 1(C), our opinion on the other funds in the aggregate was adverse because of the effects on the financial statements of not including the utilities fund, which is material to other funds in the aggregate.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Purpose of This Report

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

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

Benton, Arkansas
May 24, 2016

Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance with Certain State Acts

Honorable Mayor and City Council
City Of Benton, Arkansas

We have examined management's assertions that the City of Benton, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the years ended December 31, 2015 and 2014.

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

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

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

In our opinion, the City of Benton, Arkansas, complied, in all material respects, with the aforementioned requirements for the years ended December 31, 2015 and 2014.

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

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

Benton, Arkansas
May 24, 2016