

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, 2012 AND 2011

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

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, 2012 AND 2011, 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. 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 ERROR OR FRAUD.

AUDITOR'S RESPONSIBILITY

OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDIT. WE CONDUCTED OUR AUDIT IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE 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 OPINION.

OPINION AND BASIS OF ACCOUNTING

AS DESCRIBED MORE FULLY IN NOTE 1B AND 1C, THE CITY HAS PREPARED THESE FINANCIAL STATEMENTS USING ACCOUNTING PRACTICES PRESCRIBED OR PERMITTED BY ARKANSAS CODE, WHICH PRACTICES DIFFER FROM ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. THE EFFECT ON THE FINANCIAL

STATEMENTS OF THE VARIANCES BETWEEN THESE REGULATORY ACCOUNTING PRACTICES AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, ALTHOUGH NOT REASONABLY DETERMINABLE, ARE PRESUMED TO BE MATERIAL.

IN OUR OPINION, BECAUSE OF THE EFFECTS OF THE MATTER DISCUSSED IN THE PRECEDING PARAGRAPH, THE FINANCIAL STATEMENTS REFERRED TO ABOVE DO NOT PRESENT FAIRLY, IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, THE FINANCIAL POSITION OF THE CITY OF BENTON, ARKANSAS, AS OF DECEMBER 31, 2012 AND 2011, THE CHANGES IN FINANCIAL POSITION OR WHERE APPLICABLE, ITS CASH FLOWS FOR THE YEARS THEN ENDED. FURTHER, THE CITY HAS NOT PRESENTED A MANAGEMENT'S DISCUSSION AND ANALYSIS THAT ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA HAS DETERMINED IS NECESSARY TO SUPPLEMENT, ALTHOUGH NOT REQUIRED TO BE PART OF, THE BASIC FINANCIAL STATEMENTS.

THE UTILITIES FUND HAS NOT BEEN INCLUDED IN THE CITY'S REGULATORY BASIS FINANCIAL STATEMENTS. THE REGULATORY BASIS AS PRESCRIBED BY ARKANSAS CODE REQUIRES THESE FUNDS TO BE PRESENTED AS PART OF THE OTHER FUNDS PRESENTED 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, BECAUSE OF THE OMISSION DESCRIBED IN THE PRECEDING PARAGRAPH, THE FINANCIAL STATEMENTS REFERRED TO ABOVE DO NOT PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE RESPECTIVE REGULATORY BASIS FINANCIAL POSITION OF THE OTHER FUNDS IN THE AGGREGATE OF THE CITY OF BENTON, ARKANSAS, AS OF DECEMBER 31, 2012 AND 2011, AND THE RESPECTIVE CHANGES IN THE REGULATORY BASIS FINANCIAL POSITION FOR THE YEARS THEN ENDED ON THE BASIS OF ACCOUNTING AS DESCRIBED IN NOTE 1C.

IN OUR OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE RESPECTIVE REGULATORY BASIS FINANCIAL POSITION OF THE GENERAL FUND AND STREET FUNDS OF THE CITY OF BENTON, ARKANSAS, AS OF DECEMBER 31, 2012 AND 2011, AND THE RESPECTIVE CHANGES IN THE REGULATORY BASIS FINANCIAL POSITION, AND THE BUDGETARY RESULTS FOR THE GENERAL AND STREET FUNDS FOR THE YEARS THEN ENDED ON THE BASIS OF ACCOUNTING DESCRIBED IN NOTE 1C.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, WE HAVE ALSO ISSUED OUR REPORT DATED MAY 24, 2013, ON OUR CONSIDERATION OF THE CITY'S INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON OUR TESTS OF ITS COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS, REGULATIONS, CONTRACTS AND GRANT AGREEMENTS AND OTHER MATTERS. THE PURPOSE OF THAT REPORT IS TO DESCRIBE THE SCOPE OF OUR TESTING OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND THE RESULTS OF THAT TESTING, AND NOT TO PROVIDE AN OPINION ON THE 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.

OUR AUDITS WERE CONDUCTED FOR THE PURPOSE OF FORMING OPINIONS ON THE REGULATORY BASIS FINANCIAL STATEMENTS OF THE CITY OF BENTON, ARKANSAS AS A WHOLE. THE SUPPLEMENTARY INFORMATION ON PAGES 29 THROUGH 44 ARE PRESENTED FOR PURPOSES OF ADDITIONAL ANALYSIS AND ARE NOT A REQUIRED PART OF THE 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 FINANCIAL STATEMENTS. THE INFORMATION HAS BEEN SUBJECTED TO THE AUDITING PROCEDURES APPLIED IN THE AUDIT OF THE FINANCIAL STATEMENTS AND CERTAIN ADDITIONAL PROCEDURES, INCLUDING COMPARING AND RECONCILING SUCH INFORMATION DIRECTLY TO THE UNDERLYING ACCOUNTING AND OTHER RECORDS USED TO PREPARE THE FINANCIAL STATEMENTS OR TO THE FINANCIAL

CITY OF BENTON, ARKANSAS
 COMBINED BALANCE SHEET - REGULATORY
 PRESENTATION - MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2012

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>OTHER FUNDS IN THE AGGREGATE</u>
ASSETS			
CASH AND EQUIVALENTS:			
UNASSIGNED	\$1,042,542	\$2,077,906	\$ 1,863,822
COUNCIL COMMITTED	809,774	74,254	2,860
RESTRICTED	86,396	4,477,666	9,735,517
INVESTMENTS-RESTRICTED			15,654,327
OTHER RECEIVABLES	5,841	189,399	1,702,752
DUE FROM OTHER FUNDS			5
PREPAID EXPENSES	49,817	11,410	16,624
TOTAL ASSETS	<u>\$1,994,370</u>	<u>\$6,830,635</u>	<u>\$28,975,907</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
ACCOUNTS PAYABLE	\$ 204,131	\$ 160,630	\$ 1,217,550
ACCRUED COMPENSATION	264,641	19,276	26,290
DUE TO OTHER FUNDS	14,088	4,914	27,663
ASSETS HELD IN TRUST			17,252,958
TOTAL LIABILITIES	<u>482,860</u>	<u>184,820</u>	<u>18,524,461</u>
FUND BALANCES			
RESTRICTED FOR DEBT SERVICE			1,054,866
RESTRICTED FOR CAPITAL OUTLAY		4,428,621	7,590,586
RESTRICTED FOR OTHER ACTIVITIES	86,396		3,655
UNRESTRICTED:			
COMMITTED	809,774	159,027	2,860
UNASSIGNED	615,340	2,058,167	1,799,479
TOTAL FUND BALANCES	<u>1,511,510</u>	<u>6,645,815</u>	<u>10,451,446</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,994,370</u>	<u>\$6,830,635</u>	<u>\$28,975,907</u>

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

CITY OF BENTON, ARKANSAS
 COMBINED BALANCE SHEET - REGULATORY
 PRESENTATION - MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2011

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>STREET FUND</u>	<u>OTHER FUNDS IN THE AGGREGATE</u>
ASSETS			
CASH AND EQUIVALENTS:			
UNASSIGNED	\$ 981,271	\$ 2,790,853	\$ 2,423,954
COUNCIL COMMITTED	446,701	234,281	2,855
RESTRICTED	110,083	1,201,245	3,027,982
INVESTMENTS-RESTRICTED			14,267,222
OTHER RECEIVABLES	17,350	1,484	254,855
DUE FROM OTHER FUNDS	4,973		
PREPAID EXPENSES	74,820	11,040	16,504
TOTAL ASSETS	<u>\$1,635,198</u>	<u>\$4,238,903</u>	<u>\$19,993,372</u>
 <u>LIABILITIES AND FUND BALANCE</u> 			
LIABILITIES			
ACCOUNTS PAYABLE	\$ 250,739	\$ 63,257	\$ 935,777
ACCRUED COMPENSATION	223,947	16,421	17,657
DUE TO OTHER FUNDS	13,983	3,509	31,816
ASSETS HELD IN TRUST			15,875,156
TOTAL LIABILITIES	<u>488,669</u>	<u>83,187</u>	<u>16,860,406</u>
FUND BALANCES			
RESTRICTED FOR DEBT SERVICE			517,986
RESTRICTED FOR CAPITAL OUTLAY		1,179,245	176,628
RESTRICTED FOR OTHER ACTIVITIES	110,083		1,581
UNRESTRICTED:			
COMMITTED	446,701	220,245	2,855
UNASSIGNED	589,745	2,756,226	2,433,916
TOTAL FUND BALANCES	<u>1,146,529</u>	<u>4,155,716</u>	<u>3,132,966</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,635,198</u>	<u>\$4,238,903</u>	<u>\$19,993,372</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, 2012

	GENERAL FUND	STREET FUND	OTHER FUNDS IN THE AGGREGATE
REVENUES			
TAX REVENUES	\$ 2,236,053	\$ 2,020,586	\$ 8,853,905
BONDS, FINES AND FEES	787,948		843,326
PERMITS AND LICENSES	298,317	100,102	
FEDERAL AND STATE GRANTS	170,777	444,039	3,898,628
INTEREST	2,140	7,670	24,477
OTHER	340,899	63,079	148,955
TOTAL REVENUES	<u>3,836,134</u>	<u>2,635,476</u>	<u>13,769,291</u>
EXPENDITURES			
HUMAN RESOURCES	8,478,291	656,088	647,594
OPERATIONS AND MAINTENANCE	813,557	532,556	418,436
UTILITIES	88,147	10,533	30,926
OUTSIDE SERVICES	913,564	16,868	330,971
EDUCATIONAL/PROFESSIONAL	166,902	2,885	7,882
CAPITAL OUTLAY	247,974	1,260,344	6,714,575
PRINCIPAL PAYMENTS			1,308,662
INTEREST PAYMENTS			41,107
TOTAL EXPENDITURES	<u>10,708,435</u>	<u>2,479,274</u>	<u>9,500,153</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(6,872,301)</u>	<u>156,202</u>	<u>4,269,138</u>
OTHER FINANCING SOURCES AND (USES)			
GAIN ON SALE OF ASSETS	14,324		
PROCEEDS FROM DEBT		3,560,000	7,815,000
BOND DISCOUNT AND ISSUE COSTS		(127,863)	(237,155)
TRANSFERS IN	7,834,844	2,301,066	4,704,082
TRANSFERS OUT	(611,886)	(3,399,306)	(9,232,585)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>7,237,282</u>	<u>2,333,897</u>	<u>3,049,342</u>
CHANGES IN FUND BALANCES	364,981	2,490,099	7,318,480
FUND BALANCES AT BEGINNING OF YEAR	<u>1,146,529</u>	<u>4,155,716</u>	<u>3,132,966</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,511,510</u>	<u>\$ 6,645,815</u>	<u>\$10,451,446</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, 2011

	GENERAL FUND	STREET FUND	OTHER FUNDS IN THE AGGREGATE
REVENUES			
TAX REVENUES	\$ 2,203,753	\$ 2,061,511	\$ 8,468,230
BONDS, FINES AND FEES	869,684		910,450
PERMITS AND LICENSES	252,029	99,688	
FEDERAL AND STATE GRANTS	118,868	48,662	2,862,146
INTEREST	5,765	8,408	8,304
OTHER	148,100	80,396	67,817
TOTAL REVENUES	<u>3,598,199</u>	<u>2,298,665</u>	<u>12,316,947</u>
EXPENDITURES			
HUMAN RESOURCES	8,103,787	640,510	659,243
OPERATIONS AND MAINTENANCE	811,569	515,080	477,924
UTILITIES	91,337	12,149	38,306
OUTSIDE SERVICES	1,030,974	22,360	489,682
EDUCATIONAL/PROFESSIONAL	137,298	168	46,287
CAPITAL OUTLAY	229,842	681,647	3,762,339
PRINCIPAL PAYMENTS			904,199
INTEREST PAYMENTS			79,284
TOTAL EXPENDITURES	<u>10,404,807</u>	<u>1,871,914</u>	<u>6,457,264</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(6,806,608)</u>	<u>426,751</u>	<u>5,859,683</u>
OTHER FINANCING SOURCES AND (USES)			
GAIN ON SALE OF ASSETS	6,401	8,055	9,905
TRANSFERS IN	7,703,612	1,476,977	2,500,074
TRANSFERS OUT	(905,280)	(696,357)	(8,483,848)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>6,804,733</u>	<u>788,675</u>	<u>(5,973,869)</u>
CHANGES IN FUND BALANCES	(1,875)	1,215,426	(114,186)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,148,404</u>	<u>2,940,290</u>	<u>3,247,152</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,146,529</u>	<u>\$ 4,155,716</u>	<u>\$ 3,132,966</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, 2012

	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
REVENUES			
TAX REVENUES	\$ 2,232,637	\$ 2,236,053	\$ 3,416
BONDS, FINES AND FEES	775,864	787,948	12,084
PERMITS AND LICENSES	238,060	298,317	60,257
FEDERAL AND STATE GRANTS	275,939	170,777	(105,162)
INTEREST	4,500	2,140	(2,360)
OTHER	49,656	340,899	291,243
TOTAL REVENUES	<u>3,576,656</u>	<u>3,836,134</u>	<u>259,478</u>
EXPENDITURES			
HUMAN RESOURCES	8,790,624	8,478,291	312,333
OPERATIONS AND MAINTENANCE	744,731	813,557	(68,826)
UTILITIES	214,817	88,147	126,670
OUTSIDE SERVICES	1,058,619	913,564	145,055
EDUCATIONAL/PROFESSIONAL	170,851	166,902	3,949
CAPITAL OUTLAY	335,062	247,974	87,088
TOTAL EXPENDITURES	<u>11,314,704</u>	<u>10,708,435</u>	<u>606,269</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(7,738,048)</u>	<u>(6,872,301)</u>	<u>865,747</u>
OTHER FINANCING SOURCES AND (USES)			
GAIN ON SALE OF ASSETS	11,971	14,324	2,353
TRANSFERS IN	7,852,322	7,834,844	(17,478)
TRANSFERS OUT	(432,391)	(611,886)	(179,495)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>7,431,902</u>	<u>7,237,282</u>	<u>(194,620)</u>
CHANGE IN FUND BALANCE	<u>\$ (306,146)</u>	<u>\$ 364,981</u>	<u>\$ 671,127</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, 2011

	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
REVENUES			
TAX REVENUES	\$ 1,959,239	\$ 2,203,753	\$ 244,514
BONDS, FINES AND FEES	781,386	869,684	88,298
PERMITS AND LICENSES	240,560	252,029	11,469
FEDERAL AND STATE GRANTS	180,865	118,868	(61,997)
INTEREST	3,600	5,765	2,165
OTHER	42,120	148,100	105,980
TOTAL REVENUES	<u>3,207,770</u>	<u>3,598,199</u>	<u>390,429</u>
EXPENDITURES			
HUMAN RESOURCES	8,404,533	8,103,787	300,746
OPERATIONS AND MAINTENANCE	710,433	811,569	(101,136)
UTILITIES	218,070	91,337	126,733
OUTSIDE SERVICES	1,218,956	1,030,974	187,982
EDUCATIONAL/PROFESSIONAL	146,883	137,298	9,585
CAPITAL OUTLAY	418,035	229,842	188,193
TOTAL EXPENDITURES	<u>11,116,910</u>	<u>10,404,807</u>	<u>712,103</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(7,909,140)</u>	<u>(6,806,608)</u>	<u>1,102,532</u>
OTHER FINANCING SOURCES AND (USES)			
GAIN ON SALE OF ASSETS		6,401	6,401
TRANSFERS IN	7,816,205	7,703,612	(112,593)
TRANSFERS OUT	(721,324)	(905,280)	(183,956)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>7,094,881</u>	<u>6,804,733</u>	<u>(290,148)</u>
CHANGE IN FUND BALANCE	<u>\$ (814,259)</u>	<u>\$ (1,875)</u>	<u>\$ 812,384</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, 2012

	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
REVENUES			
TAX REVENUES	\$ 2,048,839	\$ 2,020,586	\$ (28,253)
PERMITS AND LICENSES	98,700	100,102	1,402
FEDERAL AND STATE GRANTS	934,068	444,039	(490,029)
INTEREST	5,400	7,670	2,270
OTHER	69,600	63,079	(6,521)
TOTAL REVENUES	<u>3,156,607</u>	<u>2,635,476</u>	<u>(521,131)</u>
EXPENDITURES			
HUMAN RESOURCES	753,736	656,088	97,648
OPERATIONS AND MAINTENANCE	848,690	532,556	316,134
UTILITIES	27,000	10,533	16,467
OUTSIDE SERVICES	24,296	16,868	7,428
EDUCATIONAL/PROFESSIONAL	3,985	2,885	1,100
CAPITAL OUTLAY	3,086,183	1,260,344	1,825,839
TOTAL EXPENDITURES	<u>4,743,890</u>	<u>2,479,274</u>	<u>2,264,616</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,587,283)</u>	<u>156,202</u>	<u>1,743,485</u>
OTHER FINANCING SOURCES AND (USES)			
PROCEEDS FROM DEBT		3,560,000	3,560,000
BOND DISCOUNT AND ISSUE COSTS		(127,863)	(127,863)
TRANSFERS IN	2,523,692	2,301,066	(222,626)
TRANSFERS OUT	(2,753,692)	(3,399,306)	(645,614)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(230,000)</u>	<u>2,333,897</u>	<u>2,563,897</u>
CHANGE IN FUND BALANCE	<u>\$ (1,817,283)</u>	<u>\$ 2,490,099</u>	<u>\$ 4,307,382</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, 2011

	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE) VARIANCE
REVENUES			
TAX REVENUES	\$ 1,870,689	\$ 2,061,511	\$ 190,822
PERMITS AND LICENSES	98,400	99,688	1,288
FEDERAL AND STATE GRANTS	462,134	48,662	(413,472)
INTEREST	3,000	8,408	5,408
OTHER	60,000	80,396	20,396
TOTAL REVENUES	<u>2,494,223</u>	<u>2,298,665</u>	<u>(195,558)</u>
EXPENDITURES			
HUMAN RESOURCES	740,387	640,510	99,877
OPERATIONS AND MAINTENANCE	914,520	515,080	399,440
UTILITIES	26,835	12,149	14,686
OUTSIDE SERVICES	31,100	22,360	8,740
EDUCATIONAL/PROFESSIONAL	1,100	168	932
CAPITAL OUTLAY	3,072,549	681,647	2,390,902
TOTAL EXPENDITURES	<u>4,786,491</u>	<u>1,871,914</u>	<u>2,914,577</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(2,292,268)</u>	<u>426,751</u>	<u>2,719,019</u>
OTHER FINANCING SOURCES AND (USES)			
GAIN ON SALE OF ASSETS		8,055	8,055
TRANSFERS IN	1,737,973	1,476,977	(260,996)
TRANSFERS OUT	(1,293,365)	(696,357)	597,008
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>444,608</u>	<u>788,675</u>	<u>344,067</u>
CHANGE IN FUND BALANCE	<u>\$ (1,847,660)</u>	<u>\$ 1,215,426</u>	<u>\$ 3,063,086</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:

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, AND PROFESSIONAL TECHNICAL.

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.

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:

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

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

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: ANIMAL CONTROL, PARKS AND RECREATION, CONTINGENCY, SALES TAX, AND THE ADVERTISING AND PROMOTION COMMISSION.

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 PROJECTS FUNDS ARE REPORTED WITH OTHER FUNDS IN THE AGGREGATE: BENTON PARKWAY AND MILITARY REDESIGN.

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 2000 CAPITAL IMPROVEMENT BONDS, THE SERIES 2007 GENERAL REVENUE PROMISSORY NOTES, THE SERIES 2012 HOTEL AND RESTAURANT GROSS RECEIPTS TAX REVENUE BONDS, THE SERIES 2012 CAPITAL IMPROVEMENT REFUNDING AND IMPROVEMENT REVENUE BONDS AND THE LEASE-PURCHASE OF POLICE VEHICLES, AND IS REPORTED WITH OTHER FUNDS IN THE AGGREGATE.

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 CONSISTS OF ALL CASH ON HAND, DEPOSITED IN THE BANK, OR DEPOSITED IN CERTIFICATES OF DEPOSIT.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

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

- 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 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.
- 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 AMOUNT 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.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

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, 2012 AND 2011.

NOTE 4: COUNCIL COMMITTED FUNDS

THE FOLLOWING IS A SCHEDULE OF THE COUNCIL COMMITTED FUNDS AT DECEMBER 31:

	<u>2012</u>	<u>2011</u>
GENERAL FUND		
COMMUNICATIONS SYSTEMS FUND	\$ 65,556	\$ 53,059
FIRE FACILITIES RESERVE FUND	84,564	
FIRE TRUCK RESERVE FUND	350,000	
FINANCIAL STABILITY FUND	<u>309,654</u>	<u>393,642</u>
	<u>809,774</u>	<u>446,701</u>
STREET FUND		
STORMWATER FUND	74,254	234,281
OTHER FUNDS IN THE AGGREGATE		
CONTINGENCY FUND	<u>2,860</u>	<u>2,855</u>
TOTAL COUNCIL COMMITTED FUNDS	<u>\$ 886,888</u>	<u>\$ 683,837</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.

FIRE FACILITIES RESERVE FUND - IN JANUARY 2013, THE CITY COUNCIL APPROVED ORDINANCE 3 OF 2013 RELATED TO CONSTRUCTION OF AN ADDITION TO A FIRE STATION.

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.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: COUNCIL COMMITTED FUNDS (CONT'D)

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.

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>2012</u>	<u>2011</u>
GENERAL FUND		
COURT AUTOMATION FUND	\$ 41,883	\$ 97,318
POLICE DRUG CONTROL FUNDS	44,508	12,759
ECONOMIC DEVELOPMENT FUNDS	5	5
POLICE NUISANCE ABATEMENT FUND		1
	<u>86,396</u>	<u>110,083</u>
STREET FUND		
SPECIAL PROJECTS FUND	3,710,731	
STREET IMPROVEMENTS FUND	766,935	1,201,245
	<u>4,477,666</u>	<u>1,201,245</u>
OTHER FUNDS IN THE AGGREGATE		
BENTON PARKWAY FUND	2,612	7,579
MILITARY REDESIGN FUND	35,427	892,902
DEBT SERVICE FUND	1,054,866	517,986
PARKS AND RECREATION FUND	3,653	1,581
A&P COMMISSION FUND	7,040,326	
911 FUND	2	
AGENCY AND PENSION TRUST FUNDS	1,598,631	1,607,934
	<u>9,735,517</u>	<u>3,027,982</u>
TOTAL RESTRICTED FUNDS	<u>\$ 14,299,579</u>	<u>\$ 4,339,310</u>

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: INVESTMENTS

THE FOLLOWING IS A SCHEDULE OF THE INVESTMENTS AT DECEMBER 31:

	2012	2011
METROPOLITAN NATIONAL BANK		
MUTUAL FUNDS	\$ 13,398,546	\$ 11,303,010
CORPORATE BONDS	838,920	1,393,480
	14,237,466	12,696,490
MORGAN STANLEY		
GOVERNMENT SECURITIES	135,584	
CORPORATE BONDS	219,003	
CORPORATE STOCKS	1,062,274	
	1,416,861	
MERRILL LYNCH		
MUTUAL FUNDS		200,875
GOVERNMENT SECURITIES		126,458
CORPORATE BONDS		216,458
CORPORATE STOCKS		1,026,941
		1,570,732
TOTAL INVESTMENTS	\$ 15,654,327	\$ 14,267,222

NOTE 7: COMMITMENTS

LONG-TERM DEBT - THE CITY HAD OUTSTANDING COMMITMENTS FOR THE LEASE-PURCHASE AGREEMENT ON POLICE VEHICLES, THE SERIES 2000 CAPITAL IMPROVEMENT REVENUE BONDS, THE SERIES 2007 GENERAL REVENUE PROMISSORY NOTES, THE SERIES 2012 HOTEL AND RESTAURANT GROSS RECEIPTS TAX REVENUE BONDS AND THE SERIES 2012 CAPITAL IMPROVEMENT REFUNDING AND IMPROVEMENT REVENUE BONDS.

THE FORD MOTOR CREDIT CAPITAL LEASE-PURCHASE HAD A BALANCE OF \$149,199 AT DECEMBER 31, 2010, MATURING ANNUALLY AT 4.60% THROUGH MAY 21, 2011, SECURED BY THE VEHICLES PURCHASED.

THE REGIONS EQUIPMENT FINANCE CORPORATION LEASE-PURCHASE HAD A BALANCE OF \$201,324 AT DECEMBER 31, 2012, MATURING ANNUALLY AT 1.98% THROUGH MARCH 7, 2014, SECURED BY THE VEHICLES PURCHASED.

THE SERIES 2000 BONDS HAD A BALANCE OF \$550,000 AT DECEMBER 31, 2011. THE BONDS WERE REFUNDED WITH THE ISSUANCE OF THE SERIES 2012 CAPITAL IMPROVEMENT REFUNDING AND IMPROVEMENT REVENUE BONDS. INTEREST WAS DUE SEMI-ANNUALLY ON MAY 1 AND NOVEMBER 1 AT INTEREST RATES RANGING FROM 4.75-5.60%, 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 2007 BONDS HAD A BALANCE OF \$655,000 AT DECEMBER 31, 2011. THE BONDS MATURED ANNUALLY ON JUNE 1 AT VARYING AMOUNTS THROUGH 2012, WITH INTEREST DUE SEMI-ANNUALLY ON JUNE 1 AND DECEMBER 1 AT INTEREST RATES RANGING FROM 3.60-3.70%, SECURED BY THE GENERAL REVENUES DERIVED BY THE CITY.

THE SERIES 2012 HOTEL AND RESTAURANT GROSS RECEIPTS TAX REVENUE BONDS HAD A BALANCE OF \$7,815,000 AT DECEMBER 31, 2012. 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.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: COMMITMENTS (CONT'D)

THE SERIES 2012 CAPITAL IMPROVEMENT REFUNDING AND IMPROVEMENT REVENUE BONDS HAD A BALANCE OF \$3,560,000 AT DECEMBER 31, 2012. 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.

THE FUTURE SCHEDULED MATURITIES OF LONG-TERM DEBT ARE AS FOLLOWS:

	PRINCIPAL	INTEREST	TOTAL
2013	\$ 744,675	\$ 339,337	\$ 1,084,012
2014	751,649	333,865	1,085,514
2015	665,000	322,017	987,017
2016	670,000	311,030	981,030
2017	685,000	298,238	983,238
2018-2022	3,685,000	1,228,000	4,913,000
2023-2027	4,100,000	546,000	4,646,000
2028	275,000	9,625	284,625
	<u>\$11,576,324</u>	<u>\$3,388,112</u>	<u>\$14,964,436</u>

THE FOLLOWING SCHEDULE DETAILS THE CHANGES IN THE CITY'S LONG-TERM DEBT FOR THE YEARS ENDING DECEMBER 31:

	2012	2011
BEGINNING BALANCE	\$ 1,205,000	\$ 2,109,198
ADDITIONS	11,679,986	
RETIRED	(1,308,662)	(904,198)
ENDING BALANCE	<u>\$11,576,324</u>	<u>\$ 1,205,000</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, 2012 AND 2011:

	GENERAL FUND	STREET FUND	OTHER FUNDS	2012 TOTAL
UNUSED VACATION	\$ 150,526	\$ 11,555	\$ 3,943	\$ 166,024
UNUSED SICK LEAVE	88,871	25,034		113,905
	<u>\$ 239,397</u>	<u>\$ 36,589</u>	<u>\$ 3,943</u>	<u>\$ 279,929</u>
	GENERAL FUND	STREET FUND	OTHER FUNDS	2011 TOTAL
UNUSED VACATION	\$ 134,528	\$ 11,876	\$ 10,816	\$ 157,220
UNUSED SICK LEAVE	112,390	23,189	61,004	196,583
	<u>\$ 246,918</u>	<u>\$ 35,065</u>	<u>\$ 71,820</u>	<u>\$ 353,803</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.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

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, 2012:

	<u>DUE FROM OTHER FUNDS</u>		
	ANIMAL CONTROL FUND	UTILITIES FUND	DUE TO OTHER FUNDS
GENERAL FUND	\$ 5	\$ 14,083	\$ 14,088
STREET FUND		4,914	4,914
OTHER FUNDS IN THE AGGREGATE		27,663	27,663
	<u>\$ 5</u>	<u>\$ 46,660</u>	<u>\$ 46,665</u>

THE BALANCE OF \$46,660 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 OF THESE BALANCES ARE EXPECTED TO BE SETTLED IN 2013.

THE REMAINING BALANCE 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 THIS BALANCE IS EXPECTED TO BE SETTLED IN 2013.

THE FOLLOWING IS A SCHEDULE OF INTERFUND BALANCES AT DECEMBER 31, 2011:

	<u>DUE FROM OTHER FUNDS</u>		
	GENERAL FUND	UTILITIES FUND	DUE TO OTHER FUNDS
GENERAL FUND	\$	\$ 13,983	\$ 13,983
STREET FUND		3,509	3,509
OTHER FUNDS IN THE AGGREGATE	4,973	26,843	31,816
	<u>\$ 4,973</u>	<u>\$ 44,335</u>	<u>\$ 49,308</u>

THE BALANCE OF \$44,335 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, 2012:

	TRANSFERS IN FROM OTHER FUNDS				TRANSFERS OUT TO OTHER FUNDS
	GENERAL FUND	STREET FUND	OTHER FUNDS IN THE AGGREGATE	UTILITIES FUND	
GENERAL FUND	\$	\$	\$ 427,910	\$ 183,976	\$ 611,886
STREET FUND		1,000,000	2,331,956	67,350	3,399,306
OTHER FUNDS IN THE AGGREGATE	5,957,444	1,301,066	1,944,216	29,859	9,232,585
UTILITIES FUND	1,877,400				1,877,400
	\$ 7,834,844	\$ 2,301,066	\$ 4,704,082	\$ 281,185	\$ 15,121,177

THE FOLLOWING IS A SCHEDULE OF INTERFUND TRANSFERS FOR THE YEAR ENDING DECEMBER 31, 2011:

	TRANSFERS IN FROM OTHER FUNDS				TRANSFERS OUT TO OTHER FUNDS
	GENERAL FUND	STREET FUND	OTHER FUNDS IN THE AGGREGATE	UTILITIES FUND	
GENERAL FUND	\$	\$ 211,956	\$ 502,887	\$ 190,437	\$ 905,280
STREET FUND			646,666	49,691	696,357
OTHER FUNDS IN THE AGGREGATE	5,837,659	1,265,021	1,350,521	30,647	8,483,848
UTILITIES FUND	1,865,953				1,865,953
	\$ 7,703,612	\$ 1,476,977	\$ 2,500,074	\$ 270,775	\$ 11,951,440

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, 2012, IS AS FOLLOWS:

RETIREES AND BENEFICIARIES	
CURRENTLY RECEIVING BENEFITS	31
CURRENT EMPLOYEES	2
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, WHICH 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 RECONCILIATION OF THE NET PENSION OBLIGATION (NPO) FOR THE YEARS ENDING DECEMBER 31:

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLANS (CONT'D)

	2010	2009	2008
ANNUAL REQUIRED CONTRIBUTION (ARC)	\$ 1,277,358	\$ 882,917	\$ 630,525
INTEREST ON NPO	102,715	114,488	88,510
ADJUSTMENT TO ARC	(463,193)	(358,081)	(322,969)
ANNUAL PENSION COST (APC)	916,880	639,324	396,066
ACTUAL CONTRIBUTION MADE	(222,493)	(220,566)	(235,694)
INCREASE (DECREASE) IN NPO	694,387	418,758	160,372
NPO - BEGINNING OF YEAR	2,054,297	1,635,539	1,475,167
NPO - END OF YEAR	<u>\$ 2,748,684</u>	<u>\$ 2,054,297</u>	<u>\$ 1,635,539</u>

THE ANNUAL REQUIRED CONTRIBUTION FOR 2010 WAS DETERMINED AS PART OF THE DECEMBER 31, 2009 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 UNFUNDED ACTUARIAL ACCRUED LIABILITY IS BEING AMORTIZED AS A LEVEL PERCENTAGE OF PROJECTED PAYROLL ON A CLOSED BASIS. THE REMAINING AMORTIZATION PERIOD AT DECEMBER 31, 2009 WAS FIVE YEARS. THE FOLLOWING REPRESENTS THE TRENDS FOR THE LAST THREE YEARS:

	APC	% OF APC CONTRIBUTED	NPO
2010	\$916,880	24.3%	\$ 2,748,684
2009	\$639,324	34.5%	\$ 2,054,297
2008	\$396,066	59.5%	\$ 1,635,539

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ENTRY AGE 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	\$ 2,210,118	\$ 7,728,586	\$5,518,468	28.6%	\$ 104,040	5,304.2%
12/31/08	\$ 2,324,871	\$ 6,272,506	\$3,947,635	37.1%	\$ 111,563	3,538.5%
12/31/07	\$ 3,497,412	\$ 6,291,940	\$2,794,528	55.6%	\$ 111,563	2,504.9%

- 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.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLANS (CONT'D)

THE PLAN IS ADMINISTERED BY STEPHENS CAPITAL MANAGEMENT, INC. THE FINANCIAL STATEMENTS AND DISCLOSURES FOR THE PLAN ARE INCLUDED IN A STAND-ALONE FINANCIAL REPORT PROVIDED BY THE ACTUARY. MEMBERSHIP IN THE PLAN AS OF JANUARY 1, 2012, IS AS FOLLOWS:

RETIREES AND BENEFICIARIES	
CURRENTLY RECEIVING BENEFITS	23
VESTED TERMINATED EMPLOYEES	22
DISABLED	2
CURRENT EMPLOYEES	<u>53</u>
TOTAL	<u>100</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.

EMPLOYEES MAY TAKE EARLY RETIREMENT BETWEEN 55 AND 65. THE EMPLOYEE MUST COMPLETE TEN YEARS OF SERVICE AND BE AT LEAST 55 YEARS OF AGE TO BE ELIGIBLE FOR BENEFITS. THE EARLY RETIREMENT PENSION IS THE ACTUARIAL EQUIVALENT OF THE ACCRUED BENEFITS AT NORMAL RETIREMENT AGE.

EMPLOYEES MAKE NO CONTRIBUTION TO THE PLAN. THE CITY OF BENTON CONTRIBUTION IS ACTUARIALY DETERMINED. THE AMOUNT CONTRIBUTED WAS \$350,000 IN 2012 AND \$355,019 IN 2011. THE FOLLOWING IS A RECONCILIATION OF THE NET PENSION OBLIGATION (NPO) FOR THE YEARS ENDING DECEMBER 31:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	\$ 298,145	\$ 317,779	\$ 327,685
INTEREST ON NPO	(14,589)	(11,840)	(9,122)
ADJUSTMENT TO ARC	15,321	12,435	9,580
ANNUAL PENSION COST (APC)	<u>298,877</u>	<u>318,374</u>	<u>328,143</u>
ACTUAL CONTRIBUTION MADE	<u>(350,000)</u>	<u>(355,019)</u>	<u>(364,390)</u>
INCREASE (DECREASE) IN NPO	(51,123)	(36,645)	(36,247)
NPO - BEGINNING OF YEAR	(157,870)	(157,870)	(121,623)
NPO - END OF YEAR	<u>\$ (208,993)</u>	<u>\$ (194,515)</u>	<u>\$ (157,870)</u>

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLANS (CONT'D)

THE ANNUAL REQUIRED CONTRIBUTION FOR 2012 WAS DETERMINED AS PART OF THE JANUARY 1, 2012 ACTUARIAL VALUATION USING THE ENTRY AGE NORMAL COST METHOD. THE ACTUARIAL ASSUMPTIONS INCLUDED 7.5% INVESTMENT RATE OF RETURN AND A PROJECTED SALARY INCREASE OF 2.0% ANNUALLY. THE ASSUMPTIONS DID NOT INCLUDE POSTRETIREMENT BENEFIT INCREASES. THE ACTUARIAL VALUE OF ASSETS WAS BASED ON THE FAIR MARKET VALUE. THE UNFUNDED ACTUARIAL ACCRUED LIABILITY IS BEING AMORTIZED AS A LEVEL PERCENTAGE OF PROJECTED PAYROLL ON AN OPEN BASIS. THE REMAINING AMORTIZATION PERIOD AT JANUARY 1, 2012 WAS THIRTY YEARS. THE FOLLOWING REPRESENTS THE TRENDS FOR THE LAST THREE YEARS AND THE SCHEDULE OF FUNDING PROGRESS:

	APC	% OF APC CONTRIBUTED	NPO
2012	\$298,877	117.1%	\$(208,993)
2011	\$318,374	111.5%	\$(194,515)
2010	\$328,143	111.0%	\$(157,870)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ENTRY AGE 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)
12/31/11	\$ 3,877,567	\$ 5,155,995	\$ 1,278,428	75%	\$ 1,722,162	74%
12/31/10	\$ 3,860,505	\$ 5,043,465	\$ 1,182,960	77%	\$ 1,896,410	62%
12/31/09	\$ 3,373,873	\$ 4,754,417	\$ 1,380,544	71%	\$ 1,828,892	75%

- 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 STEPHENS CAPITAL MANAGEMENT, INC. 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, 2012, IS AS FOLLOWS:

RETIREES AND BENEFICIARIES	
CURRENTLY RECEIVING BENEFITS	41
VESTED TERMINATED EMPLOYEES	25
DISABLED	1
CURRENT EMPLOYEES	83
TOTAL	<u>150</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.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLANS (CONT'D)

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 MAKE NO CONTRIBUTION TO THE PLAN. THE CITY UTILITIES CONTRIBUTION IS ACTUARIALLY DETERMINED. THE AMOUNT CONTRIBUTED WAS \$725,000 IN 2012 AND \$750,000 IN 2011. THE FOLLOWING IS A RECONCILIATION OF THE NET PENSION OBLIGATION (NPO) FOR THE YEARS ENDING DECEMBER 31:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	\$ 620,402	\$ 570,858	\$ 603,732
INTEREST ON NPO	(48,982)	(35,681)	(24,804)
ADJUSTMENT TO ARC	51,440	37,473	26,048
ANNUAL PENSION COST (APC)	<u>622,860</u>	<u>572,650</u>	<u>604,976</u>
ACTUAL CONTRIBUTION MADE	<u>(725,000)</u>	<u>(750,000)</u>	<u>(750,005)</u>
INCREASE (DECREASE) IN NPO	(102,140)	(177,350)	(145,029)
NPO - BEGINNING OF YEAR	(653,094)	(475,744)	(330,715)
NPO - END OF YEAR	<u>\$ (755,234)</u>	<u>\$ (653,094)</u>	<u>\$ (475,744)</u>

THE ANNUAL REQUIRED CONTRIBUTION FOR 2012 WAS DETERMINED AS PART OF THE JANUARY 1, 2012 ACTUARIAL VALUATION USING THE ENTRY AGE NORMAL COST METHOD. THE ACTUARIAL ASSUMPTIONS INCLUDED 7.5% INVESTMENT RATE OF RETURN AND A PROJECTED SALARY INCREASE OF 2.0% ANNUALLY. THE ASSUMPTIONS DID NOT INCLUDE POSTRETIREMENT BENEFIT INCREASES. THE ACTUARIAL VALUE OF ASSETS WAS BASED ON THE FAIR MARKET VALUE. THE UNFUNDED ACTUARIAL ACCRUED LIABILITY IS BEING AMORTIZED AS A LEVEL PERCENTAGE OF PROJECTED PAYROLL ON AN OPEN BASIS. THE REMAINING AMORTIZATION PERIOD AT JANUARY 1, 2012 WAS THIRTY YEARS. THE FOLLOWING REPRESENTS THE TRENDS FOR THE LAST THREE YEARS AND THE SCHEDULE OF FUNDING PROGRESS:

	<u>APC</u>	<u>% OF APC CONTRIBUTED</u>	<u>NPO</u>
2012	\$622,860	116.4%	\$(755,234)
2011	\$572,650	131.0%	\$(653,094)
2010	\$604,976	124.0%	\$(475,744)

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLANS (CONT'D)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ENTRY AGE 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)
12/31/11	\$ 10,175,300	\$ 13,859,330	\$ 3,684,030	73%	\$ 3,303,219	112%
12/31/10	\$ 10,145,005	\$ 13,191,285	\$ 3,046,280	77%	\$ 3,358,173	91%
12/31/09	\$ 8,965,792	\$ 12,539,395	\$ 3,573,603	72%	\$ 3,236,853	110%

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, IS 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)	<u>277,528</u>
ACTUAL CONTRIBUTION MADE	(256,750)
INCREASE (DECREASE) IN NOPEB	<u>20,778</u>
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.

CITY OF BENTON, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLANS (CONT'D)

THE FOLLOWING REPRESENTS THE SCHEDULE OF FUNDING:

	<u>ANNUAL OPEB COST</u>	<u>% OF ANNUAL OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
2010	\$ 277,528	92.5%	\$ 20,778

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (A)</u>	<u>ACTUARIAL ACCRUED LIABILITY (B)</u>	<u>UNFUNDED ACCRUED LIABILITY (UAL) (B-A)</u>	<u>FUNDED RATIO (A/B)</u>	<u>COVERED PAYROLL (C)</u>	<u>UAL AS A % OF COVERED PAYROLL ((B-A)/C)</u>
12/31/09	\$	\$ 3,386,637	\$ 3,386,637	0%	\$ 0	N/A

NOTE 12: SUBSEQUENT EVENT

SUBSEQUENT EVENTS WERE EVALUATED THROUGH MAY 24, 2013, 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, 2012

	<u>ELECTED STAFF</u>	<u>LEGAL</u>	<u>CENTRAL COMMUNICATIONS</u>	<u>INFORMATION TECHNOLOGY</u>
SALARIES	\$ 209,994	\$ 65,250	\$ 351,428	\$ 45,054
RETIREMENT	5,386	49,991	61,093	7,047
FRINGE BENEFITS	28,564	5,750	94,948	21,818
VEHICLE	1,235		939	366
REPAIRS AND MAINTENANCE	31,281		31,255	323
SUPPLIES	8,400		1,267	1,742
OTHER	365			
ELECTRICITY GENERATION				
UTILITIES	15,409		7,207	2,501
OUTSIDE SERVICES	139,941	425,943	42,929	46,112
EDUCATIONAL/PROFESSIONAL	92,570	100	3,407	1,598
CAPITAL OUTLAY	8,627			3,095
	<u>\$ 541,772</u>	<u>\$ 547,034</u>	<u>\$ 594,473</u>	<u>\$ 129,656</u>

<u>POLICE</u>	<u>FIRE</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>PROFESSIONAL TECHNICAL</u>	<u>TOTAL</u>
\$ 2,858,181	\$ 2,455,173	\$ 246,027	\$	\$ 6,231,107
392,008	256,055	47,739	12,436	831,755
668,024	534,644	54,224	7,457	1,415,429
312,442	64,883	20,203	620	400,688
62,120	19,495	5,883		150,357
119,686	66,136	3,056	20	200,307
55,160	3,669	3,011		62,205
394	1,689			2,083
31,204	22,117	6,938	688	86,064
108,435	53,433	73,617	23,154	913,564
44,955	13,827	10,425	20	166,902
210,108	25,051	1,093		247,974
<u>\$ 4,862,717</u>	<u>\$ 3,516,172</u>	<u>\$ 472,216</u>	<u>\$ 44,395</u>	<u>\$ 10,708,435</u>

CITY OF BENTON, ARKANSAS
 SCHEDULE OF GENERAL FUND EXPENDITURES BY
 DEPARTMENT - MODIFIED ACCRUAL BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>ELECTED STAFF</u>	<u>LEGAL</u>	<u>CENTRAL COMMUNICATIONS</u>	<u>INFORMATION TECHNOLOGY</u>
SALARIES	\$ 200,666	\$ 65,000	\$ 339,827	\$ 41,574
RETIREMENT	5,434	11,971	59,248	8,249
FRINGE BENEFITS	17,019	5,508	81,719	8,836
VEHICLE	2,014		1,380	466
REPAIRS AND MAINTENANCE	68,888		18,112	44
SUPPLIES	9,154		1,140	3,088
OTHER			15	74
ELECTRICITY GENERATION				
UTILITIES	16,236		7,253	1,012
OUTSIDE SERVICES	84,777	521,737	7,267	111,965
EDUCATIONAL/PROFESSIONAL	52,526	100	3,910	
CAPITAL OUTLAY	4,888		25,604	1,311
	<u>\$ 461,602</u>	<u>\$ 604,316</u>	<u>\$ 545,475</u>	<u>\$ 176,619</u>

<u>POLICE</u>	<u>FIRE</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>PROFESSIONAL TECHNICAL</u>	<u>TOTAL</u>
\$ 2,774,875	\$ 2,341,506	\$ 217,552	\$ 71,613	\$ 6,052,613
271,594	246,546	38,475	12,493	654,010
701,740	524,390	44,470	13,482	1,397,164
302,735	58,286	9,879	1,169	375,929
48,176	96,531	3,828		235,579
88,623	38,651	2,666	1,611	144,933
52,854	2,142	43		55,128
1,454	2,522			3,976
29,963	26,330	5,874	693	87,361
165,233	70,433	68,482	1,080	1,030,974
60,164	12,364	7,751	483	137,298
191,847	4,096	2,096		229,842
<u>\$ 4,689,258</u>	<u>\$ 3,423,797</u>	<u>\$ 401,116</u>	<u>\$ 102,624</u>	<u>\$ 10,404,807</u>

CITY OF BENTON, ARKANSAS
 COMBINED BALANCE SHEET - STREET FUND
 MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2012

<u>ASSETS</u>	<u>STREET OPERATING FUND</u>	<u>STREET IMPROVEMENT FUND</u>	<u>STORMWATER PROJECTS FUND</u>	<u>SPECIAL PROJECTS FUND</u>	<u>TOTAL STREET FUND</u>
ASSETS					
CASH AND EQUIVALENTS:					
UNASSIGNED	\$2,077,906	\$	\$	\$	\$2,077,906
COUNCIL COMMITTED			74,254		74,254
RESTRICTED		766,935		3,710,731	4,477,666
OTHER RECEIVABLES	93,062		96,337		189,399
PREPAID EXPENSES	11,410				11,410
TOTAL ASSETS	<u>\$2,182,378</u>	<u>\$ 766,935</u>	<u>\$ 170,591</u>	<u>\$3,710,731</u>	<u>\$6,830,635</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
ACCOUNTS PAYABLE	\$ 100,021	\$	\$ 11,564	\$ 49,045	\$ 160,630
ACCRUED COMPENSATION	19,276				19,276
DUE TO OTHER FUNDS	4,914				4,914
TOTAL LIABILITIES	<u>124,211</u>		<u>11,564</u>	<u>49,045</u>	<u>184,820</u>
FUND BALANCES					
RESTRICTED FOR CAPITAL					
OUTLAY		766,935		3,661,686	4,428,621
UNRESTRICTED:					
COMMITTED			159,027		159,027
UNASSIGNED	2,058,167				2,058,167
TOTAL FUND BALANCES	<u>2,058,167</u>	<u>766,935</u>	<u>159,027</u>	<u>3,661,686</u>	<u>6,645,815</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,182,378</u>	<u>\$ 766,935</u>	<u>\$ 170,591</u>	<u>\$3,710,731</u>	<u>\$6,830,635</u>

CITY OF BENTON, ARKANSAS
 COMBINED BALANCE SHEET - STREET FUND
 MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2011

<u>ASSETS</u>	<u>STREET OPERATING FUND</u>	<u>STREET IMPROVEMENT FUND</u>	<u>STORMWATER PROJECTS FUND</u>	<u>TOTAL STREET FUND</u>
ASSETS				
CASH AND EQUIVALENTS:				
UNASSIGNED	\$2,790,853	\$	\$	\$2,790,853
COUNCIL COMMITTED			234,281	234,281
RESTRICTED		1,201,245		1,201,245
OTHER RECEIVABLES	1,284		200	1,484
PREPAID EXPENSES	11,040			11,040
TOTAL ASSETS	<u>\$2,803,177</u>	<u>\$1,201,245</u>	<u>\$ 234,481</u>	<u>\$4,238,903</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
ACCOUNTS PAYABLE	\$ 27,021	\$ 22,000	\$ 14,236	\$ 63,257
ACCRUED COMPENSATION	16,421			16,421
DUE TO OTHER FUNDS	3,509			3,509
TOTAL LIABILITIES	<u>46,951</u>	<u>22,000</u>	<u>14,236</u>	<u>83,187</u>
FUND BALANCES				
RESTRICTED FOR CAPITAL OUTLAY		1,179,245		1,179,245
UNRESTRICTED:				
COMMITTED			220,245	220,245
UNASSIGNED	2,756,226			2,756,226
TOTAL FUND BALANCES	<u>2,756,226</u>	<u>1,179,245</u>	<u>220,245</u>	<u>4,155,716</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,803,177</u>	<u>\$1,201,245</u>	<u>\$ 234,481</u>	<u>\$4,238,903</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, 2012

	STREET OPERATING FUND	STREET IMPROVEMENT FUND	STORMWATER PROJECTS FUND	SPECIAL PROJECTS FUND	TOTAL STREET FUND
REVENUES					
TAX REVENUES	\$2,020,586	\$	\$	\$	\$2,020,586
PERMITS AND LICENSES			100,102		100,102
FEDERAL AND STATE GRANTS	235,887		208,152		444,039
INTEREST	4,696	1,562	256	1,156	7,670
OTHER	63,079				63,079
TOTAL REVENUES	<u>2,324,248</u>	<u>1,562</u>	<u>308,510</u>	<u>1,156</u>	<u>2,635,476</u>
EXPENDITURES					
HUMAN RESOURCES	656,088				656,088
OPERATIONS AND MAINTENANCE	457,264		75,292		532,556
UTILITIES	10,533				10,533
OUTSIDE SERVICES	16,868				16,868
EDUCATIONAL/PROFESSIONAL	2,885				2,885
CAPITAL OUTLAY	811,319	36,260	294,436	118,329	1,260,344
TOTAL EXPENDITURES	<u>1,954,957</u>	<u>36,260</u>	<u>369,728</u>	<u>118,329</u>	<u>2,479,274</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES					
	<u>369,291</u>	<u>(34,698)</u>	<u>(61,218)</u>	<u>(117,173)</u>	<u>156,202</u>
OTHER FINANCING SOURCES AND (USES)					
PROCEEDS FROM DEBT BOND DISCOUNT AND ISSUE COSTS				3,560,000 (127,863)	3,560,000 (127,863)
TRANSFERS IN		1,301,066		1,000,000	2,301,066
TRANSFERS OUT	(1,067,350)	(1,678,678)		(653,278)	(3,399,306)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(1,067,350)</u>	<u>(377,612)</u>		<u>3,778,859</u>	<u>2,333,897</u>
CHANGES IN FUND BALANCES	(698,059)	(412,310)	(61,218)	3,661,686	2,490,099
FUND BALANCES AT BEGINNING OF YEAR					
	<u>2,756,226</u>	<u>1,179,245</u>	<u>220,245</u>		<u>4,155,716</u>
FUND BALANCES AT END OF YEAR					
	<u>\$2,058,167</u>	<u>\$ 766,935</u>	<u>\$ 159,027</u>	<u>\$3,661,686</u>	<u>\$6,645,815</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, 2011

	STREET OPERATING FUND	STREET IMPROVEMENT FUND	STORMWATER PROJECTS FUND	TOTAL STREET FUND
REVENUES				
TAX REVENUES	\$2,061,511	\$	\$	\$2,061,511
PERMITS AND LICENSES			99,688	99,688
FEDERAL AND STATE GRANTS	1,194		47,468	48,662
INTEREST	5,960	2,358	90	8,408
OTHER	80,396			80,396
TOTAL REVENUES	<u>2,149,061</u>	<u>2,358</u>	<u>147,246</u>	<u>2,298,665</u>
EXPENDITURES				
HUMAN RESOURCES	640,510			640,510
OPERATIONS AND MAINTENANCE	448,928		66,152	515,080
UTILITIES	12,149			12,149
OUTSIDE SERVICES	22,360			22,360
EDUCATIONAL/PROFESSIONAL	168			168
CAPITAL OUTLAY	240,563	368,279	72,805	681,647
TOTAL EXPENDITURES	<u>1,364,678</u>	<u>368,279</u>	<u>138,957</u>	<u>1,871,914</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>784,383</u>	<u>(365,921)</u>	<u>8,289</u>	<u>426,751</u>
OTHER FINANCING SOURCES AND (USES)				
GAIN ON SALE OF ASSETS	8,055			8,055
TRANSFERS IN		1,265,021	211,956	1,476,977
TRANSFERS OUT	(49,691)	(646,666)		(696,357)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(41,636)</u>	<u>618,355</u>	<u>211,956</u>	<u>788,675</u>
CHANGES IN FUND BALANCES	742,747	252,434	220,245	1,215,426
FUND BALANCES AT BEGINNING OF YEAR	<u>2,013,479</u>	<u>926,811</u>		<u>2,940,290</u>
FUND BALANCES AT END OF YEAR	<u>\$2,756,226</u>	<u>\$1,179,245</u>	<u>\$ 220,245</u>	<u>\$4,155,716</u>

CITY OF BENTON, ARKANSAS
 COMBINED BALANCE SHEET - OTHER FUNDS IN
 THE AGGREGATE - MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2012

<u>ASSETS</u>	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT</u>	<u>AGENCY AND</u>
	<u>BENTON</u>	<u>MILITARY</u>	<u>SERVICE</u>	<u>PENSION TRUST</u>
	<u>PARKWAY</u>	<u>REDESIGN</u>	<u>FUND</u>	<u>FUNDS</u>
ASSETS				
CASH AND EQUIVALENTS:				
UNASSIGNED	\$	\$	\$	\$
COUNCIL COMMITTED				
RESTRICTED	2,612	35,427	1,054,866	1,598,631
INVESTMENTS-RESTRICTED				15,654,327
OTHER RECEIVABLES		1,702,752		
DUE FROM OTHER FUNDS				
PREPAID EXPENSES				
TOTAL ASSETS	<u>\$ 2,612</u>	<u>\$1,738,179</u>	<u>\$1,054,866</u>	<u>\$17,252,958</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
ACCOUNTS PAYABLE	\$	\$1,165,718	\$	\$
ACCRUED COMPENSATION				
DUE TO OTHER FUNDS		24,813		
ASSETS HELD IN TRUST				17,252,958
TOTAL LIABILITIES		<u>1,190,531</u>		<u>17,252,958</u>
FUND BALANCES				
RESTRICTED FOR DEBT SERVICE			1,054,866	
RESTRICTED FOR CAPITAL OUTLAY	2,612	547,648		
RESTRICTED FOR OTHER ACTIVITIES				
UNRESTRICTED:				
COMMITTED				
UNASSIGNED				
TOTAL FUND BALANCES	<u>2,612</u>	<u>547,648</u>	<u>1,054,866</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,612</u>	<u>\$1,738,179</u>	<u>\$1,054,866</u>	<u>\$17,252,958</u>

SPECIAL REVENUE FUNDS					TOTAL
ANIMAL CONTROL	PARKS AND RECREATION	CONTINGENCY	A&P COMMISSION	911	OTHER FUNDS IN THE AGGREGATE
\$ 38,872	\$ 705,983	\$	\$1,118,967	\$	\$ 1,863,822
		2,860			2,860
	3,653		7,040,326	2	9,735,517
					15,654,327
					1,702,752
5					5
1,734	14,890				16,624
<u>\$ 40,611</u>	<u>\$ 724,526</u>	<u>\$ 2,860</u>	<u>\$8,159,293</u>	<u>\$ 2</u>	<u>\$ 28,975,907</u>
\$ 6,112	\$ 43,092	\$	\$ 2,628	\$	\$ 1,217,550
7,667	18,623				26,290
430	2,420				27,663
<u>14,209</u>	<u>64,135</u>		<u>2,628</u>		<u>17,252,958</u>
					18,524,461
					1,054,866
			7,040,326		7,590,586
	3,653			2	3,655
		2,860			2,860
26,402	656,738		1,116,339		1,799,479
<u>26,402</u>	<u>660,391</u>	<u>2,860</u>	<u>8,156,665</u>	<u>2</u>	<u>10,451,446</u>
<u>\$ 40,611</u>	<u>\$ 724,526</u>	<u>\$ 2,860</u>	<u>\$8,159,293</u>	<u>\$ 2</u>	<u>\$ 28,975,907</u>

CITY OF BENTON, ARKANSAS
 COMBINED BALANCE SHEET - OTHER FUNDS IN
 THE AGGREGATE - MODIFIED ACCRUAL BASIS
 DECEMBER 31, 2011

<u>ASSETS</u>	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT</u>	<u>AGENCY AND</u>
	<u>BENTON</u>	<u>MILITARY</u>	<u>SERVICE</u>	<u>PENSION TRUST</u>
	<u>PARKWAY</u>	<u>REDESIGN</u>	<u>FUND</u>	<u>FUNDS</u>
ASSETS				
CASH AND EQUIVALENTS:				
UNASSIGNED	\$	\$	\$	\$
COUNCIL COMMITTED				
RESTRICTED	7,579	892,902	517,986	1,607,934
INVESTMENTS-RESTRICTED				14,267,222
OTHER RECEIVABLES		189,891		
PREPAID EXPENSES				
TOTAL ASSETS	<u>\$ 7,579</u>	<u>\$1,082,793</u>	<u>\$517,986</u>	<u>\$15,875,156</u>
LIABILITIES				
AND FUND BALANCE				
LIABILITIES				
ACCOUNTS PAYABLE	\$	\$ 883,958	\$	\$
ACCRUED COMPENSATION				
DUE TO OTHER FUNDS	4,973	24,813		
ASSETS HELD IN TRUST				15,875,156
TOTAL LIABILITIES	<u>4,973</u>	<u>908,771</u>	<u>517,986</u>	<u>15,875,156</u>
FUND BALANCES				
RESTRICTED FOR DEBT SERVICE			517,986	
RESTRICTED FOR CAPITAL OUTLAY	2,606	174,022		
RESTRICTED FOR OTHER ACTIVITIES				
UNRESTRICTED:				
COMMITTED				
UNASSIGNED				
TOTAL FUND BALANCES	<u>2,606</u>	<u>174,022</u>	<u>517,986</u>	
TOTAL LIABILITIES AND				
FUND BALANCES	<u>\$ 7,579</u>	<u>\$1,082,793</u>	<u>\$517,986</u>	<u>\$15,875,156</u>

SPECIAL REVENUE FUNDS				TOTAL
ANIMAL CONTROL	PARKS AND RECREATION	CONTINGENCY	A&P COMMISSION	OTHER FUNDS IN THE AGGREGATE
\$ 55,550	\$ 407,743	\$	\$1,960,661	\$ 2,423,954
		2,855		2,855
	1,581			3,027,982
	64,964			14,267,222
1,734	14,770			254,855
<u>\$ 57,284</u>	<u>\$ 489,058</u>	<u>\$ 2,855</u>	<u>\$1,960,661</u>	<u>\$ 19,993,372</u>
\$ 26,592	\$ 21,500	\$	\$ 3,727	\$ 935,777
8,672	8,985			17,657
374	1,656			31,816
<u>35,638</u>	<u>32,141</u>		<u>3,727</u>	<u>15,875,156</u>
				16,860,406
				517,986
	1,581			176,628
		2,855		1,581
21,646	455,336		1,956,934	2,855
<u>21,646</u>	<u>456,917</u>	<u>2,855</u>	<u>1,956,934</u>	<u>2,433,916</u>
				<u>3,132,966</u>
<u>\$ 57,284</u>	<u>\$ 489,058</u>	<u>\$ 2,855</u>	<u>\$1,960,661</u>	<u>\$ 19,993,372</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, 2012

	CAPITAL PROJECT FUNDS		DEBT SERVICE FUND
	BENTON PARKWAY	MILITARY REDESIGN	
REVENUES			
TAX REVENUES	\$	\$	\$
BONDS, FINES AND FEES			843,326
FEDERAL AND STATE GRANTS	3,249	3,821,884	
INTEREST	6	771	10,412
OTHER			
TOTAL REVENUES	<u>3,255</u>	<u>3,822,655</u>	<u>853,738</u>
EXPENDITURES			
HUMAN RESOURCES			
OPERATIONS AND MAINTENANCE			1,112
UTILITIES			
OUTSIDE SERVICES			
EDUCATIONAL/PROFESSIONAL			
CAPITAL OUTLAY		4,864,521	
PRINCIPAL PAYMENTS			1,308,662
INTEREST PAYMENTS			41,107
TOTAL EXPENDITURES		<u>4,864,521</u>	<u>1,350,881</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>3,255</u>	<u>(1,041,866)</u>	<u>(497,143)</u>
OTHER FINANCING SOURCES AND (USES)			
PROCEEDS FROM DEBT			
BOND DISCOUNT AND ISSUE COSTS			
TRANSFERS IN		1,415,492	1,674,023
TRANSFERS OUT	(3,249)		(640,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(3,249)</u>	<u>1,415,492</u>	<u>1,034,023</u>
CHANGES IN FUND BALANCES	6	373,626	536,880
FUND BALANCE AT BEGINNING OF YEAR	<u>2,606</u>	<u>174,022</u>	<u>517,986</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,612</u>	<u>\$ 547,648</u>	<u>\$1,054,866</u>

SPECIAL REVENUE FUNDS						TOTAL OTHER FUNDS IN THE AGGREGATE
ANIMAL CONTROL	PARKS AND RECREATION	CONTINGENCY	SALES TAX	A&P COMMISSION	911	
\$ 98	\$	\$	\$7,806,398	\$ 937,488	\$ 109,921	\$ 8,853,905
	73,495					843,326
45	787	5		12,441	10	3,898,628
34,266	111,983			2,706		24,477
34,409	186,265	5	7,806,398	952,635	109,931	148,955
						13,769,291
263,774	381,966			1,854		647,594
51,400	365,031			893		418,436
5,994	24,932					30,926
5,353	292,642			32,976		330,971
3,247	2,050			2,585		7,882
8,029	194,264			1,647,761		6,714,575
						1,308,662
						41,107
337,797	1,260,885			1,686,069		9,500,153
(303,388)	(1,074,620)	5	7,806,398	(733,434)	109,931	4,269,138
				7,815,000		7,815,000
				(237,155)		(237,155)
313,500	1,301,067					4,704,082
(5,356)	(22,973)		(7,806,398)	(644,680)	(109,929)	(9,232,585)
308,144	1,278,094		(7,806,398)	6,933,165	(109,929)	3,049,342
4,756	203,474	5		6,199,731	2	7,318,480
21,646	456,917	2,855		1,956,934		3,132,966
\$ 26,402	\$ 660,391	\$ 2,860	\$	\$8,156,665	\$ 2	\$10,451,446

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, 2011

	CAPITAL PROJECT FUNDS		DEBT SERVICE FUND
	BENTON PARKWAY	MILITARY REDESIGN	
REVENUES			
TAX REVENUES	\$	\$	\$
BONDS, FINES AND FEES			910,450
FEDERAL AND STATE GRANTS	1,496	2,860,650	
INTEREST	18	2,649	1,155
OTHER			
TOTAL REVENUES	<u>1,514</u>	<u>2,863,299</u>	<u>911,605</u>
EXPENDITURES			
HUMAN RESOURCES			
OPERATIONS AND MAINTENANCE			2,302
UTILITIES			
OUTSIDE SERVICES			750
EDUCATIONAL/PROFESSIONAL			
CAPITAL OUTLAY		3,542,869	
PRINCIPAL PAYMENTS			904,199
INTEREST PAYMENTS			79,284
TOTAL EXPENDITURES		<u>3,542,869</u>	<u>986,535</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>1,514</u>	<u>(679,570)</u>	<u>(74,930)</u>
OTHER FINANCING SOURCES AND (USES)			
GAIN ON SALE OF ASSETS			
TRANSFERS IN			836,753
TRANSFERS OUT	(1,496)		(776,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(1,496)</u>		<u>60,753</u>
CHANGES IN FUND BALANCES	18	(679,570)	(14,177)
FUND BALANCE AT BEGINNING OF YEAR	<u>2,588</u>	<u>853,592</u>	<u>532,163</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,606</u>	<u>\$ 174,022</u>	<u>\$ 517,986</u>

SPECIAL REVENUE FUNDS					TOTAL OTHER FUNDS IN THE AGGREGATE
ANIMAL CONTROL	PARKS AND RECREATION	CONTINGENCY	SALES TAX	A&P COMMISSION	
\$ 77	\$	\$	\$7,590,128	\$ 878,025	\$ 8,468,230
					910,450
					2,862,146
73	1,181	7		3,221	8,304
15,030	49,502			3,285	67,817
<u>15,180</u>	<u>50,683</u>	<u>7</u>	<u>7,590,128</u>	<u>884,531</u>	<u>12,316,947</u>
252,586	368,608			38,049	659,243
52,075	407,142			16,405	477,924
6,423	28,344			3,539	38,306
4,828	430,361			53,743	489,682
616	82			45,589	46,287
4,600	214,207			663	3,762,339
					904,199
					79,284
<u>321,128</u>	<u>1,448,744</u>			<u>157,988</u>	<u>6,457,264</u>
(305,948)	(1,398,061)	7	7,590,128	726,543	5,859,683
113	7,505			2,287	9,905
312,800	1,350,521				2,500,074
(5,184)	(24,697)		(7,590,128)	(86,343)	(8,483,848)
<u>307,729</u>	<u>1,333,329</u>		<u>(7,590,128)</u>	<u>(84,056)</u>	<u>(5,973,869)</u>
1,781	(64,732)	7		642,487	(114,186)
19,865	521,649	2,848		1,314,447	3,247,152
<u>\$ 21,646</u>	<u>\$ 456,917</u>	<u>\$ 2,855</u>	<u>\$</u>	<u>\$1,956,934</u>	<u>\$ 3,132,966</u>

CITY OF BENTON, ARKANSAS
 OTHER SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 DECEMBER 31, 2012 AND 2011

	2012	2011
LAND AND IMPROVEMENTS	\$ 4,975,787	\$ 3,331,196
BUILDINGS AND IMPROVEMENTS	13,258,538	13,071,672
SERVICE FACILITIES AND EQUIPMENT	6,091,162	5,795,651
INFRASTRUCTURE	25,818,595	25,255,847
CONSTRUCTION IN PROGRESS	13,232,857	7,705,673
 TOTAL CAPITAL ASSETS	 \$ 63,376,939	 \$ 55,160,039

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 THRESHOLDS 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 FINANCIAL STATEMENTS OF THE CITY OF BENTON, ARKANSAS, AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011, AND THE RELATED NOTES TO THE FINANCIAL STATEMENTS, WHICH COLLECTIVELY COMPRISE THE CITY OF BENTON, ARKANSAS' BASIC FINANCIAL STATEMENTS, AND HAVE ISSUED OUR REPORT THEREON DATED MAY 24, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

IN PLANNING AND PERFORMING OUR AUDITS OF THE FINANCIAL STATEMENTS, WE CONSIDERED THE CITY OF BENTON, ARKANSAS' INTERNAL CONTROL OVER FINANCIAL REPORTING (INTERNAL CONTROL) TO DETERMINE THE AUDITING 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 OF BENTON, ARKANSAS' FINANCIAL STATEMENTS ARE FREE FROM MATERIAL MISSTATEMENT, WE PERFORMED TESTS OF ITS COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS,

REGULATIONS, CONTRACTS AND GRANT AGREEMENTS, NONCOMPLIANCE WITH WHICH COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE DETERMINATION OF FINANCIAL STATEMENT AMOUNTS. HOWEVER, PROVIDING AN OPINION ON COMPLIANCE WITH THOSE PROVISIONS WAS NOT AN OBJECTIVE OF OUR AUDITS 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.


CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS
MAY 24, 2013

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, 2012 AND 2011.

- 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, 2012 AND 2011.

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.


CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS
MAY 24, 2013