

Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Financial Statements
and Supplementary Information

December 31, 2013 and 2012

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Table of Contents
December 31, 2013 and 2012

	<u>Page</u>
Management's Discussion and Analysis	1-4
Independent Auditors' Report	5-6
Balance Sheets	7-8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11-18
Supplementary Information	
Schedule of Operating, Board Designated and Restricted Funds	19
Departmental Statements of Revenues and Expenses	20
Schedule of Plant Production and Treatment Expenses	21
Schedule of General, Distribution and Collection Expenses	22
Schedule of Administrative Expenses	23
Supplemental Water and Sewer Disclosures	24
Revenue Bond Amortization Schedule – December 1, 2006	25-26
Revenue Bond Amortization Schedule – March 6, 2009	27-28
Revenue Bond Amortization Schedule – April 1, 2012	29-30
Estimated Debt Service Coverage	31
Required Supplementary Information – Schedule of Funding Progress for Benton Utilities Employees' Pension Plan	32

Management's Discussion and Analysis

The management's discussion and analysis of Benton Municipal Light and Water Works' (Utility System) financial performance provides an overview of the Utility System's financial activities for the year ended December 31, 2013. Please read it in conjunction with the Utility System's financial statements, which are presented on pages 7 through 18.

Required Financial Statements

The financial statements of the Utility System report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States. The balance sheets include information of the Utility System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Utility System creditors (liabilities). The statements of revenues, expenses and changes in net position identify the Utility System's revenues and expenses for the years ended December 31, 2013 and 2012. This statement provides information on the Utility System's operations over the past two years and can be used to determine whether the Utility System has recovered all of its costs through user fees and other charges. The third financial statement is the statement of cash flows. This statement provides information on the Utility System's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the statements of cash flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance for each of the last two years.

2013 Financial Highlights

- The Utility's total revenues decreased by \$1,225,524 or 3.25% from \$37,654,616 at December 31, 2012, to \$36,429,092 at December 31, 2013. The decrease in revenues is in great part due to coolest temperatures since 2009 reducing electrical and water uses especially during the summer months.
- The Utility's total expenses decreased by \$1,120,475 or 2.74% from \$40,825,397 at December 31, 2012, to \$39,704,922 at December 31, 2013. The principal factor resulting in the decreased expenses was reduction in 2013 of the utilization of outside consultants and attorneys assisting the electric department with several issues including the negotiations and securing of a new wholesale power contract, the changes brought about by Entergy Arkansas, Inc.'s decision to enter into a regional transmission operation (RTO), known as MISO, and the many different facets of the operations affected by that transition. Also, with reduced power usage from 2012 to 2013 wholesale power purchase was also reduced. There were also fewer electrical system repairs in 2013 as compared to 2012.
- The Utility's total assets decreased by \$3,156,193 or 3.07% from \$102,878,652 at December 31, 2012, to \$99,722,459 December 31, 2013. The main decrease is due to total depreciation costs of \$4,812,558 for 2013.
- Investment income increased by \$2,448 or (12.18%) due to restricted interest income on bond money for water projects.

Financial Analysis of the Utility System

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

Condensed Balance Sheets

	2013	2012	2011
Current Assets	\$ 10,248,280	\$ 10,405,219	\$ 10,333,440
Restricted Assets	5,731,044	13,654,163	4,304,965
Capital Assets, Net	83,743,135	78,819,270	80,206,578
Total Assets	\$ 99,722,459	\$ 102,878,652	\$ 94,844,983
Current Liabilities	\$ 7,364,604	\$ 6,122,345	\$ 6,089,936
Long-Term Liabilities	50,715,071	52,258,554	42,566,086
Total Liabilities	58,079,675	58,380,899	48,656,022
Net Investment in Capital Assets	33,587,313	35,194,637	36,104,861
Restricted	2,354,896	2,345,824	3,146,844
Unrestricted	5,700,575	6,957,292	6,937,256
Total Net Position	41,642,784	44,497,753	46,188,961
Total Liabilities and Net Position	\$ 99,722,459	\$ 102,878,652	\$ 94,844,983

Total net position decreased by \$2,854,969 from \$44,497,753 at December 31, 2012, to \$41,642,784 at December 31, 2013, a decrease of 6.42%. Current liabilities increased by \$1,242,259, or 20.29%, due primarily to the increased amount of construction project invoices accrued at December 31, 2013.

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

	2013	2012	2011
Operating Revenues:			
Services Fees and Penalties	\$ 36,217,975	\$ 37,351,576	\$ 37,107,087
Other Revenue	188,575	282,946	284,067
Total Operating Revenues	36,406,550	37,634,522	37,391,154
Investment Income	22,542	20,094	23,004
Total Revenue	36,429,092	37,654,616	37,414,158
Operating Expenses:			
Power Costs	22,026,435	22,255,686	21,842,799
Plant Production Expenses	2,079,765	2,033,169	2,032,247
General and Distribution Expenses	4,759,765	5,343,220	4,483,043
Administrative Expenses	2,287,339	2,352,693	2,521,653
Depreciation Expense	4,812,558	4,759,715	4,766,670
Franchise Fees	1,803,828	1,863,400	1,858,453
Total Operating Expenses	37,769,875	38,607,883	37,504,865
Issuance Cost of Revenue Bonds		245,093	
Interest Expense	1,935,047	1,972,421	2,000,658
Total Expenses	39,704,922	40,825,397	39,505,523
Net Income (Loss) Before Contributions and Transfers	(3,275,830)	(3,170,781)	(2,091,365)
Capital Contributions	156,201	1,213,919	2,324,427
Transfers	264,660	265,654	262,510
Change in Net Position	(2,854,969)	(1,691,208)	495,572
Net Position at Beginning of Year	44,497,753	46,188,961	45,693,389
Net Position at End of Year	\$ 41,642,784	\$ 44,497,753	\$ 46,188,961

Total revenues from services, fees and penalties reflect a decrease from 2012 to 2013. The decrease amount was \$1,133,601, or 3.03%. The decrease in revenues is the result of a cooler summer in 2013, compared to 2012.

Net loss of \$3,275,830 before capital contributions, transfers, and extraordinary items, plus capital contributions of \$156,201, less transfers to the City of Benton of \$264,660 were the three items that resulted in a decrease of \$2,854,969 in net position for the year ending December 31, 2013.

The above schedule indicates that the Utility's total revenues decreased by \$1,225,524 or 3.25% from \$37,654,616 at December 31, 2012, to \$36,429,092 at December 31, 2013. This decrease is noted above both as a decrease in total revenues from services, fees and penalties, and a decrease in other revenue.

Total expenses decreased by \$1,120,475 or 2.74% from \$40,825,397 at December 31, 2012, to \$39,704,922 at December 31, 2013. The principal cost decreases were in wholesale power costs and general and distribution expenses.

Capital Assets

At December 31, 2013, the Utility had \$33,587,313 net invested in capital assets. This investment in capital assets includes land, buildings, vehicles, equipment, utility infrastructure, construction materials and construction in progress. The total decrease in the Utility's investment in capital assets for the year of 2013 was \$1,607,324 or (4.57%), due to an increase in accumulated depreciation for the wastewater and water projects that were converted from construction work-in-progress to depreciable assets. A scheduled summary showing the changes to the various categories of capital assets during the year of 2013 can be found in Note 5 on page 15 of this audit report.

Debt Administration

At December 31, 2013, the Utility had \$50,715,071 in outstanding revenue bonds payable compared to \$52,258,554 outstanding at December 31, 2012. This decrease of \$1,543,483 is the difference in the amount of bonds retired (paid off) during the year. An accumulated compensable (accrued vacation and sick leave) balance of \$538,768 at December 31, 2013, is an increase of \$29,508 over the \$509,260 accrued as of December 31, 2012.

Economic Factors and Next Year's Budget and Rates

The Utility Commission issued \$26,500,000 in utility revenue bonds in late December 2006 for major wastewater infrastructure improvements and repairs to address growth and an aging system. In all, seven projects were scheduled and all of them were completed in 2007 and 2008 with the exception of the 5 MGD wastewater treatment plant expansion, which was substantially completed in September 2009 at cost of \$15.29 million. The Utility Commission sought and gained approval of a wastewater rate increase in June 2009. There was also a water rate increase sought and approved in January 2009, which includes an automatic 2% annual rate increase through the year 2015. The rate increases are projected to result in sufficient revenues to operate and maintain the system and cover debt service requirements.

The Benton City Council approved a bond refinancing package in March 2012 that included an additional \$11.2 million dollars for new construction projects in the electric, water and wastewater departments. These projects will provide needed services for new customer growth on the system including the new Benton Event Center built by the Benton Advertising & Promotion Commission. There is also potential growth from a large industrial customer, a retail and residential development being contemplated at the 114 mile marker on Interstate 30 and a 5-story hotel being built beside the Event Center. The total amount of the bond issue was \$24.6 million and went to market March 21, 2012. The annual debt service requirement did not increase with this refinancing and will not extend past the already existing number of years to retire existing debt. The bond issues that were refinanced were the 1995, 1997, 2001a, 2002, 2004a, and 2004b issues. The 2006 and 2009 issues were not included in the refinancing. The significant financial impact of this bond issue was that, due to the existing interest rate climate, the Commission was able to refinance old debt and gain \$11.2 million dollars for new projects without raising the Utility's annual debt service requirement. This transaction was of monumental value to the Utility as well as its customers.

As explained in the FY 2007 management's discussion and analysis, the Utility began receiving its wholesale electric power supply from the Constellation Energy Group on April 1, 2007. The contracted purchase price represents an increase of \$0.042656 per kwh over previous Entergy contract price of \$0.037500. The Commission issued a request for proposals (RFP) in early March 2012 with the assistance of consulting engineer GDS in order to solicit bids from wholesale energy providers to provide power to the City of Benton beginning in April 2014. Several alternatives were considered including (1) a full requirements contract; (2) a contract with one price for base load power and different pricing for the intermediate and peaking power needs; or (3) entering into a long-term purchase power agreement with a provider that may or may not include ownership in the power plant. The Utility Commission was very fortunate to sign contracts on November 19, 2012, with Constellation Energy Group and with the Missouri Joint Municipal Electric Utility Commission (MJMEUC) for the city's wholesale power needs beginning April 1, 2014. The combination of these contracts include 5 mwh monthly from the Plum Point Unit #1 in Osceola, Ark., and a partial requirements contract from Constellation for the remainder of the Utility's needs. The Public Utility Commission passed a rate reduction of 17.5% beginning April 1, 2014, because of our new wholesale power contracts with Constellation and ownership in Plum Point power plant.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Utility's finances. If you have any questions about this report or need additional information, contact the Department of Finance, attn: Bill Wilson, at P.O. Box 607, Benton, AR 72018-0607, call (501) 776-5917, or e-mail at bwilson@bentonar.org.



Bill Wilson
Director of Finance & Administration
Benton Utilities

Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Benton Municipal Light and Water Works of the City of Benton, State of Arkansas, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benton Municipal Light and Water Works of the City of Benton, State of Arkansas as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Benton Municipal Light and Water Works and do not purport to, and do not, present fairly the financial position of the City of Benton, State of Arkansas, as of December 31, 2013 and 2012, the changes in its financial position or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the Benton Municipal Light and Water Works of the City of Benton, State of Arkansas adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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

Benton, Arkansas
March 31, 2014

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Balance Sheets
December 31, 2013 and 2012

Assets	2013	Restated 2012
Current Assets		
Cash and Cash Equivalents	\$ 2,898,197	\$ 3,819,773
Utility Billings, Net of Allowance for Uncollectibles	2,709,210	2,749,000
Accounts Receivable	23,097	291,923
Due from City Funds		42,270
Prepaid Expenses	160,422	151,620
Supplies Inventory	18,324	14,496
Board Designated Funds	4,439,030	3,336,137
Total Current Assets	10,248,280	10,405,219
Non-Current Assets		
Restricted Funds	5,731,044	13,654,163
Capital Assets:		
Total Plant, Property and Equipment	158,318,936	148,657,062
Less Accumulated Depreciation	(74,575,801)	(69,837,792)
Total Non-Current Assets	89,474,179	92,473,433
Total Assets	\$ 99,722,459	\$ 102,878,652

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

Liabilities and Net Position

	2013	Restated 2012
Current Liabilities		
Accounts Payable	\$ 2,926,784	\$ 1,989,401
Customer Overpayments	7,755	14,011
Metered Deposits	1,519,987	1,465,375
Accrued Compensation	538,768	509,260
Sales Tax Payable	62,124	52,243
Accrued Interest Payable	743,423	752,342
Due to City Funds	195,823	
Bonds Payable - Current Maturities	1,369,940	1,339,713
Total Current Liabilities	7,364,604	6,122,345
Non-Current Liabilities		
Revenue Bonds Payable, Less		
Current Maturities	48,482,489	49,852,429
Premium on Revenue Bonds	2,482,430	2,680,257
Discount on Revenue Bonds	(173,211)	(190,046)
Deferred Loss on Early Retirement of Debt	(76,637)	(84,086)
Total Non-Current Liabilities	50,715,071	52,258,554
Total Liabilities	58,079,675	58,380,899
Net Position		
Net Investment in Capital Assets	33,587,313	35,194,637
Restricted for Debt Service	2,354,896	2,345,824
Unrestricted	5,700,575	6,957,292
Total Net Position	41,642,784	44,497,753
Total Liabilities and Net Position	\$ 99,722,459	\$ 102,878,652

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2013 and 2012

	2013	Restated 2012
Operating Revenues		
Charges for Service	\$ 35,078,145	\$ 36,178,979
Service Charges and Connection Fees	665,160	632,557
Penalties	266,876	378,352
Disaster Recovery	207,794	
Grants		161,688
Other Income	188,575	282,946
Total Operating Revenues	36,406,550	37,634,522
Operating Expenses		
Power Costs	22,026,435	22,255,686
Plant Production Expenses	2,079,765	2,033,169
General and Distribution Expenses	4,759,950	5,343,220
Administrative Expenses	2,287,339	2,352,693
Depreciation	4,812,558	4,759,715
Franchise Fees	1,803,828	1,863,400
Total Operating Expenses	37,769,875	38,607,883
Operating Loss	(1,363,325)	(973,361)
Non-Operating Revenues (Expenses)		
Interest Income	22,542	20,094
Interest Expense	(1,935,047)	(1,972,421)
Issuance Costs of Revenue Bonds		(245,093)
Total Non-Operating Revenues (Expenses)	(1,912,505)	(2,197,420)
Net Loss Before Contributions and Transfers	(3,275,830)	(3,170,781)
Capital Contributions	156,201	1,213,919
Transfers from the City of Benton Appropriations	264,660	265,654
Changes in Net Position	(2,854,969)	(1,691,208)
Total Net Position - Beginning of Year	44,497,753	46,188,961
Total Net Position - End of Year	\$ 41,642,784	\$ 44,497,753

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

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Receipts from Customers	\$ 36,053,596	\$ 37,261,462
Payments to Suppliers	(24,906,304)	(26,574,219)
Payments to Employees	(5,292,925)	(5,273,730)
Payments to City for Franchise Fees	(1,800,000)	(1,879,765)
Other Receipts	665,195	241,669
Net Cash Provided by Operating Activities	4,719,562	3,775,417
Cash Flow from Non-Capital Financing Activities		
Transfers to Board Designated Funds	(1,102,893)	(605,210)
Transfers from City Funds	498,925	265,654
Net Cash Used by Non-Capital Financing Activities	(603,968)	(339,556)
Cash Flows from Capital and Related Financing		
Purchases of Capital Assets	(9,510,988)	(3,130,062)
Principal Paid On Capital Debt	(1,339,713)	(16,252,704)
Interest Paid On Capital Debt	(2,268,087)	(2,262,231)
Proceeds from Revenue Bonds Issued		25,852,354
Costs of Revenue Bonds		(245,093)
Contributions from Developers	81,345	1,213,919
Transfers (to) from Designated or Restricted Accounts	7,977,731	(9,340,918)
Net Cash Used by Capital and Related Financing	(5,059,712)	(4,164,735)
Cash Flows from Investing Activities		
Interest Received	22,542	20,094
Net Cash Provided by Investing Activities	22,542	20,094
Net Change in Cash and Cash Equivalents	(921,576)	(708,780)
Cash and Cash Equivalents - Beginning of Year	3,819,773	4,528,553
Cash and Cash Equivalents - End of Year	\$ 2,898,197	\$ 3,819,773
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ (1,363,325)	\$ (973,361)
Items Not Requiring Cash:		
Depreciation	4,812,558	4,759,715
Changes in Assets and Liabilities:		
Receivables, Net	344,630	(149,708)
Prepays	(8,802)	(25,081)
Inventories	(3,828)	5,704
Accounts Payable	898,940	108,132
Accrued Expenses	39,389	50,016
Net Cash Provided by Operating Activities	\$ 4,719,562	\$ 3,775,417

Non-Cash Capital Financing Activities:

Capital assets of \$74,856 and \$59,490 were acquired through noncash contributions from street projects and developers for the years ended December 31, 2013 and 2012, respectively.

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

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

Note 1: Summary of Significant Accounting Policies

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

- A. Reporting Entity** - The Benton Municipal Light and Water Works (the Utilities) is a part of the City of Benton, State of Arkansas (the City). The City is governed by the Mayor Council form of government which operated the utility system in prior years through January 1, 2006. Effective February 1, 2006, a Utility Commission was created and granted full power to manage, operate, control, supervise, improve, extend, maintain, and contract concerning the utility system, subject to the authorizing legislation and certain conditions set from time to time by the City Council. The statements reflect the results of operations of three departments: light, water and waste water. Material transactions between the departments have been eliminated.
- B. Basis of Accounting** - The Benton Municipal Light and Water Works is a proprietary enterprise type fund. The financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.
- C. Cash and Cash Equivalents** – For purposes of the statements of cash flows, the Utilities considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- D. Cash Deposits** – All cash deposits were insured or collateralized with securities held by the pledging financial institution, trust department, or by its agent in the City's name as of the balance sheet date.
- E. Inventories** - Inventories are stated at the lower of cost or market on a first-in, first-out method.
- F. Board Designated Funds** – The Utilities Board has designated that certain funds are to be deposited into separate accounts and are to be used for certain designated purposes. The funds may only be spent with the approval of the Utilities Board.
- G. Bond Issue Costs** – The costs of acquiring bonds is expensed when incurred, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 65 "Items Previously Reported as Assets and Liabilities" further discussed in Note 1 (K).
- H. Accumulated Compensated Absences** - It is the Utilities' policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the Utilities' services. It is the Utilities' policy to pay up to a maximum of 90 accumulated sick days to employees who retire from the Utilities. The following is a schedule of accrued compensation at December 31, 2013 and 2012, respectively:

	2013	2012
Accrued Salaries	\$ 172,802	\$ 190,600
Accrued Vacation	93,732	93,340
Accrued Sick	272,234	225,320
	\$ 538,768	\$ 509,260

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

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

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

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

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

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

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

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

- K. **Recent Accounting Pronouncements** – In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement established updated guidance for debt issuance costs and indicates that debt issuance costs includes all costs incurred to issue the bonds, including but not limited to insurance costs, financing costs, and other related costs. Under GASB Statement No. 65 such debt issuance costs, except any portion related to prepaid insurance costs, are required to be recognized as an expense in the period incurred. Prepaid insurance costs are required to be recognized as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

The amended guidance was applicable for annual reporting periods beginning after December 15, 2012. Accounting changes adopted to conform to the provisions of this Statement are to be applied by restating the financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement, if any, is to be reported as a restatement of beginning net position or fund balance, as appropriate, for the earliest period restated.

Other accounting standards that have been issued or proposed by the GASB such as GASB Statement No.10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, in addition to accounting standards issued or proposed by other standards setting bodies are not expected to have a material impact on the Board's balance sheet, results of operations or cash flows.

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

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

- L. Use of Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.
- M. Capitalized Interest** -Interest costs are capitalized when incurred by the Utilities on debt where proceeds were used to finance the construction of assets. See Note 4 for the interest capitalized during the year.

Note 2: Board Designated Funds

The Benton Public Utilities Board has designated the following funds as of December 31, 2013 and 2012:

	2013	2012
Public Utility Reservoir Contingent Fund	\$ 90,489	\$ 90,323
Public Utility Rate Reserve Fund	1,034,815	1,032,919
Public Utility Emergency Fund	1,110,652	1,108,617
Water System Capital Improvement Fund	741,785	591,145
Electric Capital Improvement Fund	814,985	214,319
Facilities Capital Improvement Fund	138,567	138,429
Debt Surplus Fund	157,231	157,153
Wastewater Capital Improvement Fund	162,389	2
FEMA Fund	188,117	3,230
	\$ 4,439,030	\$ 3,336,137

The accounts for these funds are invested in the Stephens Local Government Cash Management Trust and bank accounts. The carrying value is the market value for these accounts.

Note 3: Restricted Funds

The restricted funds as of December 31, 2013 and 2012 are as follows:

	2013	2012
Bond Funds	\$ 1,290,344	\$ 1,291,423
Debt Service Funds	1,807,975	1,806,743
Depreciation Fund	703,536	582,363
Facilities Improvement Funds	1,929,189	9,973,634
Total Restricted Funds	\$ 5,731,044	\$ 13,654,163

Restricted funds consist of funds in depository accounts, Treasury Notes, certificates of deposit and Stephens Local Government Cash Management Trust. It is management's intent to hold the Treasury Notes to maturity, therefore the notes are carried at cost. The external investment pools are cash management trusts invested in U.S. Treasury Securities or certain approved obligations of U.S. Government Agencies or instrumentalities, certificates of deposits insured by the Federal Deposit Insurance Corporation or collateralized by government securities, written repurchase agreements collateralized by government securities, or commercial paper. The following is a summary of the restricted fund investments as of December 31, 2013 and 2012:

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

Note 3: Restricted Funds (Cont'd)

	<u>December 31, 2013</u>		
	<u>Carrying Value</u>	<u>Fair Market Value</u>	<u>Unrecognized Gain</u>
Bond Funds			
Goldman Sachs Treasury	\$ 472,452	\$ 472,452	\$
US Bank Government Obligations	<u>816,545</u>	<u>816,545</u>	
Total Bond Funds	<u>1,288,997</u>	<u>1,288,997</u>	
Depreciation Funds			
External Investment Pool			
Stephens Local Government Cash Management Trust	<u>703,536</u>	<u>703,536</u>	
Debt Service Fund			
External Investment Pool			
Stephens Insured			
Certificates of Deposit	1,385,000	1,385,000	
U S Bank Government Obligations	289,738	289,738	
Goldman Sachs Treasury	<u>133,237</u>	<u>133,237</u>	
Total Debt Service Fund	<u>1,807,975</u>	<u>1,807,975</u>	
Total	<u>\$ 3,800,508</u>	<u>\$ 3,800,508</u>	<u>\$</u>

	<u>December 31, 2012</u>		
	<u>Carrying Value</u>	<u>Fair Market Value</u>	<u>Unrecognized Gain</u>
Bond Funds			
External Investment Pool			
Stephens Local Government Goldman Sachs Treasury	\$ 473,699	\$ 473,699	\$
US Bank Government Obligations	<u>815,104</u>	<u>815,104</u>	
Total Bond Funds	<u>1,288,803</u>	<u>1,288,803</u>	
Depreciation Funds			
External Investment Pool			
Stephens Local Government Cash Management Trust	<u>582,363</u>	<u>582,363</u>	
Debt Service Fund			
External Investment Pool			
Stephens Insured			
Certificates of Deposit	1,385,000	1,385,000	
US Bank Government Obligations	289,699	289,699	
Goldman Sachs Treasury	<u>130,431</u>	<u>130,431</u>	
Total Debt Service Fund	<u>1,805,130</u>	<u>1,805,130</u>	
Total	<u>\$ 3,676,296</u>	<u>\$ 3,676,296</u>	<u>\$</u>

Note 4: Supplemental Cash Flow Disclosure

The interest paid in the years ended December 31, 2013 and 2012 was \$2,268,087 and \$2,262,231, respectively.

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

Note 5: Capital Assets

The following is a summary of capital assets as of December 31, 2013 and 2012:

	Balance 12/31/12	Additions	Deletions	Transfers	Balance 12/31/13
Land	\$ 895,926	\$	\$	\$	\$ 895,926
Buildings - Administrative	984,656				984,656
Vehicles	3,350,837		(74,548)		3,276,289
Furniture and Office Equipment	175,781				175,781
Service Facilities and Equipment	141,208,993	880,549		2,738,869	144,828,411
Construction Materials	792,455	47,574			840,029
Construction in Process	<u>1,248,414</u>	<u>8,808,299</u>		<u>(2,738,869)</u>	<u>7,317,844</u>
	<u>\$ 148,657,062</u>	<u>\$ 9,736,422</u>	<u>\$ (74,548)</u>	<u>\$</u>	<u>\$ 158,318,936</u>

	Balance 12/31/11	Additions	Deletions	Transfers	Balance 12/31/12
Land	\$ 608,245	\$ 287,681	\$	\$	\$ 895,926
Buildings - Administrative	691,636	21,178		271,842	984,656
Vehicles	3,285,353	81,352	(15,868)		3,350,837
Furniture and Office Equipment	175,781				175,781
Service Facilities and Equipment	139,288,455	1,611,041		309,497	141,208,993
Construction Materials	1,101,952			(309,497)	792,455
Construction in Process	<u>149,101</u>	<u>1,371,155</u>		<u>(271,842)</u>	<u>1,248,414</u>
	<u>\$ 145,300,523</u>	<u>\$ 3,372,407</u>	<u>\$ (15,868)</u>	<u>\$</u>	<u>\$ 148,657,062</u>

Note 6: Revenue Bonds Payable

The interest rates and maturity dates of the revenue bonds payable as of December 31, 2013 are as follows:

Issue of December 1, 2006	5.00%	9/01/2036
Issue of March 3, 2009	4.75%	6/01/2039
Issue of April 1, 2012	1.00% to 5.00%	9/01/2036

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

	2013	2012	2011
Beginning Balance	\$ 51,192,142	\$ 42,844,846	\$ 44,365,249
Issued		24,600,000	
Retired	(1,339,713)	(16,252,704)	(1,520,403)
Ending Balance	<u>\$ 49,852,429</u>	<u>\$ 51,192,142</u>	<u>\$ 42,844,846</u>

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

Note 6: Revenue Bonds Payable (Cont'd)

Maturities of revenue bonds as of December 31, 2013 are as follows:

	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2014	\$ 1,369,940	\$ 2,238,670	\$ 3,608,610
2015	1,395,177	2,211,133	3,606,310
2016	1,425,426	2,183,084	3,608,510
2017	1,475,687	2,133,123	3,608,810
2018	1,520,960	2,085,050	3,606,010
2019-2023	8,554,385	9,474,965	18,029,350
2024-2028	10,733,483	7,294,817	18,028,300
2029-2033	13,524,985	4,509,590	18,034,575
2034-2038	9,844,531	1,003,769	10,848,300
2039	7,855	187	8,042
	<u>\$ 49,852,429</u>	<u>\$ 33,134,388</u>	<u>\$ 82,986,817</u>

Bond Premium – The series 2006 and 2012 revenue bonds were issued at a premium. The interest method of amortization is used to amortize the premium, based on the effective interest rate of the issue. The amount amortized for the years ended December 31, 2013 and 2012 was \$197,827 and \$169,640, respectively. For the years ended December 31, 2013 and 2012, \$22,389 and \$40,160 of the amortization was capitalized, respectively. The remaining amortization is included in interest expense on the statement of revenues and expenses.

Bond Discount – The series 2001, 2002, 2004 and 2012 revenue bonds were issued at a discount. The interest method of amortization is used to amortize the discount, based on the effective interest rate of the issue. The amount amortized for the years ended December 31, 2013 and 2012 was \$16,835 and \$15,968, respectively. For the years ended December 31, 2013 and 2012, \$3,073 and \$5,600 of the amortization was capitalized, respectively. The remaining amortization is included in interest expense on the statement of revenues and expenses.

Loss from Early Retirement of Debt – The Benton Utilities Commission on December 12, 2011 requested and received a resolution dated December 19, 2011 from the Benton City Council for the issuance of a 2012 Refunding and Improvement Bond Issue. The bonds were issued April 1, 2012. The proceeds of the \$24,600,000 issue refunded the 1995, 1997, 2001a, 2002, 2004a and 2004b bonds outstanding. The difference between the book value of the refunded debt and the amount required to retire the debt created an economic loss of \$89,795. The loss was deferred over the life of the refunded debt using the interest method of amortization, based on the effective interest rate. The amount amortized for the years ended December 31, 2013 and 2012 was \$5,709 and \$7,449, respectively. For the years ended December 31, 2013 and 2012, this amortization is included in interest expense on the statement of revenues and expenses.

Note 7: Retirement Plan

The employees of the Benton Municipal Light and Water Works are covered by a single-employer defined benefit plan which covers all full-time employees who have six months of service.

The plan is administered by Stephens Capital Management, Inc. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. As of the date of this report, the stand-alone financial report for 2013 is not available.

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

Note 7: Retirement Plan (Cont'd)

Membership in the plan as of December 31, 2012, is as follows:

Retirees and beneficiaries currently receiving benefits	45
Vested terminated employees	25
Disabled	1
Current employees	<u>79</u>
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 their period of service.

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

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

Employees make no contribution to the plan. The Benton Municipal Light and Water Works' contribution is actuarially determined. The amount contributed was \$706,334 in 2013, \$729,000 in 2012 and \$750,000 in 2011.

The following is a reconciliation of the Net Pension Obligation (NPO) for the years ending December 31:

	2013	2012	2011
Annual Required Contribution (ARC)	\$ 645,453	\$ 620,402	\$ 570,858
Interest on NPO	(53,025)	(48,982)	(35,681)
Adjustment to ARC	<u>57,050</u>	<u>51,440</u>	<u>37,473</u>
Annual Pension Cost (APC)	649,478	622,860	572,650
Actual Contribution Made	<u>(700,000)</u>	<u>(727,263)</u>	<u>(750,000)</u>
Increase (Decrease) in NPO	(50,522)	(104,403)	(177,350)
NPO – Beginning of Year	<u>(757,497)</u>	<u>(653,094)</u>	<u>(475,744)</u>
NPO – End of Year	<u>\$ (808,019)</u>	<u>\$ (757,497)</u>	<u>\$ (653,094)</u>

The annual required contribution for 2013 was determined as part of the January 1, 2013, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7.0% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefits increases. The actuarial value of assets was based on the fair market value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

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

Note 7: Retirement Plan (Cont'd)

The remaining amortization period at January 1, 2013 was thirty years. The following represents the trends for the last three years:

	APC	% of APC Contributed	NPO
2013	\$ 649,478	107.8%	\$ (808,019)
2012	\$ 622,860	116.8%	\$ (757,497)
2011	\$ 572,650	131.0%	\$ (653,094)

Note 8: Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassifications did not affect the amount of total assets, liabilities or change in net position from the prior-year.

Note 9: Subsequent Events

Management has evaluated subsequent events through March 31, 2014, the date which the financial statements were available to be issued.

Note 10: Restatement of Financial Statements

The Board has restated its 2012 financial statements for amounts previously reported when the Board adopted GASB Statement No. 65. The restatement includes an adjustment to (a) expense prior period debt issuance costs of \$546,116 related to the bond obligations prior to 2012, (b) expensing debt issuance costs of \$245,093 related to the 2012 bond obligation, (c) reducing deferred loss on early retirement of debt for bond costs of \$120,856 on prior year bond obligations that were refinanced with the 2012 bonds and (d) to decrease total net positions by \$737,189. The effects of the restatement on the balance sheet and statements of revenues, expenses and changes in net positions as of December 31, 2012 are as follows:

	December 31, 2012	
	As Previously Reported	Restated
Total Assets	\$ 103,494,985	\$ 102,878,652
Ending Net Positions	\$ 45,236,054	\$ 44,497,753
Beginning Net Positions	\$ 46,735,077	\$ 46,188,961
Non-operating Expenses		
Interest Expense	\$ 2,025,329	\$ 1,972,421
Issuance Cost of Revenue Bond		245,093
	\$ 2,025,329	\$ 2,217,514
Change in Net Position	\$ (1,499,023)	\$ (1,691,208)

Note 11: Related Party Transactions

The Utilities pays a franchise fee to the City and reimburses and receives reimbursement from the City for certain shared costs. The Utility owed the City \$195,823 and was owed from the City \$42,270 at December 31, 2013 and 2012, respectively.

Benton Municipal Light And Water Works
City of Benton, State of Arkansas
Schedule of Operating, Board Designated
and Restricted Funds
December 31, 2013 and 2012

	2013	2012
Operating Funds		
Cash on Hand	\$ 2,600	\$ 2,600
Demand Deposits - General Operating Accounts		
Bank of the Ozarks	2,296,468	1,617,185
First Security Bank	579,406	1,680,519
Stephens Investment Pool	19,723	519,469
Total Operating Funds	<u>2,898,197</u>	<u>3,819,773</u>
Board Designated		
Reservoir Contingent Fund - Stephens Investment Pool	90,489	90,323
Utility Rate Reserve Fund - Stephens Investment Pool	1,034,815	1,032,919
Utility Emergency Fund - Stephens Investment Pool	1,110,652	1,108,617
Water System Capital Improvement Fund - Stephens Investment Pool	741,785	591,145
Electric Capital Improvement Fund - Bank of the Ozarks	814,985	214,319
Facilities Capital Improvement Fund - Bank of the Ozarks	138,567	138,429
Debt Surplus Fund - Bank of the Ozarks	157,231	157,153
Wastewater Capital Improvement Fund - Bank of the Ozarks	162,389	2
FEMA Disaster Fund - Bank of the Ozarks	188,117	3,230
Total Board Designated	<u>4,439,030</u>	<u>3,336,137</u>
Restricted Funds		
Bond Funds		
12/01/06 Issue - Goldman Sachs Treasury Instruments	472,452	473,699
03/06/09 Issue - Regions Corporate Trust Department	1,347	2,620
04/01/12 Issue - US Bank First American Government Obligation	816,545	815,104
Total Bond Funds	<u>1,290,344</u>	<u>1,291,423</u>
Depreciation Fund		
Public Utilities - Stephens Cash Management Trust	703,536	582,363
Debt Service Escrow Fund		
10/01/06 Issue - Goldman Sachs Treasury Instruments	133,237	130,431
10/01/06 Issue - Stephens Insured CD's	1,385,000	1,385,000
10/01/06 Issue - Stephens Cash Account		1,613
04/01/12 Issue - US Bank First American Government Obligation	289,738	289,699
Total Debt Service Escrow Fund	<u>1,807,975</u>	<u>1,806,743</u>
System Improvement Funds		
Electric, Water and Wasterwater - First Security Bank	1,929,189	9,973,634
Total System Improvement Funds	<u>1,929,189</u>	<u>9,973,634</u>
Total Restricted Funds	<u>5,731,044</u>	<u>13,654,163</u>
Total Operating, Designated and Restricted Funds	<u>\$ 13,068,271</u>	<u>\$ 20,810,073</u>

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Departmental Statements of Revenues and Expenses
For the Years Ended December 31, 2013 and 2012

	Restated 2013		Restated 2012		2013		Restated 2012		Eliminations		2013		Restated 2012	
	Light Dept.	2013 Dept.	Water Dept.	2012 Dept.	Water Dept.	2013 Dept.	Waste Water Dept.	2012 Dept.	2013	2012	Combined Total	2013	Combined Total	
Revenue - Operations Fees	\$ 26,428,284	\$ 27,169,727	\$ 5,114,733	\$ 5,350,777	\$ 4,720,404	\$ 4,826,582			\$ (1,185,276)	\$ (1,168,107)	\$ 35,078,145	\$ 36,178,979		
Service Charges and Connection Fees	274,718	296,579	85,210	84,605	305,232	251,373					665,160	632,557		
Penalties	183,988	252,367	35,924	54,181	46,964	71,804					266,876	378,352		
Disaster Recovery	176,737		4,639		26,418						207,794			
Grants		161,688										161,688		
Other Income	136,858	193,529	37,826	54,660	13,891	34,757					188,575	282,946		
Total Revenue - Operations	27,200,585	28,073,890	5,278,332	5,544,223	5,112,909	5,184,516			(1,185,276)	(1,168,107)	36,406,550	37,634,522		
Expenses - Operations														
Power Costs	22,026,435	22,255,686									22,026,435	22,255,686		
Plant Production			1,445,861	1,440,969	1,655,074	1,596,418			(1,021,170)	(1,004,218)	2,079,765	2,033,169		
General and Distribution	2,822,027	3,378,792	876,050	822,415	1,209,364	1,288,885			(147,491)	(146,872)	4,759,950	5,343,220		
Administrative	820,584	858,803	739,119	744,556	744,251	766,351			(16,615)	(17,017)	2,287,339	2,352,693		
Depreciation	877,370	905,412	1,411,852	1,334,077	2,523,336	2,520,226					4,812,558	4,759,715		
Franchise Fees	1,298,958	1,340,691	251,515	265,278	253,355	257,431					1,803,828	1,863,400		
Total Expenses - Operations	27,845,374	28,739,384	4,724,397	4,607,295	6,385,380	6,429,311			(1,185,276)	(1,168,107)	37,769,875	38,607,883		
Operating Income	(644,789)	(665,494)	553,935	936,928	(1,272,471)	(1,244,795)					(1,363,325)	(973,361)		
Non-Operating Revenues (Expenses)														
Interest Income	12,859	14,698	8,266	865	1,417	4,531					22,542	20,094		
Interest Expense	(25,843)	(36,013)	(444,901)	(434,831)	(1,464,303)	(1,501,577)					(1,935,047)	(1,972,421)		
Bond Issuance Costs		(27,922)		(151,050)		(66,121)						(245,093)		
Total Non-Operating Revenues (Expenses)	(12,984)	(49,237)	(436,635)	(585,016)	(1,462,886)	(1,563,167)					(1,912,505)	(2,197,420)		
Net Loss Before Contributions and Transfers	\$ (657,773)	\$ (714,731)	\$ 117,300	\$ 351,912	\$ (2,735,357)	\$ (2,807,962)					(3,275,830)	(3,170,781)		
Capital Contributions											156,201	1,213,919		
Transfers Out:														
Appropriations											264,660	265,654		
Change in Net Position											\$ (2,854,969)	\$ (1,691,208)		

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Schedule of Plant Production and Treatment Expenses
For the Year Ended December 31, 2013

	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 407,220	\$ 332,040	\$ 739,260
Fringe Benefits	178,412	151,434	329,846
Vehicle Operations	11,595	28,488	40,083
Building Maintenance	42,508	116,239	158,747
Equipment Repairs	76,173	123,980	200,153
Reservoir Repairs	466		466
Office Supplies	871	586	1,457
Janitorial Supplies and Services	3,079	5,423	8,502
Computer Supplies	702	892	1,594
Chemicals	211,444	64,946	276,390
Laboratory	5,035	29,500	34,535
Electric, Water and Waste Water	414,888	607,044	1,021,932
Miscellaneous	7,897	28,505	36,402
Heat - Natural Gas	3,272	67,493	70,765
Telephone	3,868	5,929	9,797
Equipment Rental	179	571	750
Small Tool Expense	1,504	1,587	3,091
Professional and Consulting	15,727	14,258	29,985
Insurance	57,082	73,972	131,054
Small Equipment Expense	3,939	2,187	6,126
Total	<u>\$ 1,445,861</u>	<u>\$ 1,655,074</u>	<u>\$ 3,100,935</u>

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Schedule of General, Distribution and Collection Expenses
For the Year Ended December 31, 2013

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 1,156,610	\$ 354,392	\$ 348,153	\$ 1,859,155
Fringe Benefits	532,615	153,126	176,039	861,780
Vehicle Operations	141,232	60,437	69,183	270,852
Building Maintenance	10,469	6,114	10,313	26,896
Line Maintenance	287,269	203,965	249,955	741,189
Equipment Repairs	10,534	6,343	2,345	19,222
Street light Repairs	63,655			63,655
Lift Station Maintenance			135,084	135,084
Office Supplies	1,678	469	1,817	3,964
Janitorial Supplies and Services	5,647	3,944	3,678	13,269
Computer Supplies	1,802	642	2,174	4,618
Computer Services	21,943	570	2,268	24,781
Electrical Generation - Natural Gas	2,609	3,272	793	6,674
Electric, Water and Waste Water	13,643	11,258	155,355	180,256
Miscellaneous	45,523	9,125	7,126	61,774
Telephone	18,441	6,491	3,548	28,480
Equipment Rental	954	164	645	1,763
Small Tool Expense	18,487	3,414	2,730	24,631
Professional and Consulting	438,703	17,178	11,510	467,391
Insurance	37,194	3,854	14,245	55,293
Small Equipment Expense	13,019	31,292	12,403	56,714
Total	\$ 2,822,027	\$ 876,050	\$ 1,209,364	\$ 4,907,441

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Schedule of Administrative Expenses
For the Year Ended December 31, 2013

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 359,002	\$ 359,002	\$ 359,003	\$ 1,077,007
Fringe Benefits	151,795	151,795	151,795	455,385
Vehicle Operations	10,280	10,280	10,279	30,839
Building Maintenance	4,723	4,723	4,724	14,170
Equipment Repairs	9,749	9,749	9,748	29,246
Office Supplies	10,899	10,899	10,899	32,697
Postage	25,671	25,671	25,671	77,013
Janitorial Supplies and Services	4,663	4,663	4,662	13,988
Computer Supplies	816	816	815	2,447
Computer and Billing Services	17,121	17,121	17,121	51,363
Electricity, Water and Waste Water	5,538	5,538	5,539	16,615
Miscellaneous	28,881	28,881	28,880	86,642
Heat - Natural Gas	680	680	680	2,040
Telephone	6,838	6,838	6,839	20,515
Professional and Consulting	73,392	73,392	73,391	220,175
Customer Collection Expense	13,216	13,216	13,215	39,647
Insurance	843	843	842	2,528
Small Equipment Expense	8,714	1,623	1,786	12,123
Bad Debt Expense	87,763	13,389	18,362	119,514
Total	\$ 820,584	\$ 739,119	\$ 744,251	\$ 2,303,954

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

The following is a summary of water and sewer rates and usage information for the system at December 31, 2013:

Sewer Monthly Rates

- (a) 0-2 mg minimum average water usage - \$13.10
- (b) All over 2 mg minimum average water usage - \$13.10 minimum, plus \$4.80 per mg for all over 2 mg, out of city limits \$22.93 minimum and \$8.40 mg for all over 2 mg.
- (c) New residential customers charged \$30.00 per month until six (6) winter month's time frame established.
- (d) Commercial/industrial customers will be based on actual monthly water usage unless a leveled bill is approved by the utilities general manager.
- (e) Those sewer customers moving from one location to another on the city system, and having a previously established six (6) winter months usage time frame at the old location, shall have the sewer rate for their previous location continued at their new location.

Number of Sewer Users

	2013
Residential	11,911
Commercial	1,232
Industrial	17
	13,160

Annual Billable Water	2013 Gallons (000s)
Total annual billable water	975,141
Less water billable to non-sewer customers	(46,584)
Net billable to sewer customers	928,557
Residential	699,309
Commercial	134,125
Industrial	95,123
Total water billable to sewer customers	928,557

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Revenue Bond Amortization Schedule
Issue Dated December 1, 2006

December 31, 2013

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
			26,500,000
03/01/2014		662,500	26,500,000
09/01/2014		662,500	26,500,000
03/01/2015		662,500	26,500,000
09/01/2015		662,500	26,500,000
03/01/2016		662,500	26,500,000
09/01/2016		662,500	26,500,000
03/01/2017		662,500	26,500,000
09/01/2017	185,000	662,500	26,315,000
03/01/2018		657,875	26,315,000
09/01/2018	460,000	657,875	25,855,000
03/01/2019		646,375	25,855,000
09/01/2019	745,000	646,375	25,110,000
03/01/2020		627,750	25,110,000
09/01/2020	785,000	627,750	24,325,000
03/01/2021		608,125	24,325,000
09/01/2021	820,000	608,125	23,505,000
03/01/2022		587,625	23,505,000
09/01/2022	865,000	587,625	22,640,000
03/01/2023		566,000	22,640,000
09/01/2023	905,000	566,000	21,735,000
03/01/2024		543,375	21,735,000
09/01/2024	950,000	543,375	20,785,000
03/01/2025		519,625	20,785,000
09/01/2025	1,000,000	519,625	19,785,000
03/01/2026		494,625	19,785,000
09/01/2026	1,045,000	494,625	18,740,000
03/01/2027		468,500	18,740,000
09/01/2027	1,100,000	468,500	17,640,000
03/01/2028		441,000	17,640,000
09/01/2028	1,160,000	441,000	16,480,000
03/01/2029		412,000	16,480,000
09/01/2029	1,215,000	412,000	15,265,000
03/01/2030		381,625	15,265,000
09/01/2030	1,275,000	381,625	13,990,000
03/01/2031		349,750	13,990,000
09/01/2031	2,055,000	349,750	11,935,000
03/01/2032		298,375	11,935,000
09/01/2032	2,160,000	298,375	9,775,000
03/01/2033		244,375	9,775,000

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Revenue Bond Amortization Schedule
Issue Dated December 1, 2006

December 31, 2013

Maturity Date	Principal	Interest	Principal Outstanding
09/01/2033	2,270,000	244,375	7,505,000
03/01/2034		187,625	7,505,000
09/01/2034	2,380,000	187,625	5,125,000
03/01/2035		128,125	5,125,000
09/01/2035	2,500,000	128,125	2,625,000
03/01/2036		65,625	2,625,000
09/01/2036	2,625,000	65,625	
	<u>\$ 26,500,000</u>	<u>\$ 21,756,750</u>	

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

December 31, 2013

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
			237,429
06/01/2014	2,441	5,639	234,988
12/01/2014	2,499	5,581	232,489
06/01/2015	2,558	5,522	229,931
12/01/2015	2,619	5,461	227,312
06/01/2016	2,681	5,399	224,631
12/01/2016	2,745	5,335	221,886
06/01/2017	2,810	5,270	219,076
12/01/2017	2,877	5,203	216,199
06/01/2018	2,945	5,135	213,254
12/01/2018	3,015	5,065	210,239
06/01/2019	3,087	4,993	207,152
12/01/2019	3,160	4,920	203,992
06/01/2020	3,235	4,845	200,757
12/01/2020	3,312	4,768	197,445
06/01/2021	3,391	4,689	194,054
12/01/2021	3,471	4,609	190,583
06/01/2022	3,554	4,526	187,029
12/01/2022	3,638	4,442	183,391
06/01/2023	3,724	4,356	179,667
12/01/2023	3,813	4,267	175,854
06/01/2024	3,903	4,177	171,951
12/01/2024	3,996	4,084	167,955
06/01/2025	4,091	3,989	163,864
12/01/2025	4,188	3,892	159,676
06/01/2026	4,288	3,792	155,388
12/01/2026	4,390	3,690	150,998
06/01/2027	4,494	3,586	146,504
12/01/2027	4,601	3,479	141,903
06/01/2028	4,710	3,370	137,193
12/01/2028	4,822	3,258	132,371
06/01/2029	4,936	3,144	127,435
12/01/2029	5,053	3,027	122,382
06/01/2030	5,173	2,907	117,209
12/01/2030	5,296	2,784	111,913
06/01/2031	5,422	2,658	106,491
12/01/2031	5,551	2,529	100,940
06/01/2032	5,683	2,397	95,257
12/01/2032	5,818	2,262	89,439
06/01/2033	5,956	2,124	83,483

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

December 31, 2013

Maturity Date	Principal	Interest	Principal Outstanding
12/01/2033	6,097	1,983	77,386
06/01/2034	6,242	1,838	71,144
12/01/2034	6,390	1,690	64,754
06/01/2035	6,542	1,538	58,212
12/01/2035	6,697	1,383	51,515
03/01/2036	6,857	1,223	44,658
12/01/2036	7,019	1,061	37,639
06/01/2037	7,186	894	30,453
12/01/2037	7,357	723	23,096
06/24/2038	7,531	549	15,565
12/01/2038	7,710	370	7,855
06/01/2039	7,855	187	
	<u>\$ 237,429</u>	<u>\$ 174,613</u>	

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

December 31, 2013

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
			23,115,000
03/01/2014		451,225	23,115,000
09/01/2014	1,365,000	451,225	21,750,000
03/01/2015		437,575	21,750,000
09/01/2015	1,390,000	437,575	20,360,000
03/01/2016		423,675	20,360,000
09/01/2016	1,420,000	423,675	18,940,000
03/01/2017		398,825	18,940,000
09/01/2017	1,285,000	398,825	17,655,000
03/01/2018		379,550	17,655,000
09/01/2018	1,055,000	379,550	16,600,000
03/01/2019		363,725	16,600,000
09/01/2019	825,000	363,725	15,775,000
03/01/2020		351,350	15,775,000
09/01/2020	845,000	351,350	14,930,000
03/01/2021		338,675	14,930,000
09/01/2021	875,000	338,675	14,055,000
03/01/2022		321,175	14,055,000
09/01/2022	910,000	321,175	13,145,000
03/01/2023		302,975	13,145,000
09/01/2023	945,000	302,975	12,200,000
03/01/2024		284,075	12,200,000
09/01/2024	985,000	284,075	11,215,000
03/01/2025		259,450	11,215,000
09/01/2025	1,030,000	259,450	10,185,000
03/01/2026		233,700	10,185,000
09/01/2026	1,090,000	233,700	9,095,000
03/01/2027		206,450	9,095,000
09/01/2027	1,140,000	206,450	7,955,000
03/01/2028		177,950	7,955,000
09/01/2028	1,190,000	177,950	6,765,000
03/01/2029		154,894	6,765,000
09/01/2029	1,240,000	154,893	5,525,000
03/01/2030		130,869	5,525,000
09/01/2030	1,290,000	130,869	4,235,000
03/01/2031		105,875	4,235,000
09/01/2031	625,000	105,875	3,610,000
03/01/2032		90,250	3,610,000
09/01/2032	655,000	90,250	2,955,000
03/01/2033		73,875	2,955,000

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

December 31, 2013

Maturity Date	Principal	Interest	Principal Outstanding
09/01/2033	685,000	73,875	2,270,000
03/01/2034		56,750	2,270,000
09/01/2034	720,000	56,750	1,550,000
03/01/2035		38,750	1,550,000
09/01/2035	755,000	38,750	795,000
03/01/2036		19,875	795,000
09/01/2036	795,000	19,875	
	\$ 23,115,000	\$ 11,203,025	

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

December 31, 2013

Year Ending 12/31	12/1/2006 Bonds	03/06/2009 Bonds	4/1/2012 Bonds	Total Bonds
2014	\$ 1,325,000	\$ 16,160	\$ 2,267,450	\$ 3,608,610
2015	1,325,000	16,160	2,265,150	3,606,310
2016	1,325,000	16,160	2,267,350	3,608,510
2017	1,510,000	16,160	2,082,650	3,608,810
2018	1,775,750	16,160	1,814,100	3,606,010
2019	2,037,750	17,160	1,552,450	3,607,360
2020	2,040,500	16,160	1,547,700	3,604,360
2021	2,036,250	16,160	1,552,350	3,604,760
2022	2,040,250	16,160	1,552,350	3,608,760
2023	2,037,000	16,160	1,550,950	3,604,110
2024	2,036,750	16,160	1,553,150	3,606,060
2025	2,039,250	16,160	1,548,900	3,604,310
2026	2,034,250	16,160	1,557,400	3,607,810
2027	2,037,000	16,160	1,552,900	3,606,060
2028	2,042,000	16,160	1,545,900	3,604,060
2029	2,039,000	16,160	1,549,787	3,604,947
2030	2,038,250	16,160	1,551,738	3,606,148
2031	2,754,500	16,160	836,750	3,607,410
2032	2,756,750	16,160	835,500	3,608,410
2033	2,758,750	16,160	832,750	3,607,660
2034	2,755,250	15,160	833,500	3,603,910
2035	2,756,250	16,160	832,500	3,604,910
2036	2,756,250	16,160	834,750	3,607,160
2037		16,160		16,160
2038		16,160		16,160
2039		8,042		8,042
Totals	\$ 48,256,750	\$ 412,042	\$ 34,318,025	\$ 82,986,817

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age		Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll ((b-a)/c)
		Actuarial Accrued Liability (b)					
12/31/12	\$ 11,203,192	\$ 15,006,964	\$ 3,803,772	74.65%	\$ 3,263,281	116.56%	
12/31/11	\$ 10,175,300	\$ 13,859,330	\$ 3,684,030	73.42%	\$ 3,283,524	112.20%	
12/31/10	\$ 10,145,005	\$ 13,191,285	\$ 3,046,280	76.91%	\$ 3,358,173	90.71%	
12/31/09	\$ 8,965,792	\$ 12,539,395	\$ 3,573,603	71.50%	\$ 3,236,853	110.40%	
12/31/08	\$ 7,626,071	\$ 11,899,434	\$ 4,273,363	64.09%	\$ 3,268,385	130.75%	