

City of Benton, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

December 31, 2019



CITY OF BENTON, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2019

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Arkansas

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Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

City of Benton, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Benton, Arkansas, as of and for the year ended December 31, 2019, 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 the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Benton, Arkansas, as of December 31, 2019, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Benton, Arkansas, as of December 31, 2019, the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis 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 supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
September 22, 2020
LOM100919

Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaughn
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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*

INDEPENDENT AUDITOR'S REPORT

City of Benton, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Benton, Arkansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2020. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We also reported to management of the City in a separate letter dated September 22, 2020.

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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Marti Steel". The signature is written in a cursive, flowing style.

Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
September 22, 2020

Arkansas



Sen. Jason Rapert
Senate Chair
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Rep. Richard Womack
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

City of Benton, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

The commentary contained in this letter relates to the following officials who held office during 2019:

Mayor: Tom Farmer
City Clerk: Cindy Stracener
Treasurer: Jordan Woolbright
Chief Financial Officer: Mandy Spicer
District Court Clerk: Leah Redmon
Police Chief: Scotty L. Hodges
Advertising and Promotion Commission President: Mark Fikes

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

Mayor and Chief Financial Officer

1. The City paid salary advances totaling \$10,550 to 14 employees, in noncompliance with Ark. Const. art. 12, § 5. As of report date, these salary amounts had been earned.
2. The City paid travel advances totaling \$5,365; included in this amount were unused, returned travel advances totaling \$1,716, resulting in net advances of \$3,649.
3. The City paid two firefighters, upon retirement, a total of \$50,763 for 100% of their unused sick leave, for the period January 1 through December 31, 2019, in conflict with Ark. Code Ann. § 14-53-108. Overpayments to the two firefighters totaled \$23,004 (\$10,381 and \$12,623, respectively).
4. The City made payments totaling \$2,671 in excess authorized salary, in noncompliance with Ark. Code Ann. § 14-58-203.
 - \$1,358 to the Police Chief.
 - \$1,313 to the Chief Financial Officer.
5. The City disbursed funds totaling \$5,542 without a contract for services, in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. nos. 91-410 and 92-099:
 - \$3,250 for Chamber of Commerce and Boys/Girls Club banquet tables.
 - \$800 for golf tournament sponsorship.
 - \$540 for membership in the Benton Chamber of Commerce.
 - \$499 for membership in the Saline Homebuilder's Association.
 - \$453 for membership in the Benton-Bauxite Rotary Club.

Mayor, Chief Financial Officer, and Advertising and Promotion Commission President

The City did not obtain an authorizing ordinance in the situation noted below, in noncompliance with Ark. Code Ann. § 14-42-107, as interpreted in Op. Att'y Gen no. 2008-069, which requires an ordinance be enacted by a city's governing body authorizing alderman, council members, officials, or municipal employees to conduct business with the City:

- The City paid \$1,320 to three employees for scorekeeping and security for the Parks Department.
- An appointed commission member holds an executive position with a local bank doing business with the City.

District Court Clerk

The District Court Clerk was unable to identify \$193,139 remaining in the bank account with receipts issued for cases not yet adjudicated and payments made on all unpaid individual time accounts, as required by Ark. Code Ann. § 16-10-209.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
September 22, 2020

CITY OF BENTON, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2019

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 763,483	\$ 8,296,235	\$ 14,160,308
Investments			8,368,402
Accounts receivable	<u>256,850</u>	<u>250,764</u>	<u>103,060</u>
TOTAL ASSETS	<u>\$ 1,020,333</u>	<u>\$ 8,546,999</u>	<u>\$ 22,631,770</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 281,906	\$ 34,978	\$ 119,915
Settlements pending			247,966
Total Liabilities	<u>281,906</u>	<u>34,978</u>	<u>367,881</u>
Fund Balances:			
Restricted	15,436	7,871,525	21,683,109
Committed	900	640,496	575,830
Assigned			4,950
Unassigned	<u>722,091</u>		
Total Fund Balances	<u>738,427</u>	<u>8,512,021</u>	<u>22,263,889</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,020,333</u>	<u>\$ 8,546,999</u>	<u>\$ 22,631,770</u>

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

CITY OF BENTON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 492,450	\$ 2,509,044	\$ 292,633
Federal aid	63,876		14,179
Property taxes	1,597,005	854,851	536,915
Franchise fees	1,936,677		811,098
Sales taxes	7,592,407	1,898,102	9,490,508
Fines, forfeitures, and costs	265,518		758,359
Interest	4,210	73,353	470,030
Local permits and fees	515,024	646,912	1,733,333
Advertising and promotion taxes			1,777,997
Rental income	129,720		428,933
911 fees	182,357		
Insurance premiums collected			11,617
Employer contributions			473,089
Employee contributions			82,813
Sale of equipment	51,568		10,101
Donations	129,876		8,333
Net increase/(decrease) in fair value of investments			1,276,996
Other	294,578	10,533	90,425
	<u>13,255,266</u>	<u>5,992,795</u>	<u>18,267,359</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	2,674,189		178,385
Law enforcement	5,078,311		3,210,810
Highways and streets		3,747,005	152,088
Public safety	4,890,475		1,585,378
Sanitation			786
Recreation and culture	19,378		5,483,049
Total Current	<u>12,662,353</u>	<u>3,747,005</u>	<u>10,610,496</u>
Debt Service:			
Bond principal			2,030,000
Bond interest and other charges			1,894,479
Lease principal			318,942
Lease interest			44,318
Note principal	99,937		2,000,000
Note interest	6,117		23,320
	<u>12,768,407</u>	<u>3,747,005</u>	<u>16,921,555</u>
TOTAL EXPENDITURES			

CITY OF BENTON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 486,859	\$ 2,245,790	\$ 1,345,804
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000		3,485,110
Transfers out	(495,969)	(400,821)	(2,638,320)
TOTAL OTHER FINANCING SOURCES (USES)	(445,969)	(400,821)	846,790
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	40,890	1,844,969	2,192,594
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	1,653,231	8,280,062	17,369,217
Restatement adjustment (Note 11)	(955,694)	(1,613,010)	2,702,078
FUND BALANCES - JANUARY 1, AS RESTATED	697,537	6,667,052	20,071,295
FUND BALANCES - DECEMBER 31	\$ 738,427	\$ 8,512,021	\$ 22,263,889

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

CITY OF BENTON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 520,288	\$ 492,450	\$ (27,838)	\$ 1,871,200	\$ 2,509,044	\$ 637,844
Federal aid	353,930	63,876	(290,054)			
Property taxes	1,561,956	1,597,005	35,049	836,762	854,851	18,089
Franchise fees	2,479,859	1,936,677	(543,182)			
Sales taxes	7,571,611	7,592,407	20,796	696,000	1,898,102	1,202,102
Fines, forfeitures, and costs	315,310	265,518	(49,792)			
Interest	11,300	4,210	(7,090)	10,000	73,353	63,353
Local permits and fees	393,750	515,024	121,274	67,500	646,912	579,412
Rental income	140,835	129,720	(11,115)			
911 fees		182,357	182,357			
Sale of equipment	41,042	51,568	10,526			
Donations	162,567	129,876	(32,691)			
Other	40,000	294,578	254,578		10,533	10,533
TOTAL REVENUES	13,592,448	13,255,266	(337,182)	3,481,462	5,992,795	2,511,333
EXPENDITURES						
Current:						
General government	3,532,424	2,674,189	858,235			
Law enforcement	6,521,893	5,078,311	1,443,582			
Highways and streets				5,398,656	3,747,005	1,651,651
Public safety	6,271,706	4,890,475	1,381,231			
Recreation and culture		19,378	(19,378)			
Social services						
Total Current	<u>16,326,023</u>	<u>12,662,353</u>	<u>3,663,670</u>	<u>5,398,656</u>	<u>3,747,005</u>	<u>1,651,651</u>
Debt Service:						
Note principal		99,937	(99,937)			
Note interest		6,117	(6,117)			
TOTAL EXPENDITURES	16,326,023	12,768,407	3,557,616	5,398,656	3,747,005	1,651,651

CITY OF BENTON, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (2,733,575)	\$ 486,859	\$ 3,220,434	\$ (1,917,194)	\$ 2,245,790	\$ 4,162,984
OTHER FINANCING SOURCES (USES)						
Transfers in	3,192,059	50,000	(3,142,059)			
Transfers out	(488,000)	(495,969)	(7,969)	(200,000)	(400,821)	(200,821)
TOTAL OTHER FINANCING SOURCES (USES)	2,704,059	(445,969)	(3,150,028)	(200,000)	(400,821)	(200,821)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(29,516)	40,890	70,406	(2,117,194)	1,844,969	3,962,163
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	1,653,231	1,653,231		3,903,235	8,280,062	4,376,827
Restatement adjustment (Note)		(955,694)	(955,694)		(1,613,010)	(1,613,010)
FUND BALANCES - JANUARY 1, AS RESTATED	1,653,231	697,537	(955,694)	3,903,235	6,667,052	2,763,817
FUND BALANCES - DECEMBER 31	\$ 1,623,715	\$ 738,427	\$ (885,288)	\$ 1,786,041	\$ 8,512,021	\$ 6,725,980

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

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Benton was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following fund of the City would have been included in the reporting entity: Benton Municipal Light and Water Works. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law 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 and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

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 regulatory basis financial statements.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Street Fund - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback, property taxes, sales taxes, and local permits and fees that are restricted or committed 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:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for Capital Projects Funds as reported with other funds in the aggregate.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

Pension Trust Funds - Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for Pension Trust Funds as reported with other funds in the aggregate.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Custodial Funds as reported with other funds in the aggregate.

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit.

Investments

Investments are reported at fair value.

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, and advertising and promotion taxes that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
3. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

Fund Balance Classifications (Continued)

4. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

F. Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds except for the Police Federal Treasury, Police Narcotics Seizure (State), Police Narcotics Seizure (Federal), Advertising and Promotion Tax Bond, Economic Development Grant, and Firemen's Pension.

G. Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

CITY OF BENTON, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 1,017,328	\$ 1,037,327
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	21,814,510	23,287,916
U.S. government guaranteed accounts	385,198	385,197
Total Deposits	\$ 23,217,036	\$ 24,710,440

The above total deposits do not include cash on hand of \$2,990.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

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 time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

NOTE 4: Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	December 31, 2019 Fair Value
Pension Trust - Firemen's Pension	\$ 467,082
Pension Trust - City Employees' Pension	7,901,320
Totals	\$ 8,368,402

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4: Public Fund Investments (Continued)

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III** – significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The City’s investments are composed of the following:

<u>December 31, 2019</u>	Quoted Prices in Active Markets for Identical Investments Level I
Investment Type	
Mutual funds	\$ 3,920,292
Exchange traded funds	4,448,110
Totals	<u>\$ 8,368,402</u>

The fair values mutual funds are measured on a recurring basis on quoted market prices obtained from independent prices sources, and are classified as Level I inputs.

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2019, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid		\$ 198,609	
Federal aid	\$ 14,464		\$ 4,057
Property taxes	90,880	48,655	29,171
Franchise fees	146,724		19,551
Fines, forfeitures, and costs	2,001		
Local permits and fees		3,500	22,816
Advertising and promotion taxes			25,980
Other	2,781		1,485
Totals	<u>\$ 256,850</u>	<u>\$ 250,764</u>	<u>\$ 103,060</u>

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2019, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 4,971	\$ 23,024	\$ 83,965
Salaries payable	276,935	11,954	35,950
Totals	<u>\$ 281,906</u>	<u>\$ 34,978</u>	<u>\$ 119,915</u>

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2019, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government	\$ 69		\$ 310,909
Law enforcement			1,212,605
Highways and streets		\$ 7,871,525	
Public safety	33		1,803,113
Recreation and culture	15,334		4,047,075
Pension benefits			10,964,112
Capital outlay			28,586
Debt service			3,316,709
Total Restricted	15,436	7,871,525	21,683,109
Committed for:			
General government	900		473,506
Law enforcement			101,021
Highways and streets		640,496	
Public safety			1,303
Total Committed	900	640,496	575,830
Assigned to:			
Law enforcement			4,950
Unassigned	722,091		
Totals	\$ 738,427	\$ 8,512,021	\$ 22,263,889

NOTE 8: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2019, the legal debt limit for the bonded debt was \$108,989,590. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2019, the legal debt limit for short-term financing obligations was \$28,001,464. The amount of short-term financing obligations was \$842,233, leaving a legal debt margin of \$27,159,231.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9: Commitments

Total commitments consist of the following at December 31, 2019:

	December 31, 2019
Long-term liabilities	\$ 46,925,466
Noncancellable leases	<u>99,195</u>
Total Commitments	<u>\$ 47,024,661</u>

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9: Commitments (Continued)

Long-term liabilities

Long-term liabilities at December 31, 2019, are comprised of the following:

	December 31, 2019
<u>Bonds</u>	
2012 Hotel and Restaurant Gross Receipts Tax Bonds, dated August 1, 2012, in the amount of \$7,815,000; due in annual installments of \$265,000 to \$2,235,000 August 1 beginning in 2012 through 2022; interest rate of 1.162% to 4.555%. Payments are to be made from the 2012 Sales and Use Tax Bond Fund.	\$ 2,020,000
2012 Capital Improvement Refunding and Improvement Revenue Bonds, dated September 15, 2012, in the amount of \$3,560,000; annual installments of \$195,000 to \$275,000 due September 1 beginning in 2013 through 2028; interest rate of 1% to 3.5%. Payments are to be made from the 2012 Capital Improvement Refunding & Improvement Revenue Bond Fund.	2,175,000
2014 Sales & Use Tax Bonds, dated April 15, 2014, in the amount of \$37,720,000; annual installments of \$525,000 to \$2,145,000 due June 1 beginning in 2015 to 2044; interest rate of 2% to 5%. Payments are to be made from the 2014 Sales and Use Tax Bond Fund.	34,175,000
2015 Capital Improvement Revenue Bonds, dated May 1, 2015, in the amount of \$6,455,000; annual installments of \$100,000 to \$395,000 due September 1 beginning in 2016 through 2045; interest rate from 2% to 4%. Payments are to be made from the 2015 Capital Improvement Bond Fund.	6,055,000
2015 Sales and Use Tax Bonds, dated June 1, 2015, in the amount of \$1,335,000; annual installments of \$30,000 to \$75,000 due June 1 beginning in 2016 to 2044; interest rate of 3% to 3.875%. Payments are to be made from the 2015 Sales and Use Tax Bond Fund.	1,215,000
Total Bonds	45,640,000
<u>Direct Borrowings</u>	
Promissory note, dated June 30, 2017, in the amount of \$300,000; interest rate of 2.87% for construction of a Farmers Market Facility; paid in three annual installments. Payments are to be made from the General Fund.	101,973
Lease-purchase agreement dated September 14, 2015, with Musco Finance, LLC in the amount of \$1,312,110, with interest rate of 4.45% for the installation of lighting systems for the adult softball, the new youth softball and the new soccer fields. Yearly payments of \$303,700 for 5 years. Payments are to be made from the Parks and Recreation Fund.	568,390
Lease-purchase agreement dated June 10, 2019, with Musco Finance, LLC in the amount of \$225,000, with interest rate of 3.95% for the installation of lighting systems for Tyndall Park and Ralph Bunche. Yearly payments of \$62,018 for 4 years. Payments are to be made from the Parks and Recreation Fund.	171,870
Total Direct Borrowings	842,233
Arkansas District Judge's Retirement unfunded pension liability balance due to Arkansas Public Employees Retirement System (APERS) determined by actuarial valuation as of December 31, 2004, and amortized over a 30-year period. Payments are to be made from the General Fund.	76,744
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	366,489
Total Long-term liabilities	\$ 46,925,466

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9: Commitments (Continued)

The City's outstanding bonds payable of \$45,640,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

The City's outstanding direct borrowings of \$842,333 contain a provision that in the event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, if available under applicable law.

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2019	Maturities to December 31, 2019
<u>Bonds</u>					
8/1/12	8/1/22	1.16 - 4.56%	\$ 7,815,000	\$ 2,020,000	\$ 5,795,000
9/15/12	9/1/28	1 - 3.5%	3,560,000	2,175,000	1,385,000
4/15/14	6/1/44	2 - 5%	37,720,000	34,175,000	3,545,000
5/1/15	9/1/45	2 - 4%	6,455,000	6,055,000	400,000
6/1/15	6/1/44	3 - 3.88%	1,335,000	1,215,000	120,000
Total Bonds			<u>56,885,000</u>	<u>45,640,000</u>	<u>11,245,000</u>
<u>Direct Borrowings</u>					
1/12/16	8/28/19	1.79%	5,000,000		5,000,000
6/30/17	6/30/20	2.87%	300,000	101,973	198,027
9/14/15	1/14/21	4.45%	1,312,110	568,390	743,720
6/10/19	10/20/22	3.95%	225,000	171,870	53,130
Total Direct Borrowings			<u>6,837,110</u>	<u>842,233</u>	<u>5,994,877</u>
Total Long-Term Debt			<u>\$ 63,722,110</u>	<u>\$ 46,482,233</u>	<u>\$ 17,239,877</u>

Changes in Long-Term Debt

	Balance January 01, 2019	Issued	Retired	Balance December 31, 2019
Bonds payable	\$ 47,670,000		\$ 2,030,000	\$ 45,640,000
<u>Direct Borrowings</u>				
Notes payable	2,202,556		2,100,583	101,973
Capital leases	834,202	\$ 225,000	318,942	740,260
Total Direct Borrowings	<u>3,036,758</u>	<u>225,000</u>	<u>2,419,525</u>	<u>842,233</u>
Total Long-Term Debt	<u>\$ 50,706,758</u>	<u>\$ 225,000</u>	<u>\$ 4,449,525</u>	<u>\$ 46,482,233</u>

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9: Commitments (Continued)

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2019:

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 2,375,000	\$ 1,815,164	\$ 4,190,164	\$ 435,087	\$ 34,141	\$ 469,228
2021	1,730,000	1,746,968	3,476,968	347,916	17,802	365,718
2022	1,505,000	1,682,981	3,187,981	59,230	2,340	61,570
2023	1,295,000	1,623,677	2,918,677			
2024	1,335,000	1,580,927	2,915,927			
2025 through 2029	7,235,000	7,091,874	14,326,874			
2030 through 2034	8,025,000	5,472,925	13,497,925			
2035 through 2039	9,775,000	3,696,494	13,471,494			
2040 through 2044	11,970,000	1,452,409	13,422,409			
2045	395,000	15,800	410,800			
Totals	<u>\$ 45,640,000</u>	<u>\$ 26,179,219</u>	<u>\$ 71,819,219</u>	<u>\$ 842,233</u>	<u>\$ 54,283</u>	<u>\$ 896,516</u>

Noncancellable Leases

The City entered into a noncancellable lease agreement for exercise equipment on February 8, 2017. Terms of the lease are monthly rental payments of \$3,968 plus tax for 60 months. At the end of the lease term the city has the option to purchase the exercise equipment, renew the lease agreement, or return them. The City is obligated for the following amounts for the next three years:

Year	December 31, 2019
2020	\$ 47,613
2021	47,613
2022	3,969
Total	<u>\$ 99,195</u>

Rental expense for 2019 was \$138,476.

NOTE 10: Interfund Transfers

The General Fund transferred \$495,969 to Other Funds in the Aggregate to supplement operations. The Street Fund transferred \$400,821 to Other Funds in the Aggregate for debt service requirements. The Other Funds in the Aggregate transferred \$50,000 in excess franchise fees to the General Fund. Additionally, within Other Funds in the Aggregate, \$2,588,320 was transferred to supplement operations, debt service requirements, excess sales and use taxes, and to establish another Advertising and Promotion Commission fund.

NOTE 11: Prior Year Restatement

The beginning fund balances for the General and Street Funds were decreased \$955,694 and \$1,161,010, respectively, and Other Funds in the Aggregate fund balance was increased \$2,702,078, to reflect the reclassification of funds from prior year.

NOTE 12: Subsequent Events

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on the financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak, revenue collections, and any other possible issues – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to the City is uncertain.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13: Pledged Revenues

Sales and Use Tax

The City pledged future 0.5% sales and use taxes and 12.5% of the 1.5% sales and use taxes to repay \$39,055,000 in bonds that were issued in 2014 and 2015 to provide funding for the expansion and improving of the Bernard W. Holland Park. Total principal and interest remaining on the bonds are \$35,390,000 and \$21,775,362, respectively, payable through June 1, 2044. For 2019, principal and interest paid were \$815,000 and \$1,493,156, respectively.

The City received \$3,796,203 in sales taxes in 2019. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for any 2014 and 2015 tax uses.

Franchise Fees

- a. The City pledged future franchise fees collected from public utilities for the privilege of using the streets, highways, and other places in the City to repay \$3,560,000 in bonds that were issued in 2012 to refund the City's Capital Improvement Revenue Bonds, Series 2000, to finance costs of street and drainage improvements. Total principal and interest remaining on the bonds are \$2,175,000 and \$367,415, respectively, payable through September 1, 2028. For 2019, principal and interest paid were \$210,000 and \$73,554, respectively.

The City received \$274,835 in franchise fees in 2019. Any franchise fees collected in excess of debt service requirements on these bonds is permitted to be used for any lawful municipal purposes.

- b. The City pledged future franchise fees collected from public utilities for the privilege of using the streets, highways, and other places in the City to repay \$6,455,000 in bonds that were issued in 2015 to provide funding for park and recreational improvements. Total principal and interest remaining on the bonds are \$6,055,000 and \$3,942,175, respectively, payable through September 1, 2045. For 2019, principal and interest paid were \$100,000 and \$234,175, respectively.

The City received \$327,471 in franchise fees in 2019. Any franchise fees collected in excess of debt service requirements on these bonds is permitted to be used for any lawful municipal purposes.

Advertising and Promotion Tax

The City pledged future 1.5% tax levied by the City on the gross receipts or gross proceeds from motels, hotels, and restaurants to repay \$7,815,000 in bonds that were issued in 2012 for the purpose of financing all or a portion of the costs of acquiring, constructing, furnishing, and equipping an event center. Total principal and interest remaining on the bonds are \$2,020,000 and \$94,267, respectively, payable through August 1, 2022. For 2019, principal and interest paid were \$905,000 and \$93,594, respectively.

The debt service fund received \$975,770 in advertising and promotion taxes in 2019 from the Advertising and Promotion Tax Bond Fund. Any taxes collected in excess of debt service requirements shall be used for such lawful purposes as are approved by the Commission.

NOTE 14: 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, if any, has not exceeded the insurance coverage for each of 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:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 14: Risk Management (Continued)

Municipal Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

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% 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 \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also 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 \$2,500 deductible per occurrence.

NOTE 15: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 15: Firemen's Pension and Relief Plan (Continued)

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was \$5,734 for the year ended December 31, 2019. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's net pension liability. Based on the December 31, 2018 actuarial valuation, the plan has a net pension liability of \$4,002,549.

Deferred Retirement Option Plan

The local firemen's pension and relief board of trustees approved the participation in the Arkansas Fire Fighter's Deferred Retirement Option Plan (DROP). Any full-paid fire fighter who is a member of the firemen's pension and relief fund who has at least 20 years of credited service and who is eligible to receive a service retirement pension may elect to participate in the plan. The duration of participation shall not exceed 5 years, except in certain circumstances as allowed by law.

When a member begins participation in the DROP, the contribution of the fire fighter and the employer contribution shall continue to be paid. Municipal matching contributions for employees who elect the DROP shall be credited equally to the firemen's pension and relief fund and to the deferred retirement plan. The monthly retirement benefits that would have been due had the member elected to cease employment and receive a service retirement shall be paid into the DROP account.

At the end of the five years, the participant has certain options regarding the method of payment.

At the conclusion of the member's participation, the member shall terminate employment with all participating municipalities as a fire fighter and start receiving the member's accrued monthly retirement benefit from the firemen's pension and relief fund.

**NOTE 16: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$1,095,745 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$670,550 for the year ended December 31, 2019.

CITY OF BENTON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

**NOTE 16: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan) (Continued)**

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2019 (actuarial valuation date and measurement date) was \$15,008,422.

**NOTE 17: Municipal Employees Retirement Plan
(A Defined Benefit Plan)**

Plan Description

The Municipal Employees Retirement Plan is a simple-employer defined benefit plan which covers the City of Benton's employees except those covered by LOPFI, the Court Clerk, and employees of Benton Utilities. The plan, administered by the City, provides retirement, disability, and survivor benefits. Participants begin vesting at five years of service and are 100 percent vested at fifteen years of service. Retirement benefits are based on period of service. Benefits and contributions are established by the Municipal Employees Retirement Board. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Funding Policy

Employees hired after December 31, 2011, are required to contribute 2% of compensation until January 1 following the employee's date of employment, and 4% thereafter. Employer contributions are determined by the retirement board upon the advice of an actuary employed by the Board. Employer contributions was \$473,089 in 2019.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2018 (actuarial valuation date and measurement date) was \$1,308,288.

CITY OF BENTON, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2019

Schedule 1

	SPECIAL REVENUE FUNDS							
	1991 Act 833 - Fire Insurance Tax	Animal Control Operating	Arkansas Community and Economic Development Program Grant	Arkansas Department of Economic Development Multi Activity Grant	Rescue	Child Passenger Protection	Communications Facility and Equipment	Communications System
ASSETS								
Cash and cash equivalents	\$ 45,067	\$ 62,625	\$ 5	\$ 149	\$ 790	\$ 3,258	\$ 17,766	\$ 47,549
Investments								
Accounts receivable								
TOTAL ASSETS	\$ 45,067	\$ 62,625	\$ 5	\$ 149	\$ 790	\$ 3,258	\$ 17,766	\$ 47,549
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable		\$ 9,153						
Settlements pending								
Total Liabilities		9,153						
Fund Balances:								
Restricted	\$ 45,067		\$ 5	\$ 149	\$ 790	\$ 3,258	\$ 17,766	
Committed		53,472						\$ 47,549
Assigned								
Total Fund Balances	45,067	53,472	5	149	790	3,258	17,766	47,549
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,067	\$ 62,625	\$ 5	\$ 149	\$ 790	\$ 3,258	\$ 17,766	\$ 47,549

CITY OF BENTON, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2019

Schedule 1

SPECIAL REVENUE FUNDS

	District Court Automation	District Court Cost	Police Federal Treasury	Financial Stability	Fire Truck Reserve	Municipal Judge's and Clerk's Retirement	Parks and Recreation	Police Equipment Grant
ASSETS								
Cash and cash equivalents	\$ 93,874	\$ 144,290	\$ 150,974	\$ 473,506	\$ 1,303	\$ 77,259	\$ 2,716,115	\$ 6,822
Investments								
Accounts receivable							23,591	4,057
TOTAL ASSETS	<u>\$ 93,874</u>	<u>\$ 144,290</u>	<u>\$ 150,974</u>	<u>\$ 473,506</u>	<u>\$ 1,303</u>	<u>\$ 77,259</u>	<u>\$ 2,739,706</u>	<u>\$ 10,879</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable							\$ 110,090	
Settlements pending								
Total Liabilities							<u>110,090</u>	
Fund Balances:								
Restricted	\$ 93,874	\$ 144,290	\$ 150,974			\$ 77,259	2,629,616	\$ 5,929
Committed				\$ 473,506	\$ 1,303			
Assigned								4,950
Total Fund Balances	<u>93,874</u>	<u>144,290</u>	<u>150,974</u>	<u>473,506</u>	<u>1,303</u>	<u>77,259</u>	<u>2,629,616</u>	<u>10,879</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 93,874</u>	<u>\$ 144,290</u>	<u>\$ 150,974</u>	<u>\$ 473,506</u>	<u>\$ 1,303</u>	<u>\$ 77,259</u>	<u>\$ 2,739,706</u>	<u>\$ 10,879</u>

CITY OF BENTON, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2019

Schedule 1

SPECIAL REVENUE FUNDS

	Public Safety	Fire Act Grant	Benton Events Center	Police Narcotics Seizure (State)	Police Narcotics Seizure (Federal)	Advertising and Promotion Commission	Advertising and Promotion Tax Bond	Franchise Fee
ASSETS								
Cash and cash equivalents	\$ 2,158,569	\$ 116,370	\$ 601,238	\$ 12,353	\$ 189,219	\$ 100,063	\$ 690,850	\$ 291,204
Investments								
Accounts receivable			12,990			12,990		19,551
TOTAL ASSETS	<u>\$ 2,158,569</u>	<u>\$ 116,370</u>	<u>\$ 614,228</u>	<u>\$ 12,353</u>	<u>\$ 189,219</u>	<u>\$ 113,053</u>	<u>\$ 690,850</u>	<u>\$ 310,755</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable			\$ 672					
Settlements pending								
Total Liabilities			<u>672</u>					
Fund Balances:								
Restricted	\$ 2,158,569	\$ 116,370	613,556	\$ 12,353	\$ 189,219	\$ 113,053	\$ 690,850	\$ 310,755
Committed								
Assigned								
Total Fund Balances	<u>2,158,569</u>	<u>116,370</u>	<u>613,556</u>	<u>12,353</u>	<u>189,219</u>	<u>113,053</u>	<u>690,850</u>	<u>310,755</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,158,569</u>	<u>\$ 116,370</u>	<u>\$ 614,228</u>	<u>\$ 12,353</u>	<u>\$ 189,219</u>	<u>\$ 113,053</u>	<u>\$ 690,850</u>	<u>\$ 310,755</u>

CITY OF BENTON, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2019

Schedule 1

	CAPITAL PROJECTS FUNDS				DEBT SERVICE FUNDS			
	Special Projects - Lillian Street	Parks and Recreation - Riverside Park Development Construction	Economic Development Grant	Special Projects - Alcoa Road	2012 Capital Improvement Refunding Bond	2012 Sales and Use Tax Bond	2014 and 2015 Sales and Use Tax Bond	2015 Capital Improvement Bond
ASSETS								
Cash and cash equivalents	\$ 19	\$ 14	\$ 2,519	\$ 25,324	\$ 385,197	\$ 612,989	\$ 1,819,030	\$ 499,493
Investments								
Accounts receivable				710				
TOTAL ASSETS	<u>\$ 19</u>	<u>\$ 14</u>	<u>\$ 2,519</u>	<u>\$ 26,034</u>	<u>\$ 385,197</u>	<u>\$ 612,989</u>	<u>\$ 1,819,030</u>	<u>\$ 499,493</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								
Settlements pending								
Total Liabilities								
Fund Balances:								
Restricted	\$ 19	\$ 14	\$ 2,519	\$ 26,034	\$ 385,197	\$ 612,989	\$ 1,819,030	\$ 499,493
Committed								
Assigned								
Total Fund Balances	<u>19</u>	<u>14</u>	<u>2,519</u>	<u>26,034</u>	<u>385,197</u>	<u>612,989</u>	<u>1,819,030</u>	<u>499,493</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19</u>	<u>\$ 14</u>	<u>\$ 2,519</u>	<u>\$ 26,034</u>	<u>\$ 385,197</u>	<u>\$ 612,989</u>	<u>\$ 1,819,030</u>	<u>\$ 499,493</u>

CITY OF BENTON, ARKANSAS
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 DECEMBER 31, 2019

Schedule 1

	TRUST FUNDS		CUSTODIAL FUNDS				Totals
	Firemen's Pension	City Employees' Pension	Advertising and Promotion Commission - General	Police Bond and Fine	District Court	Administration of Justice	
ASSETS							
Cash and cash equivalents	\$ 2,287,957	\$ 278,582	\$ 4,067	\$ 8,074	\$ 233,633	\$ 2,192	\$ 14,160,308
Investments	467,082	7,901,320					8,368,402
Accounts receivable	29,171						103,060
TOTAL ASSETS	<u>\$ 2,784,210</u>	<u>\$ 8,179,902</u>	<u>\$ 4,067</u>	<u>\$ 8,074</u>	<u>\$ 233,633</u>	<u>\$ 2,192</u>	<u>\$ 22,631,770</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable							\$ 119,915
Settlements pending			\$ 4,067	\$ 8,074	\$ 233,633	\$ 2,192	247,966
Total Liabilities			<u>4,067</u>	<u>8,074</u>	<u>233,633</u>	<u>2,192</u>	<u>367,881</u>
Fund Balances:							
Restricted	\$ 2,784,210	\$ 8,179,902					21,683,109
Committed							575,830
Assigned							4,950
Total Fund Balances	<u>2,784,210</u>	<u>8,179,902</u>					<u>22,263,889</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,784,210</u>	<u>\$ 8,179,902</u>	<u>\$ 4,067</u>	<u>\$ 8,074</u>	<u>\$ 233,633</u>	<u>\$ 2,192</u>	<u>\$ 22,631,770</u>

CITY OF BENTON, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	SPECIAL REVENUE FUNDS							
	1991 Act 833 - Fire Insurance Tax	Animal Control Operating	Arkansas Community and Economic Development Program Grant	Arkansas Department of Economic Development Multi Activity Grant	Rescue	Child Passenger Protection	Communications Facility and Equipment	Communications System
REVENUES								
State aid		\$ 132			\$ 406			
Federal aid								
Property taxes	\$ 24,456							
Franchise fees								
Sales taxes								
Fines, forfeitures, and costs								
Interest	395	547			14	\$ 60	\$ 4,755	\$ 502
Local permits and fees		53,682				32	184	
Advertising and promotion taxes								
Rental income								17,418
Insurance premiums collected								
Employer contributions								
Employee contributions								
Sale of equipment								
Donations		8,333						
Net increase/(decrease) in fair value of investments								
Other								
TOTAL REVENUES	<u>24,851</u>	<u>62,694</u>			<u>420</u>	<u>92</u>	<u>4,939</u>	<u>17,920</u>
EXPENDITURES								
Current:								
General government								
Law enforcement		541,260			1,950		5,669	8,685
Highways and streets								
Public safety	15,535							
Sanitation								
Recreation and culture								
Total Current	<u>15,535</u>	<u>541,260</u>			<u>1,950</u>		<u>5,669</u>	<u>8,685</u>
Debt Service:								
Bond principal								
Bond interest and other charges								
Lease principal								
Lease interest								
Note principal								
Note interest								
TOTAL EXPENDITURES	<u>15,535</u>	<u>541,260</u>			<u>1,950</u>		<u>5,669</u>	<u>8,685</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,316</u>	<u>(478,566)</u>			<u>(1,530)</u>	<u>92</u>	<u>(730)</u>	<u>9,235</u>
OTHER FINANCING SOURCES (USES)								
Transfers in		488,000						
Transfers out								
TOTAL OTHER FINANCING SOURCES (USES)		<u>488,000</u>						
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>9,316</u>	<u>9,434</u>			<u>(1,530)</u>	<u>92</u>	<u>(730)</u>	<u>9,235</u>
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED		44,038		\$ 149				
Restatement adjustment (Note 11)	35,751		\$ 5		2,320	3,166	18,496	38,314
FUND BALANCES - JANUARY 1, AS RESTATED	<u>35,751</u>	<u>44,038</u>	<u>5</u>	<u>149</u>	<u>2,320</u>	<u>3,166</u>	<u>18,496</u>	<u>38,314</u>
FUND BALANCES - DECEMBER 31	<u>\$ 45,067</u>	<u>\$ 53,472</u>	<u>\$ 5</u>	<u>\$ 149</u>	<u>\$ 790</u>	<u>\$ 3,258</u>	<u>\$ 17,766</u>	<u>\$ 47,549</u>

CITY OF BENTON, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	SPECIAL REVENUE FUNDS							
	District Court Automation	District Court Cost	Police Federal Treasury	Financial Stability	Fire Truck Reserve	Municipal Judge's and Clerk's Retirement	Parks and Recreation	Police Equipment Grant
REVENUES								
State aid								
Federal aid								\$ 14,179
Property taxes								
Franchise fees								
Sales taxes							\$ 1,898,102	
Fines, forfeitures, and costs	\$ 33,099	\$ 12,576	\$ 200,059			\$ 5,345		
Interest	752	1,364	1,853	\$ 4,757	\$ 13	738	30,428	
Local permits and fees							1,679,651	
Advertising and promotion taxes								
Rental income								
Insurance premiums collected								
Employer contributions								
Employee contributions								
Sale of equipment								10,101
Donations								
Net increase/(decrease) in fair value of investments								
Other							4,633	1,000
TOTAL REVENUES	33,851	13,940	201,912	4,757	13	6,083	3,612,814	25,280
EXPENDITURES								
Current:								
General government								
Law enforcement			84,117					39,820
Highways and streets								
Public safety								
Sanitation								
Recreation and culture							4,553,275	
Total Current			84,117				4,553,275	39,820
Debt Service:								
Bond principal								
Bond interest and other charges								
Lease principal							318,942	
Lease interest							44,318	
Note principal								
Note interest								
TOTAL EXPENDITURES			84,117				4,916,535	39,820
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	33,851	13,940	117,795	4,757	13	6,083	(1,303,721)	(14,540)
OTHER FINANCING SOURCES (USES)								
Transfers in							1,518,847	
Transfers out								
TOTAL OTHER FINANCING SOURCES (USES)							(8,000)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	33,851	13,940	117,795	(3,243)	13	6,083	215,126	(14,540)
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED			38,179		1,290	71,176	2,414,490	
Restatement adjustment (Note 11)	60,023	130,350	(5,000)	476,749				25,419
FUND BALANCES - JANUARY 1, AS RESTATED	60,023	130,350	33,179	476,749	1,290	71,176	2,414,490	25,419
FUND BALANCES - DECEMBER 31	\$ 93,874	\$ 144,290	\$ 150,974	\$ 473,506	\$ 1,303	\$ 77,259	\$ 2,629,616	\$ 10,879

CITY OF BENTON, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	SPECIAL REVENUE FUNDS							
	Public Safety	Fire Act Grant	Benton Events Center	Police Narcotics Seizure (State)	Police Narcotics Seizure (Federal)	Advertising and Promotion Commission	Advertising and Promotion Tax Bond	Franchise Fee
REVENUES								
State aid								
Federal aid								
Property taxes								
Franchise fees								\$ 208,792
Sales taxes	\$ 3,796,203							
Fines, forfeitures, and costs				\$ 93,491	\$ 408,974			
Interest	27,752	\$ 1,255	\$ 6,636		2,870	\$ 398	\$ 4,748	2,506
Local permits and fees								
Advertising and promotion taxes			229,011			85,238	1,463,748	
Rental income			411,515					
Insurance premiums collected								
Employer contributions								
Employee contributions								
Sale of equipment								
Donations								
Net increase/(decrease) in fair value of investments								
Other	35,014		20,020				23,835	
TOTAL REVENUES	3,858,969	1,255	667,182	93,491	411,844	85,636	1,492,331	211,298
EXPENDITURES								
Current:								
General government								950
Law enforcement	1,972,564			100,919	335,473			
Highways and streets								
Public safety	1,004,581	50,000						
Sanitation								
Recreation and culture			471,363			58,286	310,836	
Total Current	2,977,145	50,000	471,363	100,919	335,473	58,286	310,836	950
Debt Service:								
Bond principal								
Bond interest and other charges								
Lease principal								
Lease interest								
Note principal								
Note interest								
TOTAL EXPENDITURES	2,977,145	50,000	471,363	100,919	335,473	58,286	310,836	950
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	881,824	(48,745)	195,819	(7,428)	76,371	27,350	1,181,495	210,348
OTHER FINANCING SOURCES (USES)								
Transfers in						85,703		
Transfers out			(85,703)				(975,770)	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)			(85,703)			85,703	(975,770)	(50,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	881,824	(48,745)	110,116	(7,428)	76,371	113,053	205,725	160,348
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	1,276,745		503,440	19,781	114,749		485,125	150,407
Restatement adjustment (Note 11)		165,115			(1,901)			
FUND BALANCES - JANUARY 1, AS RESTATED	1,276,745	165,115	503,440	19,781	112,848	0	485,125	150,407
FUND BALANCES - DECEMBER 31	<u>\$ 2,158,569</u>	<u>\$ 116,370</u>	<u>\$ 613,556</u>	<u>\$ 12,353</u>	<u>\$ 189,219</u>	<u>\$ 113,053</u>	<u>\$ 690,850</u>	<u>\$ 310,755</u>

CITY OF BENTON, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS				
	Special Projects - Lillian Street	Parks and Recreation - Riverside Park Development Construction	Economic Development Grant	Special Projects - Alcoa Road	2012 Capital Improvement Refunding Bond	2012 Sales and Use Tax Bond	2014 and 2015 Sales and Use Tax Bond	2015 Capital Improvement Bond
REVENUES								
State aid				\$ 36,961				
Federal aid								
Property taxes					\$ 274,835		\$ 327,471	
Franchise fees								
Sales taxes						\$ 3,796,203		
Fines, forfeitures, and costs								
Interest	\$ 1		\$ 25	13,133	7,750	\$ 12,303	41,837	
Local permits and fees							9,438	
Advertising and promotion taxes								
Rental income								
Insurance premiums collected								
Employer contributions								
Employee contributions								
Sale of equipment								
Donations								
Net increase/(decrease) in fair value of investments								
Other				2,880				
TOTAL REVENUES	1		25	52,974	282,585	12,303	3,838,040	336,909
EXPENDITURES								
Current:								
General government								
Law enforcement								
Highways and streets				37,752				
Public safety								
Sanitation								
Recreation and culture								
Total Current				37,752				
Debt Service:								
Bond principal					210,000	905,000	815,000	
Bond interest and other charges					73,554	93,594	1,493,156	
Lease principal								
Lease interest								
Note principal				2,000,000				
Note interest				23,320				
TOTAL EXPENDITURES				2,061,072	283,554	998,594	2,308,156	334,175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1		25	(2,008,098)	(969)	(986,291)	1,529,884	2,734
OTHER FINANCING SOURCES (USES)								
Transfers in				416,790		975,770		
Transfers out							(1,518,847)	
TOTAL OTHER FINANCING SOURCES (USES)				416,790		975,770	(1,518,847)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1		25	(1,591,308)	(969)	(10,521)	11,037	2,734
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED		\$ 14	2,494	4,350	386,166	623,510	1,807,339	496,759
Restatement adjustment (Note 11)	18			1,612,992			654	
FUND BALANCES - JANUARY 1, AS RESTATED	18	14	2,494	1,617,342	386,166	623,510	1,807,993	496,759
FUND BALANCES - DECEMBER 31	\$ 19	\$ 14	\$ 2,519	\$ 26,034	\$ 385,197	\$ 612,989	\$ 1,819,030	\$ 499,493

CITY OF BENTON, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
 REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	TRUST FUNDS		Totals
	Firemen's Pension	City Employees' Pension	
REVENUES			
State aid	\$ 255,134		\$ 292,633
Federal aid			14,179
Property taxes	512,459		536,915
Franchise fees			811,098
Sales taxes			9,490,508
Fines, forfeitures, and costs			758,359
Interest	66,904	\$ 230,895	470,030
Local permits and fees			1,733,333
Advertising and promotion taxes			1,777,997
Rental income			428,933
Insurance premiums collected	11,617		11,617
Employer contributions		473,089	473,089
Employee contributions		82,813	82,813
Sale of equipment			10,101
Donations			8,333
Net increase/(decrease) in fair value of investments	209,615	1,067,381	1,276,996
Other	26	3,017	90,425
TOTAL REVENUES	1,055,755	1,857,195	18,267,359
EXPENDITURES			
Current:			
General government		177,435	178,385
Law enforcement		120,353	3,210,810
Highways and streets		114,336	152,088
Public safety	511,712	3,550	1,585,378
Sanitation		786	786
Recreation and culture		89,289	5,483,049
Total Current	511,712	505,749	10,610,496
Debt Service:			
Bond principal			2,030,000
Bond interest and other charges			1,894,479
Lease principal			318,942
Lease interest			44,318
Note principal			2,000,000
Note interest			23,320
TOTAL EXPENDITURES	511,712	505,749	16,921,555
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	544,043	1,351,446	1,345,804
OTHER FINANCING SOURCES (USES)			
Transfers in			3,485,110
Transfers out			(2,638,320)
TOTAL OTHER FINANCING SOURCES (USES)			846,790
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	544,043	1,351,446	2,192,594
FUND BALANCES - JANUARY 1, AS PREVIOUSLY REPORTED	2,088,715	6,840,287	17,369,217
Restatement adjustment (Note 11)	151,452	(11,831)	2,702,078
FUND BALANCES - JANUARY 1, AS RESTATED	2,240,167	6,828,456	20,071,295
FUND BALANCES - DECEMBER 31	\$ 2,784,210	\$ 8,179,902	\$ 22,263,889

CITY OF BENTON, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2019

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
1991 Act 833 - Fire Insurance Tax	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Animal Control Operating	Benton Ordinance no. 34 of 2013 (June 24, 2013) established fund and Benton Ordinance no. 84 of 2019 (November 25, 2019) amended the fund to account for fines and fees associated with animal control.
Arkansas Community and Economic Development Program Grant	Established to receive state grant funds to purchase a generator for Saline Memorial Hospital.
Arkansas Department of Economic Development Multi Activity Grant	Established to account for state grants to be utilized for improvements to the Gann Museum.
Rescue	Ark. Code Ann. § 27-101-111 established fund to receive fees from the county treasurer to be used for operating on the waterways within a city within a county or for emergency rescue services if the city has not established a patrol.
Child Passenger Protection	Ark. Code Ann. § 27-34-108 established fund to receive 25% of the district court fines collected for violations of the Child Passenger Protection Act to be used for promotion of public safety.
Communications Facility and Equipment	Ark. Code Ann. § 14-52-202 established fund to receive 25% of police chief fees collected to be used for communications equipment and repair and to train operations staff.
Communications System	Established by Benton Ordinance no. 43 of 1997 (November 24, 1997) to account for the proceeds derived from the leases authorized by Benton Resolutions no. 7 and 8 of 1996 between the City of Benton and Southwestern Bell Mobile Systems, Inc. and Sprint Spectrum, L.P.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.

CITY OF BENTON, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2019

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
District Court Cost	Ark. Code Ann. § 16-17-126 authorizes district court fees for writs of garnishment and executions to be appropriated for any permissible use in the administration of the district court.
Police Federal Treasury	Established to receive asset forfeitures resulting from cases with the Internal Revenue Service (IRS) and Homeland Security.
Financial Stability	Benton Ordinance no. 84 of 2007 (November 12, 2007) established fund to receive general revenues received by the City during the year, which exceed the funds which have been pledged by the City Council.
Fire Truck Reserve	Benton Ordinance no. 73 of 2012 (December 20, 2012) established fund to account for funds to be utilized towards the purchase of fire apparatus.
Municipal Judge's and Clerk's Retirement	Ark. Code Ann. §§ 24-4-751, 24-8-902 established fund to contribute an amount of money that represents the actuarially determined accrued liability to be paid to the Arkansas Public Employees Retirement System. Excess funds will be retained in this fund for the sole purpose of paying the retirement benefits of district judges and clerks.
Parks and Recreation	Benton Ordinance nos. 42 of 2003 (November 24, 2003), 48 of 2013 (August 28, 2013), and 52 of 2013 (August 23, 2013) established fund to receive: fees, sponsorships, and donations to be used for personnel expense; excess proceeds from the 2014 Sales and Use Tax for parks and recreation expense at Riverside Park; and one-sixth of 1.5% sales and use tax to be used for operation and maintenance of parks and recreation facilities as outlined in the Parks Master Plan.
Police Equipment Grant	Established to receive grant funds through the Bulletproof Vest Partnership and funds from the sale of law enforcement equipment.
Public Safety	Benton Ordinance no. 51 of 2013 (August 28, 2013) authorized the issuance of sales and use tax to assist with operating expenses for police, fire and 911 communications.
Fire Act Grant	Established to account for federal grant funds to assist with firefighter training.
Benton Events Center	Advertising and Promotion Commission established to receive 10% share of advertising and promotion tax and rental income from the Benton Events Center.

CITY OF BENTON, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2019

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Police Narcotics Seizure (State)	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
Police Narcotics Seizure (Federal)	Established to receive asset forfeitures resulting from drug offense cases with the Twenty-Second Judicial District.
Advertising and Promotion Commission	Advertising and Promotion Commission established to receive 10% share of advertising and promotion tax.
Advertising and Promotion Tax Bond	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued. Benton Ordinance no. 46 of 2005 (October 10, 2005) levied a 1.5 percent gross receipts tax on hotels, motels, and restaurants to be used for the development, construction, and maintenance of city parks.
Franchise Fee	Established by Benton Ordinance no. 46 of 2012 (August 13, 2012) and Benton Ordinance no. 21 of 2015 (April 13, 2015) to receive sales tax revenue for the purpose of providing funds for the payment of principal and interest on the bond issues.
Special Projects - Lillian Street	Benton Ordinance no 66 of 2015 (December 21, 2015) established fund to receive proceeds from the 2015 General Revenue Promissory Note to be utilized for the reconstruction and resurfacing of Lillian Street.
Parks and Recreation - Riverside Park Development Construction	Established to account for funds received for expense related to Riverside Park. The account was not utilized and expense was paid directly by the bank.
Economic Development Grant	Established to account for grants used for Benton Parkway.
Special Projects - Alcoa Road	Benton Ordinance no 66 of 2015 (December 21, 2015) established fund to receive proceeds from the 2015 General Revenue Promissory Note to be utilized for the widening of Alcoa Road.
2012 Capital Improvement Refunding Bond	Established by Benton Ordinance no. 46 of 2012 (August 13, 2012) to maintain principal and interest payments from pledged franchise fees.

CITY OF BENTON, ARKANSAS
 NOTES TO SCHEDULES 1 AND 2
 DECEMBER 31, 2019

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
2012 Sales and Use Tax Bond	Benton Ordinance no. 40 of 2012 (July 9, 2012) established fund for the purpose of providing funds for the payment of principal and interest on bond issue.
2014 and 2015 Sales and Use Tax Bond	Benton Ordinance no. 2 of 2014 (February 24, 2014) and Benton Ordinance no. 24 of 2015 (April 27, 2015) to receive sales tax distributions from the Arkansas Department of Finance and Administration.
2015 Capital Improvement Bond	Benton Ordinance no. 21 of 2015 established fund for the purpose of providing funds for payment of principal and interest on bond issue.
Firemen's Pension	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
City Employees' Pension	Benton Resolution no. 6 of 1971 (June 1, 1971) and Benton Resolution no. 6 of 1987 (May 18, 1987) established fund to provide retirement and incidental benefits for all eligible full-time city employees.
Advertising and Promotion Commission - General	Ark. Code Ann. § 26-75-606 established fund to receive taxes levied on gross receipts of hotels and restaurants.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.

CITY OF BENTON, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2019
(Unaudited)

Schedule 3

	<u>December 31, 2019</u>
Land	\$ 6,798,838
Buildings and improvements	64,987,201
Equipment	9,943,609
Construction in progress	<u>2,401,667</u>
Total	<u>\$ 84,131,315</u>