

Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

March 9, 2020

Honorable Mayor, City Council
and Public Utilities Commission
Benton Municipal Light and Water Works

We have audited the financial statements of Benton Municipal Light and Water Works for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Benton Municipal Light and Water Works are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by Benton Municipal Light and Water Works during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense and accumulated depreciation.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 9, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Benton Municipal Light and Water Works' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

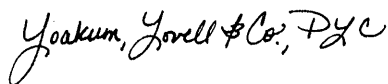
We applied certain limited procedures to management's discussion and analysis, the schedule of changes in the net pension liability and related ratios and the schedule of contributions for Benton Utilities employees' pension plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Honorable Mayor, City Council, Public Utilities Commission and management of Benton Municipal Light and Water Works and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Yoakum, Lovell and Company, PLC

Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

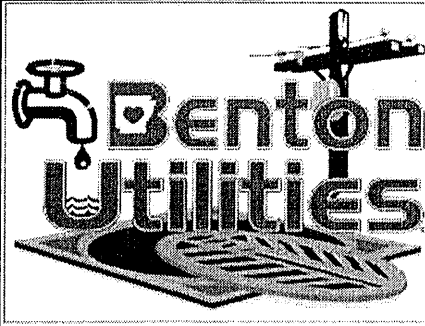
Benton Municipal Light and Water Works
City of Benton, State of Arkansas

Financial Statements
and Supplementary Information

December 31, 2019 and 2018

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
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December 31, 2019 and 2018

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BENTON UTILITIES

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Benton, AR 72015
Phone: 501-776-5931

Management's Discussion and Analysis

The management's discussion and analysis of Benton Municipal Light and Water Works' (Utility System) financial performance provides an overview of the Utility System's financial activities for the year ended December 31, 2019. Please read it in conjunction with the Utility System's financial statements, which are presented on pages 7 through 18.

Required Financial Statements

The financial statements of the Utility System report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States. The balance sheets include information of the Utility System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Utility System's creditors (liabilities). The statements of revenues, expenses and changes in net position identify the Utility System's revenues and expenses for the years ended December 31, 2019 and 2018. This statement provides information on the Utility System's operations over the past two years and can be used to determine whether the Utility System has recovered all of its costs through user fees and other charges. The third financial statement is the statement of cash flows. This statement provides information on the Utility System's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the statements of cash flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance for each of the last two years.

2019 Financial Highlights

- The Utility's total revenues decreased by \$2,275,978 or 5.67% from \$40,171,951 at December 31, 2018, to \$37,895,973 at December 31, 2019. The decrease in revenues is in great part due to cooler temperatures and more rainfall during the summer months.
- The Utility's total expenses decreased by \$1,550,712 or 4.45% from \$34,844,779 at December 31, 2018, to \$33,294,067 at December 31, 2019. The decrease in expenses is in great part due to a decrease in power costs.
- The Utility's total assets and deferred outflows of resources increased by \$6,760,017 or 6.22% from \$108,732,386 at December 31, 2018, to \$115,492,403 at December 31, 2019. The increase is due in great part to increases in board designated funds.

Financial Analysis of the Utility System

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

Investment income increased by 59.79% or \$66,033 due to an increase of interest income on bond designated funds.

Condensed Statements of Net Position

	2019	2018	2017
Current Assets	\$ 19,893,635	\$ 14,539,621	\$ 7,607,460
Restricted Assets	8,277,471	8,978,765	2,816,587
Capital Assets, Net	83,847,638	82,953,590	84,286,162
Deferred Outflows	3,473,659	2,260,410	2,505,362
Total Assets and Deferred Outflows	\$ 115,492,403	\$ 108,732,386	\$ 97,215,571
Current Liabilities	\$ 7,786,822	\$ 8,146,129	\$ 6,437,808
Long-Term Liabilities	50,545,689	51,941,997	47,848,590
Total Liabilities	58,332,511	60,088,126	54,286,398
Deferred Inflows	801,285	979,254	656,834
Net Investment in Capital Assets	38,903,866	36,471,478	38,894,605
Restricted	3,929,775	3,325,115	2,176,104
Unrestricted	13,524,966	7,868,413	1,201,630
Total Net Position	56,358,607	47,665,006	42,272,339
Total Liabilities and Net Position	\$ 115,492,403	\$ 108,732,386	\$ 97,215,571

Total net position increased by \$8,693,601 from \$47,665,006 at December 31, 2018, to \$56,358,607 at December 31, 2019, an increase of 18.24%. Current liabilities decreased by \$359,307 or 4.41%.

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

	2019	2018	2017
Operating Revenues:			
Services Fees and Penalties	\$ 37,452,835	\$ 39,884,463	\$ 33,626,519
Other Revenue	266,662	177,045	170,361
Total Operating Revenues	37,719,497	40,061,508	33,796,880
Investment Income	176,476	110,443	32,775
Total Revenue	37,895,973	40,171,951	33,829,655
Operating Expenses:			
Power Costs	14,305,505	16,836,858	16,824,846
Plant Production Expenses	2,244,304	1,977,666	1,994,112
General and Distribution Expenses	5,587,778	4,925,936	4,624,827
Administrative Expenses	2,335,816	1,996,067	1,790,518
Depreciation Expense	5,073,243	5,078,686	5,346,165
Franchise Fees	2,060,985	2,214,230	1,847,463
Total Operating Expenses	31,607,631	33,029,443	32,427,931
Issuance Cost of Bonds		91,423	
Interest Expense	1,686,436	1,723,913	1,758,905
Total Expenses	33,294,067	34,844,779	34,186,836
Net Income (Loss) Before Contributions	4,601,906	5,327,172	(357,181)
Capital Contributions	4,091,695	65,495	1,042,697
Change in Net Position	8,693,601	5,392,667	685,516
Net Position at Beginning of Year	47,665,006	42,272,339	41,586,823
Net Position at End of Year	\$ 56,358,607	\$ 47,665,006	\$ 42,272,339

Total revenues from services, fees and penalties reflect a decrease from 2018 to 2019. The decrease amount was \$2,431,628, or 6.10%. The decrease in revenues is in great part due to cooler temperatures and more rainfall during the summer months.

Net income of \$4,601,906 before capital contributions, transfers, and extraordinary items, plus capital contributions of \$4,091,695 were the two items that resulted in an increase of \$8,693,601 in net position for the year ending December 31, 2019.

Capital Assets

At December 31, 2019, the Utility had \$38,903,866 net invested in capital assets. This investment in capital assets includes land, buildings, vehicles, equipment, utility infrastructure, construction materials and construction in progress. The total increase in the Utility's investment in capital assets for the year of 2019 was \$2,432,388 or 6.67%, due to an increase in service facilities and equipment. A scheduled summary showing the changes to the capital assets during the year of 2019 can be found in Note 4 on page 13 of this audit report. A scheduled summary showing the changes to the revenue bonds payable during the year of 2019 can be found in Note 6 on page 14 of this audit report.

Debt Administration

At December 31, 2019, the Utility had \$46,859,896 in outstanding revenue bonds payable compared to \$49,495,613 outstanding at December 31, 2018. This decrease of \$2,635,717 is the amount of bonds retired (paid off) during the year. An accumulated compensable (accrued salary, vacation and sick leave) balance of \$384,782 at December 31, 2019, is a decrease of \$35,364 over the \$420,146 accrued as of December 31, 2018. A scheduled summary showing changes to the debt administration can be found in Note 1G on page 11 of this audit report.

Economic Factors and Next Year's Budget and Rates

The new Electric Wholesale Power Contract started June 1, 2019 and is providing a reduction in the "known" costs of our wholesale power through May 2022. It has begun to generate needed funds for the long-range projects to sustain the growth and infrastructure needs of the City of Benton.

Significant progress was made on several construction projects funded by the \$7.8MM Bond Issue in 2018. The most critical being the relocation of Electric and Water lines along Interstate 30. This project was completed in 2019. This will allow the widening of Interstate 30 to 6 lanes from Exit 117 (Highway 5) to Exit 111 (Highway 70). Other projects to be funded by the Bond Issue that are still in progress and will be completed in 2020 are:

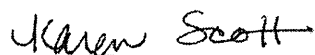
- Critical Manhole Rehabilitation
- Saline River Circuit Crossing
- Clarifier & Yard Piping
- 16" Water Main – Downtown Phase 1

Benton Utilities continues to strive to have rates in place that adequately fund each system (electric, water, and sewer), remain competitive in the marketplace, and fairly distribute the costs of the systems to rate payers in customer charges (fixed costs) and fuel costs (variable costs). With this goal in mind, Benton Utilities entered into a Cost of Service Study with Utility Financial Solutions, LLC (UFS) of Grand Haven, MI. The study was completed and presented to the Public Utility Commission and City Council in November 2018. It was concluded that the Electric Utility was financially stable but the Water and Wastewater Utilities had rate structures that could not sustain them. There will need to be substantial increases for these utilities phased in over a few years in order to meet our goal of independent solvency for each utility service. This

Study will continue over the next few years and be re-examined with current data every 2 years as we make adjustments to the rates of all 3 utilities so that each can effectively support itself. There were automatic Water rate increases of 2%, which went into effect Jan. 1, 2018 and Jan. 1, 2019 and an automatic 3% increase for Wastewater that went into effect on April 1, 2018 and will also continue through April 1, 2020 as approved by City Council

Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Utility's finances. If you have any questions about this report or need additional information, contact the Utility CFO, Attn: Karen Scott, at 1827 Dale Avenue, Benton, AR 72015, call (501) 776-5931, or e-mail at kscott@bentonar.org



Karen Scott
CFO
Benton Utilities

Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Benton Municipal Light and Water Works of the City of Benton, State of Arkansas, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benton Municipal Light and Water Works of the City of Benton, State of Arkansas as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in the net pension liability and related ratios and schedule of contributions for Benton Utilities employees' pension plan on pages 1 through 4 and pages 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 19 through 29 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Benton Municipal Light and Water Works and do not purport to, and do not present fairly the financial position of the City of Benton, State of Arkansas, as of December 31, 2019 and 2018, the changes in its financial position or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Joakim, Lowell & Co., P.C.
Certified Public Accountants

Benton, Arkansas
March 9, 2020

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statements of Net Position
December 31, 2019 and 2018

Assets and Deferred Outflows of Resources

	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 5,689,301	\$ 4,433,514
Utility Billings, Net of Allowance for Uncollectibles	4,332,220	4,337,339
Accounts Receivable	778,803	23,241
Prepaid Expenses	122,987	136,294
Supplies Inventory	20,198	20,316
Board Designated Funds	8,950,126	5,588,917
Total Current Assets	19,893,635	14,539,621
Non-Current Assets		
Restricted Funds	8,277,471	8,978,765
Capital Assets:		
Total Plant, Property and Equipment	189,090,624	183,123,333
Less Accumulated Depreciation	(105,242,986)	(100,169,743)
Total Non-Current Assets	92,125,109	91,932,355
Deferred Outflows of Resources		
Deferred Pension Outflows	2,867,337	1,595,154
Deferred Loss on Early Retirement of Debt	606,322	665,256
Total Deferred Outflows of Resources	3,473,659	2,260,410
Total Assets and Deferred Outflows of Resources	\$ 115,492,403	\$ 108,732,386

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

Liabilities, Deferred Inflows of Resources and Net Position

	2019	2018
Current Liabilities		
Accounts Payable	\$ 1,383,898	\$ 1,814,399
Customer Overpayments	15,164	6,186
Meter Deposits	2,271,750	2,241,031
Accrued Compensation	384,782	420,146
Sales Tax Payable	92,231	89,989
Accrued Interest Payable	661,952	685,837
Due to City Funds	271,032	252,824
Bonds Payable - Current Maturities	2,706,013	2,635,717
Total Current Liabilities	<u>7,786,822</u>	<u>8,146,129</u>
Non-Current Liabilities		
Revenue Bonds Payable, Less		
Current Maturities	44,153,883	46,859,896
Premium on Revenue Bonds	2,467,819	2,722,893
Discount on Revenue Bonds	(91,877)	(103,325)
Net Pension Liability	4,015,864	2,462,533
Total Non-Current Liabilities	<u>50,545,689</u>	<u>51,941,997</u>
Total Liabilities	<u>58,332,511</u>	<u>60,088,126</u>
Deferred Inflows of Resources		
Deferred Pension Inflows	<u>801,285</u>	<u>979,254</u>
Net Position		
Net Investment in Capital Assets	38,903,866	36,471,478
Restricted for Debt Service	3,339,901	2,881,059
Restricted for Capital Assets Replacement	589,874	444,056
Unrestricted	13,524,966	7,868,413
Total Net Position	<u>56,358,607</u>	<u>47,665,006</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 115,492,403</u>	<u>\$ 108,732,386</u>

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Charges for Service	\$ 36,566,819	\$ 38,960,557
Service Charges and Connection Fees	619,046	665,087
Penalties	266,970	258,819
Other Income	266,662	177,045
Total Operating Revenues	37,719,497	40,061,508
Operating Expenses		
Power Costs	14,305,505	16,836,858
Plant Production Expenses	2,244,304	1,977,666
General and Distribution Expenses	5,587,778	4,925,936
Administrative Expenses	2,335,816	1,996,067
Depreciation	5,073,243	5,078,686
Franchise Fees	2,060,985	2,214,230
Total Operating Expenses	31,607,631	33,029,443
Operating Income	6,111,866	7,032,065
Non-Operating Revenues (Expenses)		
Interest Income	176,476	110,443
Interest Expense	(1,686,436)	(1,723,913)
Issuance Costs of Bonds		(91,423)
Total Non-Operating Revenues (Expenses)	(1,509,960)	(1,704,893)
Net Income (Loss) Before Contributions and Transfers	4,601,906	5,327,172
Capital Contributions	4,091,695	65,495
Changes in Net Position	8,693,601	5,392,667
Total Net Position - Beginning of Year	47,665,006	42,272,339
Total Net Position - End of Year	\$ 56,358,607	\$ 47,665,006

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

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Receipts from Customers	\$ 37,469,174	\$ 37,902,430
Payments to Suppliers	(18,588,699)	(20,223,935)
Payments to Employees	(6,242,737)	(5,999,756)
Payments to City for Franchise Fees	(2,042,777)	(2,090,906)
Other Receipts	219,646	173,235
Net Cash Provided by Operating Activities	10,814,607	9,761,068
Cash Flow from Non-Capital Financing Activities		
Transfers (to) from Board Designated Funds	(3,361,209)	(3,543,580)
Net Cash Provided (Used) by Non-Capital Financing Activities	(3,361,209)	(3,543,580)
Cash Flows from Capital and Related Financing		
Purchases of Capital Assets	(3,782,663)	(3,295,907)
Principal Paid On Capital Debt	(2,635,717)	(1,550,427)
Interest Paid On Capital Debt	(2,064,204)	(1,869,764)
Proceeds from Revenue Bonds Issued		7,800,000
Bond Issuance Costs		(91,423)
Capital Contributions	1,376,484	2,595
Transfers from Restricted Accounts	732,013	(5,985,510)
Net Cash Used by Capital and Related Financing	(6,374,087)	(4,990,436)
Cash Flows from Investing Activities		
Interest Received	176,476	110,443
Net Cash Provided by Investing Activities	176,476	110,443
Net Change in Cash and Cash Equivalents	1,255,787	1,337,495
Cash and Cash Equivalents - Beginning of Year	4,433,514	3,096,019
Cash and Cash Equivalents - End of Year	\$ 5,689,301	\$ 4,433,514
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ 6,111,866	\$ 7,032,065
Items Not Requiring Cash:		
Depreciation	5,073,243	5,078,686
Changes in Assets and Liabilities:		
Receivables, Net	(32,919)	(2,015,026)
Prepays	13,307	(32,488)
Inventories	118	(2,151)
Accounts Payable	(421,065)	(34,748)
Accrued Expenses	(33,122)	47,029
Net Pension Liability	103,179	(312,299)
Net Cash Provided by Operating Activities	\$ 10,814,607	\$ 9,761,068

Non-Cash Capital Financing Activities:

Capital assets of \$2,006,665 and \$62,900 were acquired through noncash contributions from developers for the years ended December 31, 2019 and 2018, respectively.

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

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

Note 1: Summary of Significant Accounting Policies

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

- A. Reporting Entity** - The Benton Municipal Light and Water Works (the Utilities) is a part of the City of Benton, State of Arkansas (the City). The City is governed by the Mayor Council form of government which operated the utility system in prior years through January 1, 2006. Effective February 1, 2006, a Utility Commission was created and granted full power to manage, operate, control, supervise, improve, extend, maintain, and contract concerning the utility system, subject to the authorizing legislation and certain conditions set from time to time by the City Council. The statements reflect the results of operations of three departments: light, water and waste water. Material transactions between the departments have been eliminated.
- B. Basis of Accounting** - The Benton Municipal Light and Water Works is a proprietary enterprise type fund. The financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.
- C. Cash and Cash Equivalents** – For purposes of the statements of cash flows, the Utilities considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- D. Cash Deposits** – All cash deposits were insured or collateralized with securities held by the pledging financial institution, trust department, or by its agent in the City's name as of the balance sheet date.
- E. Inventories** - Inventories are stated at the lower of cost or market on a first-in, first-out method.
- F. Board Designated Funds** – The Utilities Board has designated that certain funds are to be deposited into separate accounts and are to be used for certain designated purposes. The funds may only be spent with the approval of the Utilities Board.
- G. Accumulated Compensated Absences** - It is the Utilities' policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the Utilities' services. It is the Utilities' policy to pay up to a maximum of 90 accumulated sick days to employees who retire from the Utilities. The following is a schedule of accrued compensation at December 31, 2019 and 2018, respectively:

	2019	2018
Accrued Salaries	\$ 111,137	\$ 97,629
Accrued Vacation	115,813	128,325
Accrued Sick	157,832	194,192
	\$ 384,782	\$ 420,146

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

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

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

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

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

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

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

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

J. Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

K. Capitalized Interest - Interest costs are capitalized when incurred by the Utilities on debt where proceeds were used to finance the construction of assets.

Note 2: Board Designated Funds

The Benton Public Utilities Board has designated the following funds as of December 31, 2019 and 2018:

	2019	2018
Public Utility Reservoir Contingent Fund	\$ 2,061	\$ 501,157
Public Utility Emergency Fund	63,562	3,007,569
Water System Capital Improvement Fund	1,957	601,459
Electric Capital Improvement Fund	1,957	601,123
Facilities Capital Improvement Fund	25,300	25,049
Wastewater Capital Improvement Fund	1,183	601,230
Alcoa Road Relocation and Improvement Fund	850,673	671
Economic Development Fund	3,150	250,659
Investment Fund	8,000,283	
	\$ 8,950,126	\$ 5,588,917

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

Note 2: Board Designated Funds (Cont'd)

Board designated funds consist of funds in depository accounts. The carrying value is the market value for these accounts.

Note 3: Restricted Funds

The restricted funds as of December 31, 2019 and 2018 are as follows:

	2019	2018
Bond Funds	\$ 1,577,566	\$ 1,032,823
Debt Service Funds	2,424,287	2,534,073
Depreciation Fund	589,874	444,056
Construction Fund	3,685,744	4,967,813
Total Restricted Funds	\$ 8,277,471	\$ 8,978,765

Restricted funds consist of funds in depository accounts and Treasury and Government Obligations. It is management's intent to hold the obligations to maturity, therefore the notes are carried at cost which approximates fair value.

Note 4: Capital Assets

The following is a summary of capital assets as of December 31, 2019 and 2018:

	Balance 12/31/18	Additions	Deletions	Transfers	Balance 12/31/19
Land	\$ 1,048,248	\$ 58,565	\$	\$	\$ 1,106,813
Buildings - Administrative	2,052,673	42,342			2,095,015
Vehicles	3,783,185	171,839			3,955,024
Furniture and Office Equipment	178,795				178,795
Service Facilities and Equipment	173,156,443	3,919,200		3,633,105	180,708,748
Construction Materials	880,921			(75,752)	805,169
Construction in Process	2,023,068	1,775,345		(3,557,353)	241,060
	\$ 183,123,333	\$ 5,967,291	\$	\$	\$ 189,090,624
	Balance 12/31/17	Additions	Deletions	Transfers	Balance 12/31/18
Land	\$ 1,048,248	\$	\$	\$	\$ 1,048,248
Buildings - Administrative	2,052,673				2,052,673
Vehicles	3,307,723	475,462			3,783,185
Furniture and Office Equipment	178,795				178,795
Service Facilities and Equipment	170,688,864	248,075		2,219,504	173,156,443
Construction Materials	1,114,420			(233,499)	880,921
Construction in Process	986,496	3,022,577		(1,986,005)	2,023,068
	\$ 179,377,219	\$ 3,746,114	\$	\$	\$ 183,123,333

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

Note 5: Supplemental Cash Flow Disclosure

The interest paid in the years ended December 31, 2019 and 2018 was \$2,064,204 and \$1,869,764, respectively.

Note 6: Revenue Bonds Payable

The interest rates and maturity dates of the revenue bonds payable as of December 31, 2019 are as follows:

Issue of March 6, 2009	2.75%	6/01/2034
Issue of April 1, 2012	1.00% to 5.00%	9/01/2036
Issue of July 1, 2015	2.00% to 5.00%	9/01/2036
Issue of January 30, 2018	2.27%	9/01/2025

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 49,495,613	\$ 43,246,040	\$ 44,756,886
Issued		7,800,000	
Retired	(2,635,717)	(1,550,427)	(1,510,846)
Ending Balance	<u>\$ 46,859,896</u>	<u>\$ 49,495,613</u>	<u>\$ 43,246,040</u>

Maturities of revenue bonds as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest and Service Fees</u>	<u>Total</u>
2020	\$ 2,706,013	\$ 1,989,699	\$ 4,695,712
2021	2,781,318	1,916,319	4,697,637
2022	2,871,631	1,824,062	4,695,693
2023	2,976,954	1,720,143	4,697,097
2024	3,082,284	1,612,134	4,694,418
2025-2029	12,186,715	6,415,186	18,601,901
2030-2034	13,774,981	3,605,355	17,380,336
2035-2036	6,480,000	439,500	6,919,500
	<u>\$ 46,859,896</u>	<u>\$ 19,522,398</u>	<u>\$ 66,382,294</u>

Bond Premium – The series 2012 and 2015 revenue bonds were issued at a premium. The interest method of amortization is used to amortize the premium, based on the effective interest rate of the issue. The amount amortized for the years ended December 31, 2019 and 2018 was \$255,076 and \$264,044, respectively. The amortization is included in interest expense on the statement of revenues and expenses.

Bond Discount – The series 2012 revenue bonds were issued at a discount. The interest method of amortization is used to amortize the discount, based on the effective interest rate of the issue. The amount amortized for the years ended December 31, 2019 and 2018 was \$11,449 and \$12,135, respectively. The amortization is included in interest expense on the statement of revenues and expenses.

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

Note 6: Revenue Bonds Payable (Cont'd)

Loss from Early Retirement of Debt – The Benton Utilities Commission on December 12, 2011 requested and received a resolution dated December 19, 2011 from the Benton City Council for the issuance of a 2012 Refunding and Improvement Bond Issue. The bonds were issued April 1, 2012. The proceeds of the \$24,600,000 issue refunded the 1995, 1997, 2001a, 2002, 2004a and 2004b bonds outstanding. The Benton Utilities Commission requested and received a resolution dated June 8, 2015 from the Benton City Council for the issuance of a 2015 Refunding Bond Issue. The bonds were issued July 1, 2015. The proceeds of the \$25,625,000 issue refunded the 2006 bonds outstanding. The difference between the book value of the refunded debt and the amount required to retire the debt created an economic loss of \$89,795 for the 2012 refunding and \$810,515 for the 2015 refunding. Each respective loss was deferred over the life of the refunded debt using the interest method of amortization, based on the effective interest rate. The amount amortized for the years ended December 31, 2019 and 2018 was \$58,934 and \$60,705, respectively. For the years ended December 31, 2019 and 2018, this amortization is included in interest expense on the statement of revenues and expenses.

Note 7: Retirement Plan

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

The plan is administered by Simmons First Trust Company. The financial statements and disclosures for the plan are included in a stand-alone financial report provided by the actuary. As of the date of this report, the stand-alone financial report for 2019 is not available.

For financial statement purposes, the Utilities has recorded net pension liability and net pension inflows and outflows for the year ending December 31, 2018 using December 31, 2017 actuarial information and recorded net pension liability and net pension inflows and outflows for the year ending December 31, 2019 using December 31, 2018 actuarial information.

Membership in the plan as of December 31, 2018, is as follows:

Retirees and beneficiaries currently receiving benefits	66
Vested terminated employees	27
Current employees	<u>78</u>
Total	<u>171</u>

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

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

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

Note 7: Retirement Plan (Cont'd)

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

Employees hired before December 31, 2011 make no contribution to the plan. For employees hired after December 31, 2011, 2% of compensation is contributed until January 1 following date of hire and 4% contribution thereafter. No employee contributes after thirty years of service. The Benton Municipal Light and Water Works' contribution is actuarially determined.

The following is a schedule of changes in the employers' net pension liability and related ratios for years ending December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 395,517	\$ 382,204	\$ 390,180
Service Transfer			4,256
Interest	1,185,906	1,136,662	1,114,521
Differences Between Actual and Expected Experience	(18,858)	71,899	(363,881)
Benefit Payments	<u>(930,200)</u>	<u>(871,006)</u>	<u>(770,590)</u>
Net Change in Total Pension Liability	\$ 632,365	\$ 719,759	\$ 374,486
Total Pension Liability – Beginning	<u>\$ 17,011,092</u>	<u>\$ 16,291,333</u>	<u>\$ 15,916,847</u>
Total Pension Liability – Ending	<u>\$ 17,643,457</u>	<u>\$ 17,011,092</u>	<u>\$ 16,291,333</u>
Plan Fiduciary Net Position			
Contributions – Employee Mandatory	\$ 67,270	\$ 64,199	\$ 49,641
Contributions – Employer	876,337	913,740	685,000
Service Transfer			4,256
Net Investment Income	(934,373)	1,431,792	939,583
Benefits Payments	<u>(930,200)</u>	<u>(871,006)</u>	<u>(770,590)</u>
Net Change in Plan Net Position	\$ (920,966)	\$ 1,538,725	\$ 907,890
Net Position – Beginning	<u>\$ 14,548,559</u>	<u>\$ 13,009,834</u>	<u>\$ 12,101,944</u>
Net Position – Ending	<u>\$ 13,627,593</u>	<u>\$ 14,548,559</u>	<u>\$ 13,009,834</u>

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Fixed Income	30%	2.25%
Domestic Equity	50%	4.75%
Foreign Equity	5%	6.25%
Alternatives	8%	4.50%
Cash	7%	0.25%
Total	<u>100%</u>	
Expected Inflation		3.00%

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

Note 7: Retirement Plan (Cont'd)

The annual required contribution for 2019 was determined as part of the January 1, 2019, actuarial valuation using the entry age normal cost method. The actuarial assumptions included 7.0% investment rate of return and a projected salary increase of 2.0% annually. The assumptions did not include postretirement benefits increases. The actuarial value of assets was based on the fair market value.

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

	1% Decrease to 6.0%	Current Single Rate Assumed	1% Increase to 8.0%
Total Pension Liability	\$ 19,584,425	\$ 17,643,457	\$ 15,996,678
Net Pension Liability	\$ 5,956,832	\$ 4,015,864	\$ 2,369,085

Deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 57,519	\$ 453,386
Net difference between projected and actual earnings on pension plan investments	1,849,814	347,899
Contributions subsequent to measurement date	<u>960,004</u>	
	<u>\$ 2,867,337</u>	<u>\$ 801,285</u>

Contributions made subsequent to the measurement date will be reversed in the year ending December 31, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the financial statements as follows:

Years ended December 31:		
	2020	\$ 1,448,236
	2021	201,011
	2022	219,751
	2023	323,225
	2024	(67,421)
	Thereafter	(58,750)
		<u>\$ 2,066,052</u>

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

Note 8: Subsequent Events

Management has evaluated subsequent events through March 9, 2020, the date which the financial statements were available to be issued.

Note 9: Related Party Transactions

The Utilities pays a franchise fee to the City and reimburses and receives reimbursement from the City for certain shared costs. The Utilities owed the City \$271,032 and \$252,824 at December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the Utilities had franchise fee expense to the City of \$2,060,985 and \$2,214,230, respectively.

Benton Municipal Light And Water Works
City of Benton, State of Arkansas
Schedule of Operating, Board Designated
and Restricted Funds
December 31, 2019 and 2018

	2019	2018
Operating Funds		
Cash on Hand	\$ 2,500	\$ 2,500
Demand Deposits - General Operating Accounts		
Bank OZK	2,284,932	1,537,478
First Security Bank	3,401,869	2,893,536
Total Operating Funds	5,689,301	4,433,514
Board Designated		
Reservoir Contingent Fund - First Security Bank	2,061	501,157
Utility Emergency Fund - First Security Bank	63,562	3,007,569
Water System Capital Improvement Fund - Bank OZK	1,957	601,459
Electric Capital Improvement Fund - Bank OZK	1,957	601,123
Facilities Capital Improvement Fund - Bank OZK	25,300	25,049
Wastewater Capital Improvement Fund - Bank OZK	1,183	601,230
Alcoa Road Utilities Relocation Fund - Bank OZK	850,673	671
Economic Development Fund - Bank OZK	3,150	250,659
Investment Fund - Crews and Associates	8,000,283	
Total Board Designated	8,950,126	5,588,917
Restricted Funds		
Bond Funds		
03/06/09 Issue - Regions Corporate Trust	1,499	1,423
04/01/12 Issue - US Bank Trust	790,150	365,177
01/30/18 Issue - Regions Corporate Trust	785,917	666,223
Total Bond Funds	1,577,566	1,032,823
Depreciation Fund		
Public Utilities - First Security Bank	589,874	444,056
Debt Service Escrow Funds		
04/01/12 Issue - US Bank Trust	1,174,799	1,153,313
07/01/15 Issue - Simmons Trust	645,713	776,985
01/30/18 Issue - Regions Corporate Trust	603,775	603,775
Total Debt Service Escrow Funds	2,424,287	2,534,073
Construction Fund		
01/30/18 Issue - Regions Corporate Trust	3,685,744	4,967,813
Total Restricted Funds	8,277,471	8,978,765
Total Operating, Designated and Restricted Funds	\$ 22,916,898	\$ 19,001,196

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Departmental Statements of Revenues and Expenses
For the Years Ended December 31, 2019 and 2018

	2019		2018		2019		2018		Eliminations		2019		2018	
	Light Dept.	Water Dept.	Light Dept.	Water Dept.	Water Dept.	Waste Water Dept.	Water Dept.	Waste Water Dept.	2019	2018	Combined Total	Combined Total		
Revenue - Operations														
Fees	\$ 26,624,035	\$ 28,312,242	\$ 5,805,919	\$ 6,127,656	\$ 5,496,189	\$ 5,822,507	\$ (1,359,324)	\$ (1,301,848)			\$ 36,566,819	\$ 38,960,557		
Service Charges and Connection Fees	322,593	324,776	129,053	161,126	167,400	179,185					619,046	665,087		
Penalties	176,169	173,172	35,642	35,475	55,159	50,172					266,970	258,819		
Other Income	165,058	146,587	27,526	7,751	74,078	22,707					266,662	177,045		
Total Revenue - Operations	27,287,855	28,956,777	5,998,140	6,332,008	5,792,826	6,074,571	(1,359,324)	(1,301,848)			37,719,497	40,061,508		
Expenses - Operations														
Power Costs	14,305,505	16,836,858									14,305,505	16,836,858		
Plant Production			1,514,080	1,367,241	1,932,061	1,768,369	(1,201,837)	(1,157,944)			2,244,304	1,977,666		
General and Distribution	2,974,744	2,426,381	1,288,120	1,236,795	1,479,070	1,402,125	(154,156)	(139,365)			5,587,778	4,925,936		
Administrative	789,306	702,290	796,207	638,864	753,634	659,452	(3,331)	(4,539)			2,335,816	1,996,067		
Depreciation	1,027,565	1,127,716	1,684,149	1,647,712	2,361,529	2,303,258					5,073,243	5,078,686		
Franchise Fees	1,440,827	1,552,144	304,513	328,029	315,645	334,057					2,060,985	2,214,230		
Total Expenses - Operations	20,537,947	22,645,389	5,587,069	5,218,641	6,841,939	6,467,261	(1,359,324)	(1,301,848)			31,607,631	33,029,443		
Operating Income (Loss)	6,749,908	6,311,388	411,071	1,113,367	(1,049,113)	(392,690)					6,111,866	7,032,065		
Non-Operating Revenues (Expenses)														
Interest Income	106,965	67,459	42,695	31,391	26,816	11,593					176,476	110,443		
Interest Expense	(58,154)	(76,923)	(416,895)	(419,844)	(1,211,387)	(1,227,146)					(1,686,436)	(1,723,913)		
Total Non-Operating Revenues (Expenses)	48,811	(9,464)	(374,200)	(388,453)	(1,184,571)	(1,215,553)					(1,509,960)	(1,613,470)		
Net Income (Loss) Before Contributions and Transfers	\$ 6,798,719	\$ 6,301,924	\$ 36,871	\$ 724,914	\$ (2,233,684)	\$ (1,608,243)					4,601,906	5,418,595		
Capital Contributions											4,091,695	65,495		
Bond Issuance Costs												(91,423)		
Change in Net Position											\$ 8,693,601	\$ 5,392,667		

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Schedule of Plant Production and Treatment Expenses
For the Year Ended December 31, 2019

	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 405,639	\$ 431,737	\$ 837,376
Fringe Benefits	248,724	242,212	490,936
Vehicle Operations	8,687	35,450	44,137
Building Maintenance	100,318	71,259	171,577
Equipment Repairs	35,183	147,181	182,364
Office Supplies	687	433	1,120
Janitorial Supplies and Services	3,803	2,435	6,238
Computer Supplies	594	2,962	3,556
Chemicals	142,076	48,237	190,313
Laboratory	9,276	26,430	35,706
Electric, Water and Waste Water	431,195	770,845	1,202,040
Miscellaneous	10,390	29,225	39,615
Heat - Natural Gas		40,392	40,392
Telephone	3,261	4,222	7,483
Equipment Rental	58	2,968	3,026
Small Tool Expense	778	1,577	2,355
Professional and Consulting	72,103	17,983	90,086
Insurance	37,225	44,939	82,164
Small Equipment Expense	4,083	11,574	15,657
Total	<u>\$ 1,514,080</u>	<u>\$ 1,932,061</u>	<u>\$ 3,446,141</u>

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Schedule of General, Distribution and Collection Expenses
For the Year Ended December 31, 2019

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 1,235,029	\$ 568,293	\$ 456,490	\$ 2,259,812
Fringe Benefits	592,765	364,231	272,241	1,229,237
Vehicle Operations	114,050	58,532	49,757	222,339
Building Maintenance	21,421	4,899	23,473	49,793
Line Maintenance	213,749	135,404	50,025	399,178
Equipment Repairs	10,341	(5,125)	21,923	27,139
Street Light Repairs	49,516			49,516
Lift Station Maintenance			316,233	316,233
Office Supplies	765	145	1,076	1,986
Janitorial Supplies and Services	7,762	2,743	458	10,963
Computer Supplies	19	250	1,379	1,648
Computer Services	20,733	3,176	652	24,561
Natural Gas	3,159	4,915	267	8,341
Electric, Water and Waste Water	12,321	10,831	164,389	187,541
Miscellaneous	29,279	11,202	26,179	66,660
Telephone	10,626	8,456	4,997	24,079
Equipment Rental	130	142	2,440	2,712
Small Tool Expense	15,871	2,413	5,125	23,409
Professional and Consulting	594,711	96,701	48,643	740,055
Insurance	20,614	5,481	8,322	34,417
Small Equipment Expense	21,883	15,431	25,001	62,315
Total	\$ 2,974,744	\$ 1,288,120	\$ 1,479,070	\$ 5,741,934

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Schedule of Administrative Expenses
For the Year Ended December 31, 2019

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 330,769	\$ 330,769	\$ 330,770	\$ 992,308
Fringe Benefits	166,963	166,963	166,962	500,888
Vehicle Operations	7,259	7,259	7,259	21,777
Building Maintenance	3,162	3,162	3,163	9,487
Equipment Repairs	8,008	8,008	8,009	24,025
Office Supplies	12,426	12,426	12,426	37,278
Postage	33,259	33,259	33,258	99,776
Janitorial Supplies and Services	299	299	299	897
Computer Supplies	2,036	2,036	2,035	6,107
Computer and Billing Services	38,073	38,073	38,072	114,218
Electricity, Water and Waste Water	1,110	1,110	1,111	3,331
Miscellaneous	20,712	84,462	20,707	125,881
Heat - Natural Gas	199	199	198	596
Telephone	4,337	4,337	4,337	13,011
Professional and Consulting	87,310	87,310	87,309	261,929
Customer Collection Expense	3,115	3,115	3,115	9,345
Insurance	736	736	737	2,209
Small Equipment Expense	2,003	2,003	2,003	6,009
Bad Debt Expense	67,530	10,681	31,864	110,075
Total	\$ 789,306	\$ 796,207	\$ 753,634	\$ 2,339,147

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

The following is a summary of water and sewer rates and usage information for the system at December 31, 2019:

Sewer Monthly Rates

- (a) 0-2 mg minimum average water usage - \$13.10
- (b) All over 2 mg minimum average water usage - \$13.10 minimum, plus \$5.40 per mg for all over 2 mg, out of city limits \$22.93 minimum and \$9.45 mg for all over 2 mg.
- (c) New residential customers charged \$30.00 per month until six (6) winter month's time frame established.
- (d) Commercial/industrial customers will be based on actual monthly water usage unless a leveled bill is approved by the utilities general manager.
- (e) Those sewer customers moving from one location to another on the city system, and having a previously established six (6) winter months usage time frame at the old location, shall have the sewer rate for their previous location continued at their new location.

Number of Sewer Users

	2019
Residential	13,820
Commercial	1,248
Industrial	18
	15,086

Annual Billable Water	2019 Gallons (000s)
Total annual billable water	1,332,084
Less water billable to non-sewer customers	(325,587)
Net billable to sewer customers	1,006,497
Residential	736,350
Commercial	199,609
Industrial	70,538
Total water billable to sewer customers	1,006,497

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

December 31, 2019

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$ 189,896
06/01/2020	5,469	2,611	184,427
12/01/2020	5,544	2,536	178,883
06/01/2021	5,620	2,460	173,263
12/01/2021	5,698	2,382	167,565
06/01/2022	5,776	2,304	161,789
12/01/2022	5,855	2,225	155,934
06/01/2023	5,936	2,144	149,998
12/01/2023	6,018	2,062	143,980
06/01/2024	6,100	1,980	137,880
12/01/2024	6,184	1,896	131,696
06/01/2025	6,269	1,811	125,427
12/01/2025	6,355	1,725	119,072
06/01/2026	6,443	1,637	112,629
12/01/2026	6,531	1,549	106,098
06/01/2027	6,621	1,459	99,477
12/01/2027	6,712	1,368	92,765
06/01/2028	6,804	1,276	85,961
12/01/2028	6,898	1,182	79,063
06/01/2029	6,993	1,087	72,070
12/01/2029	7,089	991	64,981
06/01/2030	7,187	893	57,794
12/01/2030	7,285	795	50,509
06/01/2031	7,386	694	43,123
12/01/2031	7,487	593	35,636
06/01/2032	7,590	490	28,046
12/01/2032	7,694	386	20,352
06/01/2033	7,800	280	12,552
12/01/2033	7,907	173	4,645
06/01/2034	4,645	64	
	<u>\$ 189,896</u>	<u>\$ 41,053</u>	

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

December 31, 2019

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$ 15,775,000
03/01/2020		351,350	15,775,000
09/01/2020	845,000	351,350	14,930,000
03/01/2021		338,675	14,930,000
09/01/2021	875,000	338,675	14,055,000
03/01/2022		321,175	14,055,000
09/01/2022	910,000	321,175	13,145,000
03/01/2023		302,975	13,145,000
09/01/2023	945,000	302,975	12,200,000
03/01/2024		284,075	12,200,000
09/01/2024	985,000	284,075	11,215,000
03/01/2025		259,450	11,215,000
09/01/2025	1,030,000	259,450	10,185,000
03/01/2026		233,700	10,185,000
09/01/2026	1,090,000	233,700	9,095,000
03/01/2027		206,450	9,095,000
09/01/2027	1,140,000	206,450	7,955,000
03/01/2028		177,950	7,955,000
09/01/2028	1,190,000	177,950	6,765,000
03/01/2029		154,894	6,765,000
09/01/2029	1,240,000	154,893	5,525,000
03/01/2030		130,869	5,525,000
09/01/2030	1,290,000	130,869	4,235,000
03/01/2031		105,875	4,235,000
09/01/2031	625,000	105,875	3,610,000
03/01/2032		90,250	3,610,000
09/01/2032	655,000	90,250	2,955,000
03/01/2033		73,875	2,955,000
09/01/2033	685,000	73,875	2,270,000
03/01/2034		56,750	2,270,000
09/01/2034	720,000	56,750	1,550,000
03/01/2035		38,750	1,550,000
09/01/2035	755,000	38,750	795,000
03/01/2036		19,875	795,000
09/01/2036	795,000	19,875	
	<u>\$ 15,775,000</u>	<u>\$ 6,293,875</u>	

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Revenue Bond Amortization Schedule
Issue Dated July 1, 2015

December 31, 2019

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$ 24,135,000
03/01/2020		564,200	24,135,000
09/01/2020	785,000	564,200	23,350,000
03/01/2021		552,425	23,350,000
09/01/2021	805,000	552,425	22,545,000
03/01/2022		536,325	22,545,000
09/01/2022	840,000	536,325	21,705,000
03/01/2023		515,325	21,705,000
09/01/2023	880,000	515,325	20,825,000
03/01/2024		493,325	20,825,000
09/01/2024	920,000	493,325	19,905,000
03/01/2025		470,325	19,905,000
09/01/2025	970,000	470,325	18,935,000
03/01/2026		455,775	18,935,000
09/01/2026	995,000	455,775	17,940,000
03/01/2027		435,875	17,940,000
09/01/2027	1,035,000	435,875	16,905,000
03/01/2028		410,000	16,905,000
09/01/2028	1,095,000	410,000	15,810,000
03/01/2029		382,625	15,810,000
09/01/2029	1,145,000	382,625	14,665,000
03/01/2030		354,000	14,665,000
09/01/2030	1,200,000	354,000	13,465,000
03/01/2031		324,000	13,465,000
09/01/2031	1,980,000	324,000	11,485,000
03/01/2032		274,500	11,485,000
09/01/2032	2,080,000	274,500	9,405,000
03/01/2033		222,500	9,405,000
09/01/2033	2,185,000	222,500	7,220,000
03/01/2034		167,875	7,220,000
09/01/2034	2,290,000	167,875	4,930,000
03/01/2035		110,625	4,930,000
09/01/2035	2,405,000	110,625	2,525,000
03/01/2036		50,500	2,525,000
09/01/2036	2,525,000	50,500	
	<u>\$ 24,135,000</u>	<u>\$ 12,640,400</u>	

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Revenue Bond Amortization Schedule
Issue Dated January 30, 2018

December 31, 2019

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$ 6,760,000
03/01/2020		76,726	6,760,000
09/01/2020	1,065,000	76,726	5,695,000
03/01/2021		64,638	5,695,000
09/01/2021	1,090,000	64,638	4,605,000
03/01/2022		52,267	4,605,000
09/01/2022	1,110,000	52,267	3,495,000
03/01/2023		39,668	3,495,000
09/01/2023	1,140,000	39,668	2,355,000
03/01/2024		26,729	2,355,000
09/01/2024	1,165,000	26,729	1,190,000
03/01/2025		13,507	1,190,000
09/01/2025	1,190,000	13,507	
	<u>\$ 6,760,000</u>	<u>\$ 547,070</u>	

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

December 31, 2019

Year Ending 12/31	03/06/2009 Bonds	4/1/2012 Bonds	7/1/2015 Bonds	1/30/2018 Bonds	Total Bonds
2020	\$ 16,160	\$ 1,547,700	\$ 1,913,400	\$ 1,218,452	\$ 4,695,712
2021	16,160	1,552,350	1,909,850	1,219,276	4,697,636
2022	16,160	1,552,350	1,912,650	1,214,534	4,695,694
2023	16,160	1,550,950	1,910,650	1,219,336	4,697,096
2024	16,160	1,553,150	1,906,650	1,218,458	4,694,418
2025	16,160	1,548,900	1,910,650	1,217,014	4,692,724
2026	16,160	1,557,400	1,906,550		3,480,110
2027	16,160	1,552,900	1,906,750		3,475,810
2028	16,160	1,545,900	1,915,000		3,477,060
2029	16,160	1,549,787	1,910,250		3,476,197
2030	16,160	1,551,738	1,908,000		3,475,898
2031	16,160	836,750	2,628,000		3,480,910
2032	16,160	835,500	2,629,000		3,480,660
2033	16,160	832,750	2,630,000		3,478,910
2034	4,709	833,500	2,625,750		3,463,959
2035		832,500	2,626,250		3,458,750
2036		834,750	2,626,000		3,460,750
Totals	<u>\$ 230,949</u>	<u>\$ 22,068,875</u>	<u>\$ 36,775,400</u>	<u>\$ 7,307,070</u>	<u>\$ 66,382,294</u>

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Benton Utilities Employees' Pension Plan

	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
Total Pension Liability							
Service Cost	\$ 395,517	\$ 382,204	\$ 390,180	\$ 340,980	\$ 335,144	\$ 337,147	\$ 307,809
Service Transfer			4,256	(884,253)			
Interest	1,185,906	1,136,662	1,114,521	1,144,187	1,074,426	1,038,990	959,291
Difference Between Actual and Expected Experience	(18,858)	71,899	(363,881)	(297,057)	116,426	(164,843)	498,699
Benefit Payments	(930,200)	(871,006)	(770,590)	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Total Pension Liability	\$ 632,365	\$ 719,759	\$ 374,486	\$ (419,260)	\$ 783,486	\$ 545,657	\$ 1,147,634
Total Pension Liability - Beginning	\$ 17,011,092	\$ 16,291,333	\$ 15,916,847	\$ 16,336,107	\$ 15,552,621	\$ 15,006,964	\$ 13,859,330
Total Pension Liability - Ending	\$ 17,643,457	\$ 17,011,092	\$ 16,291,333	\$ 15,916,847	\$ 16,336,107	\$ 15,552,621	\$ 15,006,964

Plan Fiduciary Net Position

Contributions - Employee Mandatory	\$ 67,270	\$ 64,199	\$ 49,641	\$ 38,301	\$ 29,480	\$ 14,000	\$ 2,263
Contributions - Employer	876,337	913,740	685,000	700,012	750,000	700,000	725,000
Service Transfer			4,256	(884,253)			
Net Investment Income	(934,373)	1,431,792	939,583	(493,083)	620,952	1,554,607	918,794
Benefits Payments	(930,200)	(871,006)	(770,590)	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Plan Net Position	\$ (920,966)	\$ 1,538,725	\$ 907,890	\$ (1,362,140)	\$ 657,922	\$ 1,602,970	\$ 1,027,892
Plan Fiduciary Net Position - Beginning	\$ 14,548,559	\$ 13,009,834	\$ 12,101,944	\$ 13,464,084	\$ 12,806,162	\$ 11,203,192	\$ 10,175,300
Plan Fiduciary Net Position - Ending	\$ 13,627,593	\$ 14,548,559	\$ 13,009,834	\$ 12,101,944	\$ 13,464,084	\$ 12,806,162	\$ 11,203,192
Net Pension Liability - Ending	\$ 4,015,864	\$ 2,462,533	\$ 3,281,499	\$ 3,814,903	\$ 2,872,023	\$ 2,746,459	\$ 3,803,772
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.24%	85.52%	79.86%	76.03%	82.42%	82.34%	74.65%
Covered Payroll	\$ 3,598,865	\$ 3,790,429	\$ 3,712,310	\$ 3,758,978	\$ 3,223,284	\$ 3,236,306	\$ 3,263,281
Net Pension Liability as a Percentage of Payroll	111.59%	64.97%	88.40%	101.49%	89.10%	84.86%	116.56%

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

Acturial Valuation Date	Actuarially Determined Contribution (a)	Actual Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contribution as a % of Payroll (b/c)
12/31/14	\$ 697,224	\$ 750,000	\$ (52,776)	\$ 3,236,306	23.17%
12/31/15	\$ 716,658	\$ 700,012	\$ 16,646	\$ 3,758,978	18.62%
12/31/16	\$ 881,587	\$ 685,000	\$ 196,587	\$ 3,712,310	18.45%
12/31/17	\$ 790,479	\$ 913,740	\$ (123,261)	\$ 3,790,429	24.11%
12/31/18	\$ 681,567	\$ 876,337	\$ (194,770)	\$ 3,598,865	24.35%