

NEW ISSUE**RATING****BOOK-ENTRY ONLY****Moody's: "A1"**

*In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, interest on the Bonds is **not** excludable from gross income for federal income tax purposes. Under existing law, Bond Counsel is of the further opinion that the Bonds and the interest thereon are exempt from all state, City and municipal taxes in the State of Arkansas. See the caption "TAX MATTERS" herein.*

\$14,155,000
CITY OF BENTON, ARKANSAS
PUBLIC UTILITY REFUNDING REVENUE BONDS
TAXABLE SERIES 2020

Dated: Date of Delivery

Due: September 1, as shown below

The Bonds will not be general obligations of the City of Benton, Arkansas (the "City"), but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's electric, water and sewer facilities (a) senior to the pledge in favor of the City's outstanding Public Utility Revenue Bond, dated March 6, 2009, and (b) on a parity with the pledge in favor of the City's outstanding Public Utility Refunding Revenue Bonds Series 2015, Public Utility Revenue Bond, dated January 30, 2018 and Public Utility Refunding and Improvement Revenue Bonds, Series 2012 that are not being refunded.

The Bonds of each maturity will be initially issued as a single registered Bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2020. The Bonds mature on September 1 in the years and in the amounts, bear interest at the rates and are priced to yield as follows:

MATURITY SCHEDULE

<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>
2021	\$ 170,000	1.800	2028	\$1,245,000	2.550
2022	175,000	1.900	2029	1,280,000	2.650
2023	1,125,000	1.950	2030	1,320,000	2.750
2024	1,150,000	2.050	2032*	1,295,000	2.850
2025	1,165,000	2.180	2034*	1,360,000	2.950
2026	1,200,000	2.280	2036*	1,445,000	3.050
2027	1,225,000	2.400			

Price: 100%

The Bonds are offered when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to satisfaction of certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.

Dated: January 23, 2020.

*Term Bonds

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

INTRODUCTION TO THE OFFICIAL STATEMENT	1
THE BONDS	2
Book-Entry Only System	2
Generally	4
Redemption	4
Purposes for Bonds	5
Security	6
Debt Service Reserve	6
THE CITY AND THE COUNTY	6
Location	6
The Population	6
Transportation	6
Government	6
Medical Facilities	6
Financial Institutions	6
Education	6
Economy	7
Litigation	7
Additional County Economic Data	7
Building Permits	8
THE SYSTEM	8
General	8
Water System	8
Sewer System	10
Electric System	11
Electric Retail Rate Charge	11
Largest Users of the System	12
Litigation	12
THE AUTHORIZING ORDINANCE	12
Rates and General Covenants to Operate	12
Funds and Disposition of Revenues	13
Additional Parity Bonds	14
Accounts and Records	14
Maintenance; Insurance	14
Defeasance	15

Defaults and Remedies	15
Amendment of Authorizing Ordinance	16
The Trustee	16
Investments	16
CONTINUING DISCLOSURE AGREEMENT	17
Purpose of the Continuing Disclosure Agreement	18
Definitions	18
Provision of Annual Report	18
Content of Annual Report	19
Reporting of Listed Events	19
Termination of Reporting Obligation	20
Dissemination Agent	20
Amendment; Waiver	21
Additional Information	21
Default	21
Duties of Trustee and Dissemination Agent and Right of Indemnity	21
Beneficiaries	22
FINANCIAL INFORMATION	22
DEBT SERVICE COVERAGE	23
DEBT SERVICE REQUIREMENTS	23
LEGAL MATTERS	24
Legal Proceedings	24
Legal Opinions	24
TAX MATTERS	24
General	25
Sales or Other Dispositions	25
Backup Withholding	25
Foreign Investors	25
ERISA Considerations	26
State Taxation	26
MISCELLANEOUS	26
Enforceability of Remedies	26
Underwriting	26
Rating	27
Information in the Official Statement	27
EXHIBIT A - Audited Financial Statements of the System for the Fiscal Years Ended December 31, 2018 and 2017	
EXHIBIT B - Unaudited Financial Statements of the System for the Nine Month Period Ended September 30, 2019	

OFFICIAL STATEMENT

\$14,155,000

CITY OF BENTON, ARKANSAS PUBLIC UTILITY REFUNDING REVENUE BONDS TAXABLE SERIES 2020

INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibits hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Benton, Arkansas (the “City”) of its Public Utility Refunding Revenue Bonds, Taxable Series 2020, in the aggregate principal amount of \$14,155,000 (the “Bonds”). The Bonds are being issued to advance refund the City’s Public Utility Refunding and Improvement Revenue Bonds, Series 2012 (the “2012 Bonds”) that mature on and after September 1, 2023 (the “Bonds Refunded”) and to pay costs of issuing the Bonds. See **THE BONDS, Purposes for Bonds**.

The City is a city of the first class organized under the laws of the State of Arkansas (the “State”) located in Saline County, Arkansas which is in central Arkansas. The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2, Title 14, Chapter 164, Subchapter 4 and Title 14, Chapter 203 of the Arkansas Code of 1987 Annotated (the “Authorizing Legislation”), to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTY**.

The Bonds are not general obligations of the City, but are special obligations equally and ratably secured by and payable solely from the revenues derived from the operation of the City’s electric, water and sewer facilities which are operated as a combined public utility system (the “System”). The pledge of System revenues to the payment of the Bonds is (a) senior to the pledge in favor of the City’s Public Utility Revenue Bond, dated March 6, 2009 (the “Subordinate Bond”) and (b) on a parity with the pledge in favor of the City’s Public Utility Refunding Revenue Bonds, Series 2015 (the “2015 Bonds”), Public Utility Revenue Bond, dated January 30, 2018 (the “2018 Bond”) and the 2012 Bonds that are not being refunded (collectively with the 2015 Bonds and the 2018 Bond, the “Parity Bonds”). See **THE BONDS, Security**. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation and Ordinance No. 80 of 2019, adopted on October 28, 2019, as supplemented (collectively, the “Authorizing Ordinance”). See **THE AUTHORIZING ORDINANCE**.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS, Book-Entry Only System**. The Bonds will contain such other terms and provisions as described herein. See **THE BONDS, Generally**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable September 1, 2020, and semiannually thereafter on each March 1 and September 1. Principal is payable at the principal office of U.S. Bank National Association, as trustee and paying agent (the “Trustee”). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The Bonds will be subject to optional redemption on and after March 1, 2027. The Bonds maturing on September 1 in the years 2032, 2034 and 2036 will be subject to mandatory sinking fund redemption as described herein. See **THE BONDS, Redemption**.

Under existing law (i) interest on the Bonds is not excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is exempt from State income tax and (iii) the Bonds are not subject to property taxes in the State. See **TAX MATTERS**.

The City and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Continuing Disclosure Agreement”). See **CONTINUING DISCLOSURE AGREEMENT**.

It is expected that the Bonds will be available for delivery on or about February 12, 2020, through the facilities of The Depository Trust Company in New York, New York.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., P. O. Box 3507, Little Rock, Arkansas 72201, Attention: Public Finance Department.

THE BONDS

Book-Entry Only System. The Depository Trust Company (“DTC”), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate for each maturity date will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (referred to herein as “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the

actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

Generally. The Bonds shall be dated, mature and bear interest and interest is payable on the Bonds as set forth on the cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Bond for the privilege of registration, but any owner of any Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Bonds shall be subject to redemption at the option of the City, from funds from any source, on and after March 1, 2027, in whole or in part at any time at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(2) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on September 1 in the years 2032, 2034 and 2036 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on September 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing September 1, 2032

<u>Years</u> <u>(September 1)</u>	<u>Principal Amounts</u>
2031	\$640,000
2032 (maturity)	655,000

Bonds Maturing September 1, 2034

Years (September 1)	<u>Principal Amounts</u>
2033	\$670,000
2034 (maturity)	690,000

Bonds Maturing September 1, 2036

Years (September 1)	<u>Principal Amounts</u>
2035	\$710,000
2036 (maturity)	735,000

The provisions for mandatory sinking fund redemption of the Bonds are subject to the provisions of the Authorizing Ordinance which permit the City to receive credit for Bonds previously redeemed or for Bonds acquired by the City and surrendered to the Trustee.

In the case of any redemption of Bonds prior to maturity, the Trustee shall provide notice of redemption to the registered owners of the Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption, by mailing a copy of the redemption notice by first class mail postage prepaid, or by sending a copy of the redemption notice via other standard means, including electronic or facsimile communication. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.**

Purposes for Bonds. The Bonds are being issued to provide funds to advance refund the Bonds Refunded and to pay the expenses of issuing the Bonds.

The refunding will be accomplished by the defeasance method. A portion of the Bond proceeds and available funds of the City held in connection with the Bonds Refunded will be invested in United States Treasury Obligations, State and Local Government Series which will mature and bear interest at such times and in such amounts as will, together with uninvested cash, provide a cash flow sufficient to pay interest on the Bonds Refunded through September 1, 2022, and to redeem the Bonds Refunded on September 1, 2022.

The proceeds of the Bonds plus funds from the Bonds Refunded are estimated to be expended by the City as follows:

SOURCES:

Principal Amount of Bonds	\$14,155,000
Available Funds from Bonds Refunded	<u>474,214</u>

Total Sources	\$14,629,214
---------------	--------------

USES:

Costs of Refunding	\$14,416,444
Underwriter's Discount	116,779
Costs of Issuance	<u>95,991</u>

Total Uses	\$14,629,214
------------	--------------

The payment of Underwriter’s discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter’s discount. The Underwriter will also be reimbursed certain costs of closing and delivering the Bonds.

Security. The Bonds are not general obligations of the City but are special obligations, equally and ratably secured by a pledge of System revenues. The pledge of System revenues in favor of the Bonds is on a parity with the pledge in favor of the Parity Bonds and senior to the pledge in favor of the Subordinate Bond. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein.

The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE, Additional Parity Bonds**.

Debt Service Reserve. There is a debt service reserve securing the Bonds and the Parity Bonds in an amount equal to the sum of one-half of the maximum annual principal and interest requirements on the Parity Bonds and the Bonds. The debt service reserve is partially funded with cash and the balance is funded with a municipal bond debt service reserve insurance policy issued by the bond insurer in the maximum amount of \$598,825.

THE CITY AND THE COUNTY

Location. The City is located in Saline County (the “County”) and in central Arkansas, 22 miles southwest of Little Rock, Arkansas.

The Population. Resident population in the City and the County has been as follows:

<u>Year</u>	<u>City</u>	<u>County</u>
2010 ⁽²⁾	30,681	107,118
2014 ⁽¹⁾	33,120	114,861
2015 ⁽¹⁾	33,729	116,397
2016 ⁽¹⁾	35,240	117,695
2017 ⁽¹⁾	35,906	119,669
2018 ⁽¹⁾	36,403	121,421

⁽¹⁾ Estimate as of July 1.

⁽²⁾ 2010 Census

Transportation. The City is served by Interstate Highway No. 30 and U.S. Highways Nos. 67 and 70. At least ten motor freight lines and the Union Pacific Railroad make daily shipments from the City to major cities across the United States. Saline County Regional Airport with a 5,002 foot runway serves public aircrafts. The nearest commercial airport is 22 miles away in Little Rock. A barge-rail terminal is on the Arkansas River in Little Rock.

Government. The government of the City operates under the mayor-city council form of government, pursuant to which a mayor is elected for a four-year term and ten aldermen are elected for two-year terms. The current Mayor is Tom Farmer whose term expires on December 31, 2022.

Medical Facilities. The City is served by the Saline Memorial Hospital which currently operates 177 licensed beds.

Financial Institutions. The City is served by branches of Arvest Bank, Bank OZK, First Security Bank, Regions Bank, The Malvern National Bank and Simmons Bank.

Education. Primary and secondary education for the City’s inhabitants are provided by a public school system which is fully accredited by the Arkansas State Department of Education. The University of Arkansas at Little Rock has a campus in the City and its main campus is approximately 22 miles from the City; Ouachita

Technical College in Malvern is approximately 23 miles from the City; and National Park Community College in Hot Springs is approximately 31 miles from the City.

Economy. Timber is the major industry in the County. Aluminum is also an important industry in the County. Bauxite was discovered in the County in the 1930's. This area has the only bauxite in the United States. Discovery of bauxite in other parts of the world has had a negative impact on mining in the County.

Set forth below are the characteristics of the major employers in the City or within five (5) miles of the City (minimum 100 employees):

<u>Employer</u>	<u>Product or Service</u>	<u>Employees*</u>
Saline Memorial Hospital	Health Care	1,013
Walmart	Department Store	820
Arkansas Health Center	Health Care	650
Benton School District	Education	561
Everett	Automobile Dealership	400
Rineco Chemical Industries, Inc.	Waste Disposal	300
Saline County	County Government	280
City of Benton	Municipal Government	277
Landers	Automobile Dealership	276
CoorsTek	Alumina Ceramics	250
Rivendell Behavioral Health Center	Behavioral Health Services	169
Birch Tree Communities	Mental Health	150

*Approximate.

Litigation. The City is a defendant in Federal Court in a Section 1983 action for wrongful death of a teenager by a police officer who shot him. The City has been dismissed from the case, but the police officers involved have not. The City will have to pay 10% of any settlement on any verdict against the two police officers for general damages. The City has no liability for any punitive damages assessed against the police officers. There is no other material litigation pending or threatened against the City.

Additional County Economic Data. Per capita personal income estimates for the County are as follows⁽¹⁾:

<u>Year</u>	<u>Per Capita Personal Income</u>
2013	\$36,401
2014	37,572
2015	38,474
2016	39,447
2017	40,232

Total personal income estimates for the County are as follows⁽¹⁾:

<u>Year</u>	<u>Total Personal Income</u>
2013	\$4,123,374,000
2014	4,312,560,000
2015	4,474,649,000
2016	4,638,064,000
2017	4,800,631,000

⁽¹⁾ Source: Bureau of Economic Analysis, U.S. Department of Commerce; data for 2018 is not yet available.

Set forth below are the annual average unemployment rates for the City, the County and the State since 2014, according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		
	<u>City</u>	<u>County</u>	<u>State</u>
2014	4.8	4.8	6.0
2015	4.2	4.1	5.0
2016	3.1	3.1	3.9
2017	3.0	3.0	3.7
2018	3.1	3.1	3.7
2019*	3.1	2.9	3.6

*Preliminary as of August.

Building Permits. The City has issued the following number of building permits for new construction during each of the last five years:

<u>Year</u>	<u>Number</u>
2014	210
2015	169
2016	168
2017	174
2018	164

THE SYSTEM

General. The System, consisting of water, sewer and electric utilities, is owned by the City and operated under the control of the Benton Public Utility Commission (the “Commission”). The names, occupations and expiration dates for terms of the members of the Commission are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires (December 31)</u>
Gary Ferrell, Chairman	President, Staley, Inc.	2023
Doug Stracener	Plant Manager, AECC	2022
Charles Best	Professional Engineer	2021
Phil Miller	Self-employed	2020
Jim Martin	Retired	2024

Operation and management of the System is provided by a utility staff under the direction of a general manager. David Vondran is the Manager of the System and has served in that capacity for three years. The System employs approximately 90 persons.

Water System. The water system supplies water to persons inside and outside the City. The water supply is obtained from the Saline River and Lake Norrell. During the low river flows, water is taken from the Chenault Reservoir.

Raw water is pumped from the Saline River to the Chenault Reservoir then to the water treatment plant or from the Saline River directly to the water treatment plant. Water treatment is conventional chemical flocculation, sedimentation, filtration and disinfection. The treated water is pumped and stored in seven (7) storage tanks in the distribution system with a total stated capacity of about 4,500,000 gallons. There are two treated water clearwells with a stated capacity of 1,750,000 gallons which store treated water.

The average number of retail water users by category for each of the past five (5) years is as follows:

<u>Meter Size</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
5/8"	13,551	13,750	14,592	14,713	14,835
1"	338	345	364	385	400
1 1/4"	2	3	4	2	2
1 1/2"	27	29	29	30	29
2"	96	97	107	137	141
3"	9	10	11	11	11
4"	2	2	2	5	5
6"	5	5	5	5	5
Total	14,030	14,241	15,114	15,288	15,428

The City sells water on a wholesale basis to the following customers (collectively, the "Wholesale Customers"): Salem Water Users Public Water Authority of the State of Arkansas ("Salem"); Southwest Water Users Public Water Authority of the State of Arkansas ("Southwest"); and the Town of Bauxite ("Bauxite").

The City currently has wholesale water contracts with Salem, Southwest and Bauxite. The contract with Salem expires on December 31, 2023. The current contract rate for Salem and Southwest is \$1.925 per 1,000 gallons. The current contract rate for Bauxite is \$2.0031 per 1,000 gallons.

The Wholesale Customers serve approximately 9,500 customers. The percentage of water purchased for which each Wholesale Customer accounted in 2018 and the revenues for which each Wholesale Customer accounted in 2018 were as follows:

<u>Wholesale Customer</u>	<u>Percentage of Water Purchased</u>	<u>Total Revenues Paid</u>
Southwest	66%	\$488,350
Salem	27	205,916
Bauxite	7	49,856

The average daily water use in gallons, the maximum daily water use in gallons and the total water use for the year in gallons for each of the past five (5) years is as follows:

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use for Year In Gallons</u>
2014	5,255,000	7,395,000	1,918,236,000
2015	5,427,000	8,191,000	1,980,724,000
2016	5,281,000	6,625,000	1,927,440,000
2017	5,937,000	9,377,000	2,167,000,000
2018	6,105,000	9,352,000	2,228,353,000

Except as otherwise noted, set forth below are the current monthly base charges for retail water customers of the System since January 1, 2017:

The minimum charge for the first 2,000 gallons or less of water consumption per month is:

<u>METER SIZE</u>	<u>AMOUNT</u>
$\frac{5}{8}$ " & $\frac{3}{4}$ "	\$11.75*
1"	16.00
1 $\frac{1}{4}$ " and 1 $\frac{1}{2}$ "	19.80
2"	25.30
3"	37.75
4"	54.25
6"	100.65

*\$7.75 for residential customers 65 years or older or on Social Security Disability.

For each 1,000 gallons over and above the minimum 2,000 gallons, the rate per 1,000 gallons was increased, effective January 1, 2019, from \$3.574 per 1,000 gallons to \$3.646 per 1,000 gallons.

Sewer System. The sanitary sewer system, owned by the City, provides service primarily inside the corporate boundaries of the City. The sewer system is a conventional gravity collection system. Numerous sewage pumping stations are located within the collection system. Treatment consists of screening, grit removal, primary sedimentation, secondary and tertiary biological treatment by aerated sludge treatment by oxidation ditch, rotating biological contractors, secondary sedimentation and effluent disinfection. The lines, pumps and treatment plant are all integrated and used jointly by all customers who are generally dispersed over the System.

The average number of sewer users for each of the past five years is as follows:

<u>Year</u>	<u>Total</u>
2014	13,224
2015	13,900
2016	14,696
2017	14,981
2018	15,141

Set forth below are the monthly sewer rates for the System:

Effective July 1, 2009

Inside City Limits

First 2,000 gallons (minimum)	\$13.10*
Over 2,000 gallons	4.80 per 1,000 gallons

Effective January 1, 2019

Inside City Limits

First 2,000 gallons (minimum)	\$13.10*
Over 2,000 gallons	5.40 per 1,000 gallons

Effective January 1, 2020

Inside City Limits

First 2,000 gallons (minimum)	\$13.10*
Over 2,000 gallons	5.56 per 1,000 gallons

*\$11.40 for residential customers 65 years or older on Social Security Disability.

Sewer customers located outside the City are charged 1.75 times the rate for customers inside the City.

Electric System. The electric system, owned by the City, provides service inside the corporate boundaries of the City. There are no users located outside the City. The City takes delivery of power at five different locations that range from 3 to 33 megawatts, one of which is owned by the City and four of which are owned by Entergy Arkansas Inc. The City has seven primary feeder circuits rated at 530 AMPS each, at a voltage of 7,620/13,200 GRD.Y. and two primary feeder circuits rated at 800 AMPS each. The System is basically a loop feed around the entire City with the ability to transfer loads from one circuit to another if circumstances dictate. The majority of power lines are located overhead.

The City purchases electricity from Constellation Energy pursuant to a contract which expires May 31, 2022.

The average number of electric users by category for each of the past five years is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2014	11,286	1,503	12,789
2015	11,397	1,715	13,112
2016	12,122	1,732	13,854
2017	12,204	1,782	13,986
2018	12,397	1,796	14,193

The basic rates charged by the City for electricity since January 1, 2018 are as follows:

Electric Retail Rate Charge

Residential Customers

Monthly Customer Charge:	\$9.41
Energy Charge per KWH:	\$0.09531

Small General Service Non Metered Demand Customers

Monthly Customer Charge:	\$19.99
Energy Charge per KWH:	\$0.07952

Small General Service Metered Demand Customers

Monthly Customer Charge:	\$19.99
KW Charge:	\$4.76
Energy Charge per KWH:	\$0.07056

Large General Service Customers

Monthly Customer Charge:	\$83.48
KW Charge Summer:	\$10.92
KW Charger Other:	\$8.27
Energy Charge per KWH:	\$0.06572

Large Power Customers

Monthly Customer Charge:	\$422.94
KW Charge Summer:	\$9.65
KW Charger Other:	\$8.06
Energy Charge per KWH:	\$0.06466

Largest Users of the System. There is no user that accounts for more than 5% of the System's electric, water and sewer revenues. The five largest users of the System for 2018 were:

1. CoorsTek
2. Saline Memorial Hospital
3. Walmart
4. Kroger
5. Home Depot

Litigation. On April 20, 2011, the Arkansas Department of Environmental Quality ("ADEQ") and the Commission entered into a Consent Administrative Order ("CAO") due to, among other things, violations of National Pollutant Discharge Elimination System Permit #AR0036498 and the Arkansas Water and Air Pollution Control Act. The violations related to the System's sanitary sewer treatment and collection system. The CAO addresses a variety of issues and mandates a sewer system evaluation study; pumping station improvements; a capacity, management, operation and maintenance program; and monetary penalties for failure to meet the requirements and deadlines set forth in the CAO. Such penalties range from \$100 to \$500 per day, depending on the duration of the CAO violation. ADEQ also assessed a \$10,000 civil penalty against the City in compromise and full settlement for the noted violations.

Management of the System is of the opinion that the City is presently in compliance with the CAO as approved by ADEQ and is diligently working to complete the various projects mandated by the CAO in accordance with the applicable schedules set forth therein. The City is currently ahead of the schedules set forth in the CAO.

Other than as set forth above, there is no material litigation or administrative proceeding pending by or against the City relating to the System.

THE AUTHORIZING ORDINANCE

The Bonds are being issued and secured pursuant to the Authorizing Ordinance to which reference may be had in its entirety for a detailed statement of its provisions, the description set forth below being a summary of certain provisions. The summary will incorporate by reference the material portions of Ordinance No. 1 of 1949 which deals comprehensively with the System and System revenues. The City will covenant as set forth below in the Authorizing Ordinance.

Rates and General Covenants to Operate. The rates charged for services of the System heretofore fixed by ordinances of the City and the conditions, rights and obligations pertaining thereto, as set out in those ordinances, are ratified, confirmed and continued.

The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the net revenues of the System (net revenues being defined as gross revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted government accounting standards applicable to municipal electric, water and sewer facilities other than depreciation above the requirement to be funded in the Depreciation Fund, interest and amortization of deferred bond discount expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund (described below) and any debt service reserve for any outstanding bonds to which Revenues are pledged ("System Bonds") and leave a balance equal to at least 150% of the aggregate average annual principal and interest requirements on all System Bonds. The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues at least sufficient to provide the required deposit into the Depreciation Fund, to pay principal, interest and trustee's and paying agent's fees when due in connection with System Bonds, and to otherwise comply with the Authorizing Ordinance and all ordinances authorizing System Bonds.

The System shall be continuously operated as a revenue producing undertaking, and all moneys received from its operation shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City, subject, however, to the giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC").

Funds and Disposition of Revenues. (a) All revenues derived from the operation of the System shall be paid into a special fund designated "Public Utilities Fund" (the "Revenue Fund").

(b) There shall be paid from the Revenue Fund into a fund designated "Public Utilities Depreciation Fund" (the "Depreciation Fund"), on the first day of each month while any of the Bonds are outstanding, the sum of \$10,000. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of repairs and replacements to the System made necessary by the depreciation of the System.

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to defray the cost of the probable replacements during the then current fiscal year and next ensuing fiscal year, and which in the judgment of the City is not needed for replacements, such surplus shall be transferred into the Revenue Fund.

(c) There shall be paid from the Revenue Fund into a fund designated "Public Utilities Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first day of each month, an amount sufficient to pay the operating expenses and to make reasonable provision for maintenance of the System for such month and from which disbursements shall be made only for those purposes.

If any surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the costs of operation and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Depreciation Fund.

(d) After making the monthly deposit in the Depreciation Fund and the Operation and Maintenance Fund, there shall be transferred from the Revenue Fund into a special fund designated the "1993 Public Utility Revenue Bond Fund" (the "Bond Fund"), on the first business day of each month until all outstanding Bonds and the Parity Bonds with interest thereon have been paid in full or provision made for such payment, a sum equal to 1/6 of the next installment of interest due on the Bonds and the Parity Bonds and 1/12 of the next installment of principal due on the Bonds and the Parity Bonds; provided, however, that payments into the Bond Funds shall be adjusted in order to make the first interest and first principal payment on the Bonds.

The City shall also pay into the Bond Fund such additional sums as necessary to provide the Trustee's fees and expenses and any arbitrage rebate payment due to be paid to the United States Treasury with respect to the Parity Bonds. The City shall receive a credit against monthly deposits into the Bond Fund from Bond proceeds deposited therein and all interest earnings on moneys in the Bond Fund and for transfers into the Bond Fund derived from earnings on the Debt Service Reserve during the preceding month.

There is created, as a part of the Bond Fund, a Debt Service Reserve which shall be maintained in an amount equal to one-half of the maximum annual principal and interest requirements on the Parity Bonds and the Bonds (the "required level"). The Debt Service Reserve has been partially funded with cash and the balance with a debt service reserve insurance Policy issued by the insurer of the 2015 Bonds (the "Reserve Policy"). In the event the Debt Service Reserve becomes impaired or is reduced below the required level, the City shall make additional monthly payments from the Revenue Fund until the impairment or reduction is corrected over a twelve month period.

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds and the Parity Bonds as the same become due, all cash then held in the Debt Service Reserve shall be withdrawn completely before any demand is made under the Reserve Policy. All cash withdrawn from the Debt Service Reserve shall be reimbursed from the Revenue Fund as described above before any moneys in the Revenue Fund shall be used for any other purpose other than the making of payments required to be made into the Operation and Maintenance Fund, the Depreciation Fund, the Bond Fund and the Subordinate Bond Fund hereinafter identified. Amounts drawn on the Reserve Policy and payment of expenses and accrued interest thereon shall be repaid to the provider of the Reserve Policy prior to the replenishment of any cash amount to the Debt Service Reserve. The Debt Service Reserve shall be used solely as described in the Authorizing Ordinance.

(e) After making the monthly payments into the Depreciation Fund, the Operation and Maintenance Fund and the Bond Fund, there shall be paid from the Revenue Fund into the fund designated "2009 Public Utility Revenue Bond Fund" (the "Subordinate Bond Fund") on the first business day of each month an amount sufficient to pay the principal of and interest on the Subordinate Bond when due in accordance with the ordinance authorizing the Subordinate Bond.

(f) Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above shall be used for the payment of any amounts owed the insurers of the System Bonds and may be used, at the option of the City, for any lawful municipal purpose authorized by the City.

Additional Parity Bonds. So long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of pledge on Revenues over the pledge securing the Bonds.

The City reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund System Bonds, but the City shall not authorize or issue any such additional bonds ranking on a parity with the outstanding Bonds unless and until there have been procured and filed with the City Clerk and the Trustee a statement by an Accountant reciting the opinion, based upon necessary investigation, that the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 130% of the maximum annual principal and interest requirements on all the then outstanding System Bonds and the additional bonds then proposed to be issued. The term "net revenues" means gross Revenues of the System less the amounts required to pay the costs of operation and maintenance expenses of the System, other than depreciation, interest and amortization, determined in accordance with generally accepted accounting principles. In making the computation set forth above, the City, and the Accountant on behalf of the City, may, based upon the opinion or report of a registered professional engineer not in the regular employ of the City, treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in gross Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year.

Accounts and Records. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the registered owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of the Bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Maintenance; Insurance. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees that it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses, against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in the State. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Defeasance. Any Bond shall be deemed paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond, either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash sufficient to make such payment and/or (2) direct non-callable obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Investment Securities") maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any Bonds within the meaning of the Authorizing Ordinance the Trustee will hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Investment Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance and if the Trustee has been paid its fees and expenses, the Trustee will take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and cancelled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Investment Securities there will be considered the principal amount of such Investment Securities and interest to be earned thereon until the maturity of such Investment Securities.

Defaults and Remedies. (a) If there is any default in the payment of the principal of or interest on any of the Bonds, or if the City defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the registered owners of not less than ten percent (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 under the laws of Arkansas. And in the case of a default in the payment of the principal of and interest on any of the Bonds, the Trustee may, and upon the written request of registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners of the Bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the revenues in conformity with the laws of Arkansas and with the Authorizing Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

(b) No registered owner of any of the outstanding Bonds shall have any right in any manner whatever by his action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder, unless (i) such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than ten percent (10%) in principal amount of all the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding Bonds and any individual rights of action or other right given to one or more of such registered owners by law are restricted by the Authorizing Ordinance to the rights and remedies therein provided.

(c) No remedy conferred upon or reserved to the Trustee or to the registered owners of the Bonds is intended to be exclusive of any other remedy or remedies, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Authorizing Ordinance or by law.

(d) Subject to the provisions of subparagraph (f) below, the Trustee may, and upon the written request of the registered owners of not less than fifty percent (50%) in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(e) In any proceeding to enforce the provisions of the Authorizing Ordinance the Trustee or any plaintiff Bondholder shall be entitled to recover costs of such proceeding, including reasonable attorneys' fees.

Amendment of Authorizing Ordinance. The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. The Trustee may consent to any variation or change in the Authorizing Ordinance in order to cure any ambiguity, defect or omission therein or any amendment thereto, or any other change which in the opinion of the Trustee is not materially adverse to the interests of the owners of the Bonds, without the consent of the owners of the outstanding Bonds. The owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of a supplemental ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance; provided, however, that nothing therein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien or pledge superior to the lien and pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving sixty (60) days' notice in writing to the City Clerk and the registered owners of the Bonds. The majority in value of the registered owners of the outstanding Bonds or the City, so long as the City is not in default under the Authorizing Ordinance, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, then the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. Every successor Trustee shall be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee shall have been appointed.

Investments. (a) Moneys held for the credit of the Bond Fund shall be continuously invested and reinvested pursuant to the direction of the City in Permitted Investments defined in (d) below (excluding Municipal Bonds (as hereinafter defined) and provided the Collateral Securities (as hereinafter defined) shall be limited to Government Securities (as hereinafter defined)), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, as follows: not later than the payment date for interest or principal and interest for moneys in the debt service portion of the Bond Fund; and not later than seven (7) years or the final maturity of the Bonds, whichever is earlier, for moneys in the Debt Service Reserve.

(b) Moneys held for the credit of any other fund shall be continuously invested and reinvested pursuant to the direction of the City in Permitted Investments as defined in (d) below or other investments as may, from time to time, be permitted by law, which shall mature, or which shall be subject to redemption by

the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

(c) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(d) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America) ("Government Securities"), (ii) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Collateral Securities held by a third party and in which Collateral Securities the City has a perfected security interest, (iii) savings accounts, deposit accounts or money market deposits in banks, including the Trustee, which are fully insured by the FDIC, (iv) municipal obligations rated "Aaa/AAA" or general obligations of the State with a rating of at least "A2/A" or higher by both Moody's and S&P that are eligible investments for public funds under State law ("Municipal Bonds"), or (v) money market funds comprised exclusively of Government Securities and having a rating by S&P of "AAAm-G" or "AAAm."

(e) "Collateral Securities" include Government Securities, obligations of Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration, General Services Administration, U. S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U. S. Department of Housing & Urban Development, Federal Housing Administration, Federal Financing Bank, senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, obligations of the Resolution Funding Corporation, and senior debt obligations of the Federal Home Loan Bank System. All Collateral Securities shall be securities authorized by Arkansas law to secure public deposits.

CONTINUING DISCLOSURE AGREEMENT

During the past five years, the City has been obligated to comply with continuing disclosure agreements involving eight bond issues. Such agreements require the City to file annual reports with the trustees, as dissemination agents. The dissemination agents are required to file the annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within various time periods set by those agreements. While the City has not made any determination as to materiality, the following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations over the past five years.

As part of its annual report, the City was obligated to file annual audited financial statements. For five of the bond issues, the City was required to file the audit of the general purpose financial statements of the City as part of its annual report. The City was required to file audited financial statements of the System for three of its bond issues.

For the bond issues that required the City to file the audit of the City's general purpose financial statements, such audits were timely filed in all but one year. The audited financial statements of the City for the years ended December 31, 2015 through 2016 were timely filed. The audited financial statements for the year ended December 31, 2014 were filed between 2 and 8 days late. A notice concerning such failure was not filed on EMMA.

For the bond issues that required the City to file the audit of the System's financial statements, such audits were timely filed during each of the past five years.

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies depending on the type of bond issues and how each is secured. In the past five years all supplemental financial and operating data was filed on EMMA in a timely manner.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the list of events are rating changes. The City failed to timely file a notice concerning an upgrade to an underlying rating. Such upgrade occurred on or around October 10, 2018. The City filed a notice on EMMA disclosing such failure on November 7, 2018. Such notice was not timely filed.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of the provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean an Annual Report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

“Beneficial Owner” of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“Financial Obligation” shall mean a:

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed hereunder.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year (presently December 31) commencing with the report after the end of the 2019 fiscal year, provide to the MSRB an Annual Report with respect to the Bonds which is consistent with the requirements of the Continuing Disclosure Agreement. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the Financial Statements (defined below) of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such Financial

Statements shall be submitted within thirty (30) days of receipt thereof by the City. If the fiscal year of the City changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than five (5) days prior to the date specified in subsection (a) for providing each Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in 1 under Content of Annual Report, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB.

(d) The Dissemination Agent shall file a report with the City and (if the Dissemination Agent is not the Trustee), the Trustee certifying that the Annual Report (containing the information required in 1 under Content of Annual Report, below) has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

(e) As and to the extent an Annual Report or Notice of Listed Event is required to be filed under the Continuing Disclosure Agreement, the City shall submit such Annual Report or Notice of Material Event to the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org>, or any other similar system that is acceptable to the Securities and Exchange Commission. All documents provided to the MSRB pursuant to the Continuing Disclosure Agreement shall be in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the following:

1. Information of the type set forth in this Official Statement under the caption **THE SYSTEM** with respect to (i) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (ii) the water, sewer and electric users by category for the fiscal year then ended and the four previous fiscal years; (iii) the rates for the System for the fiscal year then ended and the previous fiscal year; and (iv) the top five users of the System for the previous fiscal year and a statement as to which users accounted for 5% or more of System revenues for the preceding fiscal year.

2. The financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America ("Financial Statements").

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or to the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the

Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the System for the fiscal years ended December 31, 2018 and 2017. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America. These financial statements should be read in their entirety together with any notes and supplemental information attached thereto.

Set forth in Exhibit B to this Official Statement are the unaudited financial statements of the System for the nine month period ended September 30, 2019.

Operating revenues and expenses of the System have been summarized by management of the City for the five fiscal years ended December 31, 2018 - 2014 from the audited financial statements of the System and for the nine month period ended September 30, 2019 from the interim unaudited financial statements of the System, as follows:

	<u>Fiscal Years Ended December 31</u>					<u>Nine Month Period Ending Sept. 30, 2019</u>
	<u>Audited 2018</u>	<u>Audited 2017</u>	<u>Audited 2016</u>	<u>Audited 2015</u>	<u>Audited 2014</u>	<u>Unaudited</u>
Revenues ⁽¹⁾	\$40,171,951	\$ 33,829,655	\$ 34,364,660	\$ 33,670,484	\$33,042,519	\$28,758,912
Operating Expenses Excluding Depreciation and Interest ⁽²⁾	<u>(27,950,757)</u>	<u>(27,081,766)</u>	<u>(27,726,343)</u>	<u>(26,161,052)</u>	<u>(27,062,820)</u>	<u>(20,331,386)</u>
Net Operating Income Before Depreciation, Interest and Bond Issuance Costs	12,221,194	6,747,889	6,638,317	7,509,432	5,979,699	8,427,526
Depreciation	(5,078,686)	(5,346,165)	(5,314,678)	(5,232,639)	(5,078,522)	(3,697,151)
Interest Expense and Bond Issuance Costs	<u>(1,815,336)</u>	<u>(1,758,905)</u>	<u>(1,806,549)</u>	<u>(2,318,751)</u>	<u>(2,037,096)</u>	<u>(1,462,051)</u>
Net Income (Loss)	<u>\$5,327,172</u>	<u>(\$357,181)</u>	<u>(\$482,910)</u>	<u>(\$41,958)</u>	<u>(\$1,135,919)</u>	<u>\$3,268,324</u>

⁽¹⁾Includes interest income.

⁽²⁾Included in operating expenses are franchise fees charged the Commission that are payable to the City from System revenues. Franchise fees are payable monthly and are calculated at 5.48% of System revenues for that month.

DEBT SERVICE COVERAGE

The following table shows the net revenues available for debt service on the Bonds, the Parity Bonds and the Subordinate Bond, the amount of maximum annual debt service expected to be due and the extent to which debt service is covered by such funds:

Net Revenues Available for Debt Service ⁽¹⁾	\$12,101,194
Maximum Annual Debt Service Requirements for Bonds, Parity Bonds and Subordinate Bond	4,621,884
Debt Service Coverage	2.62x

⁽¹⁾Net Revenues available for debt service are defined to mean gross revenues of the System (including interest earnings) less the expenses of operation, maintenance and repair of the System (excluding depreciation, interest and amortization expenses). Net revenues available for debt service are based on the audited financial statements of the System for the fiscal year ended December 31, 2018; less \$120,000 of total annual deposits into the Depreciation Fund.

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for each year:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020		\$ 197,409.11	\$ 197,409.11
2021	\$ 170,000	357,122.00	527,122.00
2022	175,000	354,062.00	529,062.00
2023	1,125,000	350,737.00	1,475,737.00
2024	1,150,000	328,799.50	1,478,799.50
2025	1,165,000	305,224.50	1,470,224.50
2026	1,200,000	279,827.50	1,479,827.50
2027	1,225,000	252,467.50	1,477,467.50
2028	1,245,000	223,067.50	1,468,067.50
2029	1,280,000	191,320.00	1,471,320.00
2030	1,320,000	157,400.00	1,477,400.00
2031	640,000	121,100.00	761,100.00
2032	655,000	102,860.00	757,860.00
2033	670,000	84,192.50	754,192.50
2034	690,000	64,427.50	754,427.50
2035	710,000	44,072.50	754,072.50
2036	735,000	22,417.50	757,417.50
TOTALS	\$14,155,000	\$3,436,506.61	\$17,591,506.61

Set forth below are the debt service requirements for the Bonds, the Parity Bonds and the Subordinate Bond for each year after the Bonds are issued:

<u>Year</u>	<u>Bonds</u>	<u>Parity Bonds</u>	<u>Subordinate Bond</u>	<u>Total</u>
2020	\$ 197,409.11	\$ 4,073,602.00	\$ 16,160	\$ 4,287,171.11
2021	527,122.00	4,075,526.50	16,160	4,618,808.50
2022	529,062.00	4,073,583.50	16,160	4,618,805.50
2023	1,475,737.00	3,129,986.50	16,160	4,621,883.50
2024	1,478,799.50	3,125,108.50	16,160	4,620,068.00
2025	1,470,224.50	3,127,663.00	16,160	4,614,047.50
2026	1,479,827.50	1,906,550.00	16,160	3,402,537.50
2027	1,477,467.50	1,906,750.00	16,160	3,400,377.50
2028	1,468,067.50	1,915,000.00	16,160	3,399,227.50
2029	1,471,320.00	1,910,250.00	16,160	3,397,730.00
2030	1,477,400.00	1,908,000.00	16,160	3,401,560.00
2031	761,100.00	2,628,000.00	16,160	3,405,260.00
2032	757,860.00	2,629,000.00	16,160	3,403,020.00
2033	754,192.50	2,630,000.00	16,160	3,400,352.50
2034	754,427.50	2,625,750.00	4,709	3,384,886.50
2035	754,072.50	2,626,250.00		3,380,322.50
2036	757,417.50	2,626,000.00		3,383,417.50
TOTALS	\$17,591,506.61	\$46,917,020.00	\$230,949	\$64,739,475.61

LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

TAX MATTERS

Any federal tax advice contained in this Official Statement pertaining to the Bonds was written to support the marketing of and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code of 1986, as amended (the "Code"). All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Bonds under the Code, the regulations promulgated thereunder and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold the Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Bond and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "Foreign Investors," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary does not discuss the tax laws of any state other than Arkansas or any local or foreign governments. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Bonds.

General. Although there are not any regulations, published rulings, or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Bonds, Bond Counsel has advised that the Bonds will be treated for federal income tax purposes as evidences of indebtedness of the City and not as an ownership interest in the trust estate securing the Bonds or as an equity interest in the City or any other party, or in a separate association taxable as a corporation. Although the Bonds are issued by the City, interest on the Bonds (including original issue discount and market discount, if any) is not excludable from gross income for federal income tax purposes under Code Section 103. Interest on the Bonds will be fully subject to federal income taxation. Thus, owners of the Bonds generally must include interest (including original issue discount and market discount) on the Bonds in gross income for federal income tax purposes.

In general, interest paid on the Bonds, original issue discount and market discount, if any, will be treated as ordinary income to the owners of the Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or market discount) will be treated as a return of capital.

Sales or Other Dispositions. If a Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Bond. The adjusted basis of a Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss taxable at the applicable rate determined by the Code if the Bond to which it is attributable is held as a “capital asset.”

Gain on the sale or other disposition of a Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Bond was held by the transferor (after reduction by any market discount includable in income by such transferor prior to such sale or other disposition). In addition, if the City is determined (pursuant to regulations that have yet to be promulgated under Code Section 1271(g)(2)(A)) to have had an intention on the date of original issuance of the Bonds to call all or a portion of the Bonds prior to maturity, then gain on the sale or other disposition of a Bond in an amount equal to the original issue discount or market discount not previously includable in gross income would be required to be treated as ordinary income taxable at the applicable rate determined by the Code.

Backup Withholding. Payments of principal and interest (including original issue discount and market discount) on the Bonds, as well as payments of proceeds from the sale of the Bonds may be subject to the “backup withholding tax” under Section 3406 of the Code with respect to interest or original issue discount and market discount on the Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Bond that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount and market discount on the Bonds owned by foreign investors. In those instances in which payments of interest on the Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of the Bonds having original issue discount or market discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Bond.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an “ERISA Plan”) and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Bond, could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the City or any underwriter of the Bonds, might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Bonds are acquired by such plans or arrangements with respect to which the City or any underwriter is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Bonds.

The foregoing summary as to Bonds is not intended as an exhaustive recital of the potential tax consequences of holding the Bonds. Prospective purchasers of the Bonds should consult their tax advisors with respect to the federal, state and local tax consequences of the ownership of the Bonds. Bond Counsel will not render any opinion with respect to any federal tax consequences of ownership of the Bonds.

State Taxation. In the opinion of Bond Counsel, interest on the Bonds is exempt from all Arkansas state taxes, including income, inheritance and property taxes.

MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors’ rights which are presently or may from time to time be in effect.

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$14,038,221.25 (principal amount less an Underwriter’s discount of \$116,778.75). The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter’s business activities. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

Rating. The credit rating for the Bonds is “A1” by Moody’s Investors Service, Inc. (“Moody’s”). Any explanation of such rating may only be obtained from Moody’s. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies if in their judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Bonds by Moody’s may have an adverse effect on the market price of the Bonds. The Underwriter and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the City has been authorized by the City.

CITY OF BENTON, ARKANSAS

By /s/ Tom Farmer
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Benton Municipal Light and Water Works

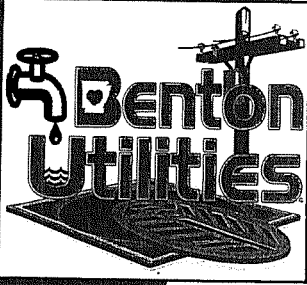
City of Benton, State of Arkansas

Financial Statements
and Supplementary Information

December 31, 2018 and 2017

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Table of Contents
December 31, 2018 and 2017

	<u>Page</u>
Management's Discussion and Analysis	1-4
Independent Auditors' Report	5-6
Statements of Net Position	7-8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11-18
Supplementary Information	
Schedule of Operating, Board Designated and Restricted Funds	19
Departmental Statements of Revenues and Expenses	20
Schedule of Plant Production and Treatment Expenses	21
Schedule of General, Distribution and Collection Expenses	22
Schedule of Administrative Expenses	23
Supplemental Water and Sewer Disclosures	24
Revenue Bond Amortization Schedule – March 6, 2009	25
Revenue Bond Amortization Schedule – April 1, 2012	26
Revenue Bond Amortization Schedule – July 1, 2015	27
Revenue Bond Amortization Schedule – January 30, 2018	28
Estimated Debt Service Coverage	29
Required Supplementary Information – Schedule of Changes in the Net Pension Liability and Related Ratios for Benton Utilities Employees' Pension Plan	30
Required Supplementary Information – Schedule of Contributions for Benton Utilities Employees' Pension Plan	31



1827 Dale Ave.
Benton, AR 72015
Phone: (501) 776-5931
Fax: (501) 776-5954

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, 2018. 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, 2018 and 2017. 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.

2018 Financial Highlights

- The Utility's total revenues increased by \$6,342,296 or 18.75% from \$33,829,655 at December 31, 2017, to \$40,171,951 at December 31, 2018. The increase in revenues is in great part due to an increase in electric rates.
- The Utility's total expenses increased by \$657,943 or 1.92% from \$34,186,836 at December 31, 2017, to \$34,844,779 at December 31, 2018. The increase in expenses is in great part due to an increase in repair projects.
- The Utility's total assets and deferred outflows of resources increased by \$11,516,815 or 11.85% from \$97,215,571 at December 31, 2017, to \$108,732,386 at December 31, 2018. The increase is due in great part to increases in board designated and restricted 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 236.97% or \$77,668 due to an increase of restricted interest income on bond money for utility projects.

Condensed Statements of Net Position

	2018	2017	2016
Current Assets	\$ 14,539,621	\$ 7,607,460	\$ 8,308,934
Restricted Assets	8,978,765	2,816,587	2,987,255
Capital Assets, Net	82,953,590	84,286,162	85,272,185
Deferred Outflows	2,260,410	2,505,362	2,625,592
Total Assets and Deferred Outflows	<u>\$ 108,732,386</u>	<u>\$ 97,215,571</u>	<u>\$ 99,193,966</u>
Current Liabilities	\$ 8,146,129	\$ 6,437,808	\$ 7,119,568
Long-Term Liabilities	51,941,997	47,848,590	50,196,858
Total Liabilities	<u>60,088,126</u>	<u>54,286,398</u>	<u>57,316,426</u>
Deferred Inflows	979,254	656,834	290,717
Net Investment in Capital Assets	36,471,478	38,894,605	38,172,254
Restricted	3,325,115	2,176,104	1,820,567
Unrestricted	7,868,413	1,201,630	1,594,002
Total Net Position	<u>47,665,006</u>	<u>42,272,339</u>	<u>41,586,823</u>
Total Liabilities and Net Position	<u>\$ 108,732,386</u>	<u>\$ 97,215,571</u>	<u>\$ 99,193,966</u>

Total net position increased by \$5,392,667 from \$42,272,339 at December 31, 2017, to \$47,665,006 at December 31, 2018, an increase of 12.76%. Current liabilities increased by \$1,708,321, or 26.54%.

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

	2018	2017	2016
Operating Revenues:			
Services Fees and Penalties	\$ 39,884,463	\$ 33,626,519	\$ 34,085,612
Other Revenue	177,045	170,361	250,341
Total Operating Revenues	40,061,508	33,796,880	34,335,953
Investment Income	110,443	32,775	28,707
Total Revenue	<u>40,171,951</u>	<u>33,829,655</u>	<u>34,364,660</u>
Operating Expenses:			
Power Costs	16,836,858	16,824,846	16,293,183
Plant Production Expenses	1,977,666	1,994,112	2,312,788
General and Distribution Expenses	4,925,936	4,624,827	5,115,675
Administrative Expenses	1,996,067	1,790,518	2,128,131
Depreciation Expense	5,078,686	5,346,165	5,314,678
Franchise Fees	2,214,230	1,847,463	1,876,566
Total Operating Expenses	33,029,443	32,427,931	33,041,021
Issuance Cost of Bonds	91,423		
Interest Expense	1,723,913	1,758,905	1,806,549
Total Expenses	<u>34,844,779</u>	<u>34,186,836</u>	<u>34,847,570</u>
Net Income (Loss) Before Contributions	5,327,172	(357,181)	(482,910)
Capital Contributions	65,495	1,042,697	1,054,316
Change in Net Position	5,392,667	685,516	571,406
Net Position at Beginning of Year	42,272,339	41,586,823	41,015,417
Net Position at End of Year	<u>\$ 47,665,006</u>	<u>\$ 42,272,339</u>	<u>\$ 41,586,823</u>

Total revenues from services, fees and penalties reflect an increase from 2017 to 2018. The increase amount was \$6,257,944, or 18.61%. The increase in revenues is in great part due to an increase in electric rates.

Net income of \$5,327,172 before capital contributions, transfers, and extraordinary items, less capital contributions of \$65,495 were the two items that resulted in an increase of \$5,392,667 in net position for the year ending December 31, 2018.

Capital Assets

At December 31, 2018, the Utility had \$36,471,478 net invested in capital assets. This investment in capital assets includes land, buildings, vehicles, equipment, utility infrastructure, construction materials and construction in progress. The total decrease in the Utility's investment in capital assets for the year of 2018 was \$2,423,127 or 6.23%, due to an increase in bonds payable. A scheduled summary showing the changes to the capital assets during the year of 2018 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 2018 can be found in Note 6 on page 14 of this audit report.

Debt Administration

At December 31, 2018, the Utility had \$49,495,613 in outstanding revenue bonds payable compared to \$43,246,040 outstanding at December 31, 2017. This increase of \$6,249,573 is the difference in the amount of bonds retired (paid off) during the year and the issuance of the January 30, 2018 bonds in the amount of \$7,800,000. An accumulated compensable (accrued salary, vacation and sick leave) balance of \$420,146 at December 31, 2018, is an increase of \$17,846 over the \$402,300 accrued as of December 31, 2017. 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 largest area of impact in 2018 was the \$7.8MM Bond Issue. These funds allowed the Utility to begin the relocation of Electric and Water lines along Interstate 30. This project is expected to be completed in 2019. This will allow the widening of Interstate 30 to 6 lanes from Exit 117 (Highway 5) to Exit 111 (Highway 70). \$3.3MM was spent on this and other projects in 2018. Other projects to be funded by the Bond Issue that are now in progress are:

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

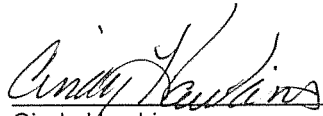
The second large area of impact was the 12% Electric rate increase approved by the City Council that became effective Jan. 1, 2018. This increase was necessary due to the 2014 reduction in rates that proved to be too aggressive with the necessary projects needed to fulfill the needs of our growing City. This increase was a sweeping across-the board increase affecting all rate classes and customer charges. After a few months passed it was determined that the 12% increase to Large Power Rates for Commercial customers was too aggressive and needed to be revised in order to balance the demand to the utility and the impact on the growth of our commercial industries. The City Council approved a 6% reduction to those rates effective May 1, 2018. There were also automatic Water rate increases of 2%, which went into effect Jan. 1, 2018 and Jan. 1, 2019. The automatic 3% increase for Wastewater went into effect on April 1, 2018 and will also continue through April 1, 2020 as approved by City Council. The goal of these rate increases is to make each Utility Department (Electric, Water & Wastewater) solvent with adequate revenues to cover its own expenses. 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 as we make adjustments to the rates of all 3 utilities so that each can effectively support itself.

The current Electric Wholesale Power Contract will end May 31st 2019. The new contract starting June 1, 2019 will provide a reduction in the "known" costs of our wholesale power through May 2022. This should generate needed funds for the long-range projects to sustain the growth and infrastructure needs of the City of Benton.

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 Comptroller, Attn: Cindy Hawkins, at 1827 Dale Avenue, Benton, AR 72015, call (501) 776-5931, or e-mail at cindy@bentonar.org

A handwritten signature in black ink, appearing to read "Cindy Hawkins", is written over a horizontal line.

Cindy Hawkins
Comptroller
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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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.

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

Benton, Arkansas
March 19, 2019

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statements of Net Position
December 31, 2018 and 2017

Assets and Deferred Outflows of Resources		
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents	\$ 4,433,514	\$ 3,096,019
Utility Billings, Net of Allowance for Uncollectibles	4,337,339	2,324,702
Accounts Receivable	23,241	19,431
Prepaid Expenses	136,294	103,806
Supplies Inventory	20,316	18,165
Board Designated Funds	5,588,917	2,045,337
Total Current Assets	<u>14,539,621</u>	<u>7,607,460</u>
Non-Current Assets		
Restricted Funds	8,978,765	2,816,587
Capital Assets:		
Total Plant, Property and Equipment	183,123,333	179,377,219
Less Accumulated Depreciation	<u>(100,169,743)</u>	<u>(95,091,057)</u>
Total Non-Current Assets	<u>91,932,355</u>	<u>87,102,749</u>
Deferred Outflows of Resources		
Deferred Pension Outflows	1,595,154	1,779,401
Deferred Loss on Early Retirement of Debt	665,256	725,961
Total Deferred Outflows of Resources	<u>2,260,410</u>	<u>2,505,362</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 108,732,386</u></u>	<u><u>\$ 97,215,571</u></u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	2018	2017
Current Liabilities		
Accounts Payable	\$ 1,814,399	\$ 1,585,164
Customer Overpayments	6,186	4,765
Meter Deposits	2,241,031	2,064,363
Accrued Compensation	420,146	402,300
Sales Tax Payable	89,989	60,806
Accrued Interest Payable	685,837	640,483
Due to City Funds	252,824	129,500
Bonds Payable - Current Maturities	2,635,717	1,550,427
Total Current Liabilities	<u>8,146,129</u>	<u>6,437,808</u>
Non-Current Liabilities		
Revenue Bonds Payable, Less		
Current Maturities	46,859,896	41,695,613
Premium on Revenue Bonds	2,722,893	2,986,939
Discount on Revenue Bonds	(103,325)	(115,461)
Net Pension Liability	2,462,533	3,281,499
Total Non-Current Liabilities	<u>51,941,997</u>	<u>47,848,590</u>
Total Liabilities	<u>60,088,126</u>	<u>54,286,398</u>
Deferred Inflows of Resources		
Deferred Pension Inflows	<u>979,254</u>	<u>656,834</u>
Net Position		
Net Investment in Capital Assets	36,471,478	38,894,605
Restricted for Debt Service	2,881,059	1,845,553
Restricted for Capital Assets Replacement	444,056	330,551
Unrestricted	7,868,413	1,201,630
Total Net Position	<u>47,665,006</u>	<u>42,272,339</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 108,732,386</u>	<u>\$ 97,215,571</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, 2018 and 2017

	2018	2017
Operating Revenues		
Charges for Service	\$ 38,960,557	\$ 32,679,421
Service Charges and Connection Fees	665,087	710,542
Penalties	258,819	236,556
Other Income	177,045	170,361
Total Operating Revenues	<u>40,061,508</u>	<u>33,796,880</u>
Operating Expenses		
Power Costs	16,836,858	16,824,846
Plant Production Expenses	1,977,666	1,994,112
General and Distribution Expenses	4,925,936	4,624,827
Administrative Expenses	1,996,067	1,790,518
Depreciation	5,078,686	5,346,165
Franchise Fees	2,214,230	1,847,463
Total Operating Expenses	<u>33,029,443</u>	<u>32,427,931</u>
Operating Income	<u>7,032,065</u>	<u>1,368,949</u>
Non-Operating Revenues (Expenses)		
Interest Income	110,443	32,775
Interest Expense	(1,723,913)	(1,758,905)
Issuance Costs of Bonds	(91,423)	
Total Non-Operating Revenues (Expenses)	<u>(1,704,893)</u>	<u>(1,726,130)</u>
Net Loss Before Contributions and Transfers	5,327,172	(357,181)
Capital Contributions	<u>65,495</u>	<u>1,042,697</u>
Changes in Net Position	5,392,667	685,516
Total Net Position - Beginning of Year	<u>42,272,339</u>	<u>41,586,823</u>
Total Net Position - End of Year	<u><u>\$ 47,665,006</u></u>	<u><u>\$ 42,272,339</u></u>

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from Customers	\$ 37,902,430	\$ 33,639,276
Payments to Suppliers	(20,223,935)	(20,558,675)
Payments to Employees	(5,999,756)	(5,939,202)
Payments to City for Franchise Fees	(2,090,906)	(1,846,098)
Other Receipts	173,235	183,353
Net Cash Provided by Operating Activities	<u>9,761,068</u>	<u>5,478,654</u>
Cash Flow from Non-Capital Financing Activities		
Transfers (to) from Board Designated Funds	(3,543,580)	1,562,281
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(3,543,580)</u>	<u>1,562,281</u>
Cash Flows from Capital and Related Financing		
Purchases of Capital Assets	(3,295,907)	(3,587,653)
Principal Paid On Capital Debt	(1,550,427)	(1,510,846)
Interest Paid On Capital Debt	(1,869,764)	(1,971,112)
Proceeds from Revenue Bonds Issued	7,800,000	
Bond Issuance Costs	(91,423)	
Contributions from Developers	2,595	465,073
Transfers from Restricted Accounts	(5,985,510)	371,814
Net Cash Used by Capital and Related Financing	<u>(4,990,436)</u>	<u>(6,232,724)</u>
Cash Flows from Investing Activities		
Interest Received	110,443	32,775
Net Cash Provided by Investing Activities	<u>110,443</u>	<u>32,775</u>
Net Change in Cash and Cash Equivalents	1,337,495	840,986
Cash and Cash Equivalents - Beginning of Year	3,096,019	2,255,033
Cash and Cash Equivalents - End of Year	<u>\$ 4,433,514</u>	<u>\$ 3,096,019</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income (Loss)	\$ 7,032,065	\$ 1,368,949
Items Not Requiring Cash:		
Depreciation	5,078,686	5,346,165
Changes in Assets and Liabilities:		
Receivables, Net	(2,015,026)	(15,724)
Prepays	(32,488)	(8,588)
Inventories	(2,151)	3,644
Accounts Payable	(34,748)	(1,024,251)
Accrued Expenses	47,029	(82,734)
Net Pension Liability	(312,299)	(108,807)
Net Cash Provided by Operating Activities	<u>\$ 9,761,068</u>	<u>\$ 5,478,654</u>

Non-Cash Capital Financing Activities:

Capital assets of \$62,900 and \$577,624 were acquired through noncash contributions from street projects and developers for the years ended December 31, 2018 and 2017, 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 or 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, 2018 and 2017, respectively:

	2018	2017
Accrued Salaries	\$ 97,629	\$ 79,434
Accrued Vacation	128,325	124,282
Accrued Sick	194,192	198,584
	<u>\$ 420,146</u>	<u>\$ 402,300</u>

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, 2018 and 2017:

	2018	2017
Public Utility Reservoir Contingent Fund	\$ 501,157	\$ 92,565
Public Utility Emergency Fund	3,007,569	1,179,407
Water System Capital Improvement Fund	601,459	568,802
Electric Capital Improvement Fund	601,123	27,914
Facilities Capital Improvement Fund	25,049	3,815
Wastewater Capital Improvement Fund	601,230	171,120
Alcoa Road Relocation and Improvement Fund	671	665
Economic Development Fund	250,659	1,049
	<u>\$ 5,588,917</u>	<u>\$ 2,045,337</u>

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, 2018 and 2017 are as follows:

	2018	2017
Bond Funds	\$ 1,032,823	\$ 680,834
Debt Service Funds	2,534,073	1,805,202
Depreciation Fund	444,056	330,551
Construction Fund	4,967,813	
Total Restricted Funds	<u>\$ 8,978,765</u>	<u>\$ 2,816,587</u>

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, 2018 and 2017:

	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
	<u>\$ 179,377,219</u>	<u>\$ 3,746,114</u>	<u>\$</u>	<u>\$</u>	<u>\$ 183,123,333</u>

	Balance 12/31/16	Additions	Deletions	Transfers	Balance 12/31/17
Land	\$ 1,000,642	\$ 47,606	\$	\$	\$ 1,048,248
Buildings - Administrative	1,000,466			1,052,207	2,052,673
Vehicles	3,307,723				3,307,723
Furniture and Office Equipment	175,781	3,014			178,795
Service Facilities and Equipment	165,238,122	598,725		4,852,017	170,688,864
Construction Materials	1,628,764			(514,344)	1,114,420
Construction in Process	2,665,575	3,710,801		(5,389,880)	986,496
	<u>\$ 175,017,073</u>	<u>\$ 4,360,146</u>	<u>\$</u>	<u>\$</u>	<u>\$ 179,377,219</u>

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, 2018 and 2017 was \$2,029,510 and \$1,968,164, respectively.

Note 6: Revenue Bonds Payable

The interest rates and maturity dates of the revenue bonds payable as of December 31, 2018 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:

	2018	2017	2016
Beginning Balance	\$ 43,246,040	\$ 44,756,886	\$ 46,212,312
Issued	7,800,000		
Retired	(1,550,427)	(1,510,846)	(1,455,426)
Ending Balance	<u>\$ 49,495,613</u>	<u>\$ 43,246,040</u>	<u>\$ 44,756,886</u>

Maturities of revenue bonds as of December 31, 2018 are as follows:

	Principal	Interest and Service Fees	Total
2019	\$ 2,635,717	\$ 2,061,153	\$ 4,696,870
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
2024-2028	12,869,917	6,950,204	19,820,121
2029-2033	13,159,418	4,233,157	17,392,575
2034-2036	9,494,645	888,814	10,383,459
	<u>\$ 49,495,613</u>	<u>\$ 21,583,551</u>	<u>\$ 71,079,164</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, 2018 and 2017 was \$264,044 and \$272,261, 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, 2018 and 2017 was \$12,135 and \$12,983, 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, 2018 and 2017 was \$60,705 and \$61,749, respectively. For the years ended December 31, 2018 and 2017, 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 2018 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, 2017 using December 31, 2016 actuarial information and recorded net pension liability and net pension inflows and outflows for the year ending December 31, 2018 using December 31, 2017 actuarial information.

Membership in the plan as of December 31, 2017, is as follows:

Retirees and beneficiaries currently receiving benefits	61
Vested terminated employees	24
Current employees	<u>83</u>
Total	<u>168</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>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 382,204	\$ 390,180	\$ 340,980
Service Transfer		4,256	(884,253)
Interest	1,136,662	1,114,521	1,144,187
Differences Between Actual and Expected Experience	71,899	(363,881)	(297,057)
Benefit Payments	(871,006)	(770,590)	(723,117)
Net Change in Total Pension Liability	\$ 719,759	\$ 374,486	\$ (419,260)
Total Pension Liability – Beginning	<u>\$ 16,291,333</u>	<u>\$ 15,916,847</u>	<u>\$ 16,336,107</u>
Total Pension Liability – Ending	<u>\$ 17,011,092</u>	<u>\$ 16,291,333</u>	<u>\$ 15,916,847</u>
Plan Fiduciary Net Position			
Contributions – Employee Mandatory	\$ 64,199	\$ 49,641	\$ 38,301
Contributions – Employer	913,740	685,000	700,012
Service Transfer		4,256	(884,253)
Net Investment Income	1,431,792	939,583	(493,083)
Benefits Payments	(871,006)	(770,590)	(723,117)
Net Change in Plan Net Position	\$ 1,538,725	\$ 907,890	\$ (1,362,140)
Net Position – Beginning	<u>\$ 13,009,834</u>	<u>\$ 12,101,944</u>	<u>\$ 13,464,084</u>
Net Position – Ending	<u>\$ 14,548,559</u>	<u>\$ 13,009,834</u>	<u>\$ 12,101,944</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 2018 was determined as part of the January 1, 2018, 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:

	<u>1% Decrease to 6.0%</u>	<u>Current Single Rate Assumed</u>	<u>1% Increase to 8.0%</u>
Total Pension Liability	\$ 19,563,637	\$ 17,011,092	\$ 15,455,292
Net Pension Liability	\$ 5,015,078	\$ 2,462,533	\$ 906,733

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 64,709	\$ 509,142
Net difference between projected and actual earnings on pension plan investments	574,441	470,112
Contributions subsequent to measurement date	<u>956,004</u>	
	<u>\$ 1,595,154</u>	<u>\$ 979,254</u>

Contributions made subsequent to the measurement date will be reversed in the year ending December 31, 2019. 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:	2019	\$ 1,055,473
	2020	99,470
	2021	(187,751)
	2022	(169,010)
	2023	(65,539)
	Thereafter	<u>(116,743)</u>
		<u>\$ 615,900</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 19, 2019, 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 \$252,824 and \$129,500 at December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, the Utilities had franchise fee expense to the City of \$2,214,230 and \$1,847,463, respectively.

Note 10: Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Benton Municipal Light And Water Works
City of Benton, State of Arkansas
Schedule of Operating, Board Designated
and Restricted Funds
December 31, 2018 and 2017

	2018	2017
Operating Funds		
Cash on Hand	\$ 2,500	\$ 2,500
Demand Deposits - General Operating Accounts		
Bank of the Ozarks	1,537,478	1,673,268
First Security Bank	2,893,536	1,420,251
Total Operating Funds	<u>4,433,514</u>	<u>3,096,019</u>
Board Designated		
Reservoir Contingent Fund - First Security Bank	501,157	92,565
Utility Emergency Fund - First Security Bank	3,007,569	1,179,407
Water System Capital Improvement Fund - Bank of the Ozarks	601,459	568,802
Electric Capital Improvement Fund - Bank of the Ozarks	601,123	27,914
Facilities Capital Improvement Fund - Bank of the Ozarks	25,049	3,815
Wastewater Capital Improvement Fund - Bank of the Ozarks	601,230	171,120
Alcoa Road Utilities Relocation Fund - Bank of the Ozarks	671	665
Economic Development Fund - Bank of the Ozarks	250,659	1,049
Total Board Designated	<u>5,588,917</u>	<u>2,045,337</u>
Restricted Funds		
Bond Funds		
03/06/09 Issue - Regions Corporate Trust	1,423	1,366
04/01/12 Issue - US Bank Trust	365,177	679,468
01/30/18 Issue - Regions Corporate Trust	666,223	
Total Bond Funds	<u>1,032,823</u>	<u>680,834</u>
Depreciation Fund		
Public Utilities - First Security Bank	444,056	330,551
Debt Service Escrow Funds		
04/01/12 Issue - US Bank Trust	1,153,313	1,138,138
07/01/15 Issue - Simmons Trust	776,985	667,064
01/30/18 Issue - Regions Corporate Trust	603,775	
Total Debt Service Escrow Funds	<u>2,534,073</u>	<u>1,805,202</u>
Construction Fund		
01/30/18 Issue - Regions Corporate Trust	4,967,813	
Total Restricted Funds	<u>8,978,765</u>	<u>2,816,587</u>
Total Operating, Designated and Restricted Funds	<u>\$ 19,001,196</u>	<u>\$ 7,957,943</u>

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Departmental Statements of Revenues and Expenses
For the Years Ended December 31, 2018 and 2017

	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Light Dept.	Light Dept.	Water Dept.	Water Dept.	Waste Water Dept.	Waste Water Dept.	Eliminations	Eliminations	Combined Total	Combined Total
Revenue - Operations										
Fees	\$ 28,312,242	\$ 22,864,171	\$ 6,127,656	\$ 5,564,822	\$ 5,822,507	\$ 5,376,602	\$ (1,301,848)	\$ (1,126,174)	\$ 38,960,557	\$ 32,679,421
Service Charges and Connection Fees	324,776	270,710	161,126	194,099	179,185	245,733			665,087	710,542
Penalties	173,172	151,548	35,475	34,763	50,172	50,245			258,819	236,556
Other Income	146,587	110,728	7,751	31,521	22,707	28,112			177,045	170,361
Total Revenue - Operations	28,956,777	23,397,157	6,332,008	5,825,205	6,074,571	5,700,692	(1,301,848)	(1,126,174)	40,061,508	33,796,880
Expenses - Operations										
Power Costs	16,836,858	16,824,846							16,836,858	16,824,846
Plant Production			1,367,241	1,337,906	1,768,369	1,640,208	(1,157,944)	(984,002)	1,977,666	1,994,112
General and Distribution	2,426,381	2,507,892	1,236,795	1,127,233	1,402,125	1,128,359	(139,365)	(138,657)	4,925,936	4,624,827
Administrative	702,290	612,637	638,864	582,249	659,452	599,147	(4,539)	(3,515)	1,996,067	1,790,518
Depreciation	1,127,716	1,084,487	1,647,712	1,668,173	2,303,258	2,593,505			5,078,686	5,346,165
Franchise Fees	1,552,144	1,235,480	328,029	301,216	334,057	310,767			2,214,230	1,847,463
Total Expenses - Operations	22,645,389	22,265,342	5,218,641	5,016,777	6,467,261	6,271,986	(1,301,848)	(1,126,174)	33,029,443	32,427,931
Operating Income (Loss)	6,311,388	1,131,815	1,113,367	808,428	(392,690)	(571,294)			7,032,065	1,368,949
Non-Operating Revenues (Expenses)										
Interest Income	67,459	20,247	31,391	9,476	11,593	3,052			110,443	32,775
Interest Expense	(76,923)	(80,454)	(419,844)	(439,160)	(1,227,146)	(1,239,291)			(1,723,913)	(1,758,905)
Total Non-Operating Revenues (Expenses)	(9,464)	(60,207)	(388,453)	(429,684)	(1,215,553)	(1,236,239)			(1,613,470)	(1,726,130)
Net Income (Loss) Before Contributions and Transfers	\$ 6,301,924	\$ 1,071,608	\$ 724,914	\$ 378,744	\$ (1,608,243)	\$ (1,807,533)			5,418,595	(357,181)
Capital Contributions									65,495	1,042,697
Bond Issuance Costs									(91,423)	
Change in Net Position									\$ 5,392,667	\$ 685,516

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, 2018

	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 411,224	\$ 427,615	\$ 838,839
Fringe Benefits	195,621	185,964	381,585
Vehicle Operations	9,862	20,779	30,641
Building Maintenance	28,974	22,867	51,841
Equipment Repairs	38,525	159,476	198,001
Office Supplies	896	1,804	2,700
Janitorial Supplies and Services	4,069	2,415	6,484
Computer Supplies	494	1,073	1,567
Chemicals	129,365	23,055	152,420
Laboratory	10,120	27,395	37,515
Electric, Water and Waste Water	426,164	731,910	1,158,074
Miscellaneous	8,721	69,397	78,118
Heat - Natural Gas	2,169	32,402	34,571
Telephone	2,932	4,322	7,254
Equipment Rental	1,323	376	1,699
Small Tool Expense	1,125	3,355	4,480
Professional and Consulting	52,770	1,355	54,125
Insurance	37,095	45,528	82,623
Small Equipment Expense	5,792	7,281	13,073
Total	<u>\$ 1,367,241</u>	<u>\$ 1,768,369</u>	<u>\$ 3,135,610</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, 2018

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 1,181,951	\$ 593,205	\$ 471,259	\$ 2,246,415
Fringe Benefits	496,891	286,337	205,706	988,934
Vehicle Operations	95,070	70,136	55,652	220,858
Building Maintenance	8,572	637	4,917	14,126
Line Maintenance	116,670	148,689	59,611	324,970
Equipment Repairs	5,694	6,410	9,224	21,328
Street light Repairs	47,431			47,431
Lift Station Maintenance			328,485	328,485
Office Supplies	1,006	488	1,372	2,866
Janitorial Supplies and Services	9,458	3,401	1,217	14,076
Computer Supplies	1,747	153	797	2,697
Computer Services	16,286	334	814	17,434
Natural Gas	3,607	2,293	325	6,225
Electric, Water and Waste Water	11,462	10,751	143,899	166,112
Miscellaneous	29,796	9,385	14,027	53,208
Telephone	11,277	7,724	3,972	22,973
Equipment Rental	109	239	109	457
Small Tool Expense	15,808	3,838	1,968	21,614
Professional and Consulting	334,935	82,238	81,519	498,692
Insurance	25,784	6,600	12,178	44,562
Small Equipment Expense	12,827	3,937	5,074	21,838
Total	<u>\$ 2,426,381</u>	<u>\$ 1,236,795</u>	<u>\$ 1,402,125</u>	<u>\$ 5,065,301</u>

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Schedule of Administrative Expenses
For the Year Ended December 31, 2018

	Light Dept.	Water Dept.	Waste Water Dept.	Combined Total
Salaries	\$ 293,636	\$ 293,636	\$ 293,637	\$ 880,909
Fringe Benefits	122,971	122,971	122,972	368,914
Vehicle Operations	6,013	6,013	6,012	18,038
Building Maintenance	3,212	3,212	3,212	9,636
Equipment Repairs	8,493	8,493	8,492	25,478
Office Supplies	13,047	13,047	13,048	39,142
Postage	27,906	27,906	27,906	83,718
Janitorial Supplies and Services	469	469	469	1,407
Computer Supplies	928	928	929	2,785
Computer and Billing Services	37,928	37,928	37,928	113,784
Electricity, Water and Waste Water	1,513	1,513	1,513	4,539
Miscellaneous	24,491	24,491	24,498	73,480
Heat - Natural Gas	246	246	247	739
Telephone	7,858	7,858	7,858	23,574
Professional and Consulting	74,630	74,630	74,630	223,890
Customer Collection Expense	3,129	3,129	3,130	9,388
Insurance	795	795	796	2,386
Small Equipment Expense	40	40	40	120
Bad Debt Expense	74,985	11,559	32,135	118,679
Total	<u>\$ 702,290</u>	<u>\$ 638,864</u>	<u>\$ 659,452</u>	<u>\$ 2,000,606</u>

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, 2018:

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 \$5.25 per mg for all over 2 mg, out of city limits \$22.93 minimum and \$9.19 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

	<u>2018</u>
Residential	13,880
Commercial	1,243
Industrial	<u>18</u>
	<u>15,141</u>

Annual Billable Water	2018 <u>Gallons (000s)</u>
Total annual billable water	1,434,912
Less water billable to non-sewer customers	<u>(369,324)</u>
Net billable to sewer customers	<u>1,065,588</u>
 Residential	 775,234
Commercial	211,226
Industrial	<u>79,128</u>
Total water billable to sewer customers	<u>1,065,588</u>

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

December 31, 2018

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
			200,613
06/01/2019	5,322	2,758	195,291
12/01/2019	5,395	2,685	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>\$ 200,613</u>	<u>\$ 46,496</u>	

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

December 31, 2018

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
03/01/2019		363,725	16,600,000
09/01/2019	825,000	363,725	15,775,000
03/01/2020		351,350	15,775,000
09/01/2020	845,000	351,350	14,930,000
03/01/2021		338,675	14,930,000
09/01/2021	875,000	338,675	14,055,000
03/01/2022		321,175	14,055,000
09/01/2022	910,000	321,175	13,145,000
03/01/2023		302,975	13,145,000
09/01/2023	945,000	302,975	12,200,000
03/01/2024		284,075	12,200,000
09/01/2024	985,000	284,075	11,215,000
03/01/2025		259,450	11,215,000
09/01/2025	1,030,000	259,450	10,185,000
03/01/2026		233,700	10,185,000
09/01/2026	1,090,000	233,700	9,095,000
03/01/2027		206,450	9,095,000
09/01/2027	1,140,000	206,450	7,955,000
03/01/2028		177,950	7,955,000
09/01/2028	1,190,000	177,950	6,765,000
03/01/2029		154,894	6,765,000
09/01/2029	1,240,000	154,893	5,525,000
03/01/2030		130,869	5,525,000
09/01/2030	1,290,000	130,869	4,235,000
03/01/2031		105,875	4,235,000
09/01/2031	625,000	105,875	3,610,000
03/01/2032		90,250	3,610,000
09/01/2032	655,000	90,250	2,955,000
03/01/2033		73,875	2,955,000
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>\$ 16,600,000</u>	<u>\$ 7,021,325</u>	

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

December 31, 2018

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
			24,895,000
03/01/2019		575,600	24,895,000
09/01/2019	760,000	575,600	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>\$ 24,895,000</u>	<u>\$ 13,791,600</u>	

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

December 31, 2018

Maturity Date	Principal	Interest	Principal Outstanding
	\$	\$	\$
03/01/2019		88,530	7,800,000
09/01/2019	1,040,000	88,530	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>\$ 7,800,000</u>	<u>\$ 724,130</u>	

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

December 31, 2018					
Year Ending 12/31	03/06/2009 Bonds	4/1/2012 Bonds	7/1/2015 Bonds	1/30/2018 Bonds	Total Bonds
2019	\$ 16,160	\$ 1,552,450	\$ 1,911,200	\$ 1,217,060	\$ 4,696,870
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>\$ 247,109</u>	<u>\$ 23,621,325</u>	<u>\$ 38,686,600</u>	<u>\$ 8,524,130</u>	<u>\$ 71,079,164</u>

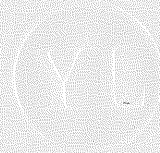
Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Benton Utilities Employees' Pension Plan

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
Total Pension Liability						
Service Cost	\$ 382,204	\$ 390,180	\$ 340,980	\$ 335,144	\$ 337,147	\$ 307,809
Service Transfer		4,256	(884,253)			
Interest	1,136,662	1,114,521	1,144,187	1,074,426	1,038,990	959,291
Difference Between Actual and Expected Experience	71,899	(363,881)	(297,057)	116,426	(164,843)	498,699
Benefit Payments	(871,006)	(770,590)	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Total Pension Liability	\$ 719,759	\$ 374,486	\$ (419,260)	\$ 783,486	\$ 545,657	\$ 1,147,634
Total Pension Liability - Beginning	\$ 16,291,333	\$ 15,916,847	\$ 16,336,107	\$ 15,552,621	\$ 15,006,964	\$ 13,859,330
Total Pension Liability - Ending	\$ 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	\$ 64,199	\$ 49,641	\$ 38,301	\$ 29,480	\$ 14,000	\$ 2,263
Contributions - Employer	913,740	685,000	700,012	750,000	700,000	725,000
Service Transfer		4,256	(884,253)			
Net Investment Income	1,431,792	939,583	(493,083)	620,952	1,554,607	918,794
Benefits Payments	(871,006)	(770,590)	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Plan Net Position	\$ 1,538,725	\$ 907,890	\$ (1,362,140)	\$ 657,922	\$ 1,602,970	\$ 1,027,892
Plan Fiduciary Net Position - Beginning	\$ 13,009,834	\$ 12,101,944	\$ 13,464,084	\$ 12,806,162	\$ 11,203,192	\$ 10,175,300
Plan Fiduciary Net Position - Ending	\$ 14,548,559	\$ 13,009,834	\$ 12,101,944	\$ 13,464,084	\$ 12,806,162	\$ 11,203,192
Net Pension Liability - Ending	\$ 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	85.52%	79.86%	76.03%	82.42%	82.34%	74.65%
Covered Payroll	\$ 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	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

Actuarial 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%

EXHIBIT B



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

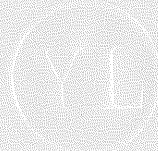
Benton Municipal Light and Water Works
City of Benton, State of Arkansas

Financial Statements
and Required Supplementary Information

September 30, 2019

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Table of Contents
September 30, 2019

	<u>Page</u>
Independent Accountants' Compilation Report	1
Statement of Net Position	2-3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability and Related Ratios for Benton Utilities Employees' Pension Plan	14
Schedule of Contributions for Benton Utilities Employees' Pension Plan	15



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Compilation Report

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

Management is responsible for 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 nine months ended September 30, 2019, and related notes to the financial statements, as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that schedule of changes in the net pension liability and related ratios and schedule of contributions for Benton Utilities employees' pension plan on pages 14 through 15 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Yoakum, Lovell & Co., PLC
Certified Public Accountants

Benton, Arkansas
October 23, 2019

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statement of Net Position
September 30, 2019

Assets and Deferred Outflows of Resources

Current Assets	
Cash and Cash Equivalents	\$ 6,448,581
Utility Billings, Net of Allowance for Uncollectibles	5,520,063
Accounts Receivable	93,995
Prepaid Expenses	20,325
Supplies Inventory	18,034
Board Designated Funds	5,634,971
Total Current Assets	<u>17,735,969</u>
Non-Current Assets	
Restricted Funds	7,008,975
Capital Assets:	
Total Plant, Property and Equipment	184,398,961
Less Accumulated Depreciation	(103,840,589)
Total Non-Current Assets	<u>87,567,347</u>
Deferred Outflows of Resources	
Deferred Pension Outflows	1,595,154
Deferred Loss on Early Retirement of Debt	621,012
Total Deferred Outflows of Resources	<u>2,216,166</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 107,519,482</u></u>

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

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities

Accounts Payable	\$	216,513
Customer Overpayments		6,195
Meter Deposits		2,279,390
Accrued Compensation		420,146
Sales Tax Payable		370,119
Accrued Interest Payable		224,024
Due to City Funds		324,308
Bonds Payable - Current Maturities		2,711,408
Total Current Liabilities		6,552,103

Non-Current Liabilities

Revenue Bonds Payable, Less		
Current Maturities		44,156,190
Premium on Revenue Bonds		2,530,007
Discount on Revenue Bonds		(94,642)
Net Pension Liability		2,462,533
Total Non-Current Liabilities		49,054,088

Total Liabilities		55,606,191
--------------------------	--	-------------------

Deferred Inflows of Resources

Deferred Pension Inflows		979,254
--------------------------	--	---------

Net Position

Net Investment in Capital Assets		35,698,198
Restricted for Debt Service		2,404,847
Restricted for Capital Assets Replacement		558,327
Unrestricted		12,272,665
Total Net Position		50,934,037

Total Liabilities, Deferred Inflows of Resources and Net Position	\$	107,519,482
--	-----------	--------------------

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statement of Revenues, Expenses and Changes in Net Position
For the Nine Months Ended September 30, 2019

Operating Revenues	
Charges for Service	\$ 27,863,898
Service Charges and Connection Fees	440,822
Penalties	190,135
Other Income	143,698
Total Operating Revenues	<u>28,638,553</u>
Operating Expenses	
Power Costs	10,384,027
Plant Production Expenses	1,756,554
General and Distribution Expenses	4,895,710
Administrative Expenses	1,741,532
Depreciation	3,697,151
Franchise Fees	1,553,563
Total Operating Expenses	<u>24,028,537</u>
Operating Income	<u>4,610,016</u>
Non-Operating Revenues (Expenses)	
Interest Income	120,359
Interest Expense	(1,462,051)
Total Non-Operating Revenues (Expenses)	<u>(1,341,692)</u>
Net Income Before Capital Contributions	3,268,324
Capital Contributions	<u>707</u>
Change in Net Position	3,269,031
Total Net Position - Beginning of Year	<u>47,665,006</u>
Total Net Position - End of Year	<u>\$ 50,934,037</u>

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

Benton Municipal Light and Water Works
City of Benton, State of Arkansas
Statement of Cash Flows
For the Nine Months Ended September 30, 2019

Cash Flows from Operating Activities	
Receipts from Customers	\$ 27,592,270
Payments to Suppliers	(15,687,751)
Payments to Employees	(4,569,707)
Payments to City for Franchise Fees	(1,482,079)
Other Receipts	72,944
Net Cash Provided by Operating Activities	<u>5,925,677</u>
Cash Flow from Non-Capital Financing Activities	
Transfers (to) from Board Designated Funds	(46,054)
Net Cash Used by Non-Capital Financing Activities	<u>(46,054)</u>
Cash Flows from Capital and Related Financing	
Purchases of Capital Assets	(1,301,933)
Principal Paid On Capital Debt	(2,628,015)
Interest Paid On Capital Debt	(2,063,823)
Contributions from Developers	707
Transfers from Restricted Accounts	2,008,149
Net Cash Used by Capital and Related Financing	<u>(3,984,915)</u>
Cash Flows from Investing Activities	
Interest Received	120,359
Net Cash Provided by Investing Activities	<u>120,359</u>
Net Change in Cash and Cash Equivalents	2,015,067
Cash and Cash Equivalents - Beginning of Year	4,433,514
Cash and Cash Equivalents - End of Year	<u><u>\$ 6,448,581</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 4,610,016
Items Not Requiring Cash:	
Depreciation	3,697,151
Changes in Assets and Liabilities:	
Receivables, Net	(1,253,469)
Prepays	115,969
Inventories	2,282
Accounts Payable	(1,526,402)
Accrued Expenses	280,130
Net Cash Provided by Operating Activities	<u><u>\$ 5,925,677</u></u>

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 September 30, 2019:

Accrued Salaries	\$ 97,629
Accrued Vacation	128,325
Accrued Sick	<u>194,192</u>
	<u>\$ 420,146</u>

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 September 30, 2019:

Public Utility Reservoir Contingent Fund	\$ 505,397
Public Utility Emergency Fund	3,033,014
Water System Capital Improvement Fund	605,972
Electric Capital Improvement Fund	605,634
Facilities Capital Improvement Fund	25,237
Wastewater Capital Improvement Fund	606,514
Alcoa Road Relocation and Improvement Fund	676
Economic Development Fund	252,527
	<u>\$ 5,634,971</u>

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 September 30, 2019 are as follows:

Bond Funds	\$ 696,179
Debt Service Funds	1,932,692
Depreciation Fund	558,327
Construction Fund	<u>3,821,777</u>
Total Restricted Funds	<u>\$ 7,008,975</u>

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 September 30, 2019:

	Balance 12/31/18	Additions	Deletions	Transfers	Balance 9/30/19
Land	\$ 1,048,248	\$	\$	\$	\$ 1,048,248
Buildings - Administrative	2,052,673		26,305		2,026,368
Vehicles	3,783,185				3,783,185
Furniture and Office Equipment	178,795				178,795
Service Facilities and Equipment	173,156,443				173,156,443
Construction Materials	880,921			(84,278)	796,643
Construction in Process	<u>2,023,068</u>			<u>1,386,211</u>	<u>3,409,279</u>
	<u>\$ 183,123,333</u>	<u>\$</u>	<u>\$ 26,305</u>	<u>\$ 1,301,933</u>	<u>\$ 184,398,961</u>

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 nine months ended September 30, 2019 was \$2,055,758.

Note 6: Revenue Bonds Payable

The interest rates and maturity dates of the revenue bonds payable as of September 30, 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 nine months ending September 30:

Beginning Balance	\$ 49,495,613
Retired	(2,628,015)
Ending Balance	<u>\$ 46,867,598</u>

Maturities of revenue bonds as of September 30, 2019 are as follows:

	Principal	Interest and Service Fees	Total
2020	\$ 2,713,715	\$ 1,992,384	\$ 4,706,099
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>\$ 46,867,598</u>	<u>\$ 19,525,083</u>	<u>\$ 66,392,681</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 nine months ended September 30, 2019 was \$191,307. 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 nine months ended September 30, 2019 was \$8,587. 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 nine months ended September 30, 2019 was \$44,352. For the nine months ended September 30, 2019, 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.

For financial statement purposes, the Utilities has recorded net pension liability and net pension inflows and outflows for the nine months ending September 30, 2019 using December 31, 2017 actuarial information.

Membership in the plan as of December 31, 2017, is as follows:

Retirees and beneficiaries currently receiving benefits	61
Vested terminated employees	24
Current employees	<u>83</u>
Total	<u>168</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>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 382,204	\$ 390,180	\$ 340,980
Service Transfer		4,256	(884,253)
Interest	1,136,662	1,114,521	1,144,187
Differences Between Actual and Expected Experience	71,899	(363,881)	(297,057)
Benefit Payments	(871,006)	(770,590)	(723,117)
Net Change in Total Pension Liability	\$ 719,759	\$ 374,486	\$ (419,260)
Total Pension Liability – Beginning	<u>\$ 16,291,333</u>	<u>\$ 15,916,847</u>	<u>\$ 16,336,107</u>
Total Pension Liability – Ending	<u>\$ 17,011,092</u>	<u>\$ 16,291,333</u>	<u>\$ 15,916,847</u>
Plan Fiduciary Net Position			
Contributions – Employee Mandatory	\$ 64,199	\$ 49,641	\$ 38,301
Contributions – Employer	913,740	685,000	700,012
Service Transfer		4,256	(884,253)
Net Investment Income	1,431,792	939,583	(493,083)
Benefits Payments	(871,006)	(770,590)	(723,117)
Net Change in Plan Net Position	\$ 1,538,725	\$ 907,890	\$ (1,362,140)
Net Position – Beginning	<u>\$ 13,009,834</u>	<u>\$ 12,101,944</u>	<u>\$ 13,464,084</u>
Net Position – Ending	<u>\$ 14,548,559</u>	<u>\$ 13,009,834</u>	<u>\$ 12,101,944</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 2018 was determined as part of the January 1, 2018, 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:

	<u>1% Decrease to 6.0%</u>	<u>Current Single Rate Assumed</u>	<u>1% Increase to 8.0%</u>
Total Pension Liability	\$ 19,563,637	\$ 17,011,092	\$ 15,455,292
Net Pension Liability	\$ 5,015,078	\$ 2,462,533	\$ 906,733

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 64,709	\$ 509,142
Net difference between projected and actual earnings on pension plan investments	574,441	470,112
Contributions subsequent to measurement date	956,004	
	<u>\$ 1,595,154</u>	<u>\$ 979,254</u>

Contributions made subsequent to the measurement date will be reversed in the year ending December 31, 2019. 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:	2019	\$ 1,055,473
	2020	99,470
	2021	(187,751)
	2022	(169,010)
	2023	(65,539)
	Thereafter	(116,743)
		<u>\$ 615,900</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 October 23, 2019, 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 \$324,308 at September 30, 2019. For the nine months ended September 30, 2019, the Utilities had franchise fee expense to the City of \$1,553,563.

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

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
Total Pension Liability						
Service Cost	\$ 382,204	\$ 390,180	\$ 340,980	\$ 335,144	\$ 337,147	\$ 307,809
Service Transfer		4,256	(884,253)			
Interest	1,136,662	1,114,521	1,144,187	1,074,426	1,038,990	959,291
Difference Between Actual and Expected Experience	71,899	(363,881)	(297,057)	116,426	(164,843)	498,699
Benefit Payments	(871,006)	(770,590)	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Total Pension Liability	\$ 719,759	\$ 374,486	\$ (419,260)	\$ 783,486	\$ 545,657	\$ 1,147,634
Total Pension Liability - Beginning	\$ 16,291,333	\$ 15,916,847	\$ 16,336,107	\$ 15,552,621	\$ 15,006,964	\$ 13,859,330
Total Pension Liability - Ending	\$ 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	\$ 64,199	\$ 49,641	\$ 38,301	\$ 29,480	\$ 14,000	\$ 2,263
Contributions - Employer	913,740	685,000	700,012	750,000	700,000	725,000
Service Transfer		4,256	(884,253)			
Net Investment Income	1,431,792	939,583	(493,083)	620,952	1,554,607	918,794
Benefits Payments	(871,006)	(770,590)	(723,117)	(742,510)	(665,637)	(618,165)
Net Change in Plan Net Position	\$ 1,538,725	\$ 907,890	\$ (1,362,140)	\$ 657,922	\$ 1,602,970	\$ 1,027,892
Plan Fiduciary Net Position - Beginning	\$ 13,009,834	\$ 12,101,944	\$ 13,464,084	\$ 12,806,162	\$ 11,203,192	\$ 10,175,300
Plan Fiduciary Net Position - Ending	\$ 14,548,559	\$ 13,009,834	\$ 12,101,944	\$ 13,464,084	\$ 12,806,162	\$ 11,203,192
Net Pension Liability - Ending	\$ 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	85.52%	79.86%	76.03%	82.42%	82.34%	74.65%
Covered Payroll	\$ 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	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%