

# City of Bentonville, Arkansas

## Comprehensive Annual Financial Report

For the Year Ended December 31, 2017



Prepared by:  
Denise Land  
Finance Director

Jake Harper  
Assistant Finance Director

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**City of Bentonville, Arkansas**  
**December 31, 2017**

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# City of Bentonville, Arkansas

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## **Introductory Section**

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**City of Bentonville, Arkansas**  
**Finance and Accounting Department**  
**117 West Central Avenue – Bentonville, Arkansas 72712**  
**Phone (479)-271-3100 – Fax (479) 271-5913**

To the Citizens of the City of Bentonville, Honorable Mayor and Members of the City Council:

The Comprehensive Annual Financial Report (CAFR) of the City of Bentonville, Arkansas (the City) for the year ended December 31, 2017, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

This report consists of management's representations concerning the finances of the City of Bentonville. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute, that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Bentonville's financial statements have been audited by **BKD, LLP**, a firm of licensed independent certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund and aggregate remaining fund information that collectively comprise the City of Bentonville's basic financial statements as of and for the fiscal year ended December 31, 2017. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. It is our intention that the MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

The City of Bentonville was incorporated in 1837 and is located in the northwest corner of the State of Arkansas. The City currently occupies a land area of approximately 31.5 square miles. The City's population has grown to 35,301. It is estimated that it could grow to as large as 65,000 by the year 2025 according to a University of Arkansas population study.

The City is empowered to levy property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the City Council.

The City of Bentonville is operated under the Mayor-Council form of government. The Mayor is elected by the Citizens of Bentonville to a four year term. The Mayor serves as the chief executive of the city, presides over City Council meetings and has the ability to vote on City Council items in the event of a tie. The City Council is made up of two members from each ward (eight total members) within the City and are elected for four year terms. The City Council has the ability to enact laws (ordinances) for the health, safety and welfare of the city not in conflict with the United States constitution or the constitution of the State of Arkansas. The legal level of budgetary control is maintained at the fund level for all funds. However, management control is maintained at the department level.

The City of Bentonville provides a full range of services including police, fire, emergency ambulance service, library, parks, recreation, water, sewer, electric, traffic engineering, streets and infrastructure, community development (planning and zoning), economic development and general administrative services.

The financial reporting entity (the government) includes all funds of the primary government. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Bentonville Public Library Foundation is included in the financial statements as a discretely presented component unit.

### **Factors Affecting Financial Condition**

**Local Economy.** The City of Bentonville historically benefits from low unemployment rates. There are several major industries in the City, with Wal-Mart and Sam's Club headquarters in Bentonville. The City is also home to Northwest Arkansas Community College. These employers draw their workforce from a population of more than 450,000 within the Fayetteville-Springdale-Rogers MSA (metropolitan statistical area) of which Bentonville is a part. Other major employers also located in the Fayetteville-Springdale-Rogers MSA include Tyson's Foods, J.B. Hunt Transport, and the University of Arkansas.

### **Relevant Financial Policies**

The City's accounting records for general government activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's electric, water and sewer utility and other proprietary activities are maintained on an accrual basis.

The annual budget serves as the foundation for the City of Bentonville, Arkansas' financial planning and control. The annual budget for the following year is prepared each year by the Mayor and Department Heads and is submitted to City Council for review and approval before the end of the current year. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

### **Awards and Acknowledgements**

**Awards:** The Government Finance Officers Association (GFOA) awarded a Distinguished Budget Presentation Award to the City of Bentonville, Arkansas for its budget document prepared for the budget year ended December 31, 2017. The City of Bentonville has earned this award for 20 consecutive years.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bentonville for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1)-year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and are submitting it to GFOA to determine its eligibility for another certificate.

**Acknowledgements:** This report and the information contained therein would not have been possible without the help of the all the departments within the City of Bentonville that provided information presented. We would also like to express our appreciation to the Mayor and City Council for their interest and support in the responsible planning and conducting of the financial operations of the City.

Respectively submitted,



Denise Land  
Finance Director

June 28, 2018



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Bentonville**  
**Arkansas**

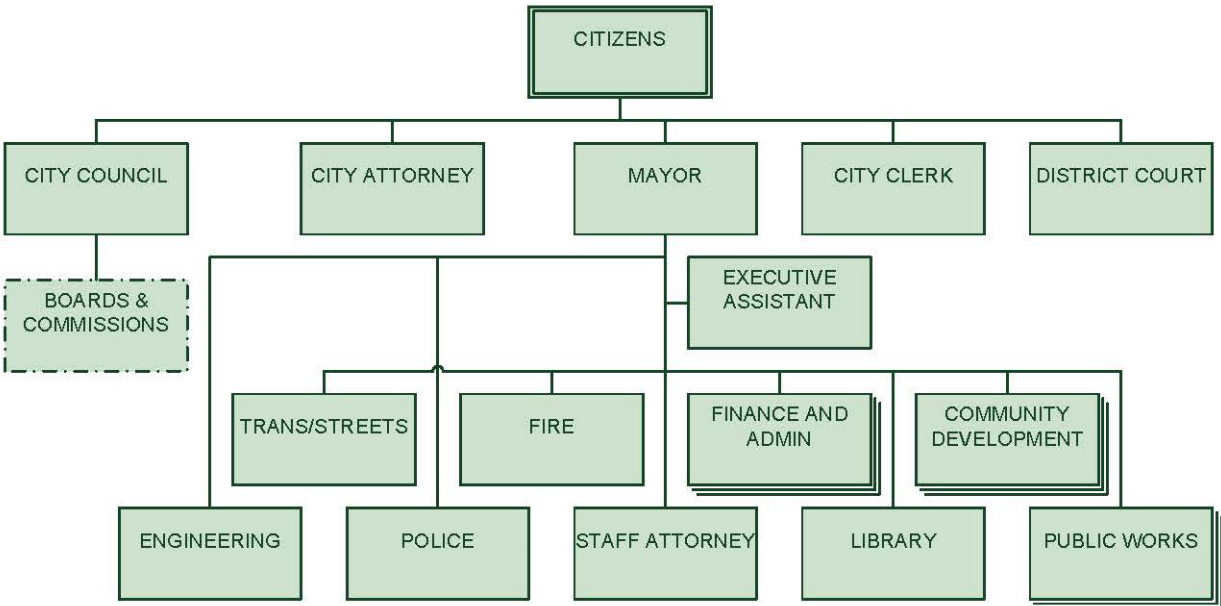
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

# City of Bentonville Organizational Chart



**City of Bentonville, Arkansas  
City Council and Other Elected Officials**

**Bob McCaslin  
Mayor**

| <b>Name</b>                  | <b>Ward</b> | <b>Position</b> |
|------------------------------|-------------|-----------------|
| Stephanie Orman              | 1           | 1               |
| Chad Goss                    | 1           | 2               |
| Tim Robinson                 | 2           | 1               |
| Chris Sooter                 | 2           | 2               |
| Aubrey Patterson             | 3           | 1               |
| Bill Burckart                | 3           | 2               |
| Octavio Sanchez              | 4           | 1               |
| Jon Terlouw                  | 4           | 2               |
| George Spence, City Attorney |             |                 |
| Linda Spence, City Clerk     |             |                 |

## **Financial Section**

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## Independent Auditor's Report

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bentonville, Arkansas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bentonville, Arkansas as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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, budgetary comparison, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and introductory section and statistical tables, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual fund statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Page 3

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**BKD, LLP**

Rogers, Arkansas  
June 28, 2018

# **City of Bentonville, Arkansas**

## **Management's Discussion and Analysis**

### **December 31, 2017**

As management of the City of Bentonville (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. The information contained in this MD&A should be considered in conjunction with our letter of transmittal at the front of this report and the information contained in the Independent Auditor's Reports, Financial Statements and Supplementary Information.

#### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$487,791,459.
- As of the close of the current fiscal year, the City of Bentonville's governmental funds reported combined ending fund balances of \$95,469,699 of which \$48,453,612 was unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$48,453,612, which is 120% of total general fund expenditures.
- The City's total bond related debt increased by \$15,256,584 or 27% during 2017 primarily due to the issuance of bonds in the amount of \$24,655,000, which is offset by principal payments on existing debt.
- The City had general revenues of \$66,041,787, grants and contribution revenue of \$15,482,541, charges for services of \$101,286,130 and program expenses of \$143,876,747 for the year ended December 31, 2017.
- The City's capital outlays for the year, including outlays in the enterprise fund, were \$32,360,724.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

# City of Bentonville, Arkansas

## Management's Discussion and Analysis

### December 31, 2017

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements are divided into two categories, governmental and business-type activities. The governmental activities of the City include General Government, Administrative Services, Police, Fire, Public Works, Community Development, Library and Parks. The business-type activities of the City include Electric, Water, Wastewater, Sanitation, and related support departments which comprise the Utility Fund.

The government-wide financial statements not only include the City itself (known as the *primary government*), but also the financial statements of Bentonville Library Foundation (the Foundation). The Foundation is a legally separate, tax exempt component unit of the City whose primary function is to raise and hold funds to support the City library and its programs. Although the City does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the City. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Library, the Foundation is considered a component unit of the City and is discretely presented in the City's financial statements.

The government-wide financial statements can be found on pages 13-16 of this report.

#### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

##### *Governmental Funds*

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

**City of Bentonville, Arkansas**  
**Management's Discussion and Analysis**  
**December 31, 2017**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the street fund, the capital projects fund and the debt service fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 17-18 of this report.

*Proprietary Funds*

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater and sanitation operations.

Proprietary funds, in general, charge customers for services provided. Like the government-wide financial statements, proprietary fund financial statements are presented using a long-term financial accounting approach and the full accrual basis of accounting. Additional information is provided in the proprietary funds' statement of cash flows.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-61 of this report.

*Other Information*

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees. Required supplementary information can be found on pages 62-71 of this report.

The combining schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 72-76 of this report.

**City of Bentonville, Arkansas**  
**Management's Discussion and Analysis**  
**December 31, 2017**

**GOVERNMENT-WIDE ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$487,791,459 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (83%) is its investment in capital assets (*e.g.*, land, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

**Net Position**

|                                      | Governmental<br>Activities |                       | Business-type<br>Activities |                       | Total                 |                       |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|                                      | 2017                       | 2016                  | 2017                        | 2016                  | 2017                  | 2016                  |
| Current and other assets             | \$ 113,127,200             | \$ 73,240,880         | \$ 42,949,684               | \$ 47,366,351         | \$ 156,076,884        | \$ 120,607,231        |
| Capital assets                       | 246,158,764                | 236,972,944           | 201,171,732                 | 190,892,504           | 447,330,496           | 427,865,448           |
| Total assets                         | <u>359,285,964</u>         | <u>310,213,824</u>    | <u>244,121,416</u>          | <u>238,258,855</u>    | <u>603,407,380</u>    | <u>548,472,679</u>    |
| Total deferred outflows of resources | 11,325,686                 | 10,337,688            | 3,246,050                   | 3,016,203             | 14,571,736            | 13,353,891            |
| Long-term liabilities                | 86,066,567                 | 66,238,528            | 19,249,415                  | 20,320,392            | 105,315,982           | 86,558,920            |
| Other liabilities                    | 15,227,198                 | 13,294,967            | 8,980,955                   | 11,982,004            | 24,208,153            | 25,276,971            |
| Total liabilities                    | <u>101,293,765</u>         | <u>79,533,495</u>     | <u>28,230,370</u>           | <u>32,302,396</u>     | <u>129,524,135</u>    | <u>111,835,891</u>    |
| Total deferred inflows of resources  | 475,896                    | 844,379               | 187,626                     | 288,552               | 663,522               | 1,132,931             |
| Net position:                        |                            |                       |                             |                       |                       |                       |
| Net investment in capital assets     | 214,744,281                | 195,975,422           | 190,003,709                 | 177,477,573           | 404,747,990           | 373,452,995           |
| Restricted                           | 19,818,040                 | 16,800,936            | 2,869,343                   | 2,778,744             | 22,687,383            | 19,579,680            |
| Unrestricted                         | 34,279,668                 | 27,397,280            | 26,076,418                  | 28,427,793            | 60,356,086            | 55,825,073            |
| Total net position                   | <u>\$ 268,841,989</u>      | <u>\$ 240,173,638</u> | <u>\$ 218,949,470</u>       | <u>\$ 208,684,110</u> | <u>\$ 487,791,459</u> | <u>\$ 448,857,748</u> |

An additional portion of the City's net position (4.65%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$60,356,086 may be used to meet the City's ongoing obligations to citizens and creditors.

During the current fiscal year, total net position of the City increased by \$38,933,711. The changes in net position are shown in detail on the following page. The increase in net position primarily resulted in an increase in capital assets net of accumulated depreciation of \$19,465,048 and payments on long-term debt of \$10,223,374. The major capital asset events contributing to this increase are discussed in the *Capital Assets* section of this document. Restricted net position increased by \$3,107,703 primarily due to an increase in funds set aside for new growth (\$2,880,976), an increase in debt service funds set aside from the issuance of the Series 2017 bonds (\$1,232,752) and dedicated sales tax revenues exceeding payments on long-term debt.

**City of Bentonville, Arkansas**  
**Management's Discussion and Analysis**  
**December 31, 2017**

**Changes in Net Position**

|   | Governmental<br>Activities |                       | Business-type<br>Activities |                       | Total                 |                       |
|---|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|   | 2017                       | 2016                  | 2017                        | 2016                  | 2017                  | 2016                  |
| Revenues:   |                            |                       |                             |                       |                       |                       |
| Program revenues:   |                            |                       |                             |                       |                       |                       |
| Charges for services  | \$ 5,792,479               | \$ 5,175,541          | \$ 95,493,651               | \$ 91,153,964         | \$ 101,286,130        | \$ 96,329,505         |
| Operating grants and contributions                          | 5,402,348                  | 7,545,636             | 11,978                      | 137,426               | 5,414,326             | 7,683,062             |
| Capital grants and contributions                            | 5,909,573                  | 4,795,540             | 4,158,642                   | 1,203,774             | 10,068,215            | 5,999,314             |
| General revenues:   |                            |                       |                             |                       | -                     | -                     |
| Property taxes  | 8,282,975                  | 7,757,246             | -                           | -                     | 8,282,975             | 7,757,246             |
| Sales taxes   | 37,651,052                 | 30,117,108            | -                           | -                     | 37,651,052            | 30,117,108            |
| State Turnback  | 2,853,363                  | 2,756,242             | -                           | -                     | 2,853,363             | 2,756,242             |
| Franchise fees  | 5,351,361                  | 4,788,966             | -                           | -                     | 5,351,361             | 4,788,966             |
| Investment income   | 225,496                    | 61,952                | 41,398                      | 36,505                | 266,894               | 98,457                |
| Gain (loss) on sale of capital assets                       | (30,542)                   | 271,855               | 272,526                     | 634,635               | 241,984               | 906,490               |
| Other   | 10,671,030                 | 5,264,905             | 723,128                     | 275,664               | 11,394,158            | 5,540,569             |
| Total revenues  | <u>82,109,135</u>          | <u>68,534,991</u>     | <u>100,701,323</u>          | <u>93,441,968</u>     | <u>182,810,458</u>    | <u>161,976,959</u>    |
| Expenses:   |                            |                       |                             |                       |                       |                       |
| General government  | 8,380,920                  | 7,838,616             | -                           | -                     | 8,380,920             | 7,838,616             |
| Public safety   | 22,219,435                 | 19,978,800            | -                           | -                     | 22,219,435            | 19,978,800            |
| Recreation  | 10,239,510                 | 9,126,620             | -                           | -                     | 10,239,510            | 9,126,620             |
| Street department   | 8,522,377                  | 7,950,435             | -                           | -                     | 8,522,377             | 7,950,435             |
| Library   | 1,688,914                  | 1,505,475             | -                           | -                     | 1,688,914             | 1,505,475             |
| CDBG  | 7,147                      | 46,716                | -                           | -                     | 7,147                 | 46,716                |
| Interest expense on long-term debt                          | 2,382,481                  | 2,011,778             | -                           | -                     | 2,382,481             | 2,011,778             |
| Electric  | -                          | -                     | 60,318,959                  | 59,066,230            | 60,318,959            | 59,066,230            |
| Water   | -                          | -                     | 12,918,078                  | 11,859,994            | 12,918,078            | 11,859,994            |
| Wastewater  | -                          | -                     | 9,255,683                   | 8,396,479             | 9,255,683             | 8,396,479             |
| Sanitation  | -                          | -                     | 4,197,480                   | 3,891,758             | 4,197,480             | 3,891,758             |
| Support   | -                          | -                     | 3,745,763                   | 3,268,751             | 3,745,763             | 3,268,751             |
| Total expenses:   | <u>53,440,784</u>          | <u>48,458,440</u>     | <u>90,435,963</u>           | <u>86,483,212</u>     | <u>143,876,747</u>    | <u>134,941,652</u>    |
| Increase in net position before transfers and special items | <u>28,668,351</u>          | <u>20,076,551</u>     | <u>10,265,360</u>           | <u>6,958,756</u>      | <u>38,933,711</u>     | <u>27,035,307</u>     |
| Transfers   | <u>-</u>                   | <u>(2,704,809)</u>    | <u>-</u>                    | <u>2,704,809</u>      | <u>-</u>              | <u>-</u>              |
| Increase in net position                                    | 28,668,351                 | 17,371,742            | 10,265,360                  | 9,663,565             | 38,933,711            | 27,035,307            |
| Net position – beginning of the year                        | <u>240,173,638</u>         | <u>222,801,896</u>    | <u>208,684,110</u>          | <u>199,020,545</u>    | <u>448,857,748</u>    | <u>421,822,441</u>    |
| Net position – end of the year                              | <u>\$ 268,841,989</u>      | <u>\$ 240,173,638</u> | <u>\$ 218,949,470</u>       | <u>\$ 208,684,110</u> | <u>\$ 487,791,459</u> | <u>\$ 448,857,748</u> |

*Governmental Activities*

Governmental activities increased the City's net position by \$28,668,351, thereby accounting for 74% of the total growth in the net position of the City. The 2017 increase is \$11.3 million more than in 2016 due to various reasons including an increase in charges for services, property tax revenues and sales tax revenues, primarily driven by the overall economic growth in the Northwest Arkansas area.



**City of Bentonville, Arkansas**  
**Management's Discussion and Analysis**  
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*Business-type Activities*

Business-type activities increased the City's net position by \$10,265,360, accounting for 26% of the total growth in the City's net position. The 2017 increase is \$601,795 more than the increase experienced in 2016 primarily due to an increase in charges for services of \$4.3 million (due to an increased fee schedule in 2017 and overall increase in customers and usage) that was offset by a general increase in expenses of \$4.0 million.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Governmental Funds**

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

*General Fund*

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$48,453,612, while total fund balances reached \$48,648,676. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures. Unassigned fund balances represent 120% of total general fund expenditures, while total fund balances represent 121% of that same amount.

The fund balances of the City's general fund increased \$9,221,265 during the current fiscal year, which was an increase of \$4,398,126 over the increase experienced in 2016. The increase in 2017 was primarily due to the increase in sales tax revenues of \$4,829,270 compared to 2016, which is driven by the overall economic growth in the area. Overall revenues increased by \$7,040,704 and was offset by an overall increase in expenses of \$2,653,126.

*Street Fund*

The City's street fund had a total fund balance of \$4,837,341 of which all but \$1,225 is assigned and available to fund street capital and maintenance projects. The net decrease in fund balance during the current year in the street fund was \$2,248,255. The street fund's fund balance decrease is primarily due to a decrease in grant and contribution revenues.

*Capital Project Fund*

The City's capital project fund had a total fund balance of \$29,016,117 all of which is restricted and available to fund capital projects that meet the requirements of the Series 2007 Sales and Use Tax Bonds, the Series 2009 Sales and Use Tax Bonds, the Series 2010 Sales and Use Tax Bonds, and the Series 2017 Sales and Use Tax Bonds. The net increase in fund balance during the current year in the capital project fund was \$27,088,529, and is the result of issuing \$24,655,000 of bonds for the Series 2017 Sales and Use Tax Bonds.

**City of Bentonville, Arkansas**  
**Management's Discussion and Analysis**  
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*Debt Service Fund*

The City's debt service fund had a total fund balance of \$8,486,688, which is restricted for debt service. The net increase in fund balance during the current year in the fund was \$3,010,928. Debt service's fund balance increase is due to the issuance of the Series 2017 Sales and Use Tax bonds, debt service sales tax revenues exceeding expenditures in general and the overall economic growth in the Northwest Arkansas area.

**Proprietary Funds**

*Enterprise Fund*

Unrestricted net position of the enterprise fund at the end of the year was \$26,076,418. The total growth in net position of the enterprise fund was \$10,265,360. Operating revenues of the enterprise fund increased 4.84% to \$96,228,757 and the operating expenses increased 4.49% to \$89,924,148. Other factors concerning the finances of the enterprise fund have already been discussed in the City's business-type activities.

**General Fund Budgetary Highlights**

**Original Budget as Compared to the Final Budget**

During the 2017 fiscal year, the original budget of the general fund was amended primarily to budget for more capital projects and other costs or revenues not previously in the budget. The most significant amendments for revenue were a \$2.3 million grant for the construction of a taxiway project, \$577,000 for construction of a pedestrian tunnel and \$1.3 million in park improvements. The most significant amendments for expenditure was \$4.9 million for park improvements and \$2.5 million for the taxiway project, which was funded by the adjustment discussed above. An additional amendment for expenditure of \$3.2 million was made for the construction of the police department communications center, which is being financed through our Series 2017 Sales and Use Tax bond issue.

**Actual Results as Compared to the Final Budget**

Variances between the actual revenues and expenditures and the general fund's final budget were fairly significant. The final amended budget projected a \$3,076,316 decrease in general fund balance while the actual resulted in a fund balance increase of \$9,221,265. The prime factors in the variances can be briefly summarized as follows:

- *Property tax* revenue was \$5,964,660, while the final budgeted amount was \$5,374,015. The excess revenues over the budget (\$590,645) can be attributed to a general improvement in the local economy in 2017 compared to 2016 and an increase in assessed values of \$48,433,175 or 4.65%
- *Sales tax* revenue was \$25,772,113, while the final budgeted amount was \$18,586,260. The increase in revenues over the budget (\$7,185,853) can be attributed to a general increase in retail sales tax from various projects in the City and the County and general improvement in economic conditions.

**City of Bentonville, Arkansas**  
**Management's Discussion and Analysis**  
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- *Charges for services* revenue was \$5,658,026, while the final budgeted amount was \$4,969,610. The increase in revenues over the budget (\$688,416) can be attributed to an increase in participation in our Parks and Recreation programs and the related admission fees.
- *Licenses and permits* revenue was \$1,370,136, while the final budgeted amount was \$986,545. The increase in revenues over the budget (\$383,591) can be attributed to a general increase in permits attributed to an increase in building permits and activity.
- *Grants* revenue was \$1,165,358, while the final budgeted amount was \$2,966,235. The decrease in revenues over the budget (\$1,800,877) can be attributed to grants that were budgeted or awarded in 2017 but had not been earned by the end of the year.
- *Contributions* revenue was \$1,029,148, while the final budgeted amount was \$3,768,297. The decrease in revenues over the budget (\$2,739,149) can be attributed to contributions that were budgeted or awarded in 2017 but had not been earned by the end of the year.
- *Capital outlay* expenditure was \$5,347,827, while the final budgeted amount was \$12,473,524. The decrease in expenditures over the budget (\$7,125,697) can be attributed to various budgeted capital outlay projects that were not completed during 2017 due to time constraints or planned multi-year projects.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2017, the City's investment in capital assets for its governmental and business-type activities was \$447,330,496 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets.

Major capital asset events during the current fiscal year include the following:

- Capital expenditures of \$8.7 million were made for a variety of street construction projects in new residential developments and widening and expansion projects for existing streets. In addition, \$4.7 million of additions to streets, drainage and sidewalks constructed by developers were contributed to the City to own and maintain.
- Capital expenditures of \$1.6 million were made for a variety of park improvement projects.
- Capital expenditures for additions and improvements for the City's water system, sewer system and electric system were \$4.9 million. In addition, \$4.2 million in electric, water and sewer lines were contributed by developers to the City.
- Capital expenditures for furniture, fixtures and equipment and vehicles city wide totaled \$4.1 million due to replacement and additional equipment needs throughout the city.
- Capital expenditures for a municipal public works campus totaled \$7.3 million and was completed in 2017.

Additional information regarding capital assets can be found on pages 36-39 of this report.

**City of Bentonville, Arkansas**  
**Management's Discussion and Analysis**  
**December 31, 2017**

**Long-term Debt**

The City had \$71,598,624 in revenue bonds and notes payable outstanding as of December 31, 2017, which is an increase of \$15,256,584 from the previous year. The increase was due to the issuance of the Series 2017 Sales and Use Tax Bonds of \$24,655,000 that was offset by regularly scheduled principal reductions on the outstanding debt. The revenue bonds of the Electric, Water, and Sewer Systems have been rated "AAA" by Moody's Investor Service.

Additional information regarding long-term debt can be found at pages 39-43 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unemployment rate for the metropolitan area of Northwest Arkansas (of which Bentonville is a part) is currently 2.7%. This compares favorably to the state's average unemployment rate of 3.7% and the national average rate of 4.1%.
- The City's population growth has averaged about 7% annually and according to the most recent census the population is 35,301. Impact and capacity fees, an additional one cent sales tax for capital improvements and slight increases in utility rates are in place to meet the financial demands caused by this population growth.
- The value of building permits issued, excluding public buildings, was approximately \$372 million in 2016 and \$395 million in 2017.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Administration; 117 W. Central Avenue; Bentonville, Arkansas 72712.

## **Basic Financial Statements**

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**City of Bentonville, Arkansas**  
**Statement of Net Position**  
**December 31, 2017**

|  | <b>Primary Government</b>          |                                     |                    |
|--|------------------------------------|-------------------------------------|--------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>       |
| <b>Assets</b>  |                                    |                                     |                    |
| <b>Current Assets</b>  |                                    |                                     |                    |
| Cash and cash equivalents  | \$ 42,944,323                      | \$ 17,993,252                       | \$ 60,937,575      |
| Certificates of deposit  | 9,500,000                          | 9,000,000                           | 18,500,000         |
| Restricted cash and cash equivalents   | 39,961,353                         | 1,592,933                           | 41,554,286         |
| Receivable   |                                    |                                     |                    |
| Customer accounts, net of allowance for<br>uncollectible accounts of \$281,000 | -                                  | 8,508,153                           | 8,508,153          |
| Property taxes, net of allowance for<br>uncollectibles of \$391,276            | 7,434,239                          | -                                   | 7,434,239          |
| Grants and other   | 7,212,735                          | 390,367                             | 7,603,102          |
| Internal balances  | 84,828                             | (84,828)                            | -                  |
| Inventories  | -                                  | 3,414,790                           | 3,414,790          |
| Prepaid items  | 196,289                            | 64,245                              | 260,534            |
|  | <u>107,333,767</u>                 | <u>40,878,912</u>                   | <u>148,212,679</u> |
| <b>Noncurrent Assets</b>   |                                    |                                     |                    |
| Restricted assets  |                                    |                                     |                    |
| Cash and cash equivalents  | 395,750                            | 2,070,772                           | 2,466,522          |
| Sales taxes receivable   | 3,778,343                          | -                                   | 3,778,343          |
|  | <u>4,174,093</u>                   | <u>2,070,772</u>                    | <u>6,244,865</u>   |
| Net pension asset  | 1,619,340                          | -                                   | 1,619,340          |
| Capital assets - non-depreciable   | 8,903,448                          | 8,185,123                           | 17,088,571         |
| Capital assets - depreciable, net  | 237,255,316                        | 192,986,609                         | 430,241,925        |
|  | <u>247,778,104</u>                 | <u>201,171,732</u>                  | <u>448,949,836</u> |
| Total noncurrent and other assets  | <u>251,952,197</u>                 | <u>203,242,504</u>                  | <u>455,194,701</u> |
| Total assets   | <u>359,285,964</u>                 | <u>244,121,416</u>                  | <u>603,407,380</u> |
| <b>Deferred Outflows of Resources</b>  |                                    |                                     |                    |
| Deferred outflows - pensions   | 8,641,796                          | 2,738,655                           | 11,380,451         |
| Deferred outflows - pension contributions                                      | 2,683,890                          | 507,395                             | 3,191,285          |
| Total deferred outflows of resources   | <u>11,325,686</u>                  | <u>3,246,050</u>                    | <u>14,571,736</u>  |

See Notes to Financial Statements



|  | <b>Primary Government</b>          |                                     |                       |
|--|------------------------------------|-------------------------------------|-----------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
| <b>Liabilities</b>                     |                                    |                                     |                       |
| <b>Current Liabilities</b>             |                                    |                                     |                       |
| Accounts payable                       | \$ 1,748,881                       | \$ 5,456,300                        | \$ 7,205,181          |
| Accrued expenses and other             | 882,519                            | 151,318                             | 1,033,837             |
| Accrued interest payable               | 513,276                            | 16,050                              | 529,326               |
| Compensated absences - current portion | 79,071                             | 684,307                             | 763,378               |
| Due to other governments               | 341,930                            | 268,656                             | 610,586               |
| Bonds payable - current portion        | 6,110,000                          | 2,341,965                           | 8,451,965             |
| Unearned revenues                      | 5,551,521                          | 62,359                              | 5,613,880             |
|  | <u>15,227,198</u>                  | <u>8,980,955</u>                    | <u>24,208,153</u>     |
| Total current liabilities              |                                    |                                     |                       |
| <b>Noncurrent Liabilities</b>          |                                    |                                     |                       |
| Customer deposits                      | -                                  | 778,298                             | 778,298               |
| Compensated absences                   | 1,460,274                          | 10,637                              | 1,470,911             |
| Other postemployment benefit liability | 1,435,000                          | 236,204                             | 1,671,204             |
| Net pension liability                  | 28,850,692                         | 9,398,218                           | 38,248,910            |
| Bonds payable, net                     | 54,320,601                         | 8,826,058                           | 63,146,659            |
|  | <u>86,066,567</u>                  | <u>19,249,415</u>                   | <u>105,315,982</u>    |
| Total noncurrent liabilities           |                                    |                                     |                       |
| Total liabilities                      | <u>101,293,765</u>                 | <u>28,230,370</u>                   | <u>129,524,135</u>    |
| <b>Deferred Inflows of Resources</b>   |                                    |                                     |                       |
| Deferred inflows - pensions            | 475,896                            | 187,626                             | 663,522               |
|  | <u>475,896</u>                     | <u>187,626</u>                      | <u>663,522</u>        |
| Total deferred inflows of resources    |                                    |                                     |                       |
| <b>Net Position</b>                    |                                    |                                     |                       |
| Net investment in capital assets       | <u>214,744,281</u>                 | <u>190,003,709</u>                  | <u>404,747,990</u>    |
| <b>Restricted</b>                      |                                    |                                     |                       |
| Debt service                           | 7,973,412                          | 1,276,410                           | 9,249,822             |
| New growth                             | 4,480,877                          | -                                   | 4,480,877             |
| Renewals and replacements              | -                                  | 1,592,933                           | 1,592,933             |
| Capital improvements                   | 822,459                            | -                                   | 822,459               |
| Street improvements                    | 4,837,341                          | -                                   | 4,837,341             |
| Pensions                               | 1,619,340                          | -                                   | 1,619,340             |
| Other                                  | 84,611                             | -                                   | 84,611                |
|  | <u>19,818,040</u>                  | <u>2,869,343</u>                    | <u>22,687,383</u>     |
| Total restricted                       |                                    |                                     |                       |
| Unrestricted                           | <u>34,279,668</u>                  | <u>26,076,418</u>                   | <u>60,356,086</u>     |
| Total net position                     | <u>\$ 268,841,989</u>              | <u>\$ 218,949,470</u>               | <u>\$ 487,791,459</u> |

**City of Bentonville, Arkansas**  
**Statement of Financial Position – Bentonville Library Foundation**  
**December 31, 2017**

**Assets**

**Current Assets**

|      |            |
|------|------------|
| Cash | \$ 158,043 |
|      | 158,043    |

**Property and Equipment**

|                               |             |
|-------------------------------|-------------|
| Land                          | 781,794     |
| Improvements                  | 105,298     |
| Buildings                     | 7,561,978   |
| Furniture and equipment       | 648,104     |
|                               | 9,097,174   |
| Less accumulated depreciation | (2,736,959) |
|                               | 6,360,215   |

**Other Assets**

|                                   |           |
|-----------------------------------|-----------|
| Investment in Endeavor Foundation | 304,641   |
| Prepaid expenses                  | 3,628     |
|                                   | 308,269   |
| Total assets                      | 6,826,527 |

**Liabilities**

|                  |       |
|------------------|-------|
| Accrued expenses | 1,066 |
|                  | 1,066 |

**Net Position**

|                        |           |
|------------------------|-----------|
| Unrestricted           | 5,528,313 |
| Temporarily restricted | 1,297,148 |
|                        | 6,825,461 |

**City of Bentonville, Arkansas**  
**Statement of Activities**  
**Year Ended December 31, 2017**

|   | Net (Expenses) Revenues and<br>Changes in Net Position |                         |  |  |                            |                             |                       |
|---|--|-------------------------|--|--|----------------------------|-----------------------------|-----------------------|
|   | Program Revenues                                       |                         |  |  | Primary Government         |                             |                       |
|   | Expenses   | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>Government/Programs</b>                  |  |                         |  |  |                            |                             |                       |
| <b>Primary Government</b>                   |  |                         |  |  |                            |                             |                       |
| Governmental activities:                    |  |                         |  |  |                            |                             |                       |
| General government                          | \$ 8,380,920   | \$ 411,878              | \$ 628,753                               | \$ 25,000                              | \$ (7,315,289)             | \$ -                        | \$ (7,315,289)        |
| Public safety                               | 22,219,435   | 1,778,596               | 241,176                                  | 350                                    | (20,199,313)               | -                           | (20,199,313)          |
| Recreation                                  | 10,239,510   | 3,568,737               | 1,253,768                                | 750                                    | (5,416,255)                | -                           | (5,416,255)           |
| Street department                           | 8,522,377  | 33,259                  | 3,247,214                                | 5,876,473                              | 634,569                    | -                           | 634,569               |
| Library                                     | 1,688,914  | 9                       | 4,290                                    | 7,000                                  | (1,677,615)                | -                           | (1,677,615)           |
| CDBG  | 7,147  | -                       | 27,147                                   | -                                      | 20,000                     | -                           | 20,000                |
| Interest expense on<br>long-term debt       | 2,382,481  | -                       | -  | -                                      | (2,382,481)                | -                           | (2,382,481)           |
| <b>Total governmental activities</b>        | <b>53,440,784</b>                                      | <b>5,792,479</b>        | <b>5,402,348</b>                         | <b>5,909,573</b>                       | <b>(36,336,384)</b>        | <b>-</b>                    | <b>(36,336,384)</b>   |
| <b>Business-type Activities:</b>            |  |                         |  |  |                            |                             |                       |
| Electric                                    | 60,318,959   | 66,007,652              | -  | 363,424                                | -                          | 6,052,117                   | 6,052,117             |
| Water                                       | 12,918,078   | 10,625,553              | 11,978                                   | 3,795,218                              | -                          | 1,514,671                   | 1,514,671             |
| Wastewater                                  | 9,255,683  | 13,339,032              | -  | -                                      | -                          | 4,083,349                   | 4,083,349             |
| Sanitation                                  | 4,197,480  | 4,591,853               | -  | -                                      | -                          | 394,373                     | 394,373               |
| Support                                     | 3,745,763  | 929,561                 | -  | -                                      | -                          | (2,816,202)                 | (2,816,202)           |
| <b>Total business-type activities</b>       | <b>90,435,963</b>                                      | <b>95,493,651</b>       | <b>11,978</b>                            | <b>4,158,642</b>                       | <b>-</b>                   | <b>9,228,308</b>            | <b>9,228,308</b>      |
| <b>Total primary government</b>             | <b>\$ 143,876,747</b>                                  | <b>\$ 101,286,130</b>   | <b>\$ 5,414,326</b>                      | <b>\$ 10,068,215</b>                   | <b>(36,336,384)</b>        | <b>9,228,308</b>            | <b>(27,108,076)</b>   |
| <b>General Revenues:</b>                    |  |                         |  |  |                            |                             |                       |
| Property taxes                              |  |                         |  |  | 8,282,975                  | -                           | 8,282,975             |
| Sales taxes                                 |  |                         |  |  | 37,651,052                 | -                           | 37,651,052            |
| State turnback                              |  |                         |  |  | 2,853,363                  | -                           | 2,853,363             |
| Franchise taxes                             |  |                         |  |  | 5,351,361                  | -                           | 5,351,361             |
| Investment income                           |  |                         |  |  | 225,496                    | 41,398                      | 266,894               |
| Gain (loss) on sales of capital assets      |  |                         |  |  | (30,542)                   | 272,526                     | 241,984               |
| Transfers                                   |  |                         |  |  | -                          | -                           | -                     |
| Other                                       |  |                         |  |  | 10,671,030                 | 723,128                     | 11,394,158            |
| <b>Total general revenues and transfers</b> |  |                         |  |  | <b>65,004,735</b>          | <b>1,037,052</b>            | <b>66,041,787</b>     |
| <b>Change in Net Position</b>               |  |                         |  |  | <b>28,668,351</b>          | <b>10,265,360</b>           | <b>38,933,711</b>     |
| <b>Net Position, Beginning of Year</b>      |  |                         |  |  | <b>240,173,638</b>         | <b>208,684,110</b>          | <b>448,857,748</b>    |
| <b>Net Position - End of Year</b>           |  |                         |  |  | <b>\$ 268,841,989</b>      | <b>\$ 218,949,470</b>       | <b>\$ 487,791,459</b> |

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**City of Bentonville, Arkansas**  
**Statement of Activities – Bentonville Library Foundation**  
**Year Ended December 31, 2017**

|  | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>Revenues and Support</b>            |                     |                                   |                     |
| Contributions                          | \$ 64,360           | \$ 50,891                         | \$ 115,251          |
| Investment income                      | 52,280              | -                                 | 52,280              |
| Net assets released from restrictions  |                     |                                   |                     |
| Purpose restrictions accomplished      | 30,830              | (30,830)                          | -                   |
|  | <u>147,470</u>      | <u>20,061</u>                     | <u>167,531</u>      |
| <b>Expenses</b>                        |                     |                                   |                     |
| Advertising                            | 49                  | -                                 | 49                  |
| Books, subscriptions, reference        | 30,830              | -                                 | 30,830              |
| Depreciation                           | 191,778             | -                                 | 191,778             |
| Investment fees                        | 3,002               | -                                 | 3,002               |
| Miscellaneous                          | 13,280              | -                                 | 13,280              |
| Payroll taxes                          | 4,125               | -                                 | 4,125               |
| Professional fees                      | 61,861              | -                                 | 61,861              |
| Scholarships                           | 2,000               | -                                 | 2,000               |
| Supplies                               | 1,263               | -                                 | 1,263               |
| Telephone and telecommunications       | 1,035               | -                                 | 1,035               |
| Train station                          | 9,955               | -                                 | 9,955               |
|  | <u>319,178</u>      | <u>-</u>                          | <u>319,178</u>      |
| <b>Change in Net Position</b>          | (171,708)           | 20,061                            | (151,647)           |
| <b>Net Position, Beginning of Year</b> | <u>5,700,021</u>    | <u>1,277,087</u>                  | <u>6,977,108</u>    |
| <b>Net Position, End of Year</b>       | <u>\$ 5,528,313</u> | <u>\$ 1,297,148</u>               | <u>\$ 6,825,461</u> |

**City of Bentonville, Arkansas**  
**Balance Sheet – Governmental Funds**  
**December 31, 2017**

|  | General              | Street               | Capital<br>Project   | Debt<br>Service     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|----------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>  |                      |                      |                      |                     |                                   |                                |
| Cash and cash equivalents  | \$ 36,782,798        | \$ 6,161,525         | \$ -                 | \$ -                | \$ -                              | \$ 42,944,323                  |
| Certificates of deposit  | 8,000,000            | 1,500,000            | -                    | -                   | -                                 | 9,500,000                      |
| Accounts receivable:   |                      |                      |                      |                     |                                   |                                |
| Property taxes, net of allowance for<br>uncollectible accounts of \$391,276    | 5,691,368            | 1,742,871            | -                    | -                   | -                                 | 7,434,239                      |
| Grants and other   | 5,989,224            | 1,213,041            | -                    | -                   | 10,470                            | 7,212,735                      |
| Due from other funds   | 915,450              | 648                  | -                    | -                   | -                                 | 916,098                        |
| Prepaid and other  | 195,064              | 1,225                | -                    | -                   | -                                 | 196,289                        |
| Restricted assets  |                      |                      |                      |                     |                                   |                                |
| Cash and cash equivalents  | 842,887              | -                    | 29,237,865           | 5,464,014           | 4,812,337                         | 40,357,103                     |
| Sales tax receivable   | 755,669              | -                    | -                    | 3,022,674           | -                                 | 3,778,343                      |
| <b>Total assets</b>  | <b>\$ 59,172,460</b> | <b>\$ 10,619,310</b> | <b>\$ 29,237,865</b> | <b>\$ 8,486,688</b> | <b>\$ 4,822,807</b>               | <b>\$ 112,339,130</b>          |
| <b>Liabilities</b>   |                      |                      |                      |                     |                                   |                                |
| Accounts payable   | \$ 732,514           | \$ 794,619           | \$ 221,748           | \$ -                | \$ -                              | \$ 1,748,881                   |
| Due to other funds   | 503,108              | 328,162              | -                    | -                   | -                                 | 831,270                        |
| Due to other governments   | -                    | -                    | -                    | -                   | 341,930                           | 341,930                        |
| Accrued expenditures and other   | 1,875,109            | 857,487              | -                    | -                   | -                                 | 2,732,596                      |
| Compensated absences   | 73,527               | 5,544                | -                    | -                   | -                                 | 79,071                         |
| Unearned revenues  | 1,648,158            | 2,053,286            | -                    | -                   | -                                 | 3,701,444                      |
| <b>Total liabilities</b>   | <b>4,832,416</b>     | <b>4,039,098</b>     | <b>221,748</b>       | <b>-</b>            | <b>341,930</b>                    | <b>9,435,192</b>               |
| <b>Deferred Inflows of Resources</b>   |                      |                      |                      |                     |                                   |                                |
| Unavailable revenues - property taxes  | 5,691,368            | 1,742,871            | -                    | -                   | -                                 | 7,434,239                      |
| <b>Fund balances</b>   |                      |                      |                      |                     |                                   |                                |
| Nonspendable   |                      |                      |                      |                     |                                   |                                |
| Prepaid expenditures   | 195,064              | 1,225                | -                    | -                   | -                                 | 196,289                        |
| Restricted   |                      |                      |                      |                     |                                   |                                |
| Debt service   | -                    | -                    | -                    | 8,486,688           | -                                 | 8,486,688                      |
| General capital improvements   | -                    | -                    | 29,016,117           | -                   | -                                 | 29,016,117                     |
| New growth   | -                    | -                    | -                    | -                   | 4,480,877                         | 4,480,877                      |
| Street improvements  | -                    | 4,836,116            | -                    | -                   | -                                 | 4,836,116                      |
| Other  | -                    | -                    | -                    | -                   | -                                 | -                              |
| Unassigned   | 48,453,612           | -                    | -                    | -                   | -                                 | 48,453,612                     |
| <b>Total fund balances</b>   | <b>48,648,676</b>    | <b>4,837,341</b>     | <b>29,016,117</b>    | <b>8,486,688</b>    | <b>4,480,877</b>                  | <b>95,469,699</b>              |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balances</b> | <b>\$ 59,172,460</b> | <b>\$ 10,619,310</b> | <b>\$ 29,237,865</b> | <b>\$ 8,486,688</b> | <b>\$ 4,822,807</b>               | <b>\$ 112,339,130</b>          |

See Notes to Financial Statements

**Total fund balances - governmental funds** \$ 95,469,699

**Amounts reported for governmental activities in the statement of net position  
are different because:**

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 246,158,764

Net pension assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. 1,619,340

Property tax revenues that do not provide current financial resources at the fund level on the modified accrual basis are reported as revenues on the full accrual basis in the government-wide statements. 7,434,239

Deferred inflows and outflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. 10,849,790

Liabilities that are not due and payable in the current period and are not reported in the fund statements:

Accrued interest payable (513,276)

Accrued compensated absences (1,460,274)

Net pension liabilities (28,850,692)

Other postemployment benefits liability (1,435,000)

Bonds payable, net of premiums and discounts (60,430,601)

**Total net position - governmental activities** \$ 268,841,989

**City of Bentonville, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended December 31, 2017**

|  | <b>General</b>       | <b>Street</b>       | <b>Capital<br/>Project</b> | <b>Debt<br/>Service</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------|---------------------|----------------------------|-------------------------|--|---|
| <b>Revenues</b>  |                      |                     |                            |                         |  |   |
| Property tax   | \$ 5,964,660         | \$ 1,888,308        | \$ -                       | \$ -                    | \$ -                                       | \$ 7,852,968                            |
| Sales tax  | 25,772,113           | -                   | -                          | 11,878,939              | -  | 37,651,052                              |
| State turnback   | 1,291,393            | 1,561,970           | -                          | -                       | -  | 2,853,363                               |
| Impact fees  | -                    | -                   | -                          | -                       | 3,325,568                                  | 3,325,568                               |
| Franchise taxes  | 5,351,361            | -                   | -                          | -                       | -  | 5,351,361                               |
| Charges for services   | 5,658,026            | 33,259              | -                          | -                       | -  | 5,691,285                               |
| Fines and forfeitures  | 498,991              | -                   | -                          | -                       | -  | 498,991                                 |
| Licenses and permits   | 1,370,136            | -                   | -                          | -                       | -  | 1,370,136                               |
| Grants   | 1,165,358            | 3,247,214           | -                          | -                       | -  | 4,412,572                               |
| Contributions  | 1,029,148            | 1,183,405           | -                          | -                       | -  | 2,212,553                               |
| Interest   | 52,066               | 6,045               | 122,656                    | 44,603                  | -  | 225,370                                 |
| Miscellaneous  | 716,154              | 889,415             | 3,836,350                  | -                       | -  | 5,441,919                               |
| <b>Total revenues</b>  | <b>48,869,406</b>    | <b>8,809,616</b>    | <b>3,959,006</b>           | <b>11,923,542</b>       | <b>3,325,568</b>                           | <b>76,887,138</b>                       |
| <b>Expenditures</b>  |                      |                     |                            |                         |  |   |
| Current:   |                      |                     |                            |                         |  |   |
| General government   | 6,694,940            | -                   | -                          | -                       | -  | 6,694,940                               |
| Public safety  | 18,587,838           | -                   | -                          | -                       | -  | 18,587,838                              |
| Recreation   | 8,163,683            | -                   | -                          | -                       | -  | 8,163,683                               |
| Street Department  | -                    | 2,553,724           | -                          | -                       | -  | 2,553,724                               |
| Library  | 1,386,429            | -                   | -                          | -                       | -  | 1,386,429                               |
| CDBG   | 7,147                | -                   | -                          | -                       | -  | 7,147                                   |
| Capital outlay   | 5,347,827            | 8,515,081           | 1,051,331                  | -                       | -  | 14,914,239                              |
| Debt service   |                      |                     |                            |                         |  |   |
| Principal  | -                    | -                   | -                          | 7,970,000               | -  | 7,970,000                               |
| Interest   | -                    | -                   | -                          | 2,269,991               | -  | 2,269,991                               |
| <b>Total expenditures</b>                                    | <b>40,187,864</b>    | <b>11,068,805</b>   | <b>1,051,331</b>           | <b>10,239,991</b>       | <b>-</b>                                   | <b>62,547,991</b>                       |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>8,681,542</b>     | <b>(2,259,189)</b>  | <b>2,907,675</b>           | <b>1,683,551</b>        | <b>3,325,568</b>                           | <b>14,339,147</b>                       |
| <b>Other Financing Sources (Uses)</b>                        |                      |                     |                            |                         |  |   |
| Sale of capital assets                                       | 95,131               | 10,934              | -                          | -                       | -  | 106,065                                 |
| Proceeds from issuance of debt                               | -                    | -                   | 24,180,854                 | 1,327,377               | -  | 25,508,231                              |
| Transfers in   | 444,592              | -                   | -                          | -                       | -  | 444,592                                 |
| Transfers out  | -                    | -                   | -                          | -                       | (444,592)                                  | (444,592)                               |
| <b>Total other financing sources<br/>(uses)</b>              | <b>539,723</b>       | <b>10,934</b>       | <b>24,180,854</b>          | <b>1,327,377</b>        | <b>(444,592)</b>                           | <b>25,614,296</b>                       |
| <b>Change in Fund Balances</b>                               | <b>9,221,265</b>     | <b>(2,248,255)</b>  | <b>27,088,529</b>          | <b>3,010,928</b>        | <b>2,880,976</b>                           | <b>39,953,443</b>                       |
| <b>Fund Balances, Beginning of Year</b>                      | <b>39,427,411</b>    | <b>7,085,596</b>    | <b>1,927,588</b>           | <b>5,475,760</b>        | <b>1,599,901</b>                           | <b>55,516,256</b>                       |
| <b>Fund Balances, End of Year</b>                            | <b>\$ 48,648,676</b> | <b>\$ 4,837,341</b> | <b>\$ 29,016,117</b>       | <b>\$ 8,486,688</b>     | <b>\$ 4,480,877</b>                        | <b>\$ 95,469,699</b>                    |

See Notes to Financial Statements



**Net change in fund balance – total governmental funds** \$ 39,953,443

**Amounts reported for governmental activities in the statement of activities are different because:**

Governmental Funds do not report capital contributions and they report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                         |              |
|-------------------------|--------------|
| Capital asset purchases | 14,914,239   |
| Capital contributions   | 4,693,068    |
| Depreciation expense    | (10,284,880) |
| Capital asset disposals | (136,607)    |

Reductions in bond principal reported as expenditures for the funds are not reported as expenses in the statement of activities. 7,970,000

Revenues that were obtained through issuing debt are reported as revenues for the funds but are not reported as revenue in the statement of activities. (25,508,231)

Property tax revenues reported in the statement of activities are not available soon after year end and therefore are not considered current financial resources and are not recognized in the fund financial statements in the current year. This is the change in the amount of deferred property tax revenues reported in the governmental fund statements. 430,006

Deferred inflows/outflows of resources related to the net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These amounts are amortized into pension expense in future periods. This is the amount by which the deferred inflows/outflows of resources changed during the current year. 1,356,481

Expenses for pensions and other postemployment benefit liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund financial statements in the current year. This is the change in the amount of the net pension and other postemployment benefit liabilities and net pension asset reported in the governmental fund statements. (4,301,766)

Accrued expenses, such as compensated absences, interest, amortization of bond discounts and premiums, etc., reported in the statement of activities do not require the use of current financial resources, and, therefore, are not expenditures in the funds. This is the net change in accrued expenses. (417,402)

**Change in net position of governmental activities** \$ 28,668,351

**City of Bentonville, Arkansas**  
**Statement of Net Position –**  
**Proprietary Funds**  
**December 31, 2017**

| <b>Assets</b>  | <b>Business-type<br/>Activity –<br/>Enterprise Fund</b> |
|--|---|
| <b>Current Assets:</b>   |   |
| Cash and cash equivalents  | \$ 17,993,252   |
| Certificates of deposit  | 9,000,000   |
| Accounts receivable (customer accounts), net of allowance<br>for uncollectible accounts of \$281,000 | 8,898,520   |
| Due from other funds   | 298,277   |
| Restricted cash and cash equivalents   | 1,592,933   |
| Inventories  | 3,414,790   |
| Total currents assets  | 41,197,772  |
| <b>Noncurrent Assets</b>   |   |
| Restricted cash and cash equivalents   | 2,070,772   |
| Capital assets, net of accumulated depreciation of \$83,955,654                                      | 201,171,732   |
| Other assets   | 64,242  |
| Total noncurrent assets  | 203,306,746   |
| Total assets   | 244,504,518   |
| <b>Deferred Outflows of Resources</b>  |   |
| Deferred outflows - pensions   | 2,738,655   |
| Deferred outflows - pension contributions  | 507,395   |
| Total deferred outflows of resources   | 3,246,050   |

**Liabilities****Business-type  
Activity –  
Enterprise Fund****Current Liabilities:**

|                                 |              |
|---------------------------------|--------------|
| Accounts payable                | \$ 5,456,300 |
| Accrued expenses and other      | 151,318      |
| Accrued interest payable        | 16,050       |
| Compensated absences            | 684,307      |
| Due to other funds              | 383,105      |
| Due to other governments        | 268,656      |
| Bonds payable - current portion | 2,341,965    |
| Unearned revenue                | 62,359       |

Total current liabilities 9,364,060

**Noncurrent Liabilities**

|  |           |
|--|-----------|
| Customer deposits                                      | 778,298   |
| Compensated absences                                   | 10,637    |
| Other postemployment benefit liability                 | 236,204   |
| Net pension liability                                  | 9,398,218 |
| Bonds payable, net of unamortized premium and discount | 8,826,058 |

Total noncurrent liabilities 19,249,415

Total liabilities 28,613,475

**Deferred Inflows of Resources**

|                             |                |
|-----------------------------|----------------|
| Deferred inflows - pensions | <u>187,623</u> |
|-----------------------------|----------------|

Total deferred inflows of resources 187,623

**Net Position**

|                                  |                   |
|----------------------------------|-------------------|
| Net investment in capital assets | 190,003,709       |
| Restricted                       |                   |
| Debt service                     | 1,276,410         |
| Renewals and replacements        | 1,592,933         |
| Unrestricted                     | <u>26,076,418</u> |

Total net position \$ 218,949,470

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**City of Bentonville, Arkansas**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Position – Proprietary Funds**  
**Year Ended December 31, 2017**

|  | <b><u>Business-type<br/>Activity –<br/>Enterprise Fund</u></b> |
|--|--|
| <b>Operating Revenues</b>                                |  |
| Charges for services                                     | \$ 95,322,863  |
| Miscellaneous  | <u>905,894</u>   |
| Total operating revenues                                 | <u>96,228,757</u>  |
| <b>Operating Expenses</b>                                |  |
| Salaries and fringe benefits                             | 9,880,164  |
| Contract purchases                                       | 62,315,555   |
| Maintenance  | 1,773,100  |
| Depreciation and amortization                            | 6,879,689  |
| Materials and supplies                                   | 1,433,950  |
| Other services and charges                               | <u>7,641,690</u>   |
| Total operating expenses                                 | <u>89,924,148</u>  |
| <b>Operating Income</b>                                  | <u>6,304,609</u>   |
| <b>Nonoperating Income (Expenses)</b>                    |  |
| Interest income  | 41,398   |
| Bond interest and fiscal agent charges                   | (511,815)  |
| Gain on sale of capital assets                           | <u>272,526</u>   |
| Net non-operating revenues (expenses)                    | <u>(197,891)</u>   |
| <b>Income Before Capital Contributions and Transfers</b> | 6,106,718  |
| <b>Capital Contributions</b>                             | 4,158,642  |
| <b>Change in Net Position</b>                            | 10,265,360   |
| <b>Net Position, Beginning of Year</b>                   | <u>208,684,110</u>   |
| <b>Net Position, End of Year</b>                         | <u><u>\$ 218,949,470</u></u>                                   |

**City of Bentonville, Arkansas**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended December 31, 2017**

|   | <u><b>Business-type<br/>Activity –<br/>Enterprise Fund</b></u> |
|---|--|
| <b>Operating Activities</b>                               |  |
| Receipts from customers                                   | \$ 95,006,142  |
| Other receipts  | 905,894  |
| Payments to suppliers                                     | (68,267,692)   |
| Payments to employees                                     | (8,754,562)  |
| Other payments  | <u>(9,039,349)</u>   |
| Net cash provided by operating activities                 | <u>9,850,433</u>   |
| <b>Capital and Related Financing Activities</b>           |  |
| Purchase and construction of capital assets               | (13,287,843)   |
| Proceeds from sale of capital assets                      | 560,094  |
| Principal paid on revenue bonds                           | (510,388)  |
| Interest and agent fees paid on revenue bonds             | <u>(2,253,374)</u>   |
| Net cash used in capital and related financing activities | <u>(15,491,511)</u>  |
| <b>Investing Activities</b>                               |  |
| Interest income   | <u>41,398</u>  |
| Net cash provided by investing activities                 | <u>41,398</u>  |
| <b>Decrease in Cash and Cash Equivalents</b>              | (5,599,680)  |
| <b>Cash and Cash Equivalents, Beginning of Year</b>       | <u>27,256,637</u>  |
| <b>Cash and Cash Equivalents, End of Year</b>             | <u><u>\$ 21,656,957</u></u>                                    |

|  | <b>Business-type<br/>Activity –<br/>Enterprise Fund</b> |
|--|---|
| <b>Cash and Cash Equivalents of Proprietary Funds, as presented on the<br/>"Statement of Net Position - Proprietary Funds," is as follows:</b> |   |
| Cash and cash equivalents  | \$ 17,993,252   |
| Restricted cash and cash equivalents - current   | 1,592,933   |
| Restricted cash and cash equivalents - noncurrent  | 2,070,772   |
|  | <u>21,656,957</u>                                       |
|  | <u>\$ 21,656,957</u>                                    |
| <b>Reconciliation of Operating Income to<br/>to Net Cash Provided By Operating Activities</b>  |   |
| Operating income   | \$ 6,304,609  |
| Adjustment to reconcile operating income to net cash<br>provided by operating activities:  |   |
| Depreciation and amortization expense  | 6,879,689   |
| Changes in assets and liabilities  |   |
| Receivables, net   | (316,721)   |
| Due to/due from other funds, net   | (235,476)   |
| Other assets   | (15,592)  |
| Inventories  | (615,221)   |
| Accounts payable   | (2,129,866)   |
| Accrued expenses   | 207,737   |
| Due to other governments   | 4,345   |
| Deferred revenue   | (1,194,602)   |
| Other liabilities  | 961,531   |
|  | <u>9,850,433</u>  |
| Net cash provided by operating activities  | <u>\$ 9,850,433</u>                                     |
| <b>Noncash Investing, Capital and Financing Activities</b>   |   |
| Capital assets acquired through contributions  | <u>\$ 4,158,642</u>                                     |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

The City of Bentonville, Arkansas (the “City”), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under an elected mayor-council form of government. Eight elected council members and the Mayor set policy of the City. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the City:

***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the City of Bentonville, Arkansas. The component unit (Bentonville Library Foundation) is a legally separate entity and is considered to be financially accountable to the City. To be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City.

The City’s primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under this criteria, the following is included in the primary government reporting entity:

Discretely Presented Component Unit

Bentonville Library Foundation (the Foundation) is a legally separate, tax-exempt component unit of the City that was created during 2004. The Foundation’s primary function is to raise and hold funds to support the City library and its programs. The board of the Foundation is self-perpetuating and consists of citizens and friends of the library.

Although the City does not control the timing or amount of receipts from the Foundation, the majority of the Foundation’s resources and related income are restricted by donors for the benefit of the City. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the library (which is included in the general fund of the City), the Foundation is considered a component unit of the City and is discretely presented in the City’s financial statements. Separate financial statements are not prepared for the Foundation.



# **City of Bentonville, Arkansas**

## **Notes to Financial Statements**

### **December 31, 2017**

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the City's financial reporting entity for these differences.

#### ***Joint Venture***

The City is a participant with nine Northwest Arkansas cities in a joint venture to operate Northwest Arkansas Conservation Authority (NACA), an organization whose purpose is to develop and implement cost-effective regional solutions to the challenges of providing environmentally sound wastewater and biosolids infrastructure and watershed management. NACA is governed by a Board of Directors consisting of 13 members appointed by the member cities. In order for NACA to secure financing of its wastewater treatment facility, the City entered into a service agreement with NACA in January 2006 committing the City to procuring NACA's services for 15 years or until the revenue bonds issued by NACA are retired. As of December 31, 2017, NACA has revenue bonds outstanding of \$58,026,407, with a final maturity date in March 2048. Service charges to the City are determined by rates based upon the actual costs incurred by NACA, including a proportional share of its overhead expenses attributable to the facility and debt service. During 2017, the City was NACA's primary customer and paid service charges to NACA in the amount of \$5,043,143, of which \$409,364 is payable at year end. As of December 31, 2017, NACA reported an increase in Net Position of \$785,253. Complete financial statements for NACA can be obtained from NACA's administrative office at 11579 Snavely Road, Bentonville, AR 72712.

#### ***Related Organization***

The City's Mayor and Council are also responsible for appointing members of the board of the Advertising and Promotions Commission, but the accountability for this organization does not extend beyond making the appointments. The financial operations of this related organization has not been included in the City's basic financial statements.

#### ***Government-wide and Fund Financial Statements***

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

# City of Bentonville, Arkansas

## Notes to Financial Statements

### December 31, 2017

#### **Government-wide Financial Statements**

The government-wide financial statements report information on all of the activities of the City. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation. This elimination has taken place in the process of incorporating fund data into the government-wide financial statements, and not in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

#### **Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements for each governmental and proprietary fund are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the *general fund*, *street fund*, *capital project fund* and *debt service fund* as its major governmental funds. The general fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services and interest income. The street fund accounts for gasoline and road taxes received from the state and county levies. Revenues are expended for maintenance and repair of streets and sidewalks. The capital project fund accounts for the resources accumulated from the Series 2007, 2009, 2010 and 2017 sales and use tax bonds of the City that are restricted for use in financing the costs of various capital improvement projects. The debt service fund accounts for financial resources that are restricted for principal and interest-related costs as well as the financial resources being accumulated for future debt service.

The City reports one major *enterprise fund*. It accounts for the City's combined electric, water, sewer and sanitation system, whose operations are financed primarily through user charges.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

***Measurement Focus and Basis of Accounting***

**Government-wide and Proprietary Funds**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes; city and county sales tax; grants, entitlements and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period in which the taxes are levied. City and county sales taxes, franchise taxes, licenses and permits and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

**Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and deferred outflows of resources and liabilities and deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation and other post-employment benefits which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

***Cash and Cash Equivalents***

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017, cash equivalents consisted primarily of money market accounts with brokers.

***Investments and Investment Income***

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Investment income includes interest and dividend income for the year and is assigned to funds with which the related investment asset is associated.

***Property Taxes***

Property taxes are levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January (the lien date) after the levy; however, the tax is not considered delinquent until October 16 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes are measurable when levied even though not available. Accordingly, property taxes receivable of \$7,434,239 and related deferred inflows of resources have been recorded at December 31, 2017, in the governmental funds. Benton County is the collecting agent and remits collections to the City, net of a collection fee, on a monthly basis.

The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies a statutory rate of 20 percent to arrive at assessed value.

***Unbilled Revenue***

The City bills customers for electric, water and sewer services after usage based upon meter readings made during the month. The City records a receivable for unbilled revenue at December 31 for estimated usage for which bills have not been sent.

***Inventories***

Inventories are valued at cost using the first in/first out (FIFO) method and consist of expendable supplies. The costs of governmental fund type inventories are recorded as expenditures when consumed.

***Prepaid Items***

Prepaid items in governmental funds are accounted for under the consumption method.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value on the date of donation.

Capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets which are defined as having a constructed cost greater than \$50,000.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

|   | <b>Years</b> |
|---|--------------|
| Water distribution facilities                             | 50           |
| Sewer and solid waste collection and treatment facilities | 15–50        |
| Electric distribution facilities                          | 15–40        |
| Building and improvements                                 | 40           |
| Furniture and equipment                                   | 7–15         |
| Vehicles  | 5            |

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

**Unearned Revenues**

Unearned revenues include amounts that have been received before all eligibility requirements have been met. These amounts are recorded as a liability in both the Statement of Net Position and Balance Sheet until such requirements are met, at which point they will be recorded as revenue.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The City has two items that qualify for reporting in this category. Each of the two items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other comprised of the difference in investment experience between actual earnings and projected earnings on pension plan investments, differences between expected an actual experience of the total pension liability, changes of assumptions, changes in proportion for cost-sharing plans and changes in proportion allocated to funds for the APERS plan. Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce net pension liability or increase net pension asset. The remaining amounts will be amortized to pension expense over future periods as shown within *Note 7*.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

In addition to liabilities, the statement of net position and balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify as deferred inflows of resources as of December 31, 2017. The items reported in the statements are unavailable revenues in the governmental funds balance sheet and deferred inflows - pensions in the government-wide statement of net position and proprietary funds statement of net position. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, deferred inflows - pensions, consists of the difference between the expected and actual experience related to the pension plans, changes in proportion for cost-sharing plans as well as the changes in proportion allocated to funds for the APERS plan. Deferred inflows - pensions are amortized to pension expense over future periods as shown within *Note 7*.

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities and business-type activities. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred gains on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of the unamortized gain on refunding and bond issue premium or discount. In the government wide statements, debt issuance costs are reported as expenditures in the period incurred.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received are reported as debt service expenditures.

***Compensated Absences***

The City grants vacation to all full-time employees based on continuous service. The cost of vacation (and sick pay for certain employee classifications) is accrued when earned in the government-wide and proprietary fund financial statements and reported as accrued expenses. In governmental funds, amounts accrued are expected to be liquidated with available financial resources and are reported as an expenditure and are included in accrued liabilities in the financial statements and reported as accrued expenditures. For governmental activities, compensated absences are generally liquidated by the general fund.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

***Pensions***

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firemen's Relief and Pension Fund, the Local Police and Fire Retirement System and the Arkansas Public Employee's Retirement System (together, the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Fund Balance - Governmental Funds***

The fund balances for the City's governmental funds are displayed in three components:

*Nonspendable* - Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

*Restricted* - Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

***Net Position***

Net position of the City is classified in three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

***Nonrecurring Fair Value Measurements***

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City had nonrecurring fair value measurements during 2017 for infrastructure capital assets contributed to the City from developers. The contributed assets were recorded at acquisition values totaling \$8,851,710 based upon the costs to construct by the developers (Level 3 inputs)

***Budgetary Information***

Annual budget are adopted on a basis consistent with generally accepted accounting principles for the general and street fund. All annual appropriations lapse at year end and are re-established in the succeeding year.

***New Governmental Accounting Standards Board (GASB) Pronouncements***

The GASB has issued the following statements which the City has not yet adopted and which require adoption subsequent to December 31, 2017:

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75):* GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)
- Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan
- Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees



**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017. Therefore, the statement will be effective for the City's year ending December 31, 2018.

GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82): GASB 82 addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for periods beginning after June 15, 2016, except in certain circumstances which extend the application date to the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 83 – *Certain Asset Retirement Obligations* (GASB 83): GASB 83 addresses issues in accounting and financial reporting for certain asset retirement obligations (AROs), including establishing criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018, with earlier application encouraged. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 84 – *Fiduciary Activities* (GASB 84): GASB 84 provides for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for periods beginning after December 15, 2018, with earlier application encouraged. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 85 – *Omnibus 2017* (GASB 85): GASB 85 addresses practice issues that have been identified during implementation and application of certain GASB standards and addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and postemployment benefits. This statement is effective for periods beginning after June 15, 2017, with earlier application encouraged. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues* (GASB 86): GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement is effective for periods beginning after June 15, 2017, with earlier application encouraged. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

GASB Statement No. 87 – *Leases* (GASB 87): GASB 87 addresses the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizing inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activity. This statement is effective for periods beginning after December 15, 2019, with earlier application encouraged. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88): GASB 88 improves the information disclosed in notes to the governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liability governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date of the contraction obligation is established. This Statement requires additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for periods beginning after June 15, 2018, with earlier application encouraged. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

The effect of these statements on the City has not been determined, but could have a significant impact on the City's overall net position.

***Subsequent Events***

Subsequent events have been evaluated through June 28, 2018, which is the date the financial statements were issued.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 2: Deposits and Investments**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2017, the City had bank balances of \$88,342,923 that were all insured (FDIC) or collateralized with securities held by the City or the City's agent in the City's name. The carrying value of these deposits as of December 31, 2017, was \$87,456,897.

***Investments***

Arkansas statutes authorize the City to invest in direct obligations of the U. S. government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U. S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U. S. government, any U. S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U. S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit. Arkansas statutes also authorize the City to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U. S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U. S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings, or time deposits or accounts of any depository institution chartered by the United States, any U. S. state, or the District of Columbia.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

Investments at December 31, 2017, consisted of the following:

| Type                      | Fair Value    | Maturities in Years |      |      |              |
|---------------------------|---------------|---------------------|------|------|--------------|
|                           |               | Less than 1         | 1-5  | 6-10 | More than 10 |
| Money market mutual funds | \$ 35,994,353 | \$ 35,994,353       | \$ - | \$ - | \$ -         |

Interest Rate Risk – The City’s investment policy does not specifically address interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City’s investment policy does not specifically address credit risk.

The pension fund investment policy limits its investments in fixed income securities and preferred shares to a rating of “investment grade” by Moody’s Investors Service and Standard & Poor’s.

| Investment Type           | Rating Agency | Rating  |
|---------------------------|---------------|---------|
| Money Market Mutual Funds | S&P/Moody’s   | AAA/Aaa |

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. While the City’s investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City in the City’s name are insured or collateralized or limited to Treasury Fund Money Markets.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

***Summary of Carrying Values***

The carrying values of deposits and investments shown above are included in the financial statements as follows:

|  |                       |
|--|-----------------------|
| Carrying value   |                       |
| Deposits   | \$ 87,456,897         |
| Cash on hand   | 7,133                 |
| Investments  | <u>35,994,353</u>     |
|  | <u>\$ 123,458,383</u> |
|  |                       |
| Included in the following statement of net position captions |                       |
| Cash and cash equivalents                                    | \$ 60,937,575         |
| Certificates of deposit                                      | 18,500,000            |
| Restricted cash and cash equivalents – current               | 41,554,286            |
| Restricted cash and cash equivalents – noncurrent            | <u>2,466,522</u>      |
|  | <u>\$ 123,458,383</u> |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2017, is presented below:

| <b>Governmental Activities</b>        | <b>Balance,<br/>December 31,<br/>2016</b> | <b>Additions<br/>and Transfers,<br/>Net</b> | <b>Retirements<br/>and Transfers,<br/>Net</b> | <b>Balance,<br/>December 31,<br/>2017</b> |
|---------------------------------------|---|---|---|---|
| Capital assets, non-depreciable       |   |   |   |   |
| Land                                  | \$ 8,903,448                              | \$ -  | \$ -  | \$ 8,903,448                              |
| Total capital assets, non-depreciable | <u>8,903,448</u>                          | <u>-</u>                                    | <u>-</u>                                      | <u>8,903,448</u>                          |
| Capital assets, depreciable           |   |   |   |   |
| Other improvements                    | 75,711,643                                | 6,100,932                                   | 21,939  | 81,790,636                                |
| Streets                               | 159,755,455                               | 10,355,858                                  | -   | 170,111,313                               |
| Buildings                             | 47,817,658                                | 374,930                                     | -   | 48,192,588                                |
| Furniture, fixtures & equipment       | 30,227,629                                | 2,775,587                                   | 835,238                                       | 32,167,978                                |
| Total capital assets, depreciable     | <u>313,512,385</u>                        | <u>19,607,307</u>                           | <u>857,177</u>                                | <u>332,262,515</u>                        |
| Less accumulated depreciation         |   |   |   |   |
| Other improvements                    | 21,248,767                                | 2,711,920                                   | -   | 23,960,687                                |
| Streets                               | 38,067,448                                | 3,919,034                                   | -   | 41,986,482                                |
| Buildings                             | 7,754,477                                 | 1,201,151                                   | -   | 8,955,628                                 |
| Furniture, fixtures & equipment       | 18,372,197                                | 2,452,775                                   | 720,570                                       | 20,104,402                                |
| Total accumulated depreciation        | <u>85,442,889</u>                         | <u>10,284,880</u>                           | <u>720,570</u>                                | <u>95,007,199</u>                         |
| Total governmental activities, net    | <u>\$ 236,972,944</u>                     | <u>\$ 9,322,427</u>                         | <u>\$ 136,607</u>                             | <u>\$ 246,158,764</u>                     |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

| <b>Business-type Activities</b>                              | <b>Balance,<br/>December 31,<br/>2016</b> | <b>Additions<br/>and Transfers,<br/>Net</b> | <b>Retirements<br/>and Transfers,<br/>Net</b> | <b>Balance,<br/>December 31,<br/>2017</b> |
|--|---|---|---|---|
| Capital assets, non-depreciable                              |   |   |   |   |
| Land   | \$ 8,226,205                              | \$ -  | \$ 41,082                                     | \$ 8,185,123                              |
| Total capital assets, non-depreciable                        | <u>8,226,205</u>                          | <u>-</u>                                    | <u>41,082</u>                                 | <u>8,185,123</u>                          |
| Capital assets, depreciable                                  |   |   |   |   |
| Other improvements   | 2,039,703                                 | 363,175                                     | 238,369                                       | 2,164,509                                 |
| Water distribution facilities                                | 65,836,057                                | 2,515,139                                   | -   | 68,351,196                                |
| Sewer and solid waste collection and<br>treatment facilities | 77,267,922                                | 1,717,044                                   | -   | 78,984,966                                |
| Electric distribution facilities                             | 78,008,364                                | 4,413,008                                   | -   | 82,421,372                                |
| Buildings  | 15,085,913                                | 7,162,501                                   | 23,825  | 22,224,589                                |
| Furniture and equipment                                      | 18,838,806                                | 1,061,134                                   | 217,042                                       | 19,682,898                                |
| Vehicles   | 3,238,940                                 | 214,484                                     | 340,691                                       | 3,112,733                                 |
| Total capital assets, depreciable                            | <u>260,315,705</u>                        | <u>17,446,485</u>                           | <u>819,927</u>                                | <u>276,942,263</u>                        |
| Less accumulated depreciation                                |   |   |   |   |
| Other improvements   | 279,174                                   | 64,887                                      | 73,662  | 270,399                                   |
| Water distribution facilities                                | 21,050,970                                | 1,340,547                                   | -   | 22,391,517                                |
| Sewer and solid waste collection and<br>treatment facilities | 25,204,246                                | 1,629,705                                   | -   | 26,833,951                                |
| Electric distribution facilities                             | 20,097,305                                | 1,895,022                                   | -   | 21,992,327                                |
| Buildings  | 589,026                                   | 468,219                                     | 14,444  | 1,042,801                                 |
| Furniture and equipment                                      | 7,891,286                                 | 1,197,950                                   | 157,009                                       | 8,932,227                                 |
| Vehicles   | 2,537,399                                 | 276,892                                     | 321,859                                       | 2,492,432                                 |
| Total accumulated depreciation                               | <u>77,649,406</u>                         | <u>6,873,222</u>                            | <u>566,974</u>                                | <u>83,955,654</u>                         |
| Total business-type activities, net                          | <u>\$ 190,892,504</u>                     | <u>\$ 10,573,263</u>                        | <u>\$ 294,035</u>                             | <u>\$ 201,171,732</u>                     |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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| <b>Component Unit</b>                 | <b>Balance,<br/>December 31,<br/>2016</b> | <b>Additions<br/>and Transfers,<br/>Net</b> | <b>Retirements<br/>and Transfers,<br/>Net</b> | <b>Balance,<br/>December 31,<br/>2017</b> |
|---------------------------------------|---|---|---|---|
| Capital assets, non-depreciable       |   |   |   |   |
| Land                                  | \$ 781,794                                | \$ -  | \$ -  | \$ 781,794                                |
| Total capital assets, non-depreciable | <u>781,794</u>                            | <u>-</u>                                    | <u>-</u>                                      | <u>781,794</u>                            |
| Capital assets, depreciable           |   |   |   |   |
| Buildings                             | 7,561,978                                 | -   | -   | 7,561,978                                 |
| Improvements                          | 46,138                                    | 59,160                                      | -   | 105,298                                   |
| Furniture and equipment               | 649,983                                   | 900   | 2,779   | 648,104                                   |
| Total capital assets, depreciable     | <u>8,258,099</u>                          | <u>60,060</u>                               | <u>2,779</u>                                  | <u>8,315,380</u>                          |
| Less accumulated depreciation         |   |   |   |   |
| Buildings                             | 1,888,626                                 | 190,067                                     | -   | 2,078,693                                 |
| Improvements                          | 9,754                                     | 1,328                                       | -   | 11,082                                    |
| Furniture and equipment               | 649,417                                   | 383   | 2,616   | 647,184                                   |
| Total accumulated depreciation        | <u>2,547,797</u>                          | <u>191,778</u>                              | <u>2,616</u>                                  | <u>2,736,959</u>                          |
| Total component unit, net             | <u>\$ 6,492,096</u>                       | <u>\$ (131,718)</u>                         | <u>\$ 163</u>                                 | <u>\$ 6,360,215</u>                       |

Depreciation expense was charged to functions/programs of the primary government as follows:

|                            |                      |
|----------------------------|----------------------|
| Governmental activities    |                      |
| General government         | \$ 948,679           |
| Public safety              | 1,643,049            |
| Recreation                 | 1,682,627            |
| Street department          | 5,814,304            |
| Library                    | 196,221              |
|                            | <u>10,284,880</u>    |
| Business-type              |                      |
| Electric                   | 2,681,731            |
| Water                      | 1,642,338            |
| Waste water                | 722,358              |
| Sanitation                 | 1,151,362            |
| Support                    | 675,433              |
|                            | <u>6,873,222</u>     |
| Total depreciation expense | <u>\$ 17,158,102</u> |



**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Construction Projects**

At December 31, 2017, the City had the following commitments with respect to unfinished capital projects. These projects are being funded with bond proceeds.

**Governmental Fund Construction Projects**

|                                       | <b>Project<br/>Authorization</b> | <b>Expended<br/>Through<br/>December 31,<br/>2017</b> | <b>Remaining<br/>Commitment</b> |
|---------------------------------------|----------------------------------|---|---------------------------------|
| Elm Tree Road/Highway 72 Intersection | \$ 943,159                       | \$ 741,085  | \$ 202,074                      |
| 8th Street Improvements               | 8,502,261                        | 6,284,317   | 2,217,944                       |
| Airport - Westside Taxiway            | 2,250,611                        | 314,860   | 1,935,751                       |
| NW 3rd Phase 3                        | 1,786,869                        | -   | 1,786,869                       |
| Highway 102/I-49 Intersection         | 1,515,000                        | -   | 1,515,000                       |
| Total                                 | <u>\$ 14,997,900</u>             | <u>\$ 7,340,262</u>                                   | <u>\$ 7,657,638</u>             |

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2017, were as follows:

| <b>Governmental Activities</b>                      | <b>Balance<br/>December 31,<br/>2016</b> | <b>Increases</b>     | <b>Decreases</b>    | <b>Balance<br/>December 31,<br/>2017</b> | <b>Amounts Due<br/>in One Year</b> |
|---|--|----------------------|---------------------|--|------------------------------------|
| Bonds payable                                       |  |                      |                     |  |                                    |
| Revenue bonds                                       | \$ 42,665,000                            | \$ 24,655,000        | \$ 7,970,000        | \$ 59,350,000                            | \$ 6,110,000                       |
| Add unamortized premium                             | 714,158                                  | 1,084,704            | 74,901              | 1,723,961                                | -                                  |
| Less unamortized bond issue discount                | 452,048                                  | 234,223              | 42,911              | 643,360                                  | -                                  |
| Bonds payable, net                                  | 42,927,110                               | 25,505,481           | 8,001,990           | 60,430,601                               | 6,110,000                          |
| Compensated absences                                | 1,233,002                                | 380,790              | 74,447              | 1,539,345                                | 79,071                             |
| Net pension liability                               | 24,983,528                               | 3,867,164            | -                   | 28,850,692                               | -                                  |
| Other postemployment benefits                       | 1,172,268                                | 262,732              | -                   | 1,435,000                                | -                                  |
| Total governmental activities long-term liabilities | <u>\$ 70,315,908</u>                     | <u>\$ 30,016,167</u> | <u>\$ 8,076,437</u> | <u>\$ 92,255,638</u>                     | <u>\$ 6,189,071</u>                |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

| <b>Business-type Activities</b>                      | <b>Balance<br/>December 31,<br/>2016</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Balance<br/>December 31,<br/>2017</b> | <b>Amounts Due<br/>in One Year</b> |
|--|--|---------------------|---------------------|--|------------------------------------|
| Bonds payable  |  |                     |                     |  |                                    |
| Revenue bonds  | \$ 13,439,429                            | \$ -                | \$ 2,253,374        | \$ 11,186,055                            | \$ 2,341,965                       |
| Less unamortized bond issue discount                 | 24,499                                   | -                   | 6,467               | 18,032                                   | -                                  |
|  | <u>13,414,930</u>                        | <u>-</u>            | <u>2,246,907</u>    | <u>11,168,023</u>                        | <u>2,341,965</u>                   |
| Bonds payable, net                                   |  |                     |                     |  |                                    |
|  | 13,414,930                               | -                   | 2,246,907           | 11,168,023                               | 2,341,965                          |
| Compensated absences                                 | 464,170                                  | 236,634             | 5,860               | 694,944                                  | 684,307                            |
| Net pension liability                                | 8,187,710                                | 1,210,508           | -                   | 9,398,218                                | -                                  |
| Other postemployment benefits                        | 198,071                                  | 38,133              | -                   | 236,204                                  | -                                  |
| Customer deposits                                    | 734,632                                  | 43,666              | -                   | 778,298                                  | -                                  |
|  | <u>734,632</u>                           | <u>43,666</u>       | <u>-</u>            | <u>778,298</u>                           | <u>-</u>                           |
| Total business-type activities long-term liabilities | <u>\$ 22,999,513</u>                     | <u>\$ 1,528,941</u> | <u>\$ 2,252,767</u> | <u>\$ 22,275,687</u>                     | <u>\$ 3,026,272</u>                |

Bonds outstanding at December 31, 2017, were as follows:

|                                      | <b>Interest Rates</b> | <b>Date Callable</b> | <b>Final Maturity Date</b> | <b>Principal at December 31, 2017</b> |
|--------------------------------------|-----------------------|----------------------|----------------------------|---------------------------------------|
| General long-term obligations        |                       |                      |                            |                                       |
| Sales and Use Tax bonds, Series 2007 | 4.0–5.0%              | 2017                 | 2027                       | \$ 9,040,000                          |
| Sales and Use Tax bonds, Series 2009 | 4.0–5.0%              | 2017                 | 2027                       | 14,700,000                            |
| Sales and Use Tax bonds, Series 2010 | 2.0–4.0%              | 2017                 | 2027                       | 12,115,000                            |
| Sales and Use Tax bonds, Series 2017 | 2.0–5.0%              | 2022                 | 2027                       | 23,495,000                            |
|                                      |                       |                      |                            | <u>\$ 59,350,000</u>                  |
| Enterprise funds                     |                       |                      |                            |                                       |
| Revenue bonds, Series 2006A          | 2.25%                 | 2016                 | 2028                       | \$ 4,643,346                          |
| Revenue bonds, Series 2006B          | 5.2–5.9%              | 2013                 | 2025                       | 1,365,000                             |
| Revenue bonds, Series 2005           | 2.4–4%                | 2010                 | 2019                       | 2,815,000                             |
| Revenue bonds, Series 2000           | 2.75%                 | N/A                  | 2023                       | 1,885,165                             |
| Revenue bonds, Series 1998           | 2.75%                 | 2009                 | 2021                       | 477,544                               |
|                                      |                       |                      |                            | <u>\$ 11,186,055</u>                  |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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***Sales and Use Tax Bonds, Series 2017*** – On April 25, 2017, the City issued \$24,655,000 Sales and Use Tax bonds for the purpose of financing the costs of various capital improvements, providing for a debt service reserve and paying costs incidental thereto and to the issuance of the bonds. The bonds bear interest rates ranging from 2.0% - 5.0%. During 2017, the City retired \$1,160,000 in principal of the outstanding bonds.

***Sales and Use Tax Bonds, Series 2010*** – On November 1, 2010, the City issued \$21,505,000 Sales and Use Tax bonds for the purpose of financing the costs of various capital improvements, providing for a debt service reserve and paying costs incidental thereto and to the issuance of the bonds. The bonds bear interest rates ranging from 2.0% - 4.0%. During 2017, the City retired \$1,595,000 in principal of the outstanding bonds.

***Sales and Use Tax Bonds, Series 2009*** – On October 27, 2009, the City issued \$30,000,000 Sales and Use Tax bonds for the purpose of financing the costs of various capital improvements, providing for a debt service reserve and paying costs incidental thereto and to the issuance of the bonds. The bonds bear interest rates ranging from 4.0% - 5.0%. During 2017, the City retired \$2,270,000 in principal of the outstanding bonds.

***Sales and Use Tax Bonds, Series 2007*** – On October 9, 2007, the City issued \$36,335,000 Sales and Use Tax bonds for the purpose of financing the costs of various capital improvements, providing for a debt service reserve and paying costs incidental thereto and to the issuance of the bonds. The bonds bear interest rates ranging from 4.0% - 5.0%. During 2017, the City retired \$2,945,000 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 2006A*** – On January 10, 2006, the City issued \$9,708,500 Combined Electric, Water and Sewer bonds for the purpose of financing a portion of the costs of the construction of improvements to the water facilities of the City's combined Electric, Water, and Sewer system (the System). The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The City entered into an agreement with the Arkansas Development Finance Authority ("ADFA") whereby ADFA agreed to purchase up to the par amount of the bonds. The bonds were issued in increments that corresponded to the construction activity. The bonds are subordinate to the Series 2005, Series 1999, Series 1998 and Series 1992. The bonds bear interest at 2.25% and the City is required to pay the bond servicer (ADFA) a servicing fee of 1% per annum on the outstanding principal of the bonds. During 2017, the City retired \$352,439 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 2006B*** – On April 1, 2006, the City issued \$2,600,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of constructing extensions, betterments and improvements to the water facilities of the System, fund a debt service reserve, and pay costs of issuing the Bonds. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The bonds are subordinate to the Series 2006A, Series 2005, Series 1999, Series 1998 and Series 1992. The bonds bear an interest rate ranging from 5.2% to 5.9%. During 2017, the City retired \$130,000 in principal of the outstanding bonds.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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***Combined Electric, Water and Sewer Revenue Bonds, Series 2005*** – On April 1, 2005, the City issued \$8,990,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of constructing extensions, betterments and improvements to the electric and sewer facilities of the System, fund a debt service reserve, and pay costs of issuing the Bonds. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The bonds are subordinate to the Series 1999 bonds. The bonds bear an interest rate ranging from 2.4% to 4%. During 2017, the City retired \$1,325,000 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 2000*** – On June 13, 2000, the City issued \$5,500,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of planning, design, construction and/or rehabilitation of the wastewater treatment facilities. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The City entered into an agreement with ADFA whereby ADFA agreed to purchase up to the par amount of the bonds. The bonds were issued in increments that corresponded to the construction activity. The bonds are subordinate to the Series 1999, Series 1998 and Series 1992 bonds. The bonds bear interest at 2.75% and the City is required to pay the bond servicer (ADFA) a servicing fee of 1% per annum on the outstanding principal of the bonds. During 2017, the City retired \$313,803 in principal of the outstanding bonds.

***Combined Electric, Water and Sewer Revenue Bonds, Series 1998*** – On October 27, 1998, the City issued \$2,150,000 in Combined Electric, Water and Sewer Revenue bonds for the purpose of planning, design and construction of wastewater treatment facilities. The bonds are not a general obligation of the City, but are secured by a pledge of and are payable from revenues of the System. The City entered into an agreement with ADFA whereby ADFA agreed to purchase up to the par amount of the bonds. The bonds were issued in increments that corresponded to the construction activity. The bonds are subordinate to the Series 1999 and Series 1992 bonds. The bonds bear interest at 2.75% and the City is required to pay the bond servicer (ADFA) a servicing fee of 1% per annum on the outstanding principal of the bonds. During 2017, the City retired \$132,132 in principal of the outstanding bonds.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds outstanding at December 31, 2017.

| Fiscal Year | Principal            | Interest             | Fees              |
|-------------|----------------------|----------------------|-------------------|
| 2018        | \$ 8,451,965         | \$ 3,439,989         | \$ 69,380         |
| 2019        | 8,766,236            | 312,839              | 61,090            |
| 2020        | 7,641,555            | 2,770,898            | 52,501            |
| 2021        | 7,883,641            | 2,437,367            | 43,607            |
| 2022        | 8,187,371            | 2,095,065            | 36,488            |
| 2023-2027   | 29,165,382           | 5,571,100            | 89,905            |
| 2028-2032   | 439,905              | 8,456                | 3,759             |
|             | <u>\$ 70,536,055</u> | <u>\$ 16,635,714</u> | <u>\$ 356,730</u> |

For governmental activities, net pension obligations and other postemployment obligations have historically been the responsibility of the General Fund.

The following is a summary of pledged revenues of the City for the year ended December 31, 2017:

| Debt   | Revenue Pledged                 | Total Pledged Revenue | Portion of Pledged Revenue Stream | Percentage Portion of Pledged Revenue Stream | Remaining Principal, Interest and Fees | Period Revenue Will Not Be Available for Other Purposes |
|--|---------------------------------|-----------------------|-----------------------------------|--|--|---|
| <b>Governmental Activities:</b>                                |                                 |                       |                                   |  |  |   |
| Sales and Use Tax Bonds, Series 2017                           | Sales and Use Tax               | \$ 37,651,052         | \$ 1,345,027                      | 3.6%   | \$ 27,908,431                          | Until 2027  |
| Sales and Use Tax Bonds, Series 2010                           | Sales and Use Tax               | 37,651,052            | 2,160,617                         | 5.7%   | 15,865,223                             | Until 2027  |
| Sales and Use Tax Bonds, Series 2009                           | Sales and Use Tax               | 37,651,052            | 3,152,887                         | 8.4%   | 19,468,179                             | Until 2027  |
| Sales and Use Tax Bonds, Series 2007                           | Sales and Use Tax               | 37,651,052            | 3,901,212                         | 10.4%  | 14,163,969                             | Until 2025  |
| <b>Business-Type Activities:</b>                               |                                 |                       |                                   |  |  |   |
| Combined Electric, Water and Sewer Revenue Bonds, Series 2006A | Revenues of the Enterprise Fund | 96,542,681            | 556,347                           | 0.6%   | 5,571,743                              | Until 2028  |
| Combined Electric, Water and Sewer Revenue Bonds, Series 2006B | Revenues of the Enterprise Fund | 96,542,681            | 217,477                           | 0.2%   | 1,749,725                              | Until 2025  |
| Combined Electric, Water and Sewer Revenue Bonds, Series 2005  | Revenues of the Enterprise Fund | 96,542,681            | 1,491,200                         | 1.5%   | 2,985,000                              | Until 2019  |
| Combined Electric, Water and Sewer Revenue Bonds, Series 2000  | Revenues of the Enterprise Fund | 96,542,681            | 413,617                           | 0.4%   | 2,113,501                              | Until 2023  |
| Combined Electric, Water and Sewer Revenue Bonds, Series 1998  | Revenues of the Enterprise Fund | 96,542,681            | 158,170                           | 0.2%   | 515,684                                | Until 2021  |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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**Note 5: Interfund Receivables and Payables**

Interfund receivables and payables as of December 31, 2017, are as follows:

|                 | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|-----------------|----------------------------------|-------------------------------|
| General fund    | \$ 915,450                       | \$ 503,108                    |
| Street fund     | 648                              | 328,162                       |
| Enterprise fund | <u>298,277</u>                   | <u>383,105</u>                |
|                 | <u>\$ 1,214,375</u>              | <u>\$ 1,214,375</u>           |

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

**Note 6: Interfund Transfers**

Amount of interfund transfers between funds are summarized as follows:

|                              | <u>Transfers<br/>In</u> | <u>Transfers<br/>Out</u> |
|------------------------------|-------------------------|--------------------------|
| General fund                 | \$ 444,592              | \$ -                     |
| Non-major governmental funds | <u>-</u>                | <u>444,592</u>           |
| Total                        | <u>\$ 444,592</u>       | <u>\$ 444,592</u>        |

Transfers are used to move revenues from the fund where collected to the appropriate fund.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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**Note 7: Pension Plans**

The City of Bentonville, Arkansas participates in three defined benefit pension plans; which are comprised of one agent multiple employer defined benefit pension plan and two cost-sharing multiple-employer defined benefit pension plans, each of which are described and illustrated in detail below. Aggregate amounts for the three pension plans are as follows:

|  | <u>FRPF</u>  | <u>LOPFI</u> | <u>APERS</u> | <u>Total</u> |
|--|--------------|--------------|--------------|--------------|
| Net pension asset                              | \$ 1,619,340 | \$ -         | \$ -         | \$ 1,619,340 |
| Net pension liability                          | -            | 15,076,984   | 23,171,926   | 38,248,910   |
| Deferred outflows of resources                 | 513,035      | 4,180,291    | 6,687,125    | 11,380,451   |
| Deferred outflows of resources - contributions | -            | 1,940,269    | 1,251,016    | 3,191,285    |
| Deferred inflows of resources                  | -            | 156,431      | 507,091      | 663,522      |
| Pension expense                                | 221,340      | 3,144,597    | 4,568,629    | 7,934,566    |

Pension items listed above for the Arkansas Public Employees Retirement System (APERS) Plan have been allocated between governmental activities and business-type activities (as well as proprietary funds) on the basis of total contributions made during the year. Deferred outflows/inflows have been booked for each fund based on the change in proportion allocated from the prior year, which decreased by 1% for governmental activities and increased by 1% for business activities.

The City also participates in the Bentonville Volunteer Fire Plan, an agent multiple-employer defined benefit plan. Pension items and disclosures have not been included herein because of the insignificance of their dollar amounts.

***Firemen’s Relief and Pension Fund (“FRPF”) (the Old Plan)***

*Plan Description.* The Firemen’s Relief and Pension Fund (“FRPF”) is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On June 25, 2013, the City entered into an agreement with the Arkansas local police and fire (LOPFI) retirement system whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Plan’s net pension obligation over a 30 year open amortization period. The Old Plan’s benefit structure remains unchanged under the administration of LOPFI. The assets of the Old Plan are included in the pooled assets of the LOPFI System and a financial report that includes disclosures about the elements of the basic financial statements is available on LOPFI’s website at [www.lopfi-prb.com](http://www.lopfi-prb.com).

**City of Bentonville, Arkansas**  
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**December 31, 2017**

*Benefits.* The FRPF provides retirement benefits for firemen who have completed 20 years of service regardless of age. The benefit is equal to 50% of the member's final salary, but not less than \$11,040. If service exceeds 20 years, the annual benefit is increased by \$240 for each year over 20, not to exceed \$1,200 per year and if service exceeds 25 years, the member will receive an additional 1.25% for each year over 25 years, however, the total benefit cannot exceed 100% of the member's final salary. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. This benefit is the same as noted above, but for non-duty disability cannot be less than \$11,040 per year and for duty-related disability cannot be less than 65% of the member's final salary. The PRPF also provides benefits for surviving spouses and dependent children in which widow's receive the same amount the member is receiving or would be eligible to receive and children receive \$1,500 per year until age 18 (23, if still in school). No participants' benefits vest until normal retirement age. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan for up to 5 years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 and described later in this footnote. Therefore, the Firemen's Fund is effectively closed to new members.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

|                            |                      |
|----------------------------|----------------------|
| Retirees and beneficiaries | 11                   |
| DROP members               | 0                    |
| Active members             | <u>0</u>             |
| <br>Total                  | <br><u><u>11</u></u> |

*Contributions.* As the plan is closed to new members and there are no active members included in the plan, there are no contributions made by members to the plan. The contribution rate for the City is actuarially determined on an annual basis. However, due to the well-funded status of the plan, there has been no contribution requirement for the City in recent years. The Plan does, however, receive a state insurance turn back on an annual basis, which amounted to \$21,017 during the year ended December 31, 2016.

*Net Pension Asset.* The City's net pension asset of \$1,619,340 as of December 31, 2017 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial calculation as of December 31, 2016.



**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Actuarial Assumptions**

|                        |                             |
|------------------------|-----------------------------|
| Valuation Date         | December 31, 2016           |
| Cost Method            | Individual entry-age normal |
| Asset valuation method | 5-Year smoothed market      |
| Amortization method    | Close amortization period   |
| Amortization period    | 12 years                    |

Assumptions:

|                           |       |
|---------------------------|-------|
| Inflation rate            | 2.75% |
| Investment rate of return | 7.75% |

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender-distinct RP2000 Combined Mortality Table, projected to 2017 and set forward two years for males. For disabled members, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

**Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments is 7.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the LOPFI Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the plan.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

The long-term expected rate of return on pension plan investment was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <b>Long-term Expected Real Rate of Return</b> |                          |   |
|---|--------------------------|---|
| <b>Asset Class</b>                            | <b>Target Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
| Domestic Fixed Income                         | 30%                      | 2.97%   |
| International Fixed Income                    | 6%                       | 1.50%   |
| Domestic Equity                               | 33%                      | 5.88%   |
| Foreign Equity                                | 7%                       | 6.25%   |
| Index   | 11%                      | 6.73%   |
| Alternative Investments                       | 10%                      | 6.13%   |
| Cash  | 3%                       | -0.40%  |
| Total   | 100%                     |   |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Changes in the Net Pension Asset**

|   | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Asset<br/>(a) - (b)</b> |
|---|--|--|--|
| <b>Balances at January 1, 2017</b>                            | \$ 6,197,934                               | \$ 7,989,144                                   | \$ (1,791,210)                             |
| <b>Changes for the year:</b>                                  |  |  |  |
| Interest  | 437,660                                    | -  | 437,660                                    |
| Differences between expected and actual experience            | 219,904                                    | -  | 219,904                                    |
| Assumption changes  | -  | -  | -  |
| Contributions - employer                                      | -  | 21,017   | (21,017)                                   |
| Contributions - employee                                      | -  | 37,908   | (37,908)                                   |
| Net investment income   | -  | 441,257  | (441,257)                                  |
| Benefit payments, including refunds of employee contributions | (1,101,418)                                | (1,101,418)                                    | -  |
| Administrative expense  | -  | (14,488)                                       | 14,488                                     |
| <b>Net changes</b>  | <b>(443,854)</b>                           | <b>(615,724)</b>                               | <b>171,870</b>                             |
| <b>Balances at December 31, 2017</b>                          | <b>\$ 5,754,080</b>                        | <b>\$ 7,373,420</b>                            | <b>\$ (1,619,340)</b>                      |

**Sensitivity of the Net Pension Asset to Changes in the Discount Rate**

The following table presents the City's net pension asset for the FRPF using the current rate as compared to what the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

|                          | <b>Sensativity of the Net Pension Asset to the<br/>Single Discount Rate Assumption</b> |   |                              |
|--------------------------|--|---|------------------------------|
|                          | <b>1% Decrease<br/>6.75%</b>   | <b>Current Single Rate<br/>Assumption<br/>7.75%</b> | <b>1% Increase<br/>8.75%</b> |
|                          | <b>\$</b>  | <b>\$</b>   | <b>\$</b>                    |
| City's Net Pension Asset | (978,017)  | (1,619,340)   | (2,156,262)                  |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources**

For the year ended December 31, 2017, the City recognized pension expense of \$221,340 related to this plan.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

At December 31, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

|  | <b><u>Deferred Outflows<br/>of Resources</u></b> |
|--|--|
| Net difference between projected and actual earnings on pension plan investments | <u>\$ 513,035</u>                                |

Amounts reported as deferred outflows of resources related to the Plan will be recognized in pension expense as follows:

| <b>Year Ending<br/>December 31</b> |    |         |
|------------------------------------|----|---------|
| 2018                               | \$ | 165,397 |
| 2019                               |    | 165,397 |
| 2020                               |    | 154,853 |
| 2021                               |    | 27,388  |
| Total                              | \$ | 513,035 |

**Local Police and Fire Retirement System (“LOPFI”)**

*Plan Description.* The Arkansas Local Police and Fire Retirement System (“LOPFI”) is a statewide cost-sharing multiple-employer defined benefit pension plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. On January 1, 2008, only firemen of the City participated in the plan. Effective July 1, 2008, policemen of the City began participating in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, P. O. Drawer 34164, Little Rock, Arkansas, 72203, or by calling 501.682.1745.

*Benefits provided.* LOPFI provides for a retirement benefit paid to the member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member’s lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

*Contributions.* Contributions to LOPFI are made by both the members and employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 2.5 percent of covered payroll for policemen and 8.5 percent of covered payroll for firemen. The City contributed 20.88% of covered employee’s salaries to the plan for policemen and 23% of covered employees’ salaries to the plan for firemen for the year ended December 31, 2017. Contributions made to the plan by employees and the City for the year ended December 31, 2017 amounted to \$511,440 and \$1,940,269, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2017, the City reported a liability of \$15,076,984 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the ratio of the City’s actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2016, the City’s proportion was 2.64262 percent, which was an increase of .102364 percent from the prior year.

For the year ended December 31, 2017, the City recognized pension expense of \$3,144,597 related to this plan. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 525,235                                | \$ 3,547                                 |
| Changes of assumptions   | 803,493                                   | -  |
| Net difference between projected and actual earnings on pension plan investments | 2,394,097                                 | -  |
| Changes in proportion  | 457,466                                   | 152,884                                  |
| Contributions subsequent to the measurement date                                 | <u>1,940,269</u>                          | <u>-</u>                                 |
| Total  | <u>\$ 6,120,560</u>                       | <u>\$ 156,431</u>                        |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,940,269 will be recognized as a reduction of the net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

| <u>Year Ending<br/>December 31,</u> |                     |
|-------------------------------------|---------------------|
| 2018                                | \$ 1,296,125        |
| 2019                                | 1,296,422           |
| 2020                                | 1,191,399           |
| 2021                                | <u>239,914</u>      |
| Total                               | <u>\$ 4,023,860</u> |

**Actuarial Assumptions**

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Actuarial cost method     | Entry age normal  |
| Price inflation           | 2.75 percent  |
| Wage inflation            | 3.75 percent  |
| Salary increases          | 4.25 to 18.75 percent, including inflation                                |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale AA.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2008 to December 31, 2011. As a result of the 2011 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2016 actuarial evaluation to more closely reflect actual experience.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

| <b>Long-term Expected Real Rate of Return</b> |                          |   |
|---|--------------------------|---|
| <b>Asset Class</b>                            | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
| Domestic Fixed Income                         | 30.00%                   | 2.97%   |
| International Fixed Income                    | 6.00%                    | 1.50%   |
| Domestic Equity                               | 33.00%                   | 5.88%   |
| Foreign Equity                                | 7.00%                    | 6.25%   |
| Index   | 11.00%                   | 6.73%   |
| Alternative Investments                       | 10.00%                   | 6.13%   |
| Cash  | 3.00%                    | -0.40%  |
| Total   | 100.00%                  |   |

**Discount Rate**

In the December 31, 2016 actuarial valuation, a single discount rate of 7.75% 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 7.75%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

|  | <b>Sensitivity of the Net Pension Liability to the<br/>Single Discount Rate Assumption</b> |   |                              |
|--|--|---|------------------------------|
|  | <b>1% Decrease<br/>6.75%</b>   | <b>Current Single<br/>Rate Assumption<br/>7.75%</b> | <b>1% Increase<br/>8.75%</b> |
| City's proportionate share of<br>the net pension liability | \$ 23,608,724  | \$ 15,076,984                                       | \$ 8,087,823                 |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued LOPFI financial report.

**Arkansas Public Employees Retirement System ("APERS")**

*Plan Description.* For certain other employees, the City contributes to the Arkansas Public Employees Retirement System (“APERS”), a cost-sharing multiple-employer defined benefit plan administered by the APERS Board of Trustees. APERS provides retirement, death and disability benefits and annual cost-of-living adjustments to plan members. APERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to APERS, One Union National Plaza, Little Rock, AR 72201 or by calling 501.682.7800.

Act 2084 of the 2005 Arkansas General Assembly provides for a new contributory program for APERS members hired on or after July 1, 2005 and those non-contributory members who elect to become contributory. Members participating in the contributory program will contribute 5% of their annual compensation, pre-tax (taxes are deferred). All active APERS members employed before July 1, 2005, had six months to elect coverage under the contributory program. The deadline to elect to be contributory was December 31, 2005. The contributory program does not provide for a temporary annuity for participants. However, the contributory program does provide for a higher multiplier (2.0%) that is utilized to calculate the member’s retirement benefit.



**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

*Benefits provided.* Benefits under APERS are calculated depending on the member's hire date, with retirees separated into two separate categories; the non-contributory plan applies to all persons hired prior to July 1, 2005, while the new contributory plan applies to all employees hired on or after July 1, 2005. Under both plans, a member may retire with full benefits at either the age of 65 with five years of service, or at any age with 28 years of service. The member may retire with reduced benefits at either the age of 55 with five years of service or at any age with 25 years of service. The reduction is equal to one-half of one percent for each month retirement precedes normal retirement age or one-percent for each month below 28 years of actual service, whichever is less. Under the non-contributory plan, the benefit calculation is equal to a factor of 1.72% of the member's final average salary multiplied by the years and months of credited service. Under the new contributory plan, the benefit calculation is equal to a factor of 2.00% of the members final average salary multiplied by the years of credited service. Under each plan, an additional .5% of the member's final average salary is awarded for each year of credited service exceeding 28 years. The minimum monthly benefit is \$150, excluding any age and beneficiary option reductions.

Under both the non-contributory and contributory plan, the member's final average salary is the highest 36 calendar months of covered compensation. In addition, a cost-of-living adjustment of 3% annually is included in the current benefits.

*Contributions.* Contributions to APERS are made by both the members (under the contributory plan) and employers. Member contribution rates are established by the APERS Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 5 percent of covered payroll for each employee under the new contributory plan. The City contributed 14.50% of covered employee's salaries to the plan for the period January 1, 2017 to June 30, 2017 and 14.75% of covered employee's salaries from July 1, 2017 to December 31, 2017. Contributions made to the plan by employees and the City for the year ended December 31, 2016 amounted to \$530,181 and \$2,455,886, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2017, the City reported a liability of \$23,171,923 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At June 30, 2017, the City's proportion was .89669761%, which is an increase of .06701388% from the prior year.

As noted earlier, the pension related items are allocated between governmental and business activities on the basis of total contributions made during the year. The allocation used June 30, 2017 related pension items was 59% for governmental activities and 41% for business activities, compared to 60% and 40% used in the prior year, respectively. A deferred outflow and inflow have been recorded for each, respectively, as shown on the next page.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

For the year ended December 31, 2017, the City recognized pension expense of \$4,568,629. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 449,199                                | \$ 455,740                               |
| Change of assumptions  | 3,728,327                                 | -  |
| Changes in proportion  | 1,494,131                                 | 6,856                                    |
| Changes in fund allocation proportion  | 44,495                                    | 44,495                                   |
| Net difference between projected and actual earnings on pension plan investments | 970,973                                   | -  |
| Contributions subsequent to the measurement date                                 | <u>1,251,016</u>                          | <u>-</u>                                 |
| Total  | <u>\$ 7,938,141</u>                       | <u>\$ 507,091</u>                        |

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,251,016 will be recognized as a reduction of the net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

|       | <u>Year Ending<br/>December 31,</u> |
|-------|-------------------------------------|
| 2018  | \$ 1,792,181                        |
| 2019  | 2,719,550                           |
| 2020  | 1,764,331                           |
| 2021  | <u>(96,028)</u>                     |
| Total | <u>\$ 6,180,034</u>                 |

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.50 percent  |
| Salary increases          | 3.25 percent to 9.85 percent  |
| Investment rate of return | 7.15 percent, net of pension plan investment expense, including inflation (7.50% in prior year) |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012. As a result of the 2012 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2017 actuarial evaluation to more closely reflect actual experience.

**Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

| <b>Long-term Expected Real Rate of Return</b> |                          |   |
|---|--------------------------|---|
| <b>Asset Class</b>                            | <b>Target Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
| Broad Domestic Equity                         | 37.00%                   | 5.97%   |
| International Equity                          | 24.00%                   | 6.54%   |
| Real Estate Related Assets                    | 16.00%                   | 4.59%   |
| Absolute Return                               | 5.00%                    | 3.15%   |
| Domestic Fund                                 | 18.00%                   | 0.83%   |
| Total   | 100.00%                  |   |

**Discount Rate**

In the June 30, 2017 actuarial valuation, a single discount rate of 7.15% (7.50% in prior year) 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 7.15% (7.50% in prior year). The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

|   | <b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b> |   |                              |
|---|--|---|------------------------------|
|   | <b>1% Decrease<br/>6.15%</b>   | <b>Current Single<br/>Rate Assumption<br/>7.15%</b> | <b>1% Increase<br/>8.15%</b> |
| City’s proportionate share of the net pension liability | \$ 35,287,858  | \$ 23,171,926                                       | \$ 13,111,515                |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued APERS financial report.

**Note 8: Other Postemployment Benefits (OPEB)**

*Plan Description:* The City sponsors and administers an informal single-employer defined benefit healthcare plan. Retirees who are vested in their retirement plan and are eligible to receive a retirement benefit (and actually apply for and receive the retirement benefit) are entitled to purchase continued health benefits coverage for the retiree and the retiree’s dependents until Medicare eligibility. The City Council has the authority to establish and amend the requirements of this plan. The City does not issue stand-alone financial statements of the healthcare plan but all required information is presented in this report.

*Funding Policy:* The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage is the same as the coverage provided to active City employees. Retirees pay premiums ranging from \$403 per month to \$1,086 per month depending on the coverage elected. The City’s policy maintains that retirees must pay 100% of the cost of premiums. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis and is recorded as an expense in the applicable fund as liabilities are incurred. There were 19 retirees covered under this plan at December 31, 2017. Dependent coverage was provided for six of the retirees. Total benefits paid by the City for retirees during the fiscal year were \$148,344. Retirees contributed \$117,552 of the total current year cost.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
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*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

|  |                            |
|--|----------------------------|
| Annual required contribution                       | \$ 415,160                 |
| Interest on net OPEB Obligation                    | 61,665                     |
| Adjustment to annual required contribution         | <u>(58,408)</u>            |
| Annual OPEB cost                                   | 418,417                    |
| Total annual employer contribution (pay-as-you-go) | <u>(117,552)</u>           |
| Increase in net OPEB obligation                    | 300,865                    |
| Net OPEB Obligation – beginning of year            | <u>1,370,339</u>           |
| Net OPEB Obligation – end of year                  | <u><u>\$ 1,671,204</u></u> |

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period is as follows:

|                                    |                          |
|------------------------------------|--------------------------|
| Normal Cost                        | \$ 254,048               |
| Amortization cost                  | 143,234                  |
| Interest adjustment                | <u>17,878</u>            |
| Annual required contribution (ARC) | <u><u>\$ 415,160</u></u> |

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

***Three-Year Trend Information***

| <b>Fiscal Year Ended</b> | <b>Annual OPEB Cost</b> | <b>Percentage of<br/>Annual OPEB Cost<br/>Contributed</b> | <b>Net OPEB<br/>Obligation</b> |
|--------------------------|-------------------------|---|--------------------------------|
| 12/31/2015               | \$ 174,078              | 66%   | \$ 1,060,505                   |
| 12/31/2016               | \$ 417,680              | 58%   | \$ 1,370,339                   |
| 12/31/2017               | \$ 418,417              | 26%   | \$ 1,671,204                   |

*Funded Status and Funding Progress:* As of December 31, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,511,691 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,511,691. The covered payroll (annual payroll of active employees covered by the plan) was \$20,447,739, and the ratio of the UAAL to the covered payroll was 17.17%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based on the City's rate of return on investments for 2016, and an annual healthcare cost trend rate of 9% for 2017 and then reduced by decrements of one-half percent annually to an ultimate rate of 4.5% after nine years. Both rates included a 3.0% inflation assumption. The UAAL is being amortized on a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016, was 30 years.

**City of Bentonville, Arkansas**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 9: Risk Management**

The City has various insurance policies to cover its potential liability risk areas (*e.g.*, automobile, personal property, contents and outside structures and worker's compensation). Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers and population. For risks covered by AML, the City pays no deductible; however, the City pays a \$2,000 fee to AML for each legal matter it handles. There have been no significant reductions in coverage from 2016 to 2017; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

**Note 10: Contingencies**

The City, its agencies and its employees are defendants in various legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts and alleged violations of state and federal laws. Based on the current status of all of these legal proceedings, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City's financial position.

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## **Required Supplementary Information**

**City of Bentonville, Arkansas**  
**Budgetary Comparison Schedule –**  
**General Fund**  
**Year Ended December 31, 2017**

|  | <u>Original Budget</u> | <u>Final Budget</u>  | <u>Actual</u>        | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|------------------------|----------------------|----------------------|---|
| <b>Revenues</b>  |                        |                      |                      |   |
| Property tax   | \$ 5,374,015           | \$ 5,374,015         | \$ 5,964,660         | \$ 590,645  |
| Sales tax  | 18,586,260             | 18,586,260           | 25,772,113           | 7,185,853   |
| State turnback   | 1,212,810              | 1,212,810            | 1,291,393            | 78,583  |
| Franchise fees   | 5,430,095              | 5,430,095            | 5,351,361            | (78,734)  |
| Charges for services   | 4,969,610              | 4,969,610            | 5,658,026            | 688,416   |
| Fines and forfeitures  | 479,007                | 479,007              | 498,991              | 19,984  |
| Licenses and permits   | 986,545                | 986,545              | 1,370,136            | 383,591   |
| Grants   | 433,720                | 2,966,235            | 1,165,358            | (1,800,877)   |
| Contributions  | 32,500                 | 3,768,297            | 1,029,148            | (2,739,149)   |
| Interest   | -                      | -                    | 52,066               | 52,066  |
| Miscellaneous  | 1,630,130              | 1,641,618            | 716,154              | (925,464)   |
| Total revenues   | <u>39,134,692</u>      | <u>45,414,492</u>    | <u>48,869,406</u>    | <u>3,454,914</u>  |
| <b>Expenditures</b>  |                        |                      |                      |   |
| Current  |                        |                      |                      |   |
| General government   | 7,192,535              | 7,479,392            | 6,694,940            | 784,452   |
| Public safety  | 19,117,285             | 19,128,773           | 18,587,838           | 540,935   |
| Recreation   | 8,075,899              | 8,317,784            | 8,163,683            | 154,101   |
| Library  | 1,589,684              | 1,612,084            | 1,386,429            | 225,655   |
| CDBG   | -                      | -                    | 7,147                | (7,147)   |
| Capital outlay   | 3,255,557              | 12,473,524           | 5,347,827            | 7,125,697   |
| Total expenditures   | <u>39,230,960</u>      | <u>49,011,557</u>    | <u>40,187,864</u>    | <u>8,823,693</u>  |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>(96,268)</u>        | <u>(3,597,065)</u>   | <u>8,681,542</u>     | <u>12,278,607</u>   |
| <b>Other Financing Sources</b>                               |                        |                      |                      |   |
| Sale of capital assets                                       | -                      | -                    | 95,131               | 95,131  |
| Transfers in   | 476,500                | 520,749              | 444,592              | (76,157)  |
| Total other financing<br>sources                             | <u>476,500</u>         | <u>520,749</u>       | <u>539,723</u>       | <u>18,974</u>   |
| <b>Net Change in Fund Balances</b>                           | 380,232                | (3,076,316)          | 9,221,265            | 12,297,581  |
| <b>Fund Balances, Beginning of Year</b>                      | <u>39,427,411</u>      | <u>39,427,411</u>    | <u>39,427,411</u>    | <u>-</u>  |
| <b>Fund Balances, End of Year</b>                            | <u>\$ 39,807,643</u>   | <u>\$ 36,351,095</u> | <u>\$ 48,648,676</u> | <u>\$ 12,297,581</u>  |

**City of Bentonville, Arkansas**  
**Budgetary Comparison Schedule –**  
**Street Fund**  
**Year Ended December 31, 2017**

|  | <b>Original Budget</b> | <b>Final Budget</b> | <b>Actual</b>       | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|------------------------|---------------------|---------------------|---|
| <b>Revenues</b>  |                        |                     |                     |   |
| Property tax   | \$ 1,659,625           | \$ 1,659,625        | \$ 1,888,308        | \$ 228,683  |
| State turnback   | 1,493,125              | 1,493,125           | 1,561,970           | 68,845  |
| Charges for services   | 16,000                 | 47,850              | 33,259              | (14,591)  |
| Grants   | -                      | -                   | 3,247,214           | 3,247,214   |
| Contributions  | -                      | -                   | 1,183,405           | 1,183,405   |
| Interest   | -                      | -                   | 6,045               | 6,045   |
| Miscellaneous  | 1,143,855              | 1,720,360           | 889,415             | (830,945)   |
| Total revenues   | <u>4,312,605</u>       | <u>4,920,960</u>    | <u>8,809,616</u>    | <u>3,888,656</u>  |
| <b>Expenditures</b>  |                        |                     |                     |   |
| Current:   |                        |                     |                     |   |
| Street department  | 3,123,805              | 3,159,478           | 2,553,724           | 605,754   |
| Capital outlay   | 1,188,800              | 5,440,265           | 8,515,081           | (3,074,816)   |
| Total expenditures   | <u>4,312,605</u>       | <u>8,599,743</u>    | <u>11,068,805</u>   | <u>(2,469,062)</u>  |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>-</u>               | <u>(3,678,783)</u>  | <u>(2,259,189)</u>  | <u>1,419,594</u>  |
| <b>Other Financing Sources</b>                               |                        |                     |                     |   |
| Sale of capital assets                                       | -                      | -                   | 10,934              | 10,934  |
| Total other financing<br>sources                             | <u>-</u>               | <u>-</u>            | <u>10,934</u>       | <u>10,934</u>   |
| <b>Net Change in Fund Balances</b>                           | -                      | (3,678,783)         | (2,248,255)         | 1,430,528   |
| <b>Fund Balances, Beginning of Year</b>                      | <u>7,085,596</u>       | <u>7,085,596</u>    | <u>7,085,596</u>    | <u>-</u>  |
| <b>Fund Balances, End of Year</b>                            | <u>\$ 7,085,596</u>    | <u>\$ 3,406,813</u> | <u>\$ 4,837,341</u> | <u>\$ 1,430,528</u>   |

**City of Bentonville, Arkansas**  
**Schedule of Funding Progress - OPEB**  
**For the Year Ended December 31, 2017**

|                                   | <b>Actuarial<br/>Valuation Date</b> | <b>Actuarial Value<br/>of Assets (a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL) (b)</b> |
|-----------------------------------|-------------------------------------|--|--|
| Other Postemployment Benefit Plan | 12/31/2015                          | \$ -                                     | \$ 1,715,493   |
|                                   | 12/31/2016                          | -  | 3,511,691  |
|                                   | 12/31/2017                          | -  | 3,511,691  |

| <b>Unfunded<br/>(Excess) AAL<br/>(UAAL) (b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll ( c )</b> | <b>Excess as a<br/>Percentage of<br/>Covered Payroll<br/>((a-b)/c)</b> |
|---|-----------------------------------|----------------------------------|--|
| \$ 1,715,493                                      | 0%                                | \$ 20,795,008                    | 8.25%  |
| 3,511,691   | 0%                                | 20,447,739                       | 17.17%   |
| 3,511,691   | 0%                                | 20,447,739                       | 17.17%   |

**City of Bentonville, Arkansas**  
**Agent Multiple-Employer Plan**

**Schedule of Changes in the City's Net Pension Asset and Related Ratios - FRPF**

| Fiscal Year Ended December 31,  | 2017                  | 2016                  | 2015                  |
|---|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>  |                       |                       |                       |
| Interest  | \$ 437,660            | \$ 466,923            | \$ 398,688            |
| Difference between actual and expected experience                             | 219,904               | (60,276)              | 804,333               |
| Assumption Changes  | -                     | 132,682               | -                     |
| Benefit payments  | <u>(1,101,418)</u>    | <u>(355,876)</u>      | <u>(344,268)</u>      |
| <b>Net Change in Total Pension Liability</b>                                  | (443,854)             | 183,453               | 858,753               |
| <b>Total Pension Liability - Beginning</b>                                    | <u>6,197,934</u>      | <u>6,014,481</u>      | <u>5,155,728</u>      |
| <b>Total Pension Liability - Ending (a)</b>                                   | <u>\$ 5,754,080</u>   | <u>\$ 6,197,934</u>   | <u>\$ 6,014,481</u>   |
| <b>Plan Fiduciary Net Position</b>  |                       |                       |                       |
| Contributions - employer  | \$ 21,017             | \$ 16,427             | \$ 15,135             |
| Contributions - Employee  | 37,908                | -                     | -                     |
| Net investment income   | 441,257               | 14,939                | 581,099               |
| Benefit payments  | (1,101,418)           | (355,876)             | (344,268)             |
| Administrative Expense  | <u>(14,488)</u>       | <u>(18,669)</u>       | <u>(13,808)</u>       |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | (615,724)             | (343,179)             | 238,158               |
| <b>Plan Fiduciary Net Position - Beginning</b>                                | <u>7,989,144</u>      | <u>8,332,323</u>      | <u>8,094,165</u>      |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                               | <u>\$ 7,373,420</u>   | <u>\$ 7,989,144</u>   | <u>\$ 8,332,323</u>   |
| <b>City's Net Pension Asset (a) - (b)</b>                                     | <u>\$ (1,619,340)</u> | <u>\$ (1,791,210)</u> | <u>\$ (2,317,842)</u> |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | 128.14%               | 128.90%               | 138.54%               |
| <b>Covered Payroll</b>  | \$ -                  | \$ -                  | \$ -                  |
| <b>City's Net Pension Asset as a Percentage of Covered Payroll</b>            | N/A                   | N/A                   | N/A                   |

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

**City of Bentonville, Arkansas**  
**Agent Multiple-Employer Plan**  
**Schedule of Contributions - FRPF**

| FY Ended<br>December 31, | Actuarially<br>Determined<br>Contribution<br>(ADC) | Actual<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Payroll | Actual<br>Contribution as<br>a % of Covered<br>Payroll |
|--------------------------|--|------------------------|--|--------------------|--|
| 2015                     | \$ -   | \$ -                   | \$ -                                   | \$ -               | N/A  |
| 2016                     | -  | -                      | -                                      | -                  | N/A  |
| 2017                     | -  | -                      | -                                      | -                  | N/A  |

**Key Assumptions for ADC:**

|                           |  |
|---------------------------|--|
| Cost Method               | Entry Age Normal   |
| Amortization Method       | Level Percentage of Payroll, Closed  |
| Remaining Amortization    | 12 Years   |
| Asset Valuation           | 5 Year Smoothed Market, 20% Soft Corridor  |
| Inflation                 | 3.00%  |
| Salary Increases          | N/A  |
| Investment Rate of Return | 8.00%  |
| Retirement Age            | Experience-based table of rates that are specific to the type of eligibility benefits. Last updated for the 2012 pursuant to an experience study of the period 2008 - 2011.              |
| Mortality                 | RP2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are applicable to non-disabled lives set forward 10 years. |

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

**City of Bentonville, Arkansas**  
**Cost-Sharing Plan**

**Schedule of the City's Proportionate Share of the Net Pension Liability - LOPFI**

| <u>City Fiscal year ended December 31,</u>   | <u>2017</u>   |     | <u>2016</u>   |     | <u>2015</u>  |
|--|---------------|-----|---------------|-----|--------------|
| City's proportion of the net pension liability   | 2.642620%     | (1) | 2.540256%     | (1) | 2.492571%    |
| City's proportionate share of the net pension liability  | \$ 15,076,984 |     | \$ 13,330,612 |     | \$ 9,023,336 |
| City's covered payroll   | \$ 8,004,748  |     | \$ 7,951,238  |     | \$ 6,953,609 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 188.35%       |     | 167.65%       |     | 129.76%      |
| Plan fiduciary net position as a percentage of the total pension liability                     | 72.87%        |     | 72.92%        |     | 79.14%       |

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

(1): Assumption changes for 2016 include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.



**City of Bentonville, Arkansas**  
**Cost-Sharing Plan**  
**Schedule of City Contributions - LOPFI**

| <u>City Fiscal year ended December 31,</u>                              | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
|---|--------------------|--------------------|--------------------|
| Contractually required contribution                                     | \$ 1,940,202 (1)   | \$ 1,684,557 (1)   | \$ 1,639,457       |
| Contributions in relation to the<br>contractually required contribution | <u>(1,940,202)</u> | <u>(1,684,557)</u> | <u>(1,639,457)</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| City's covered payroll  | \$ 8,798,931       | \$ 8,004,748       | \$ 7,951,239       |
| Contributions as a percentage of<br>covered payroll                     | 22.05%             | 21.04%             | 20.62%             |

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

(1): Assumption changes for 2016 include a decrease in price inflation from 3.00 to 2.75 percent; a decrease in wage inflation from 4.00 to 3.75 percent; a decrease in salary increases from 4.50 to 19 percent to 4.25 to 18.75 percent; and a decrease in the investment rate of return from 8.00 to 7.75 percent.

**City of Bentonville, Arkansas**  
**Cost-Sharing Plan**

**Schedule of the City's Proportionate Share of the Net Pension Liability - APERS**

| <u>City Fiscal year ended December 31,</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   |
|--|---------------|---------------|---------------|
| City's proportion of the net pension liability   | 89.66976100%  | 0.82968373%   | 0.80078759%   |
| City's proportionate share of the net pension liability  | \$ 23,171,926 | \$ 19,840,626 | \$ 14,748,372 |
| City's covered payroll   | \$ 16,818,306 | \$ 14,261,744 | \$ 14,277,688 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 137.78%       | 139.12%       | 103.30%       |
| Plan fiduciary net position as a percentage of the total pension liability                     | 75.65%        | 75.50%        | 80.39%        |

Note: Information in this schedule has been determined as of the measurement date (June 30 of the year of the most recent fiscal year-end) of the City's net pension liability.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

**City of Bentonville, Arkansas**  
**Cost-Sharing Plan**  
**Schedule of City Contributions - APERS**

| <u>City Fiscal year ended December 31,</u>                              | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
|---|--------------------|--------------------|--------------------|
| Contractually required contribution                                     | \$ 2,444,877       | \$ 2,260,596       | \$ 2,224,163       |
| Contributions in relation to the<br>contractually required contribution | <u>(2,444,877)</u> | <u>(2,260,596)</u> | <u>(2,224,163)</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| City's covered payroll  | \$ 16,714,991      | \$ 15,590,294      | \$ 15,208,940      |
| Contributions as a percentage of<br>covered payroll                     | 14.63%             | 14.50%             | 14.62%             |

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.



**City of Bentonville, Arkansas**  
**Notes to Required Supplementary Information (Continued)**  
**December 31, 2017**

***LOPFI***

**Economic Assumptions**

|                                |  |
|--------------------------------|--|
| Investment Rate of Return      | 7.75% per year, compounded annually (net after administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return is defined to be the portion of investment return which is more than the wage inflation rate. With a 3.75% recognition of wage inflation, the 7.75% investment return rate translates to an assumed real rate of return of 4.00%. |
| Price Inflation                | 2.75%  |
| Pay Increase Assumptions       | Ranges from 4.25% to 18.75% depending on service years, including 3.75% for wage inflation.  |
| Total Active Member Payroll    | Assumed to increase 3.75% per year, which is the portion of the individual pay increase assumptions attributable to wage inflation.  |
| Total Number of Active Members | Assumed to continue at the present number.   |

***APERS***

|                                |  |
|--------------------------------|--|
| Investment Rate of Return      | 7.15% per year, compounded annually (net after administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return is defined to be the portion of investment return which is more than the wage inflation rate. With a 3.25% recognition of wage inflation, the 7.15% investment return rate translates to an assumed real rate of return of 3.90%. |
| Pay Increase Assumptions       | Ranges from 3.25% to 9.85% depending on service years, including 3.25% for wage inflation.   |
| Total Active Member Payroll    | Assumed to increase 3.25% per year, which is the portion of the individual pay increase assumptions attributable to wage inflation.  |
| Total Number of Active Members | Assumed to continue at the present number.   |

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**Combining and Individual Fund  
Financial Statements and Schedules**

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**City of Bentonville, Arkansas**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**December 31, 2017**

|                                      | Impact &<br>Capacity | Court      | Total Nonmajor<br>Governmental<br>Funds |
|--------------------------------------|----------------------|------------|---|
| <b>Assets</b>                        |                      |            |   |
| Accounts receivable:                 |                      |            |   |
| Grants and other                     | \$ -                 | \$ 10,470  | \$ 10,470                               |
| Restricted assets                    |                      |            |   |
| Cash and cash equivalents            | 4,480,877            | 331,460    | 4,812,337                               |
| Total assets                         | \$ 4,480,877         | \$ 341,930 | \$ 4,822,807                            |
| <b>Liabilities and Fund Balances</b> |                      |            |   |
| <b>Liabilities:</b>                  |                      |            |   |
| Due to other government              | \$ -                 | \$ 341,930 | \$ 341,930                              |
| Total liabilities                    | -                    | 341,930    | 341,930                                 |
| <b>Fund balances</b>                 |                      |            |   |
| Restricted                           |                      |            |   |
| New growth                           | 4,480,877            | -          | 4,480,877                               |
| Total fund balances                  | 4,480,877            | -          | 4,480,877                               |
| Total liabilities and fund balances  | \$ 4,480,877         | \$ 341,930 | \$ 4,822,807                            |

**City of Bentonville, Arkansas**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances –**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2017**

|   | <b>Impact/Capacity<br/>Fees</b> | <b>Court</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|---|---------------------------------|--------------|--|
| <b>Revenues</b>                           |                                 |              |  |
| Impact fees                               | \$ 3,325,568                    | \$ -         | \$ 3,325,568                                     |
| Total revenues                            | <u>3,325,568</u>                | <u>-</u>     | <u>3,325,568</u>                                 |
| <b>Other Financing Sources (Uses)</b>     |                                 |              |  |
| Transfers out                             | (444,592)                       | -            | (444,592)  |
| <b>Net Other Financing Sources (Uses)</b> | <u>(444,592)</u>                | <u>-</u>     | <u>(444,592)</u>                                 |
| <b>Net Change in Fund Balances</b>        | 2,880,976                       | -            | 2,880,976  |
| <b>Fund Balances at Beginning of Year</b> | <u>1,599,901</u>                | <u>-</u>     | <u>1,599,901</u>                                 |
| <b>Fund Balances at End of Year</b>       | <u>\$ 4,480,877</u>             | <u>\$ -</u>  | <u>\$ 4,480,877</u>                              |

**City of Bentonville, Arkansas**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances – Budget and Actual –**  
**Debt Service Fund**  
**Year Ended December 31, 2017**

|   | <b>Original<br/>Budget</b> | <b>Final Budget</b> | <b>Actual</b>       | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|---------------------|---------------------|---|
| <b>Revenues</b>                                   |                            |                     |                     |   |
| Sales tax   | \$ 8,080,000               | \$ 8,080,000        | \$ 11,878,939       | \$ 3,798,939  |
| Interest  | -                          | -                   | 44,603              | 44,603  |
| Miscellaneous                                     | -                          | -                   | -                   | -   |
| Total revenues                                    | <u>8,080,000</u>           | <u>8,080,000</u>    | <u>11,923,542</u>   | <u>3,843,542</u>  |
| <b>Expenditures</b>                               |                            |                     |                     |   |
| Debt Service                                      | <u>8,080,000</u>           | <u>8,080,000</u>    | <u>10,239,991</u>   | <u>(2,159,991)</u>  |
| Total expenditures                                | <u>8,080,000</u>           | <u>8,080,000</u>    | <u>10,239,991</u>   | <u>(2,159,991)</u>  |
| <b>Deficiency of Revenues Over Expenditures</b>   | <u>-</u>                   | <u>-</u>            | <u>1,683,551</u>    | <u>1,683,551</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                            |                     |                     |   |
| Proceeds from issuance of debt (includes premium) | <u>-</u>                   | <u>-</u>            | <u>1,327,377</u>    | <u>1,327,377</u>  |
| Net other financing sources (uses)                | <u>-</u>                   | <u>-</u>            | <u>1,327,377</u>    | <u>1,327,377</u>  |
| <b>Net Change in Fund Balances</b>                | <u>-</u>                   | <u>-</u>            | <u>3,010,928</u>    | <u>3,010,928</u>  |
| <b>Fund Balances at Beginning of Year</b>         | <u>5,475,760</u>           | <u>5,475,760</u>    | <u>5,475,760</u>    | <u>-</u>  |
| <b>Fund Balances at End of Year</b>               | <u>\$ 5,475,760</u>        | <u>\$ 5,475,760</u> | <u>\$ 8,486,688</u> | <u>\$ 3,010,928</u>   |

**City of Bentonville, Arkansas**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance – Budget and Actual –**  
**Impact/Capacity Fees**  
**Year Ended December 31, 2017**

|   | <b>Original<br/>Budget</b> | <b>Final Budget</b>        | <b>Actual</b>              | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|----------------------------|----------------------------|---|
| <b>Revenues</b>                           |                            |                            |                            |   |
| Impact fees                               | \$ 510,000                 | \$ 510,000                 | \$ 3,325,568               | \$ 2,815,568  |
| Total revenues                            | <u>510,000</u>             | <u>510,000</u>             | <u>3,325,568</u>           | <u>2,815,568</u>  |
| <b>Other Financing Sources (Uses)</b>     |                            |                            |                            |   |
| Transfers out                             | <u>(510,000)</u>           | <u>(510,000)</u>           | <u>(444,592)</u>           | <u>65,408</u>   |
| Net other financing sources (uses)        | <u>(510,000)</u>           | <u>(510,000)</u>           | <u>(444,592)</u>           | <u>65,408</u>   |
| <b>Net Change in Fund Balances</b>        | -                          | -                          | 2,880,976                  | 2,880,976   |
| <b>Fund Balances at Beginning of Year</b> | <u>1,599,901</u>           | <u>1,599,901</u>           | <u>1,599,901</u>           | <u>-</u>  |
| <b>Fund Balances at End of Year</b>       | <u><u>\$ 1,599,901</u></u> | <u><u>\$ 1,599,901</u></u> | <u><u>\$ 4,480,877</u></u> | <u><u>\$ 2,880,976</u></u>  |

**City of Bentonville, Arkansas**  
**Combining Statement of Revenues and Expenses –**  
**Enterprise Fund**  
**Year Ended December 31, 2017**

|   | <b>Electric</b>     | <b>Water</b>        | <b>Wastewater</b>   | <b>Sanitation</b> | <b>Support<br/>Services and<br/>Other</b> | <b>Total</b>         |
|---|---------------------|---------------------|---------------------|-------------------|---|----------------------|
| <b>Operating Revenues</b>                                   |                     |                     |                     |                   |   |                      |
| Charges for services  | \$ 65,984,622       | \$ 10,477,795       | \$ 13,339,032       | \$ 4,591,853      | \$ 929,561                                | \$ 95,322,863        |
| Other, net  | 591,120             | 247,817             | 2,960               | -                 | 63,997                                    | 905,894              |
| Total operating revenues                                    | <u>66,575,742</u>   | <u>10,725,612</u>   | <u>13,341,992</u>   | <u>4,591,853</u>  | <u>993,558</u>                            | <u>96,228,757</u>    |
| <b>Operating Expenses</b>                                   |                     |                     |                     |                   |   |                      |
| Salaries and fringe benefits                                | 4,160,084           | 2,693,096           | 1,588,270           | -                 | 1,438,714                                 | 9,880,164            |
| Contract purchases  | 48,046,902          | 5,045,681           | 5,043,143           | 4,179,829         | -   | 62,315,555           |
| Maintenance   | 672,988             | 573,402             | 478,803             | -                 | 47,907                                    | 1,773,100            |
| Depreciation and<br>amortization                            | 2,686,169           | 2,794,004           | 724,084             | -                 | 675,432                                   | 6,879,689            |
| Materials and supplies                                      | 435,909             | 295,427             | 289,403             | -                 | 413,211                                   | 1,433,950            |
| Other services and charges                                  | 4,199,494           | 1,167,728           | 1,086,318           | 17,651            | 1,170,499                                 | 7,641,690            |
| Total operating expenses                                    | <u>60,201,546</u>   | <u>12,569,338</u>   | <u>9,210,021</u>    | <u>4,197,480</u>  | <u>3,745,763</u>                          | <u>89,924,148</u>    |
| <b>Operating Income (Loss)</b>                              | <u>6,374,196</u>    | <u>(1,843,726)</u>  | <u>4,131,971</u>    | <u>394,373</u>    | <u>(2,752,205)</u>                        | <u>6,304,609</u>     |
| <b>Nonoperating Income<br/>(Expenses)</b>                   |                     |                     |                     |                   |   |                      |
| Interest income   | 30,243              | 6,380               | 3,738               | 1,037             | -   | 41,398               |
| Bond interest and fiscal<br>agent charges                   | (117,413)           | (348,740)           | (45,662)            | -                 | -   | (511,815)            |
| Gain on sales of capital assets                             | (15,005)            | (17,250)            | (5,882)             | -                 | 310,663                                   | 272,526              |
| Net non-operating<br>revenues (expenses)                    | <u>(102,175)</u>    | <u>(359,610)</u>    | <u>(47,806)</u>     | <u>1,037</u>      | <u>310,663</u>                            | <u>(197,891)</u>     |
| <b>Income (Loss) Before<br/>Contributions and Transfers</b> | 6,272,021           | (2,203,336)         | 4,084,165           | 395,410           | (2,441,542)                               | 6,106,718            |
| <b>Capital Contributions</b>                                | <u>363,424</u>      | <u>3,795,218</u>    | <u>-</u>            | <u>-</u>          | <u>-</u>                                  | <u>4,158,642</u>     |
| <b>Change in Net Position</b>                               | <u>\$ 6,635,445</u> | <u>\$ 1,591,882</u> | <u>\$ 4,084,165</u> | <u>\$ 395,410</u> | <u>\$ (2,441,542)</u>                     | <u>\$ 10,265,360</u> |

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## **Statistical Section**

# City of Bentonville, Arkansas

## Statistical Section

This section of the City of Bentonville, Arkansas comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information reflects about the City’s overall financial health.

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**City of Bentonville, Arkansas**  
**Net Position by Component**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 1**

|   | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           | <u>2014</u>           | <u>2013</u>           | <u>2012</u>           | <u>2011</u>           | <u>2010</u>           | <u>2009</u>           | <u>2008</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 214,744,281        | \$ 195,975,422        | \$ 177,894,726        | \$ 162,543,988        | \$ 145,403,467        | \$ 141,834,069        | \$ 138,347,033        | \$ 134,624,378        | \$ 126,811,423        | \$ 119,095,471        |
| Restricted                                  | 19,818,040            | 16,800,936            | 20,714,460            | 19,104,639            | 14,783,330            | 13,317,046            | 11,787,380            | 6,673,944             | 5,995,041             | 3,998,996             |
| Unrestricted                                | <u>34,279,668</u>     | <u>27,397,280</u>     | <u>24,192,710</u>     | <u>37,569,695</u>     | <u>41,833,773</u>     | <u>34,369,973</u>     | <u>30,004,365</u>     | <u>31,399,744</u>     | <u>29,713,623</u>     | <u>25,505,689</u>     |
| Total governmental activities net position  | <u>\$ 268,841,989</u> | <u>\$ 240,173,638</u> | <u>\$ 222,801,896</u> | <u>\$ 219,218,322</u> | <u>\$ 202,020,570</u> | <u>\$ 189,521,088</u> | <u>\$ 180,138,778</u> | <u>\$ 172,698,066</u> | <u>\$ 162,520,087</u> | <u>\$ 148,600,156</u> |
| Business-type activities                    |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 190,003,709        | \$ 177,477,573        | \$ 161,108,420        | \$ 155,815,515        | \$ 145,769,235        | \$ 140,507,220        | \$ 131,135,584        | \$ 122,229,803        | \$ 117,058,689        | \$ 110,190,568        |
| Restricted                                  | 2,869,343             | 2,778,744             | 6,416,985             | 8,973,505             | 8,954,000             | 6,990,745             | 9,088,735             | 8,066,486             | 7,010,633             | 7,068,353             |
| Unrestricted                                | <u>26,076,418</u>     | <u>28,427,793</u>     | <u>31,495,140</u>     | <u>26,384,643</u>     | <u>26,098,489</u>     | <u>23,680,469</u>     | <u>22,737,459</u>     | <u>24,109,830</u>     | <u>18,394,121</u>     | <u>17,054,371</u>     |
| Total business-type activities net position | <u>\$ 218,949,470</u> | <u>\$ 208,684,110</u> | <u>\$ 199,020,545</u> | <u>\$ 191,173,663</u> | <u>\$ 180,821,724</u> | <u>\$ 171,178,434</u> | <u>\$ 162,961,778</u> | <u>\$ 154,406,119</u> | <u>\$ 142,463,443</u> | <u>\$ 134,313,292</u> |
| Primary government                          |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Net investment in capital assets            | \$ 404,747,990        | \$ 373,452,995        | \$ 339,003,146        | \$ 318,359,503        | \$ 291,172,702        | \$ 282,341,289        | \$ 269,482,617        | \$ 256,854,181        | \$ 243,870,112        | \$ 229,286,039        |
| Restricted                                  | 22,687,383            | 19,579,680            | 27,131,445            | 28,078,144            | 23,737,330            | 20,307,791            | 20,876,115            | 14,740,430            | 13,005,674            | 11,067,349            |
| Unrestricted                                | <u>60,356,086</u>     | <u>55,825,073</u>     | <u>55,687,850</u>     | <u>63,954,338</u>     | <u>67,932,262</u>     | <u>58,050,442</u>     | <u>52,741,824</u>     | <u>55,509,574</u>     | <u>48,107,744</u>     | <u>42,560,060</u>     |
| Total primary government net position       | <u>\$ 487,791,459</u> | <u>\$ 448,857,748</u> | <u>\$ 421,822,441</u> | <u>\$ 410,391,985</u> | <u>\$ 382,842,294</u> | <u>\$ 360,699,522</u> | <u>\$ 343,100,556</u> | <u>\$ 327,104,185</u> | <u>\$ 304,983,530</u> | <u>\$ 282,913,448</u> |

# City of Bentonville, Arkansas

## Changes in Net Position

### Last Ten Years

#### (Accrual Basis of Accounting)

**Table 2**

|  | 2017                   | 2016                   | 2015                   | 2014                   | 2013                   | 2012                   | 2011                   | 2010                   | 2009                   | 2008                   |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Expenses</b>                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| General government                             | \$ 8,380,920           | \$ 7,838,616           | \$ 7,159,267           | \$ 6,878,233           | \$ 6,541,906           | \$ 6,064,188           | \$ 5,772,537           | \$ 5,538,930           | \$ 5,331,399           | \$ 5,198,797           |
| Public safety                                  | 22,219,435             | 19,978,800             | 18,757,747             | 17,062,888             | 16,345,367             | 14,920,639             | 14,143,876             | 13,684,308             | 12,938,270             | 12,252,487             |
| Recreation                                     | 10,239,510             | 9,126,620              | 7,469,788              | 5,744,250              | 5,023,191              | 4,526,151              | 3,973,104              | 3,294,000              | 3,803,145              | 2,573,492              |
| Transportation                                 | 8,522,377              | 7,950,435              | 7,405,637              | 7,427,751              | 6,997,032              | 6,234,879              | 6,007,845              | 5,568,577              | 5,253,167              | 4,946,430              |
| Library  | 1,688,914              | 1,505,475              | 1,372,391              | 1,305,770              | 1,182,469              | 1,073,172              | 1,009,643              | 947,563                | 81,043                 | 778,741                |
| CDBG   | 7,147                  | 46,716                 | 81,941                 | 136,825                | 118,021                | 158,849                | 90,782                 | 165,751                | 181,034                | 121,604                |
| Interest on long-term debt                     | 2,382,481              | 2,011,778              | 2,271,497              | 2,462,735              | 2,650,613              | 2,788,366              | 2,923,279              | 2,591,419              | 1,409,647              | 1,605,924              |
| <b>Total governmental activities expenses</b>  | <b>53,440,784</b>      | <b>48,458,440</b>      | <b>44,518,268</b>      | <b>41,018,452</b>      | <b>38,858,599</b>      | <b>35,766,244</b>      | <b>33,921,066</b>      | <b>31,790,548</b>      | <b>28,997,705</b>      | <b>27,477,475</b>      |
| Business-type activities                       |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Electric                                       | 60,318,959             | 59,066,230             | 54,031,667             | 53,015,465             | 45,650,369             | 45,627,215             | 45,435,606             | 39,743,457             | 38,243,650             | 37,494,192             |
| Water  | 12,918,078             | 11,859,994             | 8,297,783              | 8,030,105              | 7,918,055              | 7,928,125              | 7,515,313              | 7,303,569              | 7,181,489              | 6,936,191              |
| Wastewater                                     | 9,255,683              | 8,396,479              | 10,428,470             | 10,421,341             | 10,367,625             | 10,465,546             | 10,829,898             | 6,407,990              | 5,636,361              | 5,552,463              |
| Sanitation                                     | 4,197,480              | 3,891,758              | 3,614,926              | 3,346,212              | 3,081,332              | 3,966,186              | 4,057,621              | 3,816,961              | 3,662,430              | 3,493,157              |
| Support  | 3,745,763              | 3,268,751              | 3,172,472              | 3,011,604              | 2,920,570              | 2,399,556              | 2,323,157              | 2,220,225              | 2,264,541              | 2,151,195              |
| <b>Total business-type activities expenses</b> | <b>90,435,963</b>      | <b>86,483,212</b>      | <b>79,545,318</b>      | <b>77,824,727</b>      | <b>69,937,951</b>      | <b>70,386,628</b>      | <b>70,161,595</b>      | <b>59,492,202</b>      | <b>56,988,471</b>      | <b>55,627,198</b>      |
| <b>Total primary government</b>                | <b>\$ 143,876,747</b>  | <b>\$ 134,941,652</b>  | <b>\$ 124,063,586</b>  | <b>\$ 118,843,179</b>  | <b>\$ 108,796,550</b>  | <b>\$ 106,152,872</b>  | <b>\$ 104,082,661</b>  | <b>\$ 91,282,750</b>   | <b>\$ 85,986,176</b>   | <b>\$ 83,104,673</b>   |
| <b>Program Revenues</b>                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Charges for Services:                          |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| General government                             | \$ 411,878             | \$ 311,264             | \$ 315,176             | \$ 311,698             | \$ 283,608             | \$ 252,981             | \$ 231,582             | \$ 139,867             | \$ 131,142             | \$ 131,439             |
| Public safety                                  | 1,778,596              | 1,527,968              | 1,260,881              | 1,272,011              | 1,120,967              | 1,045,858              | 1,034,482              | 861,277                | 735,634                | 692,228                |
| Recreation                                     | 3,568,737              | 3,269,930              | 2,221,136              | 979,407                | 817,841                | 670,083                | 442,977                | 229,762                | 101,833                | 116,622                |
| Transportation                                 | 33,259                 | 66,379                 | 39,940                 | 64,336                 | 89,365                 | 55,318                 | 31,563                 | 527,514                | 8,601                  | 10,559                 |
| Library  | 9                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Operating grants and contribution              | 5,402,348              | 7,545,636              | 4,924,083              | 2,499,028              | 1,428,695              | 1,281,973              | 1,504,879              | 1,365,305              | 4,023,629              | 3,072,670              |
| Capital grants and contributions               | 5,909,573              | 4,795,540              | 3,436,893              | 5,787,151              | 4,585,176              | 1,998,723              | 1,563,169              | 3,391,466              | 2,483,870              | 2,256,460              |
| <b>Total governmental activities revenue</b>   | <b>17,104,400</b>      | <b>17,516,717</b>      | <b>12,198,109</b>      | <b>10,913,631</b>      | <b>8,325,652</b>       | <b>5,304,936</b>       | <b>4,808,652</b>       | <b>6,515,191</b>       | <b>7,484,709</b>       | <b>6,279,978</b>       |
| Business-type activities                       |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Charges for Services:                          |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Electric                                       | 66,007,652             | 62,539,169             | 58,752,316             | 56,079,341             | 51,351,834             | 51,001,844             | 49,374,616             | 45,658,540             | 43,086,045             | 42,143,731             |
| Water  | 10,625,553             | 10,185,022             | 9,659,435              | 10,230,363             | 9,546,831              | 9,798,422              | 9,169,326              | 8,475,391              | 7,450,476              | 7,179,007              |
| Wastewater                                     | 13,339,032             | 13,280,744             | 14,457,739             | 13,813,393             | 12,769,425             | 11,037,798             | 10,662,350             | 8,412,189              | 5,836,780              | 5,515,269              |
| Sanitation                                     | 4,591,853              | 4,261,907              | 3,959,322              | 3,652,388              | 3,369,391              | 4,181,792              | 4,322,473              | 4,025,999              | 3,901,023              | 3,718,620              |
| Support  | 929,561                | 887,122                | 875,159                | 864,817                | 815,528                | 809,887                | 862,667                | 856,394                | 718,791                | 657,593                |
| Operating grants and contribution              | 11,978                 | 137,426                | -                      | 14,391                 | -                      | -                      | -                      | -                      | -                      | -                      |
| Capital grants and contributions               | 4,158,642              | 1,203,774              | 852,198                | 1,951,232              | 913,234                | 810,951                | 2,044,716              | 932,942                | 2,292,334              | 2,116,303              |
| <b>Total business-type activities</b>          | <b>99,664,271</b>      | <b>92,495,164</b>      | <b>88,556,169</b>      | <b>86,605,925</b>      | <b>78,766,243</b>      | <b>77,640,694</b>      | <b>76,436,148</b>      | <b>68,361,455</b>      | <b>63,285,449</b>      | <b>61,330,523</b>      |
| <b>Total primary government</b>                | <b>\$ 116,768,671</b>  | <b>\$ 110,011,881</b>  | <b>\$ 100,754,278</b>  | <b>\$ 97,519,556</b>   | <b>\$ 87,091,895</b>   | <b>\$ 82,945,630</b>   | <b>\$ 81,244,800</b>   | <b>\$ 74,876,646</b>   | <b>\$ 70,770,158</b>   | <b>\$ 67,610,501</b>   |
| <b>Net (expense) revenue</b>                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                        | \$ (36,336,384)        | \$ (30,941,723)        | \$ (32,320,159)        | \$ (30,104,821)        | \$ (30,532,947)        | \$ (30,461,308)        | \$ (29,112,414)        | \$ (25,275,357)        | \$ (21,512,996)        | \$ (21,197,497)        |
| Business-type activities                       | 9,228,308              | 6,011,952              | 9,010,851              | 8,781,198              | 8,828,292              | 7,254,066              | 6,274,553              | 8,869,253              | 6,296,978              | 5,703,325              |
| <b>Total - primary government</b>              | <b>\$ (27,108,076)</b> | <b>\$ (24,929,771)</b> | <b>\$ (23,309,308)</b> | <b>\$ (21,323,623)</b> | <b>\$ (21,704,655)</b> | <b>\$ (23,207,242)</b> | <b>\$ (22,837,861)</b> | <b>\$ (16,406,104)</b> | <b>\$ (15,216,018)</b> | <b>\$ (15,494,172)</b> |

**City of Bentonville, Arkansas**  
**Changes in Net Position (continued)**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 2**

|   | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          | <u>2011</u>          | <u>2010</u>          | <u>2009</u>          | <u>2008</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General revenues and other changes in net pension |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Property taxes                                    | \$ 8,282,975         | \$ 7,757,246         | \$ 7,248,656         | \$ 7,169,970         | \$ 6,557,935         | \$ 5,511,473         | \$ 5,971,309         | \$ 5,696,966         | \$ 8,024,811         | \$ 6,299,065         |
| Sales taxes                                       | 37,651,052           | 30,117,108           | 29,458,234           | 26,383,529           | 26,320,374           | 24,481,898           | 21,639,791           | 21,380,524           | 18,952,125           | 21,068,053           |
| State turnback                                    | 2,853,363            | 2,756,242            | 2,705,936            | 2,758,749            | 2,653,139            | 2,719,538            | 2,706,725            | 2,419,801            | -                    | -                    |
| Franchise fees                                    | 5,351,361            | 4,788,966            | 4,599,120            | 4,477,679            | 4,166,269            | 3,991,999            | 4,396,945            | 4,056,604            | 3,794,918            | 3,621,101            |
| Investment income                                 | 225,496              | 61,952               | 38,664               | 141,245              | 40,857               | 35,717               | 31,345               | 84,927               | 167,987              | 838,336              |
| Gain on sales of capital assets                   | (30,542)             | 271,855              | 157,987              | (1,475,353)          | 335,616              | 370,237              | 61,820               | 43,000               | (33,248)             | 68,675               |
| Transfer of land                                  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 1,990,801            |
| Transfers   | -                    | (2,704,809)          | (2,465,052)          | (263,554)            | (293,431)            | (472,214)            | (1,373,989)          | (1,098,983)          | (1,067,415)          | (1,243,412)          |
| Other   | 10,671,030           | 5,264,905            | 5,993,549            | 8,110,308            | 4,867,017            | 3,204,970            | 3,119,180            | 2,870,497            | 5,593,749            | 4,170,518            |
| Special item - transfer of net pension asset      | -                    | -                    | -                    | -                    | 1,615,347            | -                    | -                    | -                    | -                    | -                    |
| Total governmental activities                     | <u>65,004,735</u>    | <u>48,313,465</u>    | <u>47,737,094</u>    | <u>47,302,573</u>    | <u>46,263,123</u>    | <u>39,843,618</u>    | <u>36,553,126</u>    | <u>35,453,336</u>    | <u>35,432,927</u>    | <u>36,813,137</u>    |
| Business-type activities                          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Investment income                                 | 41,398               | 36,505               | 36,685               | 26,111               | 32,208               | 32,752               | 33,264               | 90,037               | 151,145              | 244,625              |
| Gain on sales of capital assets                   | 272,526              | 634,635              | 246,613              | 448,502              | -                    | -                    | -                    | -                    | -                    | (1,990,801)          |
| Transfer of land                                  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Transfers   | -                    | 2,704,809            | 2,465,052            | 263,554              | 293,431              | 472,214              | 1,373,989            | 1,098,983            | 1,067,415            | 1,243,412            |
| Other   | 723,128              | 275,664              | 1,438,958            | 832,574              | 489,359              | 457,624              | 873,853              | 1,884,403            | 634,613              | 587,412              |
| Total business-type activities                    | <u>1,037,052</u>     | <u>3,651,613</u>     | <u>4,187,308</u>     | <u>1,570,741</u>     | <u>814,998</u>       | <u>962,590</u>       | <u>2,281,106</u>     | <u>3,073,423</u>     | <u>1,853,173</u>     | <u>84,648</u>        |
| Total primary government                          | <u>\$ 66,041,787</u> | <u>\$ 51,965,078</u> | <u>\$ 51,924,402</u> | <u>\$ 48,873,314</u> | <u>\$ 47,078,121</u> | <u>\$ 40,806,208</u> | <u>\$ 38,834,232</u> | <u>\$ 38,526,759</u> | <u>\$ 37,286,100</u> | <u>\$ 36,897,785</u> |
| Total change in net position                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities                           | \$ 28,668,351        | \$ 17,371,742        | \$ 15,416,935        | \$ 17,197,752        | \$ 15,730,176        | \$ 9,382,310         | \$ 7,440,712         | \$ 10,177,979        | \$ 13,919,931        | \$ 15,615,640        |
| Business-type activities                          | 10,265,360           | 9,663,565            | 13,198,159           | 10,351,939           | 9,643,290            | 8,216,656            | 8,555,659            | 11,942,676           | 8,150,151            | 5,787,973            |
| Total - primary government                        | <u>\$ 38,933,711</u> | <u>\$ 27,035,307</u> | <u>\$ 28,615,094</u> | <u>\$ 27,549,691</u> | <u>\$ 25,373,466</u> | <u>\$ 17,598,966</u> | <u>\$ 15,996,371</u> | <u>\$ 22,120,655</u> | <u>\$ 22,070,082</u> | <u>\$ 21,403,613</u> |

**City of Bentonville, Arkansas**  
**Fund Balances - Governmental Funds**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 3**

|                                    | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          | <u>2011</u>          | <u>2010</u>          | <u>2009</u>          | <u>2008</u>          |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Prepaid expenditures               | \$ 195,064           | \$ 276,989           | \$ 79,621            | \$ 196,545           | \$ 196,544           | \$ 40,647            | \$ 59,926            | \$ -                 | \$ -                 | \$ -                 |
| Restricted                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General capital improvements       | -                    | 631,806              | 211,073              | 244,089              | 202,710              | 222,935              | 310,626              | -                    | -                    | -                    |
| Other                              | -                    | 358,250              | 84,490               | 84,450               | 84,406               | 84,259               | 82,634               | -                    | -                    | -                    |
| Unassigned                         | 48,453,612           | 38,160,366           | 34,229,088           | 32,846,738           | 36,961,000           | 28,357,600           | 23,226,592           | -                    | -                    | -                    |
| Reserved                           | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 427,507              | 387,954              | 778,198              |
| Unreserved                         | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 19,142,196           | 18,800,547           | 17,141,253           |
| Total general fund                 | <u>48,648,676</u>    | <u>39,427,411</u>    | <u>34,604,272</u>    | <u>33,371,822</u>    | <u>37,444,660</u>    | <u>28,705,441</u>    | <u>23,679,778</u>    | <u>19,569,703</u>    | <u>19,188,501</u>    | <u>17,919,451</u>    |
| All other governmental funds       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Nonspendable                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Prepaid expenditures               | 1,225                | 1,275                | 1,336                | 1,273                | 1,344                | 1,264                | 1,023                | -                    | -                    | -                    |
| Restricted                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Debt service                       | 8,486,688            | 5,475,760            | 5,346,817            | 4,846,968            | 4,426,120            | 4,567,671            | 4,257,656            | -                    | -                    | -                    |
| General capital improvements       | 29,016,117           | 1,927,588            | 7,405,024            | 8,670,569            | 10,839,800           | 14,028,640           | 31,497,513           | -                    | -                    | -                    |
| New growth                         | 4,480,877            | 1,599,901            | 2,811,377            | 3,896,869            | 3,742,765            | 2,542,808            | 1,664,039            | -                    | -                    | -                    |
| Street Improvements                | 4,836,116            | 7,084,321            | 10,369,831           | 10,792,880           | 6,794,250            | 6,384,472            | 6,055,452            | -                    | -                    | -                    |
| Reserved                           | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 46,140,377           | 39,017,557           | 19,191,583           |
| Unreserved                         | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 5,497,642            | 3,258,095            | 4,506,831            |
| Total all other governmental funds | <u>46,821,023</u>    | <u>16,088,845</u>    | <u>25,934,385</u>    | <u>28,208,559</u>    | <u>25,804,279</u>    | <u>27,524,855</u>    | <u>43,475,683</u>    | <u>51,638,019</u>    | <u>42,275,652</u>    | <u>23,698,414</u>    |
| Total governmental funds           | <u>\$ 95,469,699</u> | <u>\$ 55,516,256</u> | <u>\$ 60,538,657</u> | <u>\$ 61,580,381</u> | <u>\$ 63,248,939</u> | <u>\$ 56,230,296</u> | <u>\$ 67,155,461</u> | <u>\$ 71,207,722</u> | <u>\$ 61,464,153</u> | <u>\$ 41,617,865</u> |

The City of Bentonville adopted GASB 54 for fiscal year ending 12/31/2011. In the schedule above all years prior to 2011 are stated in its original form and therefore are not directly comparable to 2011 or later.

**City of Bentonville, Arkansas**  
**Changes in Fund Balances – Governmental Funds**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**

**Table 4**

|   | 2017                 | 2016                  | 2015                  | 2014                  | 2013                | 2012                   | 2011                  | 2010                | 2009                 | 2008                   |
|---|----------------------|-----------------------|-----------------------|-----------------------|---------------------|------------------------|-----------------------|---------------------|----------------------|------------------------|
| <b>Revenues</b>   |                      |                       |                       |                       |                     |                        |                       |                     |                      |                        |
| Property tax  | \$ 7,852,968         | \$ 7,155,619          | \$ 7,082,789          | \$ 6,944,206          | \$ 6,272,529        | \$ 5,967,805           | \$ 6,119,288          | \$ 5,975,569        | \$ 6,476,257         | \$ 5,808,593           |
| Sales tax   | 37,651,052           | 30,117,108            | 29,458,234            | 26,383,529            | 26,320,374          | 24,481,899             | 21,639,791            | 21,380,523          | 18,952,125           | 21,068,535             |
| State turnback  | 2,853,363            | 2,756,242             | 2,705,936             | 2,758,749             | 2,653,139           | 2,719,538              | 2,706,724             | 2,542,152           | 2,492,577            | 2,363,535              |
| Impact fees   | 3,325,568            | 1,861,178             | 2,380,435             | 1,667,956             | 1,908,400           | 1,551,223              | 1,447,558             | 1,539,823           | 1,334,443            | 2,460,806              |
| Franchise fees  | 5,351,361            | 4,788,966             | 4,599,120             | 4,477,679             | 4,166,269           | 3,991,999              | 4,396,945             | 4,056,604           | 3,794,918            | 3,621,101              |
| Charges for services                                    | 5,691,285            | 5,143,334             | 3,837,133             | 2,627,452             | 2,311,781           | 2,024,240              | 1,740,604             | 1,758,419           | 977,210              | 950,847                |
| Fines and forfeitures                                   | 498,991              | 511,851               | 479,057               | 466,573               | 477,741             | 544,725                | 369,467               | 410,873             | 472,013              | 567,147                |
| Licenses and permits                                    | 1,370,136            | 1,322,683             | 1,133,957             | 1,152,863             | 896,757             | 868,393                | 599,898               | 425,822             | 606,534              | 349,236                |
| Grants  | 4,412,572            | 7,433,636             | 4,858,773             | 2,677,432             | 1,680,257           | 1,263,663              | 1,470,527             | 1,866,727           | 1,539,791            | 1,009,135              |
| Contributions   | 2,212,553            | 3,594,921             | 1,251,106             | 3,163,948             | 3,201,581           | 253,338                | 323,114               | 1,202,402           | 155,841              | 571,420                |
| Interest  | 225,370              | 61,952                | 38,677                | 141,245               | 40,857              | 35,717                 | 31,345                | 85,067              | 167,987              | 838,362                |
| Miscellaneous   | 5,441,919            | 1,569,948             | 1,979,200             | 4,791,275             | 1,557,194           | 794,663                | 638,501               | 476,019             | 3,113,615            | 689,693                |
| <b>Total revenues</b>                                   | <b>76,887,138</b>    | <b>66,317,438</b>     | <b>59,804,417</b>     | <b>57,264,075</b>     | <b>51,475,711</b>   | <b>44,497,203</b>      | <b>41,483,762</b>     | <b>41,720,000</b>   | <b>40,083,311</b>    | <b>40,297,928</b>      |
| <b>Expenditures</b>                                     |                      |                       |                       |                       |                     |                        |                       |                     |                      |                        |
| <b>Current:</b>   |                      |                       |                       |                       |                     |                        |                       |                     |                      |                        |
| General government                                      | 6,694,940            | 6,663,862             | 6,385,081             | 6,097,814             | 5,525,445           | 5,406,881              | 5,126,855             | 5,047,266           | 4,945,249            | 4,732,186              |
| Public safety   | 18,587,838           | 17,146,737            | 16,769,992            | 15,561,689            | 14,680,152          | 13,427,896             | 12,718,692            | 12,297,847          | 11,622,656           | 10,936,062             |
| Recreation  | 8,163,683            | 7,252,049             | 6,009,329             | 4,603,727             | 4,077,746           | 3,684,363              | 3,253,297             | 2,720,375           | 3,364,846            | 2,212,633              |
| Street Department                                       | 2,553,724            | 2,467,752             | 2,376,856             | 2,603,155             | 2,323,942           | 1,869,135              | 1,937,505             | 1,836,029           | 1,889,901            | 1,924,305              |
| Library   | 1,386,429            | 1,256,940             | 1,168,999             | 1,108,606             | 983,062             | 895,126                | 854,923               | 830,120             | -                    | 1,208,547              |
| CDBG  | 7,147                | 46,716                | 81,941                | 136,825               | 118,021             | 158,849                | 90,782                | 165,751             | 181,034              | 121,604                |
| Capital outlay  | 14,914,239           | 24,889,343            | 17,102,620            | 22,341,166            | 8,566,666           | 22,666,009             | 13,188,720            | 22,989,044          | 21,104,769           | 19,604,041             |
| Debt service  |                      |                       |                       |                       |                     |                        |                       |                     |                      |                        |
| Principal   | 7,970,000            | 7,035,000             | 6,245,000             | 5,160,000             | 5,560,000           | 4,400,000              | 4,115,000             | 4,130,000           | 4,935,000            | 6,845,000              |
| Interest  | 2,269,991            | 2,037,961             | 2,292,930             | 2,481,252             | 2,668,529           | 2,812,133              | 2,938,080             | 2,297,110           | 1,438,213            | 1,622,291              |
| <b>Total expenditures</b>                               | <b>62,547,991</b>    | <b>68,796,360</b>     | <b>58,432,748</b>     | <b>60,094,234</b>     | <b>44,503,563</b>   | <b>55,320,392</b>      | <b>44,223,854</b>     | <b>52,313,542</b>   | <b>49,481,668</b>    | <b>49,206,669</b>      |
| Excess of revenues over (under) expenditures            | 14,339,147           | (2,478,922)           | 1,371,669             | (2,830,159)           | 6,972,148           | (10,823,189)           | (2,740,092)           | (10,593,542)        | (9,398,357)          | (8,908,741)            |
| <b>Other Financing Sources (Uses)</b>                   |                      |                       |                       |                       |                     |                        |                       |                     |                      |                        |
| Sale of capital assets                                  | 106,065              | 161,330               | 51,659                | 1,425,155             | 335,616             | 370,237                | 61,820                | 43,000              | 107,292              | 84,745                 |
| Issuance of notes payable                               | -                    | -                     | -                     | -                     | -                   | -                      | -                     | -                   | -                    | -                      |
| Proceeds from issuance of debt (includes premium)       | 25,508,231           | -                     | -                     | -                     | -                   | -                      | -                     | 21,467,980          | 30,550,996           | -                      |
| Bond issue discount                                     | -                    | -                     | -                     | -                     | -                   | -                      | -                     | -                   | (255,000)            | -                      |
| Bond issue cost   | -                    | -                     | -                     | -                     | -                   | -                      | -                     | (74,886)            | (91,228)             | -                      |
| Transfers in  | 444,592              | 367,845               | 1,000,875             | 1,250,298             | 415,012             | 200,246                | 492,174               | 1,970,484           | 1,488,382            | 6,379,789              |
| Transfers out   | (444,592)            | (3,072,654)           | (3,465,927)           | (1,513,852)           | (708,443)           | (672,459)              | (1,866,163)           | (3,069,467)         | (2,555,797)          | (7,623,201)            |
| <b>Net other financing sources (uses)</b>               | <b>25,614,296</b>    | <b>(2,543,479)</b>    | <b>(2,413,393)</b>    | <b>1,161,601</b>      | <b>42,185</b>       | <b>(101,976)</b>       | <b>(1,312,169)</b>    | <b>20,337,111</b>   | <b>29,244,645</b>    | <b>(1,158,667)</b>     |
| <b>Net change in fund balances</b>                      | <b>\$ 39,953,443</b> | <b>\$ (5,022,401)</b> | <b>\$ (1,041,724)</b> | <b>\$ (1,668,558)</b> | <b>\$ 7,014,333</b> | <b>\$ (10,925,165)</b> | <b>\$ (4,052,261)</b> | <b>\$ 9,743,569</b> | <b>\$ 19,846,288</b> | <b>\$ (10,067,408)</b> |
| Debt service as a percentage of noncapital expenditures | 21%                  | 21%                   | 21%                   | 20%                   | 23%                 | 22%                    | 23%                   | 22%                 | 22%                  | 29%                    |

**City of Bentonville, Arkansas**  
**General Governmental Tax Revenues by Source**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 5**

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Sales Tax</u> | <u>Franchise Fees</u> | <u>Alcoholic Beverage Tax</u> | <u>State Turnback</u> | <u>Total</u>  |
|--------------------|---------------------|------------------|-----------------------|-------------------------------|-----------------------|---------------|
| 2008               | \$ 5,808,593        | \$ 21,068,053    | \$ 3,621,101          | \$ 146,062                    | \$ 2,378,429          | \$ 33,022,238 |
| 2009               | 6,476,257           | 18,952,125       | 3,794,918             | 148,626                       | 2,523,161             | 31,895,087    |
| 2010               | 5,975,569           | 21,380,523       | 4,056,604             | 151,081                       | 2,508,444             | 34,072,221    |
| 2011               | 6,119,288           | 21,639,791       | 4,396,945             | 169,763                       | 2,808,320             | 35,134,107    |
| 2012               | 5,967,805           | 24,481,899       | 3,991,999             | 209,418                       | 2,729,108             | 37,380,229    |
| 2013               | 6,557,935           | 26,320,374       | 4,166,269             | 268,692                       | 2,665,348             | 39,978,618    |
| 2014               | 6,944,206           | 26,383,529       | 4,477,679             | 122,817                       | 2,758,749             | 40,686,980    |
| 2015               | 7,248,656           | 29,458,234       | 4,599,120             | 84,264                        | 2,705,936             | 44,096,210    |
| 2016               | 7,757,246           | 30,117,108       | 4,788,966             | 83,388                        | 2,756,242             | 45,502,950    |
| 2017               | 8,282,975           | 37,651,052       | 5,351,361             | 44,594                        | 2,853,363             | 54,183,345    |

**City of Bentonville, Arkansas**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Years**  
**(Accrual Basis of Accounting)**

**Table 6**

| Year | Real Property  |                  | Personal Property |                  | Total          |                  | Ratio of Total Assessed to Total Estimated Actual | Total Direct Tax Rate |
|------|----------------|------------------|-------------------|------------------|----------------|------------------|---|-----------------------|
|      | Assessed Value | Appraised Value  | Assessed Value    | Appraised Value  | Assessed Value | Appraised Value  |   |                       |
| 2008 | \$ 594,722,360 | \$ 2,973,611,800 | \$ 279,814,795    | \$ 1,399,073,975 | \$ 874,537,155 | \$ 4,372,685,775 | 20%   | 6.45                  |
| 2009 | 607,386,170    | 3,036,930,850    | 321,690,120       | 1,608,450,600    | 929,076,290    | 4,645,381,450    | 20%   | 7.21                  |
| 2010 | 674,493,260    | 3,372,466,300    | 255,493,115       | 1,277,465,575    | 929,986,375    | 4,649,931,875    | 20%   | 7.21                  |
| 2011 | 688,192,310    | 3,440,961,550    | 224,480,135       | 1,122,400,675    | 912,672,445    | 4,563,362,225    | 20%   | 7.21                  |
| 2012 | 670,208,790    | 3,351,043,950    | 220,159,580       | 1,100,797,900    | 890,368,370    | 4,451,841,850    | 20%   | 7.21                  |
| 2013 | 650,904,030    | 3,254,520,150    | 216,773,975       | 1,083,869,875    | 867,678,005    | 4,338,390,025    | 20%   | 7.21                  |
| 2014 | 676,758,590    | 3,383,792,950    | 237,407,225       | 1,187,036,125    | 914,165,815    | 4,570,829,075    | 20%   | 7.21                  |
| 2015 | 705,786,280    | 3,528,931,400    | 232,724,835       | 1,163,624,175    | 938,511,115    | 4,692,555,575    | 20%   | 7.21                  |
| 2016 | 797,846,320    | 3,989,231,600    | 242,977,585       | 1,214,887,925    | 1,040,823,905  | 5,204,119,525    | 20%   | 7.21                  |
| 2017 | 860,870,020    | 4,304,350,100    | 228,387,060       | 1,141,935,300    | 1,089,257,080  | 5,446,285,400    | 20%   | 7.21                  |

Source: Benton County

**City of Bentonville, Arkansas**  
**Property Tax Rates and Tax Levies - Direct and Overlapping Governments**  
**Last Ten Years**

**Table 7**

| Year | City of Bentonville             |              |             |       | Overlapping Rates |                            |                                      | Total Direct & Overlapping Rates |
|------|---------------------------------|--------------|-------------|-------|-------------------|----------------------------|--------------------------------------|----------------------------------|
|      | Firemen's Pension & Relief Fund | General Fund | Street Fund | Total | Benton County     | Bentonville Public Schools | Northwest Arkansas Community College |                                  |
| 2008 | 0.50                            | 5.00         | 0.95        | 6.45  | 7.00              | 40.10                      | 3.00                                 | 56.55                            |
| 2009 | 0.50                            | 5.00         | 1.71        | 7.21  | 6.90              | 40.10                      | 3.00                                 | 57.21                            |
| 2010 | 0.50                            | 5.00         | 1.71        | 7.21  | 6.90              | 43.70                      | 3.00                                 | 60.81                            |
| 2011 | 0.50                            | 5.00         | 1.71        | 7.21  | 6.90              | 43.70                      | 3.00                                 | 60.81                            |
| 2012 | 0.50                            | 5.00         | 1.71        | 7.21  | 6.90              | 43.70                      | 3.00                                 | 60.81                            |
| 2013 | 0.50                            | 5.00         | 1.71        | 7.21  | 6.90              | 46.60                      | 2.60                                 | 63.31                            |
| 2014 | 0.50                            | 5.00         | 1.71        | 7.21  | 6.90              | 46.60                      | 2.60                                 | 63.31                            |
| 2015 | 0.50                            | 5.00         | 1.71        | 7.21  | 6.90              | 43.70                      | 2.60                                 | 60.41                            |
| 2016 | 0.50                            | 5.00         | 1.71        | 7.21  | 7.10              | 46.60                      | 2.60                                 | 63.51                            |
| 2017 | 0.50                            | 5.00         | 1.71        | 7.21  | 7.10              | 48.50                      | 2.60                                 | 65.41                            |

Source: Benton County



# **City of Bentonville, Arkansas**

## **Principal Sales Taxpayers**

### **Last Ten Years**

The City of Bentonville, Arkansas's largest own-source revenue is sales taxes. Sales taxes primarily come from two separate taxes: a 2% city tax based on point of sale, and a portion of the county's 1% tax based on point of sale. In 2017 the city sales tax generated revenue of \$23,087,042. The City's portion of the county sales tax generated revenue of \$7,030,066.

According to Arkansas State Statutes, the City is required to keep the identity of individual tax payers confidential. Therefore, the City of Bentonville is not able to identify the top 10 tax payers. However, Bentonville enjoys a diverse economic sales tax base.

**City of Bentonville, Arkansas**  
**Principal Property Taxpayers**  
**Last Ten Years**

**Table 8**

| Taxpayer   | 2017 |                        |                                    | 2008 |                        |                                    |
|--|------|------------------------|------------------------------------|------|------------------------|------------------------------------|
|  | Rank | Taxable Assessed Value | Percentage of Total Assessed Value | Rank | Taxable Assessed Value | Percentage of Total Assessed Value |
| Wal-Mart/Sam's Club                              | 1    | \$ 130,534,235         | 11.98%                             | 1    | \$ 256,746,225         | 27.63%                             |
| North Arkansas Wholesale Co. Inc                 | 2    | 16,635,900             | 1.53%                              |      | N/A                    | N/A                                |
| Altus Group                                      | 3    | 13,109,420             | 1.20%                              |      | N/A                    | N/A                                |
| Tyson Foods                                      | 4    | 10,666,095             | 0.98%                              |      | N/A                    | N/A                                |
| Bentonville Plaza Owner LLC                      | 5    | 8,440,560              | 0.77%                              | 4    | 7,228,130              | 0.78%                              |
| Carroll Electric Cooperative                     | 6    | 8,159,765              | 0.75%                              |      | N/A                    | N/A                                |
| American Electric Power                          | 7    | 8,036,270              | 0.74%                              |      | N/A                    | N/A                                |
| Cox Communications                               | 8    | 7,881,785              | 0.72%                              |      | N/A                    | N/A                                |
| Trails at Rainbow Curve                          | 9    | 5,665,430              | 0.52%                              |      | N/A                    | N/A                                |
| J Street Company, LLC                            | 10   | 5,654,900              | 0.52%                              |      | N/A                    | N/A                                |
| Cellco Partnership                               | 9    | 4,589,615              | 0.42%                              |      | N/A                    | N/A                                |
| Links at Bentonville LTD Partnership             | 10   | 4,298,960              | 0.39%                              |      | N/A                    | N/A                                |
| QHG of Springdale Inc D/B/A Bates Medical Center |      |                        |                                    | 2    | 17,922,995             | 1.93%                              |
| Behringer Harvard Beau Terre H LLC               |      |                        |                                    | 3    | 8,270,000              | 0.89%                              |
| SH&S Partnership                                 |      |                        |                                    | 5    | 4,052,360              | 0.44%                              |
| Lazenby, William A                               |      |                        |                                    | 6    | 4,023,680              | 0.43%                              |
| Glen at Polo Park LP                             |      |                        |                                    | 7    | 3,635,020              | 0.39%                              |
| South Allies, LLC                                |      |                        |                                    | 8    | 3,260,780              | 0.35%                              |
| Lowe's Home Center Inc.                          |      |                        |                                    | 9    | 3,141,470              | 0.34%                              |
| Harbin Pointe Apartments                         |      |                        |                                    | 10   | 2,899,730              | 0.31%                              |

Source: Benton County - Per county official information was only available since 2008.

**City of Bentonville, Arkansas**  
**Property Tax Levies and Collection**  
**Last Ten Years**

**Table 9**

| <u>Fiscal Year</u> | <u>Tax Roll Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>Percentage of Levy Collected</u> | <u>Prior Years' Collections</u> | <u>Total Collections</u> | <u>Percentage of Total Collections to Tax Levy</u> |
|--------------------|----------------------|-----------------------|--------------------------------|-------------------------------------|---------------------------------|--------------------------|--|
| 2008               | 2007                 | \$ 6,305,413          | \$ 5,793,650                   | 91.88%                              | \$ 505,087                      | \$ 6,298,737             | 99.89%   |
| 2009               | 2008                 | 6,698,640             | 6,463,714                      | 96.49%                              | 228,552                         | 6,692,266                | 99.90%   |
| 2010               | 2009                 | 6,705,202             | 5,973,512                      | 89.09%                              | 727,394                         | 6,700,906                | 99.94%   |
| 2011               | 2010                 | 6,580,368             | 6,094,456                      | 92.62%                              | 480,396                         | 6,574,852                | 99.92%   |
| 2012               | 2011                 | 6,419,556             | 5,963,375                      | 92.89%                              | 449,332                         | 6,412,707                | 99.89%   |
| 2013               | 2012                 | 6,255,958             | 6,010,852                      | 96.08%                              | 236,395                         | 6,247,247                | 99.86%   |
| 2014               | 2013                 | 6,591,136             | 6,462,685                      | 98.05%                              | 116,890                         | 6,579,575                | 99.82%   |
| 2015               | 2014                 | 6,766,665             | 6,571,243                      | 97.11%                              | 185,864                         | 6,757,107                | 99.86%   |
| 2016               | 2015                 | 7,400,258             | 6,659,403                      | 89.99%                              | 720,111                         | 7,379,514                | 99.72%   |
| 2017               | 2016                 | 7,853,544             | 7,300,908                      | 92.96%                              | 436,658                         | 7,737,566                | 98.52%   |

Source: Benton County

**City of Bentonville, Arkansas**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Years**

**Table 10**

| <u>Fiscal Year</u> | <u>Governmental<br/>Activities: Sales<br/>Tax Bonds</u> | <u>Business-Type<br/>Activities: Revenue<br/>Bonds</u> | <u>Total Primary<br/>Government</u> | <u>Percentage of<br/>Personal Income</u> | <u>Per Capita</u> |
|--------------------|---|--|-------------------------------------|--|-------------------|
| 2008               | \$ 32,977,443   | \$ 33,480,608  | \$ 66,458,051                       | 5.97%                                    | 2,322             |
| 2009               | 58,324,233  | 31,242,657   | 89,566,890                          | 7.64%                                    | 3,129             |
| 2010               | 75,591,529  | 28,887,644   | 104,479,173                         | 7.75%                                    | 2,960             |
| 2011               | 71,451,626  | 26,426,982   | 97,878,608                          | 7.19%                                    | 2,773             |
| 2012               | 67,026,723  | 23,858,740   | 90,885,463                          | 5.96%                                    | 2,575             |
| 2013               | 61,441,820  | 21,175,923   | 82,617,743                          | 4.76%                                    | 2,340             |
| 2014               | 56,256,916  | 18,358,535   | 74,615,451                          | 4.29%                                    | 2,114             |
| 2015               | 49,987,013  | 15,579,393   | 65,566,406                          | 3.54%                                    | 1,857             |
| 2016               | 42,927,110  | 13,414,930   | 56,342,040                          | 2.86%                                    | 1,596             |
| 2017               | 60,430,601  | 11,168,023   | 71,598,624                          | 3.64%                                    | 2,028             |

(1) Personal Income is disclosed in Table 13

(2) Population is disclosed in Table 13

**City of Bentonville, Arkansas**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Years**

As of December 31, 2017, the City has no general bonded debt outstanding.

**City of Bentonville, Arkansas**  
**Direct and Overlapping Governmental Activities Debt**  
**Last Ten Years**

**Table 11**

| <b>Governmental Unit</b>                     | <b>Debt<br/>Outstanding</b> | <b>Estimated<br/>Percentage<br/>Applicable</b> | <b>Amount<br/>Applicable to<br/>Primary<br/>Government</b> |
|--|-----------------------------|--|--|
| Bentonville School District (1) (2)          | \$ 253,006,206              | 53%  | \$ 134,093,289   |
| Northwest Arkansas Community College (3) (4) | 31,335,000                  | 31%  | <u>9,713,850</u>   |
| Subtotal, overlapping debt                   |                             |  | 143,807,139  |
| City of Bentonville, Arkansas direct debt    |                             |  | <u>60,430,601</u>  |
| Total direct and overlapping debt            |                             |  | <u><u>\$ 204,237,740</u></u>                               |

Source: Outstanding debt amount from each governmental units most recent audited financial statements.

Note: The amount applicable to the City of Bentonville was estimated using population

(1) Amount as of 6/30/2016 which was the most recent Audited Financial Statements available

(2) Bentonville School District is comprised of multiple cities with an estimated population of 95,000 of which Bentonville is 47,093 or 50%

(3) Northwest Arkansas Community College was created by a property tax of residents that comprise the Bentonville and Rogers, AR school district. Population estimate for both areas is estimated at 153,821 of which Bentonville is 47,093 or 31%

(4) Amount as of 6/30/2016 which was the most recent Audited Financial Statements available

**City of Bentonville, Arkansas**  
**Legal Debt Margin Information**  
**Last Ten Years**

As of December 31, 2017, the City has no general obligation debt.

**City of Bentonville, Arkansas**  
**Pledged Revenue Coverage – Proprietary Funds**  
**Last Ten Years**

**Table 12**

| Year | Operating Revenue | Operating Expenses | Net Revenue Available for Debt Service | Debt Service |              |              | Coverage |
|------|-------------------|--------------------|--|--------------|--------------|--------------|----------|
|      |                   |                    |  | Principal    | Interest     | Total        |          |
| 2008 | \$ 61,330,523     | \$ 54,343,960      | \$ 6,986,563                           | \$ 1,947,052 | \$ 1,283,238 | \$ 3,230,290 | 2.16     |
| 2009 | 63,285,449        | 55,776,213         | 7,509,236                              | 2,231,337    | 1,212,258    | 3,443,595    | 2.18     |
| 2010 | 68,361,455        | 58,369,371         | 9,992,084                              | 2,348,399    | 1,122,831    | 3,471,230    | 2.88     |
| 2011 | 76,436,148        | 69,125,852         | 7,310,296                              | 2,454,048    | 1,035,743    | 3,489,791    | 2.09     |
| 2012 | 76,829,744        | 69,301,586         | 7,528,158                              | 2,568,242    | 939,169      | 3,507,411    | 2.15     |
| 2013 | 78,342,368        | 68,968,824         | 9,373,544                              | 2,671,957    | 837,173      | 3,509,130    | 2.67     |
| 2014 | 85,487,267        | 76,977,920         | 8,509,347                              | 2,817,389    | 730,046      | 3,547,435    | 2.40     |
| 2015 | 88,959,008        | 78,826,457         | 10,132,551                             | 2,779,142    | 718,860      | 3,498,002    | 2.90     |
| 2016 | 91,567,054        | 85,834,256         | 5,732,798                              | 2,170,911    | 603,337      | 2,774,248    | 2.07     |
| 2017 | 96,228,757        | 89,968,643         | 6,260,114                              | 2,253,374    | 516,855      | 2,770,229    | 2.26     |



**City of Bentonville, Arkansas**  
**Demographic and Economic Statistics**  
**Last Ten Years**

**Table 13**

| <u>Fiscal Year</u> | <u>City of Bentonville Population (1)</u> | <u>Benton County Population (1)</u> | <u>Per Capita Income (2)</u> | <u>Personal Income (3)</u> | <u>Unemployment Rate (4)</u> |
|--------------------|---|-------------------------------------|------------------------------|----------------------------|------------------------------|
| 2008               | 28,621                                    | 153,406                             | \$ 38,879                    | \$ 1,112,755,859           | 4.90%                        |
| 2009               | 28,621                                    | 153,406                             | 40,981                       | 1,172,917,201              | 7.30%                        |
| 2010               | 35,301                                    | 221,339                             | 38,196                       | 1,348,356,996              | 7.60%                        |
| 2011               | 35,301                                    | 221,339                             | 38,565                       | 1,361,383,065              | 5.60%                        |
| 2012               | 35,301                                    | 221,339                             | 43,199                       | 1,524,967,899              | 5.20%                        |
| 2013               | 35,301                                    | 221,339                             | 49,148                       | 1,734,973,548              | 5.10%                        |
| 2014               | 35,301                                    | 221,339                             | 49,226                       | 1,737,727,026              | 4.00%                        |
| 2015               | 35,301                                    | 221,339                             | 52,509                       | 1,853,620,209              | 3.20%                        |
| 2016               | 35,301                                    | 221,339                             | 55,729                       | 1,967,289,429              | 2.90%                        |
| 2017               | 35,301                                    | 221,339                             | 55,729 (5)                   | 1,967,289,429 (5)          | 2.90%                        |

(1) U.S. Census Bureau

(2) Fayetteville-Springdale-Rogers MSA (of which Bentonville is a part) information from the U.S. Federal Reserve Bank of St. Louis

(3) Calculated using City of Bentonville Population and Per Capita Income

(4) Bureau of Labor Statistics

(5) 2017 figures were not available at time of publication and therefore, amounts were maintained at 2016 figures

**City of Bentonville, Arkansas**  
**Principal Employers**  
**Last Ten Years**

**Table 14**

| Employer                                  | 2017 |           |   | 2009 (2) |           |   |
|---|------|-----------|---|----------|-----------|---|
|   | Rank | Employees | Percentage of<br>Population<br>35,301 (1) | Rank     | Employees | Percentage of<br>Population<br>35,301 (1) |
| Wal-Mart Stores, Inc                      | 1    | 2,500+    | 7.08%                                     | 1        | 2,500+    | 7.08%                                     |
| Mercy Health System of Northwest Arkansas | 2    | 1000-2499 | 2.83%                                     | 8        | 200-299   | 0.57%                                     |
| Bentonville School District               | 2    | 1000-2499 | 2.83%                                     | 2        | 1000-2499 | 2.83%                                     |
| Northwest Health System                   | 3    | 500-999   | 1.42%                                     | 5        | 300-499   | 0.85%                                     |
| Benton County                             | 3    | 500-999   | 1.42%                                     | 3        | 500-999   | 1.42%                                     |
| City of Bentonville                       | 3    | 500-999   | 1.42%                                     | 5        | 300-499   | 0.85%                                     |
| Northwest Arkansas Community College      | 4    | 300-499   | 0.85%                                     | 5        | 300-499   | 0.85%                                     |
| Arvest Bank Group, Inc                    | 4    | 300-499   | 0.85%                                     | 3        | 500-999   | 1.42%                                     |
| Black Hills Energy                        | 4    | 300-499   | 0.85%                                     |          |           |   |
| Crafton Tull                              | 4    | 300-499   | 0.85%                                     |          |           |   |
| Consumer Testing Laboratories             | 5    | 200-299   | 0.57%                                     |          |           |   |
| Outdoor Cap Company                       |      |           |   | 8        | 200-299   | 0.57%                                     |
| Fuji Film                                 |      |           |   | 8        | 200-299   | 0.57%                                     |

(1) Low figure in the range of employees used for calculation

(2) Figures from 2007 were not available. Figures from 2009 were latest available within last 10 years.

**City of Bentonville, Arkansas**  
**Full-time Equivalent City Employees by Function**  
**Last Ten Years**

**Table 15**

|                          | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  | <u>2012</u>  | <u>2011</u>  | <u>2010</u>  | <u>2009</u>  | <u>2008</u>  |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Function                 |              |              |              |              |              |              |              |              |              |              |
| Governmental Activities  |              |              |              |              |              |              |              |              |              |              |
| General government       | 90           | 59           | 65           | 64           | 67           | 64           | 65           | 61           | 61           | 57           |
| Public safety            | 199          | 189          | 175          | 174          | 161          | 162          | 154          | 151          | 152          | 153          |
| Recreation               | 187          | 160          | 90           | 70           | 46.5         | 43.5         | 37.5         | 34.5         | 31.5         | 32.5         |
| Street Department        | 26           | 29           | 23           | 23           | 22           | 22           | 22           | 20           | 21           | 18           |
| Library                  | <u>29</u>    | <u>28</u>    | <u>24</u>    | <u>23.5</u>  | <u>21</u>    | <u>20.5</u>  | <u>20.5</u>  | <u>21.5</u>  | <u>19.5</u>  | <u>18.5</u>  |
| Total                    | <u>531.0</u> | <u>465.0</u> | <u>377.0</u> | <u>354.5</u> | <u>317.5</u> | <u>312.0</u> | <u>299.0</u> | <u>288.0</u> | <u>285.0</u> | <u>279.0</u> |
| Business-Type Activities |              |              |              |              |              |              |              |              |              |              |
| Electric                 | 43           | 42           | 37           | 36           | 36           | 36           | 36           | 36           | 36           | 37           |
| Water                    | 44           | 39           | 38           | 38           | 38           | 37           | 38           | 37           | 27           | 38           |
| Wastewater               | 26           | 25           | 22           | 21           | 22           | 22           | 22           | 23           | 36           | 25           |
| Sanitation               | <u>26</u>    | <u>23</u>    | <u>21</u>    | <u>21</u>    | <u>22</u>    | <u>22</u>    | <u>23</u>    | <u>22</u>    | <u>22</u>    | <u>23</u>    |
| Total                    | <u>139</u>   | <u>129</u>   | <u>118</u>   | <u>116</u>   | <u>118</u>   | <u>117</u>   | <u>119</u>   | <u>118</u>   | <u>121</u>   | <u>123</u>   |
| Total Primary Government | <u>670</u>   | <u>594</u>   | <u>495</u>   | <u>470.5</u> | <u>435.5</u> | <u>429.0</u> | <u>418.0</u> | <u>406.0</u> | <u>406.0</u> | <u>402.0</u> |

Source: Various city departments

# City of Bentonville, Arkansas

## Operating Indicators by Function

### Last Ten Years

**Table 16**

|  | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Function                                       |               |               |               |               |               |               |               |               |               |               |
| Governmental Activities                        |               |               |               |               |               |               |               |               |               |               |
| General Government                             |               |               |               |               |               |               |               |               |               |               |
| Building Permits Issued                        | 1,562         | 1,461         | 1,375         | 1,227         | 1,225         | 1,253         | 866           | 812           | 832           | 832           |
| Building Inspections performed                 | 19,613        | 19,380        | 19,514        | 14,228        | 16,222        | 13,782        | 9,920         | 8,646         | 7,461         | 8,999         |
| Fire   |               |               |               |               |               |               |               |               |               |               |
| Fire related calls for service                 | 1,553         | 935           | 759           | 636           | 541           | 483           | 493           | 438           | 387           | 447           |
| EMS related calls for service                  | 4,788         | 4,786         | 4,665         | 4,141         | 3,772         | 3,826         | 3,779         | 3,393         | 2,947         | 2,860         |
| Police   |               |               |               |               |               |               |               |               |               |               |
| Calls for service Police                       | 59,100        | 57,193        | 53,140        | 48,402        | 40,320        | 35,888        | 30,555        | 20,735        | 19,948        | 19,428        |
| Calls for service Fire/EMS                     | 6,031         | 6,294         | 6,111         | 5,455         | 5,029         | 4,925         | 4,907         | 4,364         | 3,759         | 3,802         |
| Physical arrests                               | 3,601         | 3,405         | 3,319         | 2,891         | 2,572         | 2,763         | 2,490         | 4,099         | 2,368         | 2,837         |
| 9-1-1 Calls                                    | 16,078        | 16,779        | 16,907        | 18,779        | 17,857        | 14,942        | 14,355        | 11,953        | **            | **            |
| Recreation                                     |               |               |               |               |               |               |               |               |               |               |
| Program Participants                           | 726,364       | 661,897       | 320,655       | 171,563       | 160,592       | 97,152        | **            | **            | **            | **            |
| Transportation                                 |               |               |               |               |               |               |               |               |               |               |
| Streets Overlayed each year (miles)            | 3             | 3             | 2             | 4             | 2             | 3             | 3             | 4             | 2             | 2             |
| Library  |               |               |               |               |               |               |               |               |               |               |
| Library card holders                           | 26,929        | 27,058        | 35,514        | 30,621        | 27,190        | 27,108        | 28,066        | 28,340        | 27,339        | 26,022        |
| Visits   | 296,311       | 300,766       | 298,585       | 296,819       | 296,031       | 300,652       | 277,059       | 282,300       | 267,288       | 259,998       |
| Circulation (checkouts or materials)           | 675,787       | 679,444       | 651,289       | 602,218       | 560,778       | 541,028       | 482,198       | 473,351       | 443,582       | 375,569       |
| Business-Type Activities                       |               |               |               |               |               |               |               |               |               |               |
| Electric, Water, Wastewater Support Activities |               |               |               |               |               |               |               |               |               |               |
| Meters read                                    | 555,128       | 530,850       | 503,834       | 483,297       | 466,085       | 450,585       | 438,307       | 426,214       | 410,290       | 403,028       |
| Payments Processed (dollars)                   | \$ 90,026,317 | \$ 88,326,913 | \$ 84,237,799 | \$ 84,480,153 | \$ 73,951,337 | \$ 72,493,590 | \$ 70,010,486 | \$ 70,851,679 | \$ 67,461,859 | \$ 64,287,305 |
| Payments Processed (transactions)              | 193,627       | 190,814       | 185,954       | 188,519       | 182,333       | 177,907       | 173,423       | 173,668       | 166,158       | 164,930       |

\*\* Data not available for given period.

Source: Various city departments

# City of Bentonville, Arkansas

## Capital Asset Statistics by Function

### Last Ten Years

**Table 17**

| Function   | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    | 2011    | 2010   | 2009   | 2008   |
|--|---------|---------|---------|---------|---------|---------|---------|--------|--------|--------|
| Governmental Activities                                  |         |         |         |         |         |         |         |        |        |        |
| General Government                                       |         |         |         |         |         |         |         |        |        |        |
| Number of general government buildings                   | 4       | 4       | 4       | 4       | 4       | 4       | 4       | 3      | 3      | 3      |
| Fire   |         |         |         |         |         |         |         |        |        |        |
| Fire Trucks available each year                          | 8       | 8       | 8       | 7       | 7       | 7       | 7       | 7      | 7      | 7      |
| Ambulances available each year                           | 7       | 7       | 7       | 6       | 6       | 6       | 6       | 6      | 6      | 6      |
| Fire Stations  | 6       | 6       | 6       | 5       | 5       | 5       | 5       | 5      | 5      | 5      |
| Police   |         |         |         |         |         |         |         |        |        |        |
| Police Units (cars/trucks) that were available each year | 89      | 85      | 83      | 80      | 77      | 70      | 69      | 69     | 69     | 67     |
| Recreation   |         |         |         |         |         |         |         |        |        |        |
| Parks Acreage  | 341     | 341     | 341     | 311     | 311     | 311     | 309     | 291    | 285    | 285    |
| Number of Parks  | 20      | 20      | 20      | 19      | 19      | 19      | 18      | 13     | 13     | 13     |
| Number of Trails   | 25      | 25      | 24      | 23      | 23      | 23      | 21      | 16     | 15     | **     |
| Baseball/softball fields                                 | 24      | 24      | 24      | 24      | 24      | 24      | 24      | 20     | 20     | 20     |
| Soccer Fields / Football Fields                          | 16      | 16      | 16      | 13      | 13      | 10      | 10      | 9      | 9      | 9      |
| Tennis Courts  | 14      | 14      | 14      | 14      | 14      | 14      | 14      | 6      | 6      | 6      |
| Basketball Courts  | 5       | 5       | 5       | 4       | 4       | 4       | 4       | **     | **     | **     |
| Swimming Pools / Splash Parks                            | 4       | 4       | 4       | 2       | 2       | 2       | 2       | 1      | 1      | 1      |
| Ice Rink   | 1       | 1       | 1       | 1       | 1       | 1       | 1       |        |        |        |
| Indoor Rec Center  | 2       | 2       | 2       | 1       | 1       | 1       | 1       |        |        |        |
| Transportation   |         |         |         |         |         |         |         |        |        |        |
| Total Paved Streets (miles)                              | 274     | 261     | 250     | 253     | 246     | 244     | 237     | 235    | 234    | 231    |
| Traffic Signals  | 45      | 45      | 41      | 41      | 41      | 41      | 41      | 39     | 39     | 37     |
| Library  |         |         |         |         |         |         |         |        |        |        |
| Items Available for checkout                             | 135,568 | 134,725 | 131,070 | 121,905 | 114,238 | 111,887 | 103,000 | 92,869 | 88,387 | 77,409 |
| Business-Type Activities                                 |         |         |         |         |         |         |         |        |        |        |
| Electric   |         |         |         |         |         |         |         |        |        |        |
| Electric Substations                                     | 9       | 9       | 9       | 9       | 9       | 9       | 8       | 8      | 8      | 8      |
| Electric Lines (miles)                                   |         |         |         |         |         |         |         |        |        |        |
| Distribution   | 915.68  | 885.88  | 846.25  | 837.40  | 723.50  | 699.50  | 669.00  | 638.50 | 608.00 | 577.50 |
| Transmission   | 16.32   | 16.32   | 16.32   | 16.32   | 16.32   | 16.32   | **      | **     | **     | **     |
| Water  |         |         |         |         |         |         |         |        |        |        |
| Water Lines (miles)                                      | 321.90  | 314.40  | 307.30  | 301.60  | 298.30  | 290.50  | 288.30  | 285.00 | 262.80 | 256.60 |
| Sewer Lines (miles)                                      | 305.80  | 300.40  | 294.20  | 289.30  | 287.20  | 283.60  | 282.00  | 276.70 | 274.40 | 274.00 |

\*\* Data not available for given period.  
Source: Various city departments.

**City of Bentoville, Arkansas**  
**Water and Wastewater Rates**  
**December 31, 2017**

**Table 18**

|   | Per 1,000 gallons |            |            |             |            |
|---|-------------------|------------|------------|-------------|------------|
|   | Water             |            |            | Wastewater  |            |
|   | Residential       | Irrigation | Commercial | Residential | Commercial |
| <b>Inside City monthly usage rates</b>  |                   |            |            |             |            |
| First 4,000 gallons of water            | \$ 3.25           | N/A        | N/A        | N/A         | N/A        |
| Next 6,000 gallons of water             | 3.72              | N/A        | N/A        | N/A         | N/A        |
| Over 10,000 gallons of water            | 5.39              | N/A        | N/A        | N/A         | N/A        |
| All Consumption                         | N/A               | \$ 4.37    | \$ 3.72    | \$ 7.69     | \$ 8.22    |
| <b>Outside City monthly usage rates</b> |                   |            |            |             |            |
| First 4,000 gallons of water            | \$ 3.87           | N/A        | N/A        | N/A         | N/A        |
| Next 6,000 gallons of water             | 4.44              | N/A        | N/A        | N/A         | N/A        |
| Over 10,000 gallons of water            | 6.44              | N/A        | N/A        | N/A         | N/A        |
| All Consumption                         | N/A               | \$ 5.22    | \$ 4.44    | \$ 9.23     | \$ 9.86    |

|                    | Rate per Month |            |             |            |
|--------------------|----------------|------------|-------------|------------|
|                    | Water          | Irrigation | Wastewater  |            |
|                    |                |            | Residential | Commercial |
| <b>Meter rates</b> |                |            |             |            |
| 5/8" meter         | \$ 7.71        | \$ 8.89    | \$ 13.41    | \$ 14.33   |
| 3/4" meter         | 7.71           | 8.89       | 13.41       | 14.33      |
| 1" meter           | 19.28          | 22.50      | 44.16       | 47.19      |
| 1-1/2" meter       | 83.55          | 96.41      | 164.05      | 175.31     |
| 2" meter           | 89.98          | 103.91     | 175.15      | 187.17     |
| 3" meter           | 134.97         | 155.32     | 257.30      | 274.95     |
| 4" meter           | 385.63         | 444.55     | 721.32      | 770.81     |
| 6" meter           | 835.54         | 964.08     | 1,553.89    | 1,660.50   |

**City of Bentonville, Arkansas**  
**Schedule of Electric, Water and Wastewater Customers**  
**and Annual Billable Water Gallons**  
**December 31, 2017**

**Table 19**

| Type       | Number of Customers |
|------------|---------------------|
| Electric   | 22,870              |
| Water      | 21,186              |
| Wastewater | 17,071              |

| Year Ended December 31, 2017  | Gallons       |
|-------------------------------|---------------|
| Annual billable water gallons | 2,434,180,000 |

**City of Bentonville, Arkansas**  
**Schedule of Insurance Coverage**  
**December 31, 2017**

**Table 20**

| <b>Policy Coverage</b>   | <b>Policy Period</b> | <b>Coverage</b>  | <b>Insurer</b>                    |
|--|----------------------|--|-----------------------------------|
| Property   | 7-8-17 to 7-8-18     | \$183,267,674  | Affiliated FM Insurance Company   |
| Municipal vehicles -<br>Includes property and bodily<br>injury | 1-1-17 to 1-1-18     | \$25,000 for one<br>person, \$50,000 for<br>multiple persons | Arkansas Municipal League         |
| Fraudulent or dishonest acts                                   | 7-1-17 to 6-30-18    | \$300,000  | Arkansas Fidelity Bond Trust Fund |



## **Single Audit Section**

**City of Bentonville, Arkansas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

| Federal Grantor/Pass-through<br>Grantor/Program or Cluster Title  | Federal<br>CFDA<br>Number | Pass-through Entity<br>Identifying Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|---|---------------------------------------|----------------------------------|
| <b>Department of Housing and Urban Development Programs</b>   |                           |   |                                       |                                  |
| <i>CDBG - Entitlement Grants Cluster</i>  |                           |   |                                       |                                  |
| U.S. Department of Housing and Urban<br>Development/Community Development<br>Block Grant  | 14.218                    | N/A                                       | \$ -                                  | \$ 27,147                        |
|   |                           | <i>Cluster Total</i>                      | -                                     | 27,147                           |
| <b>Total Department of Housing and Urban Development Programs</b>   |                           |   | -                                     | 27,147                           |
| <b>Department of Transportation Programs</b>  |                           |   |                                       |                                  |
| <i>Highway Planning and Construction Cluster</i>  |                           |   |                                       |                                  |
| U.S. Department of<br>Transportation/Arkansas State Highway<br>and Transportation Department/Highway<br>Planning and Construction | 20.205                    | AHTD #090218                              | -                                     | 1,296,145                        |
|   |                           | <i>Cluster Total</i>                      | -                                     | 1,296,145                        |
| <i>Highway Safety Cluster</i>   |                           |   |                                       |                                  |
| U.S. Department of<br>Transportation/Arkansas State Highway<br>and Transportation Department/National<br>Priority Safety Programs | 20.616                    | AHTD #090453                              | -                                     | 75,000                           |
|   |                           | <i>Cluster Total</i>                      | -                                     | 75,000                           |
| U.S. Department of<br>Transportation/Airport Improvement<br>Program   | 20.106                    | N/A                                       | -                                     | 516,275                          |
| <b>Total Department of Transportation Programs</b>  |                           |   | -                                     | 1,887,420                        |
| <b>Department of Justice Programs</b>   |                           |   |                                       |                                  |
| U.S. Department of Justice/Edward<br>Byrne Memorial Justice Assistance Grant<br>Program   | 16.738                    | N/A                                       | -                                     | 3,500                            |
| <b>Total Department of Justice Programs</b>   |                           |   | -                                     | 3,500                            |
| <b>United States Environmental Protection Agency</b>  |                           |   |                                       |                                  |
| U.S. Environmental Protection<br>Agency/Regional Wetlands Development<br>Program  | 66.461                    | N/A                                       | -                                     | 48,250                           |
| <b>Total United States Environmental Protection Agency</b>  |                           |   | -                                     | 48,250                           |
| <b>Department of Homeland Security Programs</b>   |                           |   |                                       |                                  |
| U.S. Department of Homeland<br>Security/Arkansas Department of<br>Emergency Management/Disaster Grants -<br>Public Assistance     | 97.036                    | AR DR-4318                                | -                                     | 30,139                           |
| <b>Total Department of Homeland Security Programs</b>   |                           |   | -                                     | 30,139                           |
| <b>Total Expenditures of Federal Awards</b>   |                           |   | \$ -                                  | \$ 1,996,456                     |

**City of Bentonville, Arkansas**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2017**

**Notes to Schedule**

1. This accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards activity of the City. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor's Report**

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bentonville, Arkansas, (the City) as of and for the year-ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2018.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control over financial reporting (internal control) does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Rogers, Arkansas  
June 28, 2018

## Report on Compliance for Each Major Federal Program And Report on Internal Control Over Compliance

### Independent Auditor's Report

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

#### Report on Compliance for Major Federal Program

We have audited the City of Bentonville, Arkansas (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

## ***Opinion on Major Federal Program***

In our opinion, the City of Bentonville, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Rogers, Arkansas  
June 28, 2018

**City of Bentonville, Arkansas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2017**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified       Qualified       Adverse       Disclaimed

2. The independent auditor’s report on internal control over financial reporting disclosed:

Significant deficiency(ies) identified?       Yes       None Reported  
Material weakness(es) identified?       Yes       No

3. Noncompliance considered material to the financial statements noted?

Yes       No

*Federal Awards*

4. Internal control over compliance for major federal program:

Significant deficiency(ies) identified?       Yes       None Reported  
Material weakness(es) identified?       Yes       No

5. Type of auditor’s report issued on compliance for major federal program:

Unmodified       Qualified       Adverse       Disclaimed

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes       No



**City of Bentonville, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2017**

7. Identification of major federal program:

| <u>Cluster/Program</u>      | <u>CFDA Number</u> |
|-----------------------------|--------------------|
| Airport Improvement Program | 20.106             |

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. The City qualified as a low-risk auditee?

Yes       No

**City of Bentonville, Arkansas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2017**

**Section II – Financial Statement Findings**

| <b>Reference<br/>Number</b> | <b>Finding</b>             |
|-----------------------------|----------------------------|
|                             | No matters are reportable. |

**Section III – Federal Award Findings and Questioned Costs**

| <b>Reference<br/>Number</b> | <b>Finding</b>             |
|-----------------------------|----------------------------|
|                             | No matters are reportable. |

**City of Bentonville, Arkansas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2017**

| <b>Reference<br/>Number</b> | <b>Summary of Finding</b> | <b>Status</b> |
|-----------------------------|---------------------------|---------------|
|-----------------------------|---------------------------|---------------|

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No matters are reportable.

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## **Other Required Reports**

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## Independent Accountant's Report on Compliance With Arkansas State Requirements

The Honorable Mayor and Members of the City Council  
City of Bentonville, Arkansas  
Bentonville, Arkansas

We have examined management's assertions that the City of Bentonville, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2017.

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above based upon on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City of Bentonville, Arkansas complied with the aforementioned requirements during the year ended December 31, 2017, is fairly stated, in all material respects.

This report is intended solely for the information and use of the governing body, management, and the State of Arkansas and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Rogers, Arkansas  
June 28, 2018

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