



BENTONVILLE CITY COUNCIL AGENDA

**Regular City Council Meeting
Community Development
Planning Commission Meeting Room**

**Tuesday, October 9, 2018 6:00 p.m.
305 SW "A" Street**

**Public Comments on Tonight's Agenda Items (Limited Public Forum)
Questions, Comments and Discussion from City Council Members on Tonight's Agenda
Call to Order
Pledge of Allegiance
Moment of Silence – For our Military Forces
Roll Call
Approval of Minutes: September 25, 2018**

AGENDA

1. Planning:
 - 1a. **Lot Split: Lots 29 & 30, Block 5, Dunn & Davis Addition, 6th and C LLC, 127 SW C Street, DE, Downtown Edge.**

(Pages 4-6)

The Planning Commission voted 7-0, recommending approval.

The applicant has submitted a proposal for a Lot Split of Lot 26, Block 5 Dunn & Davis Addition, creating new lots 29 & 30. The plat dedicates a 5-foot utility easement along SW 6th Street and a 5-foot utility easement along SW C Street. Adequate right-of-way currently exists.
2. The Accounting Department is requesting formal acceptance of the 2017 Audit and Management Letter. According to page 2 (Independent Audit Report section) of the Audit Report/CAFR, BKD, LLC has issued this report with the following statement: 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. **(Pages 7-174)**
3. Reappointment of George Spence to the Northwest Arkansas Conservation Authority Board (NACA). Term will expire on December 31, 2021. **(Page 175)**

4. Appointment of Mike Bender to the Northwest Arkansas Conservation Authority Board (NACA). Term will expire on December 31, 2022. **(Page 176)**
5. Electric Department recommends a budget adjustment to purchase four new vehicles (2-bucket, 1-digger, 1-foreman truck) for the formation of an additional crew from existing personnel in the amount of \$908,377.00 plus tax. **(Pages 177-179)**
6. An ordinance to enter into an agreement with Chain Electric Company to remove/replace a 161 kV transmission switch in the amount of \$46,400.00 and waive the requirements of competitive bidding. **(Pages 180-185)**
7. An ordinance establishing the standard for Small Cell Wireless Facility placements. **(Pages 186-199)**
8. For Mayor and City Council to approve a \$5,810.27 budget adjustment for the 2018 City Overlay project. Please see attachments. **(Pages 200-203)**
9. Parks and Recreation is requesting City Council approval of a resolution authorizing the Mayor and City Clerk to enter an agreement with Ozark Tennis Academy for the service of providing tennis programming and instruction for Parks and Recreation programs and events in 2019. **(Pages 204-211)**



City Council Agenda Items

For City Council Meeting of October 9, 2016

From the October 2, 2016 Planning Commission Meeting

Lot Split: Lots 29 & 30, Block 5, Dunn & Davis Addition, 6th and C LLC, 127 SW C Street, DE, Downtown Edge.

The Planning Commission voted 7-0, recommending approval.

The applicant has submitted a proposal for a Lot Split of Lot 26, Block 5 Dunn & Davis Addition, creating new lots 29 & 30. The plat dedicates a 5-foot utility easement along SW 6th Street and a 5-foot utility easement along SW C Street. Adequate right-of-way currently exists.

LOT SPLIT STAFF REPORT



Lots 29 & 30, Block 5, Dunn & Davis Addition

127 SW C Street

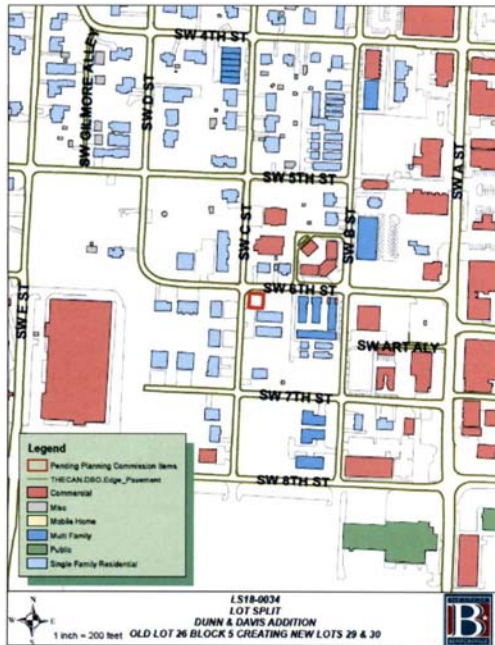
PC Date: 10/2/2018

Reviewer: Tyler Overstreet, Planner

Project Number	LS18-0034
Applicant / Current Owner	6th and C, LLC 300 SW 5th Street Bentonville, AR 72712
Site Area	+/- .05 acres
Current Zoning	DE, Downtown Edge
Future Land Use Map Designation	Downtown Mixed Use Residential (DMUR)

<http://geo.bentonvillear.com/mgweb/PZpending/>

Location Map



Property Description

This property is located at the southeast corner of SW C Street and SW 6th Street. The approximately .05 acre tract is currently zoned DE, Downtown Edge.

Project Details

The applicant has submitted a proposal for a Lot Split of Lot 26, Block 5 Dunn & Davis Addition, creating new lots 29 & 30. The plat dedicates a 5-foot utility easement along SW 6th Street and a 5-foot utility easement along SW C Street. Adequate right-of-way currently exists.

Projected Traffic Impact

The proposed lot split does not have the potential to impact traffic in the area. The existing downtown street grid should be adequate to handle any increase in traffic or density caused by the rezoning.

Waivers

No waivers requested.

Conclusion

This lot split does meet the minimum requirements of the subdivision regulations.

Standard Conditions of Approval

1. Provide a digital copy of the plat.
2. Address all technical review comments before requesting a building permit.

NOTES

- **Sidewalks.** Sidewalk installation will be the responsibility of individual lot owners at the time of building permit.

ORDINANCE NO. _____

**AN ORDINANCE ACCEPTING A LOT SPLIT OF LOTS 29 AND 30, BLOCK 5,
DUNN & DAVIS ADDITION TO THE CITY OF BENTONVILLE, ARKANSAS
(PROJECT NUMBER: LS18-0034).**

WHEREAS, pursuant to the provisions of Title 15 of the Bentonville Municipal Code, the lot split of Lots 29 & 30, Block 5, Dunn & Davis Addition, Benton County, Arkansas, was submitted to the Bentonville Planning Commission on October 2, 2018; and,

WHEREAS, said lot split is attached hereto as Exhibit "A"; and,

WHEREAS, the Bentonville Planning Commission considered said lot split on the date stated, and at other times, and voted to recommend the approval of said lot split to the City Council; and,

WHEREAS, the lot split of real property as described herein has been submitted to the City Council of the City of Bentonville and, after consideration and deliberation, said Council is of the opinion that said lot split should be approved.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL FOR THE CITY OF BENTONVILLE, ARKANSAS:

Section 1: That the lot split of Lots 29 & 30, Block 5, Dunn & Davis Addition to the City of Bentonville, Arkansas, should be and the same is hereby accepted and approved for all purposes.

Section 2: That the Mayor and City Clerk be and are hereby authorized and directed to evidence the acceptance of said lot split by certifying said acceptance on the approved lot split.

PASSED AND APPROVED this _____ day of _____, 2018.

APPROVED:

MAYOR

ATTEST:

CITY CLERK



CHECK ALL THAT APPLY		
	Bid Award	Bid #
	Budget Adjustment	
	Change Order	
	Informational	
	Ordinance	
	Resolution	
X	Other	

AGENDA FORM

CITY COUNCIL MEETING OF:

October 9, 2018

Submitted by:

Jake Harper

Department

Accounting

Phone

271-6781

ACTION REQUIRED:

The Accounting Department is requesting formal acceptance of the 2017 Audit and Management Letter. According to page 2 (Independent Audit Report section) of the Audit Report/CAFR, BKD, LLC has issued this report with the following statement: 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.

COST TO CITY:

Cost of this Request:

Additional Budget Amount

☐ One time amount

☐ Continuing O and M

Previously Budgeted	\$
Funds Expended to Date	
Remaining Budget	-
Budget Adjustment	-
Remaining After Adjustment	\$ -

This form must be turned into the Mayor's office 7 days prior to the scheduled City Council meeting.

117 WEST CENTRAL AVENUE * BENTONVILLE, AR 72712

www.bentonvillear.com



PLEASE RECYCLE



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

Visit our web site at: www.bentonvillear.com

City of Bentonville, Arkansas

December 31, 2017

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City of Bentonville, Arkansas

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December 31, 2017

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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**

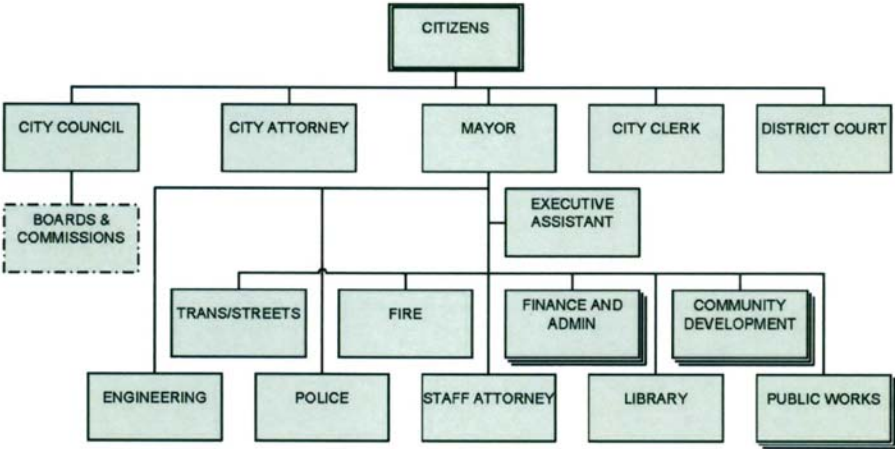
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016



Executive Director/CEO

City of Bentonville Organizational Chart



v

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

Bob McCaslin
Mayor

Name	Ward	Position
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 Activities		Business-type 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	359,285,964	310,213,824	244,121,416	238,258,855	603,407,380	548,472,679
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	101,293,765	79,533,495	28,230,370	32,302,396	129,524,135	111,835,891
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	\$ 268,841,989	\$ 240,173,638	\$ 218,949,470	\$ 208,684,110	\$ 487,791,459	\$ 448,857,748

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 Activities		Business-type 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	82,109,135	68,534,991	100,701,323	93,441,968	182,810,458	161,976,959
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:	53,440,784	48,458,440	90,435,963	86,483,212	143,876,747	134,941,652
Increase in net position before transfers and special items	28,668,351	20,076,551	10,265,360	6,958,756	38,933,711	27,035,307
Transfers	-	(2,704,809)	-	2,704,809	-	-
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	240,173,638	222,801,896	208,684,110	199,020,545	448,857,748	421,822,441
Net position – end of the year	\$ 268,841,989	\$ 240,173,638	\$ 218,949,470	\$ 208,684,110	\$ 487,791,459	\$ 448,857,748

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
December 31, 2017

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
December 31, 2017

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
December 31, 2017

- *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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
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 uncollectible accounts of \$281,000	-	8,508,153	8,508,153
Property taxes, net of allowance for 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
Total current assets	107,333,767	40,878,912	148,212,679
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	395,750	2,070,772	2,466,522
Sales taxes receivable	3,778,343	-	3,778,343
Total restricted assets	4,174,093	2,070,772	6,244,865
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
	247,778,104	201,171,732	448,949,836
Total noncurrent and other assets	251,952,197	203,242,504	455,194,701
Total assets	359,285,964	244,121,416	603,407,380
Deferred Outflows of Resources			
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	11,325,686	3,246,050	14,571,736

See Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
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
Total current liabilities	15,227,198	8,980,955	24,208,153
Noncurrent Liabilities			
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
Total noncurrent liabilities	86,066,567	19,249,415	105,315,982
Total liabilities	101,293,765	28,230,370	129,524,135
Deferred Inflows of Resources			
Deferred inflows - pensions	475,896	187,626	663,522
Total deferred inflows of resources	475,896	187,626	663,522
Net Position			
Net investment in capital assets	214,744,281	190,003,709	404,747,990
Restricted			
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
Total restricted	19,818,040	2,869,343	22,687,383
Unrestricted	34,279,668	26,076,418	60,356,086
Total net position	\$ 268,841,989	\$ 218,949,470	\$ 487,791,459

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

Assets

Current Assets

Cash	\$ 158,043
Total current assets	<u>158,043</u>

Property and Equipment

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

Other Assets

Investment in Endeavor Foundation	304,641
Prepaid expenses	<u>3,628</u>
	<u>308,269</u>
Total assets	<u>6,826,527</u>

Liabilities

Accrued expenses	<u>1,066</u>
Total liabilities	<u>1,066</u>

Net Position

Unrestricted	5,528,313
Temporarily restricted	<u>1,297,148</u>
Total net position	<u>\$ 6,825,461</u>

See Notes to Financial Statements

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

					Net (Expenses) Revenues and Changes in Net Position		
Program Revenues					Primary Government		
					Governmental Activities	Business-type Activities	Total
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Government/Programs							
Primary Government							
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 long-term debt	2,382,481	-	-	-	(2,382,481)	-	(2,382,481)
Total governmental activities	53,440,784	5,792,479	5,402,348	5,909,573	(36,336,384)	-	(36,336,384)
Business-type Activities:							
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)
Total business-type activities	90,435,963	95,493,651	11,978	4,158,642	-	9,228,308	9,228,308
Total primary government	\$ 143,876,747	\$ 101,286,130	\$ 5,414,326	\$ 10,068,215	(36,336,384)	9,228,308	(27,108,076)
General Revenues:							
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
Total general revenues and transfers					65,004,735	1,037,052	66,041,787
Change in Net Position					28,668,351	10,265,360	38,933,711
Net Position, Beginning of Year					240,173,638	208,684,110	448,857,748
Net Position - End of Year					\$ 268,841,989	\$ 218,949,470	\$ 487,791,459

See Notes to Financial Statements

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

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
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>
Expenses			
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>
Change in Net Position	(171,708)	20,061	(151,647)
Net Position, Beginning of Year	<u>5,700,021</u>	<u>1,277,087</u>	<u>6,977,108</u>
Net Position, End of Year	<u>\$ 5,528,313</u>	<u>\$ 1,297,148</u>	<u>\$ 6,825,461</u>

See Notes to Financial Statements

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

	General	Street	Capital Project	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
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 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
Total assets	<u>\$ 59,172,460</u>	<u>\$ 10,619,310</u>	<u>\$ 29,237,865</u>	<u>\$ 8,486,688</u>	<u>\$ 4,822,807</u>	<u>\$ 112,339,130</u>
Liabilities						
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
Total liabilities	<u>4,832,416</u>	<u>4,039,098</u>	<u>221,748</u>	<u>-</u>	<u>341,930</u>	<u>9,435,192</u>
Deferred Inflows of Resources						
Unavailable revenues - property taxes	<u>5,691,368</u>	<u>1,742,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,434,239</u>
Fund balances						
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	<u>48,453,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,453,612</u>
Total fund balances	<u>48,648,676</u>	<u>4,837,341</u>	<u>29,016,117</u>	<u>8,486,688</u>	<u>4,480,877</u>	<u>95,469,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 59,172,460</u>	<u>\$ 10,619,310</u>	<u>\$ 29,237,865</u>	<u>\$ 8,486,688</u>	<u>\$ 4,822,807</u>	<u>\$ 112,339,130</u>

See Notes to Financial Statements

Total fund balances - governmental funds	\$ 95,469,699
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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
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Net pension assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	1,619,340
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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
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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
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Liabilities that are not due and payable in the current period and are not reported in the fund statements:

Accrued interest payable	(513,276)
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Accrued compensated absences	(1,460,274)
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Net pension liabilities	(28,850,692)
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Other postemployment benefits liability	(1,435,000)
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Bonds payable, net of premiums and discounts	<u>(60,430,601)</u>
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Total net position - governmental activities	<u><u>\$ 268,841,989</u></u>
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City of Bentonville, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
Year Ended December 31, 2017

	General	Street	Capital Project	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
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
Total revenues	48,869,406	8,809,616	3,959,006	11,923,542	3,325,568	76,887,138
Expenditures						
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
Total expenditures	40,187,864	11,068,805	1,051,331	10,239,991	-	62,547,991
Excess (Deficiency) of Revenues Over Expenditures	8,681,542	(2,259,189)	2,907,675	1,683,551	3,325,568	14,339,147
Other Financing Sources (Uses)						
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)
Total other financing sources (uses)	539,723	10,934	24,180,854	1,327,377	(444,592)	25,614,296
Change in Fund Balances	9,221,265	(2,248,255)	27,088,529	3,010,928	2,880,976	39,953,443
Fund Balances, Beginning of Year	39,427,411	7,085,596	1,927,588	5,475,760	1,599,901	55,516,256
Fund Balances, End of Year	\$ 48,648,676	\$ 4,837,341	\$ 29,016,117	\$ 8,486,688	\$ 4,480,877	\$ 95,469,699

See Notes to Financial Statements

Net change in fund balance – total governmental funds	\$ 39,953,443
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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
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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)
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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
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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
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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)
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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)
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Change in net position of governmental activities	<u>\$ 28,668,351</u>
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City of Bentonville, Arkansas

Statement of Net Position –

Proprietary Funds

December 31, 2017

Assets

Business-type Activity – Enterprise Fund

Current Assets:

Cash and cash equivalents	\$ 17,993,252
Certificates of deposit	9,000,000
Accounts receivable (customer accounts), net of allowance 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
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Noncurrent Assets

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
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Total assets	244,504,518
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Deferred Outflows of Resources

Deferred outflows - pensions	2,738,655
Deferred outflows - pension contributions	507,395

Total deferred outflows of resources	3,246,050
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See Notes to Financial Statements

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
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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
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Total liabilities	28,613,475
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Deferred Inflows of Resources

Deferred inflows - pensions	187,623
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Total deferred inflows of resources	187,623
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Net Position

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

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

	Business-type Activity – Enterprise Fund
Operating Revenues	
Charges for services	\$ 95,322,863
Miscellaneous	905,894
Total operating revenues	<u>96,228,757</u>
Operating Expenses	
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	7,641,690
Total operating expenses	<u>89,924,148</u>
Operating Income	<u>6,304,609</u>
Nonoperating Income (Expenses)	
Interest income	41,398
Bond interest and fiscal agent charges	(511,815)
Gain on sale of capital assets	272,526
Net non-operating revenues (expenses)	<u>(197,891)</u>
Income Before Capital Contributions and Transfers	6,106,718
Capital Contributions	4,158,642
Change in Net Position	10,265,360
Net Position, Beginning of Year	<u>208,684,110</u>
Net Position, End of Year	<u><u>\$ 218,949,470</u></u>

See Notes to Financial Statements

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

	Business-type Activity – Enterprise Fund
Operating Activities	
Receipts from customers	\$ 95,006,142
Other receipts	905,894
Payments to suppliers	(68,267,692)
Payments to employees	(8,754,562)
Other payments	(9,039,349)
	<u>9,850,433</u>
Net cash provided by operating activities	<u>9,850,433</u>
Capital and Related Financing Activities	
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	(2,253,374)
	<u>(15,491,511)</u>
Net cash used in capital and related financing activities	<u>(15,491,511)</u>
Investing Activities	
Interest income	<u>41,398</u>
Net cash provided by investing activities	<u>41,398</u>
Decrease in Cash and Cash Equivalents	(5,599,680)
Cash and Cash Equivalents, Beginning of Year	<u>27,256,637</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 21,656,957</u></u>

See Notes to Financial Statements

	Business-type Activity – Enterprise Fund
Cash and Cash Equivalents of Proprietary Funds, as presented on the "Statement of Net Position - Proprietary Funds," is as follows:	
Cash and cash equivalents	\$ 17,993,252
Restricted cash and cash equivalents - current	1,592,933
Restricted cash and cash equivalents - noncurrent	<u>2,070,772</u>
	<u>\$ 21,656,957</u>
Reconciliation of Operating Income to to Net Cash Provided By Operating Activities	
Operating income	\$ 6,304,609
Adjustment to reconcile operating income to net cash 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	<u>961,531</u>
Net cash provided by operating activities	<u>\$ 9,850,433</u>
Noncash Investing, Capital and Financing Activities	
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:

	<u>Years</u>
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

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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
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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

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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
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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
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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:

Governmental Activities	Balance, December 31, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance, December 31, 2017
Capital assets, non-depreciable				
Land	\$ 8,903,448	\$ -	\$ -	\$ 8,903,448
Total capital assets, non-depreciable	8,903,448	-	-	8,903,448
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	313,512,385	19,607,307	857,177	332,262,515
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	85,442,889	10,284,880	720,570	95,007,199
Total governmental activities, net	\$ 236,972,944	\$ 9,322,427	\$ 136,607	\$ 246,158,764

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

Business-type Activities	Balance, December 31, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance, December 31, 2017
Capital assets, non-depreciable				
Land	\$ 8,226,205	\$ -	\$ 41,082	\$ 8,185,123
Total capital assets, non-depreciable	8,226,205	-	41,082	8,185,123
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 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	260,315,705	17,446,485	819,927	276,942,263
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 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	77,649,406	6,873,222	566,974	83,955,654
Total business-type activities, net	\$ 190,892,504	\$ 10,573,263	\$ 294,035	\$ 201,171,732

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

Component Unit	Balance, December 31, 2016	Additions and Transfers, Net	Retirements and Transfers, Net	Balance, December 31, 2017
Capital assets, non-depreciable				
Land	\$ 781,794	\$ -	\$ -	\$ 781,794
Total capital assets, non-depreciable	781,794	-	-	781,794
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	8,258,099	60,060	2,779	8,315,380
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	2,547,797	191,778	2,616	2,736,959
Total component unit, net	\$ 6,492,096	\$ (131,718)	\$ 163	\$ 6,360,215

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
Total depreciation expense	10,284,880
Business-type	
Electric	2,681,731
Water	1,642,338
Waste water	722,358
Sanitation	1,151,362
Support	675,433
Total depreciation expense	6,873,222
Total depreciation expense, primary government	\$ 17,158,102

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

	Project Authorization	Expended Through December 31, 2017	Remaining Commitment
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:

Governmental Activities	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017	Amounts Due in One Year
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
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Business-type Activities	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017	Amounts Due in One Year
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	-
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	-
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:

	Interest Rates	Date Callable	Final Maturity Date	Principal at December 31, 2017
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

December 31, 2017

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
Governmental Activities:						
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
Business-Type Activities:						
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
December 31, 2017

Note 5: Interfund Receivables and Payables

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

	<u>Interfund Receivables</u>	<u>Interfund 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 In</u>	<u>Transfers 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

December 31, 2017

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:

	FRPF	LOPFI	APERS	Total
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.

City of Bentonville, Arkansas

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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>
Total	<u>11</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:

Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at January 1, 2017	\$ 6,197,934	\$ 7,989,144	\$ (1,791,210)
Changes for the year:			
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
Net changes	<u>(443,854)</u>	<u>(615,724)</u>	<u>171,870</u>
Balances at December 31, 2017	<u>\$ 5,754,080</u>	<u>\$ 7,373,420</u>	<u>\$ (1,619,340)</u>

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:

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

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

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 513,035

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

Year Ending December 31	
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

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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 of Resources</u>	<u>Deferred Inflows 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
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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 December 31,</u>		
2018	\$	1,296,125
2019		1,296,422
2020		1,191,399
2021		<u>239,914</u>
Total	\$	<u><u>4,023,860</u></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
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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:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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

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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 7.75 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:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
City's proportionate share of 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

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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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	1,251,016	-
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:

Year Ending December 31,	
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
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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:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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

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 7.15 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:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
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

December 31, 2017

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>\$ 1,671,204</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>\$ 415,160</u>

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2017

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
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	39,134,692	45,414,492	48,869,406	3,454,914
Expenditures				
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	39,230,960	49,011,557	40,187,864	8,823,693
Excess (Deficiency) of Revenues Over Expenditures	(96,268)	(3,597,065)	8,681,542	12,278,607
Other Financing Sources				
Sale of capital assets	-	-	95,131	95,131
Transfers in	476,500	520,749	444,592	(76,157)
Total other financing sources	476,500	520,749	539,723	18,974
Net Change in Fund Balances	380,232	(3,076,316)	9,221,265	12,297,581
Fund Balances, Beginning of Year	39,427,411	39,427,411	39,427,411	-
Fund Balances, End of Year	\$ 39,807,643	\$ 36,351,095	\$ 48,648,676	\$ 12,297,581

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
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	4,312,605	4,920,960	8,809,616	3,888,656
Expenditures				
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	4,312,605	8,599,743	11,068,805	(2,469,062)
Excess (Deficiency) of Revenues Over Expenditures	-	(3,678,783)	(2,259,189)	1,419,594
Other Financing Sources				
Sale of capital assets	-	-	10,934	10,934
Total other financing sources	-	-	10,934	10,934
Net Change in Fund Balances	-	(3,678,783)	(2,248,255)	1,430,528
Fund Balances, Beginning of Year	7,085,596	7,085,596	7,085,596	-
Fund Balances, End of Year	\$ 7,085,596	\$ 3,406,813	\$ 4,837,341	\$ 1,430,528

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

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

Unfunded (Excess) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b)/c)
\$ 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
Total Pension Liability			
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	(1,101,418)	(355,876)	(344,268)
Net Change in Total Pension Liability	(443,854)	183,453	858,753
Total Pension Liability - Beginning	6,197,934	6,014,481	5,155,728
Total Pension Liability - Ending (a)	\$ 5,754,080	\$ 6,197,934	\$ 6,014,481
Plan Fiduciary Net Position			
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	(14,488)	(18,669)	(13,808)
Net Change in Plan Fiduciary Net Position	(615,724)	(343,179)	238,158
Plan Fiduciary Net Position - Beginning	7,989,144	8,332,323	8,094,165
Plan Fiduciary Net Position - Ending (b)	\$ 7,373,420	\$ 7,989,144	\$ 8,332,323
City's Net Pension Asset (a) - (b)	\$ (1,619,340)	\$ (1,791,210)	\$ (2,317,842)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	128.14%	128.90%	138.54%
Covered Payroll	\$ -	\$ -	\$ -
City's Net Pension Asset as a Percentage of Covered Payroll	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 December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered 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 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 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

City Fiscal year ended December 31,	2017	2016	2015
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 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 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
December 31, 2017

Budgets and Budgetary Accounting

The City Council (the "Council") adheres to the following procedures in establishing the budgets reflected in the accompanying general purpose financial statements:

1. Prior to December 1, the Mayor and Finance Director submit to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to February 1, the budget is legally enacted through approval by the Council.
4. Budget for the general and street funds are adopted on a basis consistent, in all material respects, with accounting principles generally accepted in the United States of America ("GAAP").

Budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year. Budgetary control is maintained at the department level. Budgeted amounts, other than ongoing capital projects not spent by year end, lapse. Expenditures greater than budgeted amounts must be approved by the Council by voting to amend the budget.

Pensions

FRPF

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	12 years beginning January 1, 2018
Asset Valuation Method	5-Year smoothed market, 20% corridor (for funding purposes)
Price Inflation	2.75%
Salary Increases	3.75%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	RP-2000 Combined Mortality table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes	There were no benefit changes during the year.
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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 & Capacity	Court	Total Nonmajor Governmental Funds
Assets			
Accounts receivable:			
Grants and other	\$ -	\$ 10,470	\$ 10,470
Restricted assets			
Cash and cash equivalents	<u>4,480,877</u>	<u>331,460</u>	<u>4,812,337</u>
Total assets	<u>\$ 4,480,877</u>	<u>\$ 341,930</u>	<u>\$ 4,822,807</u>
Liabilities and Fund Balances			
Liabilities:			
Due to other government	<u>\$ -</u>	<u>\$ 341,930</u>	<u>\$ 341,930</u>
Total liabilities	<u>-</u>	<u>341,930</u>	<u>341,930</u>
Fund balances			
Restricted			
New growth	<u>4,480,877</u>	<u>-</u>	<u>4,480,877</u>
Total fund balances	<u>4,480,877</u>	<u>-</u>	<u>4,480,877</u>
Total liabilities and fund balances	<u>\$ 4,480,877</u>	<u>\$ 341,930</u>	<u>\$ 4,822,807</u>

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

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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
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>
Expenditures				
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>
Deficiency of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,683,551</u>	<u>1,683,551</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt (includes premium)	-	-	1,327,377	1,327,377
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,327,377</u>	<u>1,327,377</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>3,010,928</u>	<u>3,010,928</u>
Fund Balances at Beginning of Year	<u>5,475,760</u>	<u>5,475,760</u>	<u>5,475,760</u>	<u>-</u>
Fund Balances at End of Year	<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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
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>
Other Financing Sources (Uses)				
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>
Net Change in Fund Balances	-	-	2,880,976	2,880,976
Fund Balances at Beginning of Year	<u>1,599,901</u>	<u>1,599,901</u>	<u>1,599,901</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 1,599,901</u>	<u>\$ 1,599,901</u>	<u>\$ 4,480,877</u>	<u>\$ 2,880,976</u>

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

	Electric	Water	Wastewater	Sanitation	Support Services and Other	Total
Operating Revenues						
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	66,575,742	10,725,612	13,341,992	4,591,853	993,558	96,228,757
Operating Expenses						
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 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	60,201,546	12,569,338	9,210,021	4,197,480	3,745,763	89,924,148
Operating Income (Loss)	6,374,196	(1,843,726)	4,131,971	394,373	(2,752,205)	6,304,609
Nonoperating Income (Expenses)						
Interest income	30,243	6,380	3,738	1,037	-	41,398
Bond interest and fiscal 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 revenues (expenses)	(102,175)	(359,610)	(47,806)	1,037	310,663	(197,891)
Income (Loss) Before Contributions and Transfers	6,272,021	(2,203,336)	4,084,165	395,410	(2,441,542)	6,106,718
Capital Contributions	363,424	3,795,218	-	-	-	4,158,642
Change in Net Position	<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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These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time..... 78

Revenue Capacity (Tables 7–9)

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Debt Capacity (Tables 10–12)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future..... 89

Demographic and Economic Information (Tables 13–14)

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City's financial activities take place 94

Operating Information (Tables 15–20)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to services the City provides and the activities it performs 96

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

Table 1

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 214,744,281	\$ 195,975,422	\$ 177,894,726	\$ 162,543,988	\$ 145,403,467	\$ 141,854,069	\$ 138,347,033	\$ 134,624,378	\$ 126,811,423	\$ 119,695,471
Restricted	19,118,640	16,800,906	20,714,460	19,104,639	14,783,330	13,317,046	11,787,280	10,675,144	9,775,421	8,566,576
Unrestricted	35,279,604	23,977,240	24,175,212	37,259,693	41,633,772	29,529,973	30,554,853	31,229,744	29,713,623	23,559,440
Total governmental activities net position	\$ 268,841,989	\$ 240,173,638	\$ 222,803,896	\$ 219,218,322	\$ 202,020,570	\$ 189,521,088	\$ 180,138,778	\$ 172,698,066	\$ 162,520,887	\$ 148,600,156
Business-type activities										
Net investment in capital assets	\$ 190,003,799	\$ 177,477,473	\$ 161,108,430	\$ 155,815,515	\$ 145,769,235	\$ 140,407,230	\$ 131,135,584	\$ 122,229,403	\$ 117,058,489	\$ 110,189,548
Restricted	2,869,343	2,778,744	6,415,985	8,973,505	8,554,600	6,990,785	9,088,755	8,866,486	7,010,633	7,668,353
Unrestricted	25,076,418	28,527,793	31,495,140	26,384,643	26,698,489	23,680,469	22,737,459	24,189,830	18,794,121	17,054,371
Total business-type activities net position	\$ 218,949,470	\$ 208,684,110	\$ 199,029,545	\$ 191,173,663	\$ 180,821,724	\$ 171,178,434	\$ 162,961,778	\$ 154,406,119	\$ 142,463,443	\$ 134,313,292
Primary government										
Net investment in capital assets	\$ 404,747,990	\$ 373,452,995	\$ 339,003,146	\$ 318,359,503	\$ 291,172,702	\$ 282,341,299	\$ 269,482,617	\$ 256,854,181	\$ 243,870,112	\$ 229,886,019
Restricted	22,687,883	19,579,680	27,131,445	28,078,144	23,737,330	20,307,791	20,876,115	14,740,430	13,005,674	11,667,349
Unrestricted	60,356,086	55,825,073	55,687,850	63,954,338	67,932,262	48,050,442	51,741,824	55,599,574	48,107,744	42,560,060
Total primary government net position	\$ 487,791,459	\$ 448,857,748	\$ 421,822,441	\$ 410,391,985	\$ 382,842,294	\$ 360,699,522	\$ 343,100,556	\$ 327,104,185	\$ 306,983,530	\$ 282,513,448

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

Table 2

Expenditures	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Governmental activities												
General government	\$ 8,385,920	\$ 7,838,616	\$ 7,159,287	\$ 6,879,233	\$ 6,564,188	\$ 6,292,197	\$ 6,041,906	\$ 5,792,197	\$ 5,538,920	\$ 5,251,269	\$ 4,988,792	\$ 4,744,192
Police and fire	10,219,510	9,126,620	8,469,788	7,744,250	7,023,191	6,292,191	5,564,188	4,838,792	4,113,269	3,388,745	2,663,210	1,937,685
Recreation	8,522,377	7,590,433	6,658,637	5,726,791	4,792,913	3,859,025	2,925,137	1,990,249	1,055,361	12,232,497	2,571,492	2,571,492
Transportation	1,688,914	1,305,473	1,372,391	1,301,730	1,182,469	1,073,172	985,793	1,009,043	985,793	5,508,577	5,233,167	4,986,430
Library	1,688,914	1,305,473	1,372,391	1,301,730	1,182,469	1,073,172	985,793	1,009,043	985,793	81,785,341	81,785,341	81,785,341
Interest on long-term debt	2,382,481	2,011,778	2,271,497	2,462,733	2,650,613	2,788,566	2,925,279	3,062,791	3,200,319	3,338,834	3,477,347	3,615,860
Total governmental activities expenses	\$ 31,445,786	\$ 28,438,440	\$ 26,432,286	\$ 24,418,432	\$ 22,400,301	\$ 20,385,999	\$ 18,370,909	\$ 16,355,686	\$ 14,340,640	\$ 12,325,404	\$ 10,310,176	\$ 8,294,304
Business-type activities												
Electric	60,318,939	59,066,230	54,011,667	53,015,465	49,627,215	45,435,606	41,243,997	37,052,388	32,860,779	28,669,170	24,477,561	20,285,952
Water	12,114,078	11,809,594	10,297,780	9,001,103	7,908,123	6,815,103	5,722,083	4,629,063	3,536,043	2,443,023	1,350,003	22,443,192
Wastewater	10,219,510	9,126,620	8,469,788	7,744,250	7,023,191	6,292,191	5,564,188	4,838,792	4,113,269	3,388,745	2,663,210	1,937,685
Sewerage	4,197,480	3,891,758	3,614,926	3,346,212	3,077,500	2,808,788	2,539,076	2,270,364	2,001,652	1,732,940	1,464,228	1,195,516
Support	3,745,763	3,268,751	3,172,472	3,011,604	2,850,613	2,689,622	2,528,631	2,367,640	2,206,649	2,045,658	1,884,667	1,723,676
Total business-type activities expenses	\$ 90,435,963	\$ 86,482,312	\$ 79,545,318	\$ 77,824,727	\$ 73,824,727	\$ 69,937,951	\$ 65,937,951	\$ 61,937,951	\$ 57,937,951	\$ 53,937,951	\$ 49,937,951	\$ 45,937,951
Total primary government	\$ 141,879,747	\$ 134,920,752	\$ 125,977,604	\$ 122,243,159	\$ 118,225,028	\$ 114,323,950	\$ 109,307,860	\$ 104,293,639	\$ 99,278,591	\$ 94,262,354	\$ 89,247,127	\$ 84,231,256
Program Revenues												
Charges for Services												
General government	\$ 411,878	\$ 311,264	\$ 315,176	\$ 311,698	\$ 282,881	\$ 252,881	\$ 222,881	\$ 192,881	\$ 162,881	\$ 132,881	\$ 102,881	\$ 72,881
Police and fire	1,568,737	1,468,737	1,368,737	1,268,737	1,168,737	1,068,737	968,737	868,737	768,737	668,737	568,737	468,737
Recreation	3,568,737	3,268,737	2,968,737	2,668,737	2,368,737	2,068,737	1,768,737	1,468,737	1,168,737	868,737	568,737	268,737
Transportation	33,239	66,478	99,717	132,956	166,195	199,434	232,673	265,912	299,151	332,390	365,629	398,868
Library	5,402,349	4,795,540	4,188,731	3,581,922	2,975,113	2,368,304	1,761,495	1,154,686	547,877	1,504,879	1,854,879	2,204,879
Operating grants and contributions	5,809,273	4,795,540	4,188,731	3,581,922	2,975,113	2,368,304	1,761,495	1,154,686	547,877	1,504,879	1,854,879	2,204,879
Capital grants and contributions	17,104,400	17,316,717	17,529,034	17,741,351	17,953,668	18,165,985	18,378,302	18,590,619	18,802,936	19,015,253	19,227,570	19,439,887
Total governmental activities revenue	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747	\$ 41,879,747
Business-type activities												
Charges for Services												
Electric	60,077,652	62,339,169	58,752,116	56,079,341	53,406,566	50,733,791	48,060,016	45,387,241	42,714,466	40,041,691	37,368,916	34,696,141
Water	12,114,078	11,809,594	10,297,780	9,001,103	7,908,123	6,815,103	5,722,083	4,629,063	3,536,043	2,443,023	1,350,003	22,443,192
Wastewater	10,219,510	9,126,620	8,469,788	7,744,250	7,023,191	6,292,191	5,564,188	4,838,792	4,113,269	3,388,745	2,663,210	1,937,685
Sewerage	4,591,853	4,261,907	3,999,322	3,652,388	3,305,454	2,958,520	2,611,586	2,264,652	1,917,718	1,570,784	1,223,850	876,916
Support	929,561	807,122	875,139	864,817	853,198	841,579	829,960	818,341	806,722	795,103	783,484	771,865
Operating grants and contributions	1,149,643	1,203,774	1,257,905	1,312,036	1,366,167	1,420,298	1,474,429	1,528,560	1,582,691	1,636,822	1,690,953	1,745,084
Capital grants and contributions	4,138,643	4,203,774	4,268,905	4,334,036	4,399,167	4,464,298	4,529,429	4,594,560	4,659,691	4,724,822	4,789,953	4,855,084
Total business-type activities revenue	\$ 99,644,271	\$ 103,754,278	\$ 107,864,285	\$ 111,974,292	\$ 116,084,299	\$ 120,194,306	\$ 124,304,313	\$ 128,414,320	\$ 132,524,327	\$ 136,634,334	\$ 140,744,341	\$ 144,854,348
Total primary government	\$ 141,523,988	\$ 138,675,030	\$ 133,841,889	\$ 134,217,451	\$ 134,309,327	\$ 135,404,257	\$ 136,499,187	\$ 137,594,117	\$ 138,689,047	\$ 139,783,977	\$ 140,878,907	\$ 141,973,837
Net (expense) revenue	\$ (29,544,241)	\$ (3,547,278)	\$ (2,785,322)	\$ (2,026,279)	\$ (1,265,239)	\$ (504,289)	\$ 258,838	\$ 513,463	\$ 764,097	\$ 1,012,733	\$ 1,261,771	\$ 1,510,811
Governmental activities	\$ (29,544,241)	\$ (3,547,278)	\$ (2,785,322)	\$ (2,026,279)	\$ (1,265,239)	\$ (504,289)	\$ 258,838	\$ 513,463	\$ 764,097	\$ 1,012,733	\$ 1,261,771	\$ 1,510,811
Business-type activities	\$ 29,544,241	\$ 3,547,278	\$ 2,785,322	\$ 2,026,279	\$ 1,265,239	\$ 504,289	\$ (258,838)	\$ (513,463)	\$ (764,097)	\$ (1,012,733)	\$ (1,261,771)	\$ (1,510,811)
Total - primary government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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

Table 2

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General revenues and other changes in net position										
Governmental activities										
Taxes	\$ 8,282,975	\$ 7,737,246	\$ 7,248,656	\$ 7,109,970	\$ 6,577,935	\$ 5,511,473	\$ 5,971,309	\$ 3,696,966	\$ 8,024,811	\$ 6,299,065
Licenses and permits	17,651,052	30,117,108	29,458,434	26,383,529	26,320,374	24,481,898	21,639,791	21,380,524	18,952,125	21,988,053
Sales taxes	2,853,363	2,756,242	2,703,036	2,758,749	2,653,139	2,719,538	2,706,723	2,419,801	3,764,568	-
State turnback	5,551,301	4,798,826	4,390,320	4,477,979	4,166,269	3,979,579	4,396,525	4,056,654	3,954,168	3,621,167
Franchise fees	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Intergovernmental	(10,542)	-	137,387	(1,475,533)	335,616	370,237	61,820	83,000	(73,248)	68,675
Gain on sale of capital assets	-	-	(2,463,022)	-	-	(472,214)	-	-	-	1,980,801
Transfer of land	(2,704,809)	-	3,093,049	(203,594)	(259,431)	(472,214)	(1,373,989)	(1,098,983)	(1,067,415)	(1,243,412)
Transfers	-	-	-	8,110,308	4,867,017	3,208,970	3,119,180	2,870,497	3,395,449	4,150,318
Special items - transfers of net pension asset	10,071,030	-	-	-	1,613,347	-	-	-	-	-
Total governmental activities	63,004,714	48,313,463	47,737,094	47,302,573	46,263,123	39,843,618	36,553,126	35,453,326	35,432,927	36,813,137
Business-type activities										
Investment income	41,398	36,505	26,685	26,111	32,208	32,752	33,264	90,037	151,145	244,025
Gain on sale of capital assets	272,526	634,035	286,613	448,502	-	-	-	-	-	(1,990,801)
Transfers	-	2,704,809	2,465,052	263,554	259,431	472,214	1,373,989	1,098,983	1,067,415	1,243,412
Other	723,128	-	1,438,058	832,574	489,559	437,624	873,833	1,884,403	634,613	587,412
Total business-type activities	1,037,052	3,653,613	4,197,398	1,570,241	814,908	962,590	2,281,106	3,073,423	1,853,173	84,648
Total primary government	64,041,766	51,967,076	51,934,492	48,872,814	47,078,031	40,806,208	38,834,232	38,526,750	37,286,100	36,897,785
Total change in net position	28,668,351	17,371,742	15,416,915	17,197,732	15,793,176	9,382,310	7,440,712	10,177,979	13,919,931	13,615,640
Business-type activities	10,265,560	9,605,563	13,108,159	10,351,939	9,643,290	8,216,656	8,555,059	11,542,676	8,156,151	5,787,973
Total - primary government	38,953,211	27,035,307	28,613,694	27,549,691	25,373,466	17,588,966	15,996,371	22,120,655	22,670,882	21,403,613

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

Table 3

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund										
Nonspendable										
Prepaid expenditures										
Restricted	\$ 195,064	\$ 278,989	\$ 79,621	\$ 196,545	\$ 196,544	\$ 40,647	\$ 59,926	\$ -	\$ -	\$ -
General capital improvements	-	631,806	211,973	244,089	202,710	222,935	310,626	-	-	-
Other	-	358,250	84,490	84,450	84,406	84,259	82,634	-	-	-
Unassigned	48,453,012	38,100,366	34,225,088	32,446,738	36,961,000	28,357,600	23,226,592	-	-	-
Reserved	-	-	-	-	-	-	-	437,807	387,964	779,198
Unreserved	-	-	-	-	-	-	-	19,142,196	18,800,547	17,141,253
Total general fund	48,648,676	39,427,411	34,604,272	33,371,822	37,444,660	28,795,441	23,679,778	19,569,703	19,188,501	17,919,451
All other governmental funds										
Nonspendable										
Prepaid expenditures	1,225	1,275	1,336	1,273	1,344	1,264	1,023	-	-	-
Debt service	8,464,088	5,475,260	5,546,817	4,846,608	4,424,120	4,452,091	4,327,666	-	-	-
Capital improvements	29,016,117	1,927,588	7,405,034	8,420,569	10,439,880	14,038,640	31,497,513	-	-	-
New growth	4,480,477	1,599,901	2,811,377	3,895,469	3,742,765	2,542,808	1,664,039	-	-	-
Street Improvements	4,856,116	7,084,321	10,369,831	10,792,880	6,794,250	6,384,472	6,052,452	-	-	-
Reserved	-	-	-	-	-	-	-	46,140,377	39,017,537	19,191,583
Unreserved	-	-	-	-	-	-	-	5,467,642	5,238,095	4,506,831
Total all other governmental funds	46,821,021	16,088,845	25,934,385	28,308,559	25,804,279	27,514,855	43,475,683	51,638,019	42,275,652	23,698,414
Total governmental funds	\$ 95,469,697	\$ 55,516,256	\$ 60,538,657	\$ 61,680,381	\$ 63,248,939	\$ 56,310,296	\$ 67,155,461	\$ 71,207,722	\$ 61,464,153	\$ 41,617,865

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
Revenues										
Property tax	7,852,568	7,155,619	7,082,789	6,944,206	6,272,529	5,967,865	6,119,288	5,975,569	6,476,257	5,808,593
Sales tax	37,651,662	30,117,108	29,458,234	26,383,529	26,320,374	24,481,899	21,679,791	21,380,323	18,952,125	21,008,053
Impact fees	3,585,426	3,585,426	3,585,426	3,585,426	3,585,426	3,585,426	3,585,426	3,585,426	3,585,426	3,585,426
Franchise fees	5,351,361	4,788,966	4,999,120	4,477,652	4,166,269	3,991,999	4,447,558	4,056,604	1,334,443	2,460,806
Charges for services	5,691,285	5,143,334	3,857,133	2,627,452	2,311,781	2,024,240	1,740,604	1,738,419	3,794,918	3,621,101
Fines and forfeitures	1,908,291	1,111,831	479,097	479,741	466,573	844,723	369,467	410,873	977,210	950,847
Grants	1,375,224	1,375,224	1,375,224	1,375,224	1,375,224	1,375,224	1,375,224	1,375,224	1,375,224	1,375,224
Grants	4,412,553	3,594,921	4,853,773	2,677,432	1,680,257	1,363,663	1,479,527	1,866,227	472,013	562,147
Contributions	2,212,553	3,594,921	1,251,106	3,163,948	3,201,581	233,338	323,114	1,302,462	1,539,791	1,609,135
Interest	225,379	61,952	38,677	141,245	40,857	35,717	31,345	85,697	155,841	571,420
Miscellaneous	5,441,503	1,569,948	1,979,200	4,291,275	1,557,184	794,663	638,501	476,019	3,113,613	689,362
Total revenues	79,887,138	66,317,438	69,804,417	67,264,075	61,478,711	64,497,203	61,483,762	61,720,000	60,083,311	60,277,528
Expenditures										
Current:										
General government	6,694,940	6,663,862	6,385,081	6,097,814	5,525,445	5,466,881	5,126,855	5,047,566	4,945,249	4,772,186
Public safety	18,587,808	17,146,737	16,760,992	15,561,089	14,680,152	13,427,896	12,718,692	12,297,847	11,622,656	10,936,062
Public works	6,663,862	6,663,862	6,663,862	6,663,862	6,663,862	6,663,862	6,663,862	6,663,862	6,663,862	6,663,862
Street department	2,553,234	2,627,252	2,378,856	2,108,155	2,227,942	1,669,135	1,857,593	1,809,129	1,809,129	1,809,129
Library	1,386,429	1,256,940	1,168,999	1,068,666	985,162	895,126	854,923	836,120	1,298,547	1,298,547
CDDBG	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	22,441,166	8,566,666	22,666,809	13,188,720	22,989,044	21,104,799	19,604,041
Debt service	7,970,800	7,035,000	6,245,000	5,160,000	5,560,000	4,400,000	4,115,000	4,130,000	4,915,000	6,845,000
Interest	2,269,801	2,037,961	2,292,920	2,483,252	2,668,529	2,812,133	2,938,080	2,297,110	1,438,213	1,622,291
Total expenditures	62,447,001	68,796,366	58,432,248	60,694,214	64,503,503	55,320,392	44,223,854	52,313,542	49,481,668	49,206,609
Excess of revenues over (under) expenditures	14,339,147	(2,478,922)	1,372,169	(2,830,190)	(6,972,148)	(10,823,189)	(2,740,092)	(10,593,542)	(9,398,357)	(8,908,741)
Other Financing Sources (Uses)										
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
Insurance of notes payable	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of debt (includes bond issue discount)	25,498,211	-	-	-	-	-	-	21,467,980	30,550,996	-
Bond issue discount	-	-	-	-	-	-	-	(74,886)	(255,000)	-
Transfers in	444,592	3,627,845	1,000,878	1,250,298	415,012	200,346	492,174	1,970,484	1,488,382	6,379,789
Transfers out	(444,592)	(3,627,845)	(1,000,878)	(1,250,298)	(415,012)	(200,346)	(492,174)	(1,970,484)	(1,488,382)	(6,379,789)
Net other financing sources (uses)	25,614,296	(2,543,479)	(2,443,393)	1,161,601	42,185	(101,479)	(1,312,169)	29,337,111	29,244,645	(1,138,667)
Net change in fund balances	\$ 29,953,443	\$ (5,022,401)	\$ (1,044,234)	\$ (1,668,588)	\$ 7,014,333	\$ (10,925,165)	\$ (4,052,261)	\$ 9,243,569	\$ 19,846,288	\$ (10,067,408)
Debt service as a percentage of non-capital 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		Total Direct Tax Rate
	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Actual	Actual	
2008	\$ 594,722,360	\$ 2,973,611,800	\$ 279,814,795	\$ 1,399,073,975	\$ 874,537,155	\$ 4,372,685,775	20%	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%	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%	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%	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%	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%	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%	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%	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%	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%	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
2009	0.50	5.00	1.71	7.21	6.90	40.10	3.00
2010	0.50	5.00	1.71	7.21	6.90	43.70	3.00
2011	0.50	5.00	1.71	7.21	6.90	43.70	3.00
2012	0.50	5.00	1.71	7.21	6.90	43.70	3.00
2013	0.50	5.00	1.71	7.21	6.90	46.60	2.60
2014	0.50	5.00	1.71	7.21	6.90	46.60	2.60
2015	0.50	5.00	1.71	7.21	6.90	43.70	2.60
2016	0.50	5.00	1.71	7.21	7.10	46.60	2.60
2017	0.50	5.00	1.71	7.21	7.10	48.50	2.60

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	Assessed Value	Taxable Value	Percentage of Total Assessed Value	Rank	Assessed Value	Taxable 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 Alltes, LLC					8	3,260,780		0.35%
Lowes 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

Fiscal Year	Tax Roll Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Prior Years' Collections	Total Collections	Percentage of Total Collections to Tax Levy
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

Fiscal Year	Governmental Activities: Sales Tax Bonds	Business-Type Activities: Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
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

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

Table 12

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

Table 13

Fiscal Year	City of Bentonville Population (1)	Benton County Population (1)	Per Capita Income (2)	Personal Income (3)	Unemployment Rate (4)
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 Population 35,301 (1)	Rank	Employees	Percentage of Population 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

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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	29	28	24	23.5	21	20.5	20.5	21.5	19.5	18.5
Total	531.0	465.0	377.0	354.5	317.5	312.0	299.0	288.0	285.0	279.0
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	26	23	21	21	22	22	23	22	22	23
Total	139	129	118	116	118	117	119	118	121	123
Total Primary Government	670	594	495	470.5	435.5	429.0	418.0	406.0	406.0	402.0

Source: Various city departments

City of Bentonville, Arkansas Operating Indicators by Function Last Ten Years

Table 16

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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	\$ 67,461,859	\$ 64,287,305	\$ 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	
Inside City monthly usage rates						
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	
Outside City monthly usage rates						
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		Wastewater		
	Irrigation		Residential	Commercial	
Meter rates					
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

Policy Coverage	Policy Period	Coverage	Insurer
Property	7-8-17 to 7-8-18	\$183,267,674	Affiliated FM Insurance Company
Municipal vehicles - Includes property and bodily injury	1-1-17 to 1-1-18	\$25,000 for one person, \$50,000 for 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 Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Housing and Urban Development Programs				
<i>CDBG - Entitlement Grants Cluster</i>				
U.S. Department of Housing and Urban Development/Community Development Block Grant	14.218	N/A	\$ -	\$ 27,147
<i>Cluster Total</i>			-	27,147
Total Department of Housing and Urban Development Programs			-	27,147
Department of Transportation Programs				
<i>Highway Planning and Construction Cluster</i>				
U.S. Department of Transportation/Arkansas State Highway and Transportation Department/Highway 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 Transportation/Arkansas State Highway and Transportation Department/National Priority Safety Programs	20.616	AHTD #090453	-	75,000
<i>Cluster Total</i>			-	75,000
U.S. Department of Transportation/Airport Improvement Program	20.106	N/A	-	516,275
Total Department of Transportation Programs			-	1,887,420
Department of Justice Programs				
U.S. Department of Justice/Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	3,500
Total Department of Justice Programs			-	3,500
United States Environmental Protection Agency				
U.S. Environmental Protection Agency/Regional Wetlands Development Program	66.461	N/A	-	48,250
Total United States Environmental Protection Agency			-	48,250
Department of Homeland Security Programs				
U.S. Department of Homeland Security/Arkansas Department of Emergency Management/Disaster Grants - Public Assistance	97.036	AR DR-4318	-	30,139
Total Department of Homeland Security Programs			-	30,139
Total Expenditures of Federal Awards			\$ -	\$ 1,996,456

The accompanying notes are an integral part of this schedule

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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

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

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

Reference Number	Summary of Finding	Status
	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 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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The Honorable Mayor, Members of the City Council,
Bentonville Library Foundation Board of Directors,
and Management
City of Bentonville, Arkansas
Bentonville, Arkansas

As part of our audits of the financial statements and compliance of the City of Bentonville (the City) as of and for the year ended December 31, 2017, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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 and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

An audit performed 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 and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

The Honorable Mayor, Members of the City Council,
Bentonville Library Foundation Board of Directors,
and Management
City of Bentonville, Arkansas
Page 2

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The City's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for uncollectible accounts
- Depreciation of capital assets
- Pension assets/obligations
- Other postemployment benefit liabilities

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Pension disclosures

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated.

Proposed Audit Adjustments

- No matters are reportable

The Honorable Mayor, Members of the City Council,
Bentonville Library Foundation Board of Directors,
and Management
City of Bentonville, Arkansas
Page 3

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the City's application of accounting principles:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

OTHER MATTERS

New Applicable GASB Standards

The GASB issued the following pronouncements which will be effective in future years:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees other than governments, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, 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. The City does not currently have any AROs and, therefore, does not believe that this statement will have any potential impact on the financial statements.

The Honorable Mayor, Members of the City Council,
Bentonville Library Foundation Board of Directors,
and Management
City of Bentonville, Arkansas
Page 4

- GASB Statement No. 84, *Fiduciary Activities*, 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.
- GASB Statement No. 85, *Omnibus 2017*, 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.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, 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. The City does not currently have any in-substance defeasance of debt issues and, therefore, does not believe that this statement will have any potential impact on the financial statements.
- GASB Statement No. 87, *Leases*, will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing, and uncertainty of cash flows arising from leases.
- GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, improves the disclosures in notes to government financial statements related to debt, including direct borrowing and direct placements. This Statement requires additional essential information related to debt be disclosed in notes to financial statements, including lines of credit, assets pledged as collateral and terms specified in debt agreements related to significant events of default with finance-related consequences.

This communication is intended solely for the information and use of management, the City Council and others within the City 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



June 28, 2018

BKD, LLP
Certified Public Accountants
809 S. 52nd Street, Suite A
P.O. Box 1893
Rogers, AR 72757-1893

We are providing this letter in connection with your audit of our financial statements as of and for the year ended December 31, 2017 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended December 31, 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated March 23, 2018, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

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• www.bentonvillear.com •

4. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter.
 - (e) All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources or net position/fund balance.
7. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, customers, regulators, suppliers or others.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate

refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

10. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial statements.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the statement of net position/balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the City is contingently liable.
11. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
12. We have no reason to believe the City owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
13. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
14. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Reducing obsolete or excess inventories to estimated net realizable value.

- (c) Sales commitments, including those unable to be fulfilled.
 - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
15. Except as disclosed in the financial statements, we have:
- (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
16. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
17. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
18. We are not aware of any material tax abatements or similar agreements required to be disclosed under GASB 77.
19. With regard to deposit and investment activities:
- (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
20. With respect to any nonattest services you have provided us during the year, including assistance with formatting, printing and binding reports:
- (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

- (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
- 21. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
 - 22. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
 - 23. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
 - 24. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
 - 25. We have a process to track the status of audit findings and recommendations.
 - 26. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
 - 27. With respect to the Introductory and Statistical sections of the CAFR, due diligence has been exercised in the preparation of these sections to assure that none of the information contained therein is inconsistent with the basic financial statements.
 - 28. With regard to federal awards programs:
 - (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
 - (b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management;

matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.

- (c) We are responsible for complying, and have complied, with the requirements of Uniform Guidance.
- (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the City has complied with all applicable compliance requirements.
- (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards.
- (f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
- (g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
- (h) The costs charged to federal awards are in accordance with applicable cost principles.
- (i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.
- (j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.

- (k) We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.
 - (l) We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.
 - (m) We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.
 - (n) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
 - (o) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.
 - (p) The reporting package does not contain any protected personally identifiable information.
29. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
30. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
31. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, budgetary comparisons, pension information and other postemployment benefits information,

has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

32. With regard to supplementary information:

- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
- (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.


Bob McCaslin, Mayor


Denise Land, Finance Director


Jake Harper, Assistant Finance Director



June 28, 2018

BKD, LLP
Certified Public Accountants
809 S. 52nd Street
Rogers, Arkansas 72756

We are providing this letter in connection with your examination of our written assertions regarding compliance with Certain State Acts for the City of Bentonville, Arkansas for the year ended December 31, 2017

We confirm, to the best of our knowledge and belief, the following:

1. We make the following assertion that the City complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes:
 - a. Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
 - b. Arkansas District Courts and City Courts Accounting Law, § 16-10-210 et seq.;
 - c. Improvement contracts, §§ 22-9-202 - 22-9-204;
 - d. Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
 - e. Investment of public funds, § 19-1-501 et seq.; and
 - f. Deposit of public funds, §§ 19-8-101 - 19-8-107.
2. All relevant matters are reflected in the measurement or evaluation of the subject matter or assertion.
3. All known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to you, including any communications received between the end of the period addressed in the written assertion and the date of your report.

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• www.bentonvillear.com •

4. We are responsible for the subject matter and the assertion.
5. We are responsible for the selection of suitable criteria and determining that such criteria are appropriate for our purposes.
6. We have provided you with all relevant information and access.
7. We have disclosed to you all known matters that would materially affect the subject matter of the assertions.
8. We have disclosed to you all known events subsequent to the period of the subject matter being reported on that would have a material effect on the subject matter or assertion.
9. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
10. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving other employees that could have a material effect on the subject matter.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the subject matter received in communications from employees, customers, regulators, suppliers or others.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations affecting the subject matter.
13. We have disclosed to you all deficiencies in internal control relevant to the subject matter of which we are aware.
14. With respect to any nonattest services you have provided us during the year:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

(d) We have evaluated the adequacy of the services performed and any findings that resulted.

15. We have responded fully and truthfully to all your inquiries.

16. We are responsible for establishing and maintaining effective internal control over compliance.

17. We have performed an evaluation of compliance with the specified requirements.



Bob McCaslin, Mayor



Denise Land, Finance Director



Jake Harper, Assistant Finance Director



10-4-18

To: City Council Members
From: Mayor Bob McCaslin
Subject: Reappointment of George Spence to the Northwest Arkansas
Conservation Authority Board (NACA).

I would like to recommend that George Spence be reappointed to the Northwest Arkansas Conservation Authority Board. Mr. Spence's term will expire on December 31, 2021.


Bob McCaslin



10-4-18

To: City Council Members
From: Mayor Bob McCaslin
Subject: Appointment of Mike Bender to the Northwest Arkansas
Conservation Authority Board (NACA).

I would like to recommend that Mike Bender be appointed to the Northwest Arkansas Conservation Authority Board. Mr. Bender's term will expire on December 31, 2022.


Bob McCaslin



CHECK ALL THAT APPLY			
	Bid Award	Bid #	
X	Budget Adjustment		
	Change Order		
	Informational		
	Ordinance		
	Resolution		
	Other		

AGENDA FORM

CITY COUNCIL MEETING OF:

October 9, 2018

Submitted by:

Travis Matlock

Department

Electric

Phone

271-5941

ACTION REQUIRED:

Electric Department recommends a budget adjustment to purchase four new vehicles (2-bucket, 1-digger, 1-foreman truck) for the formation of an additional crew from existing personnel in the amount of \$908,377.00 plus tax.

COST TO CITY:

Cost of this Request: \$908,377

Additional Budget Amount

☒ One time amount

☐ Continuing O and M

Previously Budgeted	\$
Funds Expended to Date	
Remaining Budget	-
Budget Adjustment	-
Remaining After Adjustment	\$ -

This form must be turned into the Mayor's office 7 days prior to the scheduled City Council meeting.

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PLEASE RECYCLE



MEMORANDUM

DATE: October 9, 2018

TO: City Council, Mayor McCaslin

FROM: Travis Matlock, Engineer Director

**RE: Budget adjustment to purchase four (4)
New Electric Trucks**

In 2016, BEUD hired four apprentices with the anticipation of forming an additional crew once they had progressed far enough in their training/education. In 2019, the four apprentices will have satisfied all the requirements and will be able to work on high voltage construction. Using existing personnel, BEUD create another line crew in order to keep up with the current construction demand.

The City of Bentonville Electric Utility Department recommends approval of the budget for adjustment \$908,377 plus tax to purchase and outfit four new vehicles for a new Electric Department Crew. The four vehicles will consist of a supervisor's truck (\$40,739), (2) 60' bucket trucks (\$507,839), (1) digger truck (\$279,799), and \$80,000 to outfit all four trucks with the necessary electric equipment.

Creating a new crew necessitates the need for the vehicles and equipment that will be used for this crew. After discussing the needs with Finance, BEUD's revenues for 2018 are currently tracking 10% above budget. BEUD proposes to purchase the needed vehicles with the revenue that is collected beyond the budgetary needs.

These vehicles take approximately 1-year to assemble and deliver. Because of this extended time, it is important to get the orders placed as soon as possible.



Budget Adjustment #
(Assigned by Admin)

Department: **Other**

Date of Request: February 13, 2018

Acct Number	Account Name	Revenue + (-)	Expense + (-)	Fund Balance + (-)
50-3010-434.74-20	Capital - Vehicles		\$ 908,377.00	\$ (908,377.00)
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
	Totals	\$ -	\$ 908,377.00	\$ (908,377.00)

Justification:

Budget adjustment to use excess 2018 revenue to purchase four vehicles for a newly formed Electric Crew.

FOR ACTING USE ONLY

Council Action: Approved Disapproved Other _____

Date: _____ Date entered: _____ By: _____

Revised 5/1/07

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PLEASE RECYCLE





CHECK ALL THAT APPLY		
	Bid Award	Bid #
	Budget Adjustment	
	Change Order	
	Informational	
x	Ordinance	
	Resolution	
	Other	

AGENDA FORM

CITY COUNCIL MEETING OF:

October 9, 2018

Submitted by:

Travis Matlock

Department

Electric

Phone

271-5941

ACTION REQUIRED:

An ordinance to enter into an agreement with Chain Electric Company to remove/replace a 161 kV transmission switch in the amount of \$46,400.00 and waive the requirements of competitive bidding.

COST TO CITY:

Cost of this Request: \$46,400

Additional Budget Amount

☒ One time amount

☐ Continuing O and M

Previously Budgeted	\$
Funds Expended to Date	
Remaining Budget	-
Budget Adjustment	-
Remaining After Adjustment	\$ -

This form must be turned into the Mayor's office 7 days prior to the scheduled City Council meeting.

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PLEASE RECYCLE



REQUEST FOR WAIVER OF BID

Date	<u>10/9/2018</u>		
Requested by:	<u>Travis Matlock</u>		
Department:	<u>Electric</u>		
DESCRIPTION OF REQUEST:			
Type of Equipment:	<u></u>		
Year & Model:	<u></u>		
Serial #	<u></u>		
To Be Purchased From:	<u>Chain Electric Company</u>		
	<u>1308 West Pine Street</u>		
	<u>Hattiesburg, MS 39401</u>		
Amount:	Base Amount:	\$	<u>46,400.00</u>
	Tax:		<u></u>
	*Other:		<u></u>
	TOTAL	\$	<u>46,400.00</u>
* List all other costs:			
JUSTIFICATION FOR REQUEST FOR WAIVER OF BID:			
BEUD needs to replace a 161 kV vertical switch located on the transmission line serving "F" Sub. Due to the schedule of clearances with SWEPCO and the Bentonville Public School District's fall break, BEUD does not have time to bid the installation work.			
<u></u> Department Head		<u></u> Director of Finance & Administration	
Revised 6-18-99			

M E M O R A N D U M

DATE: October 9, 2018

TO: **City Council, Mayor McCaslin**

FROM: Travis Matlock, Engineer Director

RE: **Chain Electric/Switch Replacement**

Earlier in 2018, a vertical 161 kV switch located on the transmission line feeding Substation "F" failed. The switch is located at the intersection of Hwy 102 (SE 14th St.) and SE "C" St. In order to replace this switch, BEUD must coordinate with both SWEPCO (because of the connection to SWEPCO's transmission line) and Bentonville Public Schools (because the intersection will need to be shut down). October 15-17th is the Fall Break for BPS and the time of year (fall) allows BEUD to shift the load in order to shut down Substation "F".

Because of the short time frame, BEUD recommends waiving the requirements of competitive bidding and entering into an agreement with Chain Electric Company to replace the switch for \$46,400. Also, Chain Electric is familiar with this switch and the intersection because they are SWEPCO's contractor for their transmission line along Hwy 102.



August 28, 2018

Travis Matlock
Engineering Director
City of Bentonville

RE: Bentonville, AR – 161kV Vertical Switch Change-Out
City of Bentonville – Bentonville, AR

Chain Electric is pleased to propose the following lump sum pricing for the referenced project:

- **City of Bentonville – Bentonville, AR** **\$ 46,400.00**

Scope of Work:

- Chain Electric to remove existing 161kV vertical switch and replace with new 161kV vertical switch.

Clarifications:

- Pricing includes one mobilization only. Any additional mobilizations will be billed as a change order.
- Under any circumstances out of Chain Electric's control that affect the performance or schedule of the scope of work, the additional time or work will be billed as a change order.
- All required traffic control/ lane closures shall be furnished and coordinated by the City of Bentonville, AR.
- Pricing includes labor only to perform the scope of work above. No materials are included in this lump sum price.
- It is assumed that no payment/performance bond is required for this contract.
- Payment terms are net 30 days.
- Work to commence on the scheduled outage dates (10/15/18 – 10/17/18).
- Proposal is based upon the acceptance of mutually agreeable terms and conditions.
- Pricing is based upon Chain Electric and OSHA safety requirements.



Please sign below to indicate your acceptance of these terms.

Should you have any questions and/or comments concerning this proposal, please do not hesitate to contact me at 601.475.3844.

Kind regards,



Jeremy Cardy
Director of Estimating & Project Management
Chain Electric Company

Signature Date

Printed Name Title

ORDINANCE NO. _____

**AN ORDINANCE AUTHORIZING THE MAYOR
AND CLERK TO ENTER INTO AN AGREEMENT
WITH CHAIN ELECTRIC COMPANY FOR
CERTAIN ELECTRIC IMPROVEMENTS AND
WAIVING THE REQUIREMENT OF
COMPETITIVE BIDDING.**

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL FOR THE
CITY OF BENTONVILLE, ARKANSAS.**

Section 1: That the Mayor and City Clerk be and are hereby authorized to enter into an agreement with Chain Electric Company in order to replace a 161 kV vertical switch located on the transmission line serving "F" Sub, in the amount of \$46,600.00 as set forth in the Proposal attached as Exhibit "A".

Section 2: Because of the immediate need to make this improvement due to the schedule of clearances with SWEPCO and in order to time the improvements during the Bentonville Public School District Fall Break, it would be neither practical nor feasible to advertise for competitive bidding, and that requirement is herein waived.

PASSED and APPROVED this _____ day of _____, 2018.

APPROVED:

MAYOR

ATTEST:

CITY CLERK



CHECK ALL THAT APPLY		
	Bid Award	Bid #
	Budget Adjustment	
	Change Order	
	Informational	
x	Ordinance	
	Resolution	
	Other	

AGENDA FORM

CITY COUNCIL MEETING OF:

October 9, 2018

Submitted by:

Travis Matlock

Department

Electric

Phone

271-5941

ACTION REQUIRED:

An ordinance establishing the standard for Small Cell Wireless Facility placements.

COST TO CITY:

Cost of this Request:

Additional Budget Amount

☒ One time amount

☐ Continuing O and M

Previously Budgeted	\$
Funds Expended to Date	
Remaining Budget	-
Budget Adjustment	-
Remaining After Adjustment	\$ -

This form must be turned into the Mayor's office 7 days prior to the scheduled City Council meeting.

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PLEASE RECYCLE



M E M O R A N D U M

DATE: October 9, 2018

TO: **City Council, Mayor McCaslin**

FROM: Travis Matlock, Engineer Director

RE: **Small Cell Wireless Facility Ordinance**

As wireless technology is continuing to evolve, the next phase will be 5G. 5G technology will be implemented using Small Cell Wireless facilities. These will consist of shorter poles spaced closer together in areas of high density. Currently there is no way for a telecommunication company to place these facilities because they do not fall into any existing categories (i.e. pole attachments, fiber, coax, standard cell towers, etc.). A new set of requirements is needed to deal with the new equipment that will be required. This ordinance sets forth the requirements that each telecom will need to meet in order to place these sites, and the fees they will be charged to place these facilities in Bentonville ROW/easements.

Within the City limits, the telecom will not be allowed to place any equipment on City owned poles (electric poles, traffic signals, light poles). The telecom will install the small cell sites consisting of a "stealth" pole, which is a metal or fiberglass pole that has no wires or equipment exposed. Each site will also need to meet visibility requirements (no obstructions) and aesthetic requirements (no large equipment placed in the ROW/easements).

This ordinance will apply to any and all telecoms that desire to place a small cell facility in Bentonville.

ATTACHMENT A

STANDARDS FOR

SMALL CELL WIRELESS FACILITY

PLACEMENT IN PUBLIC RIGHT-OF-WAY

Section 1. Definitions. The following terms and definitions shall apply to these regulations.

“Applicable Code” means uniform building, fire, electrical, plumbing, or mechanical codes adopted by a recognized national code organization or local amendments to those codes enacted solely to address imminent threats of destruction of property or injury to persons, and local regulations and specifications to the extent not inconsistent with the terms of this Chapter.

“Applicant” means any person, firm or corporation applying for permits or other approvals required by this ordinance.

“Application” means a request submitted by an applicant (i) for a Permit to collocate small wireless facilities; or, (ii) to approve the installation or modification of a utility pole or wireless support structure.

“City Owned Pole” means (i) a utility pole owned or operated by the City in the rights-of-way, including a utility pole that provides lighting or traffic control functions, or other law enforcement functions, including but not limited to light poles, traffic signals, and structures for signage, poles used by the City to deliver electric service to customers, and (ii) a pole or similar structure owned or operated by the City in the ROW that supports only wireless facilities.

“Collocate” means to install, mount, maintain, modify, operate, or replace Small Cell Wireless Facilities on or adjacent to a wireless support structure or utility pole. “Collocation,” has a corresponding meaning.

“Day” means calendar day unless there is a time frame for the City to respond to a request and the last day to respond ends on a weekend, holiday, or time when all but City emergency services are closed due to weather or some unforeseen situation.

“Fee” means a one-time charge.

“Rate” means a recurring charge.

1 ***“Rights-of-Way” or “ROW”*** means that area on, below, or above a roadway, highway,
2 street, sidewalk, street side utility easement, but not including a federal interstate highway, in
3 the City.

4 ***“Small Cell Wireless Facility”*** means a wireless facility that meets both the following
5 qualifications: (i) each antenna shall be located inside an enclosure of no more than six cubic feet
6 in volume, or, in the case of an antenna that has exposed elements, the antenna and all of its
7 exposed elements could fit within an imaginary enclosure of not more than six (6) cubic feet; and
8 (ii) all other wireless equipment associated with the facility is cumulatively no more than 28
9 cubic feet in volume. The following types of associated ancillary equipment are not included in
10 the calculation of equipment volume: electric meter, concealment elements, telecommunications
11 demarcation box, ground-based enclosures, grounding equipment, power transfer switch, cut-off
12 switch, and vertical cable runs for the connection of power and other services.

13 ***“Utility Pole”*** means a pole of similar structure, not owned by the City, that is used in
14 whole or in part for the purpose of carrying electric distribution lines or cables or wires for
15 telecommunications, cable or electric service, or for lighting, traffic control signage, or a similar
16 function regardless of ownership. Such term shall not include structures supporting only
17 Wireless Facilities or a City Owned Pole.

18 ***“Wireless Facility”*** means any unstaffed facility for the transmission or reception of
19 wireless telecommunications services, usually consisting of an antenna array, connection cables,
20 an equipment facility, and a support structure to achieve necessary elevation.

21 ***“Wireless Services”*** means any services, whether at a fixed location or mobile, provided
22 it is using Wireless Facilities.

23 ***“Wireless Services Provider”*** means a Person who provides Wireless Services or who
24 builds wireless support structures or installs small wireless facilities.

25 ***“Wireless Support Structure”*** means a freestanding structure, such as: a stealth
26 monopole (e.g., see Exhibit “A”); tower, either guyed, or self-supporting; or, other existing or
27 proposed structure designed to support or capable of supporting Small Cell Wireless Facilities.
28 Such term shall not include a Utility Pole.

29 **Section 2. Exemption from Zoning.** Small cell wireless facilities shall be exempt from Sec.
30 601.27 Wireless Communication Facilities (WCF) in Chapter 14 of the Zoning Code.

1 ***Section 3. Purpose and scope for regulating Small Cell Wireless Facilities.***

2 (a) The purpose of this Ordinance is to provide policies and procedures for the placement of
3 Small Cell Wireless Facilities in rights-of-way within the jurisdiction of the City of Bentonville,
4 Arkansas, which will provide a public benefit consistent with the preservation of the integrity,
5 safe usage, and visual qualities of the City rights-of-way and the City as a whole.

6 (b) It is the intent of this Ordinance to establish uniform standards to address issues presented
7 by small wireless facilities including, but not limited to:

- 8 (1) Prevention of interference with the use of streets, sidewalks, alleys, parkways, traffic
9 light poles or other light poles, and other public ways and places; and,
- 10 (2) Prevention of the creation of visual and physical obstructions and other conditions
11 that are hazardous to vehicular and pedestrian traffic; and,
- 12 (3) Prevention of interference with other facilities and operations of facilities lawfully
13 located in City rights-of-way or public property; and,
- 14 (4) Protection against environmental damage, including damage to trees or shrubbery
15 including, but not limited, those items planted pursuant to City landscaping, zoning,
16 tree preservation, or other City policies;
- 17 (5) Preservation of the character of neighborhoods in which facilities are installed; and,
- 18 (6) Preservation of the historical character of historic structures, or historic
19 neighborhoods, including but not limited to such structures or neighborhoods listed
20 on the National Register of Historic Places; and,
- 21 (7) Facilitation of the rapid deployment of small wireless facilities to provide the citizens
22 with the benefits of advanced wireless services.

23

24 ***Section 4. Permit required for placement in right-of-way.***

25 (a) *Applicability.* No person shall place a Small Cell Wireless Facility in the right-of-way
26 without first filing a Small Cell Wireless Facility application and obtaining a permit, except for
27 routine maintenance and replacement described below and as otherwise provided in this
28 Ordinance,

- 29 (1) routine maintenance; and,

- 1 (2) the replacement of a Small Cell Wireless Facility with another Small Cell Wireless
2 Facility that is substantially similar or smaller in size, weight, and height;
- 3 (3) Provided, however, on a location where the City or another provider has placed
4 equipment or facilities, any routine maintenance or replacement that is done shall not
5 occur until written notice of an intent to proceed is provided to the City.
- 6 (b) *Application process and requirements.* All Small Cell Wireless Facility applications for
7 permits shall be submitted to the Bentonville Electric Utilities Department in accordance with
8 current policies and procedures, as required by the City. The Small Cell Wireless Facility permit
9 application shall be made by the Wireless Provider, or its duly authorized representative as noted
10 in a notarized statement from a Person with the Wireless Provider who represents authority to
11 make such an authorization, and shall contain the following:
- 12 (1) The Applicant's name, address, telephone number and e-mail address;
- 13 (2) The names, addresses, telephone numbers, and e-mail addresses of all consultants,
14 if any, acting on behalf of the Applicant with respect to the filing of the
15 Application;
- 16 (3) A general description of the proposed work and the purposes and intent of the Small
17 Cell Wireless Facility. The scope and detail of such description shall be appropriate
18 to the nature and character of the work to be performed, with special emphasis on
19 those matters, including but not limited to sub-surface utilities, likely to be affected
20 or impacted by the work proposed;
- 21 (4) Authorization for any consultant acting on behalf of the Applicant to speak with the
22 City, or a designee of the City, on the area of consultation for the Applicant even if
23 the Applicant cannot be available;
- 24 (5) Verification from an appropriate professional that the Small Cell Wireless Facility
25 shall comply with all Applicable Codes.
- 26 (6) Drawings and description of the proposed facilities, non-tower support structures,
27 and accessory equipment.
- 28 (7) Maps of the proposed site with the specific locations.
- 29 (8) Geographic coordinates of the locations.
- 30 (9) Digital files of the geographic coordinates in a format approved by the City.

- 1 (10) A letter of agreement for use between the owner of the facility and non-tower
2 support structure.
- 3 (11) A surveyed site plan.
- 4 (12) A description of any request for waivers of this ordinance.
- 5 (c) *Confidential and proprietary information.* Proprietary or confidential information shall be
6 included in the Small Cell Wireless Facilities application.
- 7 (d) *Information updates.* Any amendment to information contained in a permit application
8 shall be submitted in writing to the City within thirty (30) days after the change necessitating the
9 amendment, provided that this thirty (30) day notice period does not preempt Section 3(E)(iii) as
10 to notice of routine maintenance and replacement.
- 11 (e) *Review of Small Cell Wireless Facility applications.* The City shall review the
12 application for a Small Cell Wireless Facility permit in light of its conformity with applicable
13 regulations of this Ordinance, and shall issue a permit on nondiscriminatory terms and conditions
14 subject to the following requirements:
- 15 (1) Within ten (10) days of receiving an application, the City shall determine and notify
16 the applicant:
- 17 a. Whether the application is complete; or
- 18 b. If the application is incomplete, notify the applicant in writing that the application
19 is incomplete, identify the documents or information that is missing, and specify
20 the code provision, ordinance, application instructions or other publicly-stated
21 procedures that require the documents or information to be submitted;
- 22 (2) The City shall make its final decision to approve or deny the application within forty-
23 five (45) days of the filing of the application. The 45-day period may be tolled only
24 by mutual agreement between the applicant and the City or in cases where the City
25 properly and timely determines that the application is incomplete as submitted. The
26 timeframe for review is not tolled by moratorium on the review of applications. In
27 cases of tolling for incompleteness, the applicable timeframe for review resumes once
28 the applicant supplies the documents or information that the City identified as
29 missing.
- 30 (3) The City shall notify the applicant in writing of its final decision, and if the
31 application is denied:

1 a. Specify the basis for denial; and,
2 b. Cite specific code provisions from federal, state, or local codes provisions as
3 to why the application was denied.

4 (4) Notwithstanding the initial denial, the Applicant may cure any deficiencies identified
5 by the City within thirty (30) days of the denial without paying an additional
6 application fee, provided the City shall approve or deny the revised application within
7 thirty (30) days of receipt of the amended application which shall be limited to the
8 deficiencies specified in the original notice of denial:

9 a. If the City fails to act upon an application within the sixty (60) day review period,
10 the Applicant, after providing written notice to the City that the application period
11 has lapsed, shall receive a written approval notice within 10 business days.

12 b. An Applicant seeking to construct, modify or replace a network of Small Cell
13 Wireless Facilities may, at the Applicant's discretion, file a consolidated
14 Application for up to ten (10) Small Cell Wireless Facilities and receive a single
15 permit for multiple Small Cell Wireless Facilities.

16 (f) Installation of a Small Cell Wireless Facility on a new or replacement utility pole may be
17 approved by the Bentonville Electric Utility Department so long as the proposed new structure
18 and Small Cell Wireless Facility would not exceed the maximum height permitted in the zone in
19 which it is located.

20 (g) Collocation, modification or replacement of a wireless facility shall be approved by the
21 Bentonville Electric Utility Department if it does not substantially change the physical
22 dimensions of the tower or base station within the meaning of 47 U.S.C. § 1455(a).

23 (h) *Review of eligible facilities requests.* Notwithstanding any other provision of this
24 chapter, the City may not deny, and shall approve, applications for eligible facilities requests
25 pursuant to 47 U.S.C. § 1455(a), within sixty (60) days according to the procedures established
26 under 47 CFR 1.40001(c).

27 ***Section 5. Effect of permit.***

28 (a) *Authority granted: No property right or other interest created.* A permit from the City
29 authorizes an Applicant to undertake only certain activities in accordance with the Ordinance and
30 does not create a property right or grant any authority whatsoever to the Applicant to impinge
31 upon the rights of others who may already have an interest in the rights-of-way.

1 (b) *Duration*. Unless construction has actually begun and is diligently pursued to completion
2 at that point, no permit for construction issued under this Ordinance shall be valid for a period
3 longer than twelve (12) months unless both City and Applicant agree to a reasonable extension
4 and all required fees are paid for the term regardless of construction.

5 (c) *Emergency Removal or Relocation of Facilities*. The City retains the right to cut or move
6 any Small Cell Wireless Facility located within its rights-of-way as the City, in its sole
7 discretion, may determine to be necessary, appropriate, or useful in response to any public health
8 or safety emergency. If circumstances permit, the City shall notify the Wireless Provider and
9 Wireless Infrastructure Provider an opportunity to move its own facilities prior to the City
10 cutting or removing a facility and the City shall notify the Wireless Provider after cutting or
11 removing a Small Cell Wireless Facility.

12 (d) *Abandonment of Facilities*. Upon abandonment of a Small Cell Wireless Facility within
13 the City rights-of-way, the Wireless Provider shall notify the City within ninety (90) days of such
14 abandonment. Following receipt of such notice the City may direct the Wireless Provider to
15 remove all or any portion of the Small Cell Wireless Facility if the City, in its sole discretion,
16 determines that such removal will be in the best interests of the public health, safety, and
17 welfare.

18 (e) *Abandonment by Inaction*. At any point where a Wireless Provider fails to pay any
19 necessary fee, or annual payment to the City, and fails to respond within sixty (60) days to a
20 written inquiry from the City as to whether the Wireless Provider intends to continue to operate
21 pursuant to the City's Master Lease for Small Wireless Facilities, for whatever reason, the Small
22 Wireless Facility shall be deemed abandoned and the City may, at its sole option, remove all or
23 any portion of the Small Wireless Facility, or take other action as authorized by law.

24 **Section 6. Fees and Rentals.** The following fee schedule establishes the fees and an annual
25 payment or lease of City rights-of-way for Small Wireless Facilities as follows:

26 (a) *Application Fees*. Unless otherwise provided by law, all applications for permits pursuant
27 to this Chapter shall be accompanied by a fee for actual, direct, and reasonable costs incurred by
28 the City related to processing the application, but shall not exceed \$250 each for up to five small
29 wireless facilities addressed in the application and \$25 for each additional Small Cell Wireless
30 Facility.

1 (b) *Use of Right-of-Way City Property Rental Rates.* A wireless provider authorized to place
2 small wireless facilities in the rights-of-way shall pay to the City compensation for use of the
3 rights-of-way in the amount of \$100 annually per Small Cell Wireless Facility.

4 (c) *Right of Wireless Provider to Cease Payment.* A wireless provider is authorized to
5 remove its facilities at any time from the rights-of-way and cease paying the City compensation
6 for use of the rights-of-way as of the next due date for payment following the removal.

7 ***Section 7. Additional Provisions for Small Cell Wireless Facilities.***

8 (a) Small wireless facilities, and new or modified utility poles for the collocation of small
9 wireless facilities may be placed in the rights-of-way as a permitted use subject to the following
10 requirements:

11 (1) *Maximum height of permit use.* Each new or modified utility pole installed in the
12 rights-of-way shall not exceed the greater of:

13 a. (i) Thirty (30) feet above grade for residential and local streets;

14 (ii) Forty (40) feet above grade for collector streets; or

15 (iii) Fifty (50) feet above grade for arterial streets;

16 or,

17 b. Fifty (50) feet above ground level.

18 (2) New Small Cell Wireless Facilities in the rights-of-way shall not extend:

19 a. More than ten (10) feet above an existing utility pole in the rights-of-way in
20 place as of the effective date of this section; or

21 b. The height for a new utility pole under subsection (a)(1); or

22 c. Such greater height as authorized under applicable federal law.

23 (3) *Decorative poles.* A wireless provider shall be permitted to replace a decorative pole
24 when necessary to collocate a Small Cell Wireless Facility, but any replacement pole
25 shall reasonably conform to the design aesthetics of the decorative pole being replaced.

26 (b) All Small Cell Wireless Facilities must adhere to the following height requirements,
27 except if they conflict with federal law, the federal law shall control.

28 (1) *Existing structure mount.* Facilities mounted to an existing structure may not extend
29 higher than ten (10) feet above the existing structure;

1 (2) *Roof mount.* Facilities mounted on a roof shall be stepped back from the front facade
2 to the extent technically feasible in order to limit their impact on the building's silhouette.
3 Screening panels, if used, shall not exceed five (5) feet in height above the existing
4 building's roofline;
5 (3) *Side-mount.* Facilities which are side-mounted on buildings shall be reasonably
6 camouflaged and shall not extend above the roof line or extend more than two (2) feet
7 from the facade of the building; and
8 (4) *Support structure.* A support structure outside of the public right-of-way that is not a
9 building or a house shall not be taller than thirty-five (35) feet. The support structure
10 must meet the setback requirements of the corresponding zoning district.
11 (c) *Right to occupy.* Once a wireless provider has installed small wireless facilities pursuant
12 to an approval pursuant to this division, the wireless provider shall be permitted to continue to
13 maintain such small wireless facilities unless required to remove or relocate under this division
14 or state law.
15 (d) *No interference.* The City will not grant a permit or other authority for installation of
16 small wireless facilities if the City knows or has reason to know that the proposed installation
17 may in any way interfere with the use and operation of an existing and operational Small Cell
18 Wireless Facility for which the City has previously issued a permit.
19 (e) *Interference with public safety equipment:* A Small Cell Wireless Facility shall be
20 operated and maintained in a manner that does not interfere with public safety equipment.
21 (f) *Visual obstruction.* A Small Cell Wireless Facility in the public right-of-way shall not
22 visually obstruct traffic signals, signage, or sight distances.
23 (g) *Interference.* The Small Cell Wireless Facility shall not interfere with the following:
24 a. City and public safety communication systems; or
25 b. Area television or radio broadcast.
26 (1) *Guy wires.* A guy wire or other support wire shall not be used in connection with an
27 antenna, antenna array, or a non-tower support structure except when used to anchor the
28 antenna, antenna array, or non-tower supports structure to an existing building or ground
29 to which such antenna, antenna array, or non-tower support structure is attached.
30 (2) *City-owned poles.* A small cell facility shall not be attached to a city-owned pole or
31 other utility pole that is owned and maintained by the city.

1 **Section 8. Location and design standards for Small Cell Wireless Facilities.**

2 (a) *Poles.*

3 (1) Except as provided in subsection b. below, if the support structure for the
4 Small Cell Wireless Facility is a pole, the city prefers it be made of metal or
5 fiberglass.

6 (2). A Small Cell Wireless Facility must be spaced at least 20 feet from another
7 Small Cell Wireless Facility, City Owned Pole, or utility pole unless the wireless
8 service provider can establish that a lesser distance is required to provide service.

9 (3). Only one (1) Small Cell Wireless Facility can be placed at an intersection
10 unless the wireless provider can establish that a lesser distance is required to
11 provide service.

12 (4). If the Small Cell Wireless Facility is being erected as a modification of an
13 existing structure for which the support structure is not metal or fiberglass, the
14 existing support structure may be made of the same material that existed before
15 the modification.

16 (5). If the location of the Small Cell Wireless Facility does not meet the location
17 criteria, the wireless service provider can apply for a waiver through the
18 Bentonville Electric Utility Department. The wireless service provider must show
19 that the wavier is required in order to provide service.

20 (b) *Signage.* A Small Cell Wireless Facility shall not display a sign unless the sign
21 displays emergency information, owner contact information, warning instructions, safety
22 instructions, or is otherwise required by a federal, state, or local agency. Allowed sign on
23 a Small Cell Wireless Facility shall not exceed one (1) square foot in area.

24 (c) *Illumination.* A Small Cell Wireless Facility shall not have lights on the facility unless
25 the lights are required by other laws and consistent with the requirements of law.

26 (d) *Fencing.* A Small Cell Wireless Facility shall not be fenced.

27 (e) *Design.* A Small Cell Wireless Facility shall be installed using stealth technology to
28 the greatest extent practicable including without limitation the following:

29 (1) *Reduced visibility.* Antenna arrays, cables, and other accessory facilities used
30 for providing the wireless service shall not be obtrusive;

- 1 (2) *Color*. The color of the facility shall be compatible with that of the non-tower
2 support structure. All facilities located on buildings, roofs, or structures shall be
3 painted or constructed of materials to match the color of the structure directly
4 behind them to reduce the visibility of the Small Cell Wireless Facility; and
- 5 (3) *Accessory facilities*. Accessory facilities mounted onto a non-tower support
6 structure shall not project greater than three (3) foot, as measured horizontally,
7 from the surface of the non-tower support structure and shall be painted or
8 screened with materials that are a complementary color as the non-tower support
9 structure. Cables shall travel along the exterior of a non-tower support structure.
- 10 (f) *Setbacks*. A Small Cell Wireless Facility that is not in the public right-of-way shall
11 comply with the building setback provisions of the zoning district in which the Small Cell
12 Wireless Facility is located. In addition, the following setbacks shall be observed:
- 13 (1) Street-pole-attached and new non-tower support structures shall adhere to
14 roadway clear zone guidelines when constructed within the public right-of-way;
- 15 (2) Underground vaults or above-ground structures shall comply with the setback
16 requirements of the underlying zoning district; and
- 17 (3) Freestanding Small Cell Wireless Facilities or equipment enclosures shall not
18 be located between the face of a structure and a public or private street, bikeway,
19 park, or residential development.
- 20 (g) *Traffic signals*. A Small Cell Wireless Facility shall not be attached to a traffic signal
21 or its equipment.
- 22 Section 9. *Maintenance*. The owner of the Small Cell Wireless Facility shall promptly:
- 23 (1) Remove all graffiti on the particular owned Small Cell Wireless Facility at the
24 owner's expense;
- 25 (2) Repair or replace any damaged equipment or poles, if owned by the small cell owner.

ORDINANCE NO. _____

**AN ORDINANCE PROVIDING FOR THE INSTALLATION OF
SMALL CELL WIRELESS FACILITIES TO BE PLACED IN CITY
RIGHTS-OF-WAY IN THE CITY OF BENTONVILLE, ARKANSAS; AND
FOR OTHER PURPOSES.**

WHEREAS, the City of Bentonville ("City") encourages wireless infrastructure investment and wishes to provide a fair and predictable process for the deployment of small wireless facilities while enabling the City to promote management of the rights-of-way in the overall interests of the public health, safety and welfare; and,

WHEREAS, the technology of small cell wireless facilities poses a unique long-term challenge to preserving the beauty of the City, because the facilities must be erected above ground and in the areas of the city that are the most highly travelled and utilized by the public, and,

WHEREAS, these facilities must be regulated to require the structures to be safe and encourage them to be integrated seamlessly with their surroundings.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY
OF BENTONVILLE, ARKANSAS:**

Section 1. That the Bentonville Municipal Code shall be and is hereby amended with *Attachment A: Standards for Small Cell Wireless Facility Placement in Public Right-of Way*, an electronic copy and 3 paper copies of which is on file with the City Clerk, having been made available for public inspection prior to passage and approval, and is hereby adopted by reference as though it were copied herein fully.

Section 2. All ordinances, resolutions, or parts of the same that are inconsistent with the provisions of this ordinance are hereby repealed to the extent of such inconsistency.

Section 3. This Ordinance shall be in full force and effect 30 days from the date of its passage and approval.

PASSED and APPROVED this ____ day of _____, 2018.

APPROVED:

ATTEST:

MAYOR

CITY CLERK



CHECK ALL THAT APPLY			
	Bid Award	Bid #	
☒	Budget Adjustment		
☐	Change Order		
☐	Informational		
☐	Ordinance		
☐	Resolution		
☐	Other		

AGENDA FORM

CITY COUNCIL MEETING OF:

October 9, 2018

Submitted by:

Tony Davis

Department

Street

Phone

271-3130

ACTION REQUIRED:

For Mayor and City Council to approve a \$5,810.27 budget adjustment for the 2018 City Overlay project. Please see attachments.

COST TO CITY:

Cost of this Request: 5,810.27

Additional Budget Amount

☒ One time amount

☐ Continuing O and M

Previously Budgeted	\$	350,000
Funds Expended to Date		
Remaining Budget		350,000
Budget Adjustment		5,810.27
Remaining After Adjustment	\$	355,810.27

This form must be turned into the Mayor's office 7 days prior to the scheduled City Council meeting.

117 WEST CENTRAL AVENUE * BENTONVILLE, AR 72712

www.bentonvillear.com



PLEASE RECYCLE





Budget Adjustment #
(Assigned by Admin)

Department: Street

Date of Request: October 1, 2018

Acct Number	Account Name	Revenue + (-)	Expense + (-)	Fund Balance + (-)
020-3810-430-73-86	Overlay		\$ 5,810.27	\$ (5,810.27)
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
	Totals	\$ -	\$ 5,810.27	\$ (5,810.27)

Justification:

Additional quantities were needed for asphalt to complete the City's overlay program this year.

FOR ACTING USE ONLY

Council Action: Approved Disapproved Other_____

Date: _____ Date entered: _____ By: _____

Revised 5/1/07

117 WEST CENTRAL AVENUE * BENTONVILLE, AR 72712

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PLEASE RECYCLE





Bentonville Street Department
3200 SW Municipal Dr.
Bentonville, AR 72712
Phone: (479) 271-3130

MEMORANDUM

DATE: October 1, 2018
TO: City Council, Mayor McCaslin
FROM: Tony Davis, Street Manager
RE: 2018 Overlay

The Street Department is requesting a budget adjustment for \$5,810.27 to be approved for payment to Hutchens Construction for additional asphalt quantities that were used in the City's 2018 Overlay program. Please see attachments.

Sincerely,

Tony Davis
Street Manager

2018 STREET OVERLAY TOTALS															
SECTION	STREET NAME	STARTING AT	ENDING AT	ACHMSC TONS	ACHMSC \$COST	LENGTH (FT)	WIDTH (FT)	DEPTH (INCHES)	WATER VALVE ADJU. (EA)	WV ADJU. \$COST	MANHOLE ADJU. (EA)	MH ADJU. \$COST	MILLING (SY) \$COST	STRIPING \$COST	TOTALS:
NW	Tiger Blvd	NW "H" St	NW Leopard Ln	702.7	\$50,088.46	2115	Varies	2	0	\$0.00	0	\$0.00	6122.54	\$25,441.07	\$84,713.34
NW	Bella Vista Rd	Tiger Blvd	N. Walton Blvd	887.64	\$63,270.98	2725	24	2	0	\$0.00	0	\$0.00	7764.34	\$17,260.08	\$82,222.57
SE	SE 3rd St	S. Main St	SE "A" St	124.29	\$8,859.39	370	27	2	0	\$0.00	0	\$0.00	1146.87	\$3,264.26	\$13,863.98
SE	S. Main St	Central Ave	SW 4th St	732.5	\$52,212.60	1515	Varies	2	0	\$0.00	0	\$0.00	6555.75	\$14,309.10	\$78,355.33
SW	SW "D" St	SW 2nd St	SW 3rd St	224.45	\$15,998.80	700	20	2	0	\$0.00	0	\$0.00	1589.99	\$2,384.99	\$18,383.78
NE	NE "J" St	1701 NE Wildcat	John Deshields	656.09	\$46,766.10	970	Varies	2&4	0	\$0.00	0	\$0.00	2129.32	\$10,061.20	\$60,021.28
	Work Zone														\$9,575.00
	Temporary Striping														\$675.00
	TOTAL			3327.67		8395			0		0		25338.81		
	TOTALS				\$237,196.32					\$0.00		\$0.00	\$38,008.22	\$70,365.73	\$365,810.27
	Note: Price Per Ton = \$71.28														
	Note: Price Per Milling SY = \$1.50														



CHECK ALL THAT APPLY		
	Bid Award	Bid #
	Budget Adjustment	
	Change Order	
	Informational	
	Ordinance	
x	Resolution	
	Other	

AGENDA FORM

CITY COUNCIL MEETING OF:

October 9, 2018

Submitted by:

David Wright

Department

Parks and Rec

Phone

271-6813

ACTION REQUIRED:

Parks and Recreation is requesting City Council approval of a resolution authorizing the Mayor and City Clerk to enter an agreement with Ozark Tennis Academy for the service of providing tennis programming and instruction for Parks and Recreation programs and events in 2019.

COST TO CITY:

Cost of this Request:

Additional Budget Amount

☐ One time amount

☐ Continuing O and M

Previously Budgeted	\$
Funds Expended to Date	
Remaining Budget	-
Budget Adjustment	-
Remaining After Adjustment	\$ -

This form must be turned into the Mayor's office 7 days prior to the scheduled City Council meeting.

117 WEST CENTRAL AVENUE * BENTONVILLE, AR 72712

www.bentonvillear.com



PLEASE RECYCLE



Memo



To: City Council, Mayor McCaslin
From: Lee Farmer, Recreation Services Manager
Through: David Wright, Parks and Recreation Director
Date: September 17, 2018
Re: City Council approval to enter into an agreement with Ozark Tennis Academy as the Tennis Facility Professional for Bentonville Parks and Recreation.

Parks and Recreation is requesting City Council to approve a resolution, authorizing the Mayor and Clerk to enter into an agreement with Ozark Tennis Academy (OTA), as the Tennis Facility Professional for Bentonville Parks and Recreation Programs.

On July 9, 2018, Parks and Recreation and the Purchasing Department advertised a request for proposal for Tennis Professional Services. In addition to local advertising, this RFP was sent directly to some known tennis service providers in the area. OTA was the only vendor who submitted a proposal.

Over several years, OTA has provided high quality tennis programs for children and adults at Memorial Park and Wildwood Park. OTA is a local organization dedicated to developing a strong work ethic, teamwork, and discovery to participants through their tennis programs.

This agreement states Parks and Recreation will promote programs, register participants, and collect registration fees. Parks and Recreation pays OTA a percentage of each registration fee. For that fee, OTA operates and manages the facility and programs. This agreement will be a one-year agreement, renewable for two additional years if mutually agreed upon by OTA and Parks and Recreation.

If you have any questions regarding this item, please let me know. Please call me at 464.7275, or email lfarmer@bentonvillear.com.



CITY OF BENTONVILLE, ARKANSAS
CITY HALL
117 W. CENTRAL AVE.
BENTONVILLE, ARKANSAS 72712

PROFESSIONAL SERVICE AGREEMENT

Facility Tennis Professional for Bentonville Parks and Recreation

This agreement made and entered into this ____ day of _____ (month), 2018, by and between the City of Bentonville, Arkansas, hereinafter "CITY", and Ozark Tennis Academy, hereinafter "FACILITY TENNIS PRO", shall determine the relationship of the parties and set forth the rights and responsibilities of each. This agreement shall commence on the 1st day of January, 2019 and shall terminate on 31st day of December, 2019. The term of this agreement is for one year, renewable for two additional years if mutually agreed upon in writing by FACILITY TENNIS PRO and the CITY Parks and Recreation Director.

1. LOCATION.

- a. This Agreement is for the operation of the City of Bentonville tennis courts located at Memorial Park Tennis Complex, Wildwood Park, and Citizens Park.

2. GENERAL TERMS & CONDITIONS.

- a. This Agreement serves as a Professional Service Agreement for a Tennis Facility Professional and shall remain in full force and effect until the termination date listed herein, or by written mutual consent between FACILITY TENNIS PRO and CITY.
- b. All provisions of this Agreement shall be performed in good faith. If the CITY becomes dissatisfied with the performance of FACILITY TENNIS PRO, this Agreement may be terminated by the CITY Mayor or the CITY Director of Parks and Recreation or his assignee.
- c. FACILITY TENNIS PRO will adhere to CITY's previously signed agreement with Bentonville High School's Tennis Program. A copy of this agreement shall be made available to FACILITY TENNIS PRO upon written request.
- d. The CITY Parks and Recreation Department's point of contact for FACILITY TENNIS PRO and for all tennis programming will be Matias De Genaro and Beau Basham, acting on behalf of Ozark Tennis Academy. If at any point this point of contact changes, the CITY Parks and Recreation team shall be notified in writing.

3. PAYMENT TERMS & CONDITIONS.

- a. FACILITY TENNIS PRO will submit an invoice to the CITY Parks & Recreation department at 215 SOUTHWEST A STREET BENTONVILLE, ARKANSAS 72712 on the 1st and 15th of each month, or the first business day following. The CITY will submit payment for such invoice within two weeks from receipt of invoice.
- b. The FACILITY TENNIS PRO may hire additional staff members, as needed, with the understanding that such staff members are employees of FACILITY TENNIS PRO. All payments to FACILITY TENNIS PRO staff members are the sole responsibility of FACILITY TENNIS PRO.
- c. Registration for all programs will occur at Bentonville Parks and Recreation facilities or online at Bentonville Parks and Recreation websites. All registration funds will come directly to Bentonville Parks and Recreation and will be distributed to FACILITY TENNIS PRO once payment is received.

[This space is intentionally left blank]

CITY OF BENTONVILLE, ARKANSAS
CITY HALL
117 W. CENTRAL AVE.
BENTONVILLE, ARKANSAS 72712

- d. For the term of this Agreement, the CITY and FACILITY TENNIS PRO agree to the percentages of gross revenue, as they relate to this Agreement, defined below:

	CITY	FACILITY TENNIS PRO
GROSS REVENUE (all tennis programs & events)	15%	85%
TENNIS TOURNAMENTS & CAMPS	10%	90%

- e. FACILITY TENNIS PRO and the CITY agree to the following assignment of all program, tournament, and general operational expenses:

	CITY	FACILITY TENNIS PRO
Marketing & Promotion*	X	
Program Equipment*		X
Uniforms*		X

- i. *Marketing & Promotion:* The CITY Parks and Recreation department will be responsible for the marketing, promotion and registration for all programs and events. This responsibility includes, but is not limited to: preparing brochures, flyers, program guides, registration forms, posters, and other promotional materials. Parks and Recreation staff will distribute these materials and promotions to the public via publications and web marketing.
- ii. *Program Equipment:* FACILITY TENNIS PRO will be responsible for all non-permanent fixture equipment necessary to operate all programs and events. This equipment includes, but is not limited to: tennis balls, extra rackets, office supplies, and temporary nets.
- iii. *Uniforms:* FACILITY TENNIS PRO will be required to purchase staff tennis uniforms. Uniforms are required to be pre-approved by the Parks and Recreation director, or his assignee, prior to purchase or use. FACILITY TENNIS PRO agrees to personally wear and require all staff members to wear these uniforms at all times while instructing or facilitating all programs and events at the tennis courts.

4. STAFFING & CONDUCT.

- a. FACILITY TENNIS PRO is responsible for staffing the Memorial Park Tennis Courts for the duration of this Agreement, and for the operation of any program being offered by the creation of this Agreement.
- b. FACILITY TENNIS PRO understands that the programs being offered are by way of the CITY'S Parks and Recreation department. FACILITY TENNIS PRO and staff members are expected to promote the CITY and the Parks and Recreation department in a professional manner, enhancing the department and the tennis facility.
- c. If FACILITY TENNIS PRO or a staff member performs actions deemed inappropriate by the Director of Parks and Recreation, or his assignee, this Agreement can be terminated by the Director of Parks and Recreation, or his assignee.

CITY OF BENTONVILLE, ARKANSAS
CITY HALL
117 W. CENTRAL AVE.
BENTONVILLE, ARKANSAS 72712

- d. At all times FACILITY TENNIS PRO and staff members, who are present at any CITY tennis facility, are to reflect the representation of the Parks and Recreation department and such programming. This representation includes the promotion of only the CITY Parks and Recreation tennis related programming, adherence to the aforementioned uniform policy, and any other forms of program promotion.
- e. FACILITY TENNIS PRO and all staff will agree to a security background check to be performed by the CITY's Police Department annually.
- f. FACILITY TENNIS PRO is required to be available to answer questions from patrons about programs associated with this Agreement. Furthermore, FACILITY TENNIS PRO is expected to abide by and enforce rules and regulations of the CITY facilities associated with this Agreement.
- g. FACILITY TENNIS PRO and staff will be responsible for keeping the playing courts and tennis complex clean, neat and orderly. The CITY shall furnish all cleaning supplies and shall be responsible for maintenance of the building, courts, and grounds.

5. SCHEDULING & PLANNING.

- a. FACILITY TENNIS PRO will work with CITY'S Parks & Recreation Director, or his assignee, to determine the overall direction of the CITY'S tennis facilities.
- b. FACILITY TENNIS PRO'S hours will be determined by leagues, scheduled lessons, and special events and tournaments associated with this Agreement. Hours shall be approved by the Director of Parks and Recreation, or his assignee.
- c. FACILITY TENNIS PRO shall recommend all rules and regulations, administrative policies, days and hours of operation, and all fees to be charge at CITY tennis facility locations. The aforementioned recommendations will require approval by the CITY'S Director of Parks and Recreation, or his assignee.
- d. FACILITY TENNIS PRO will be available to assist all third party events and tournaments associated with this Agreement when assigned by the CITY'S Director of Parks and Recreation, or his assignee.
- e. FACILITY TENNIS PRO and CITY'S Parks and Recreation staff will work collaboratively to develop a comprehensive Facility Tennis Program that includes recreational opportunities for youth and adult participants. These programs may include, but are not limited to: leagues, lessons, events, tournaments, and open recreation. FACILITY TENNIS PRO will assist in determining the dates and times for all programs and special events.
- f. FACILITY TENNIS PRO and the CITY'S Director of Parks and Recreation, or his assignee, will determine all program schedules seasonally by the deadlines outlined below:

Spring season program(s) plan and design deadline:	December 1 st
Summer season program(s) plan and design deadline:	February 1 st
Fall season program(s) plan and design deadline:	April 1 st

- g. FACILITY TENNIS PRO will work with the CITY'S Parks and Recreation staff to schedule all lessons, events, programs, and tournaments to avoid scheduling conflicts.
- h. FACILITY TENNIS PRO and the CITY'S Parks and Recreation staff will be meet bi-weekly, or more often as needed, during the duration of this Agreement to be sure all parties are informed and aware of the status of the tennis program(s) and of upcoming events at the facility.

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CITY HALL
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- i. FACILITY TENNIS PRO and staff will work with the CITY'S Parks and Recreation staff to perform one (1) free Memorial Park Tennis Complex promotion day annually for public attendance. The intention for this promotion day is to gain further public interest in tennis, in addition to the promotion of the Memorial Park Tennis Complex and the tennis programs being offered.
- j. FACILITY TENNIS PRO will partner with Camp Bentonville to assemble a minimum of two (2) camp programs annually.
- k. It is mutually understood by FACILITY TENNIS PRO and the CITY that private enterprises can be utilized as sponsors in tournaments and special activities within Memorial Park and other CITY tennis facilities. FACILITY TENNIS PRO understands that all sponsorships will require written approval from the CITY'S Director of Parks and Recreation, or his assignee, prior to being confirmed.

6. COMPLIANCE.

- a. FACILITY TENNIS PRO shall comply with all Federal, State, and local laws and ordinances. FACILITY TENNIS PRO shall also comply with the Americans with Disabilities Act, which prohibits discrimination against individuals with disabilities and guarantees equal opportunities for individuals with disabilities in employment, transportation, public accommodations, state and local government services, and telecommunications. FACILITY TENNIS PRO shall be expected to comply with all rules and regulations governing all employees and independent contractors of CITY.

7. MISCELLANEOUS.

- a. Interpretation of this Agreement and disputes arising out of or related to this Agreement will be subject to and governed by the laws of the State of Arkansas. Jurisdiction and venue for any suit arising out of or related to this Agreement will be in the District Court of Benton County, Arkansas.
- b. FACILITY TENNIS PRO shall not sell, sublet or assign this agreement or any portion herein to any other person or persons.
- c. This Agreement, including all documents and exhibits included by reference herein, constitutes the entire Agreement between the Parties and supersedes all prior agreements, whether oral or written, covering the same subject matter. This Agreement may not be modified or amended except in writing mutually agreed to and accepted by both Parties to this Agreement.
- d. If any provision of this Agreement is determined to be void, invalid, unenforceable or illegal for whatever reason, such provision(s) will be null and void; provided, however, that the remaining provisions of this Agreement will be unaffected and will continue to be valid and enforceable.

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CITY HALL
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BENTONVILLE, ARKANSAS 72712

SIGNATURE PAGE

The Parties hereto have caused this Agreement to be executed this ____ day of _____, 20__.

CITY OF BENTONVILLE, ARKANSAS

By: _____
Bob McCastlin, Mayor (signature)

Title: _____
Company: Ozark Tennis Academy

By: _____
(Signature)

(Signer Name – Please Print)
Address: _____

RESOLUTION NO. _____

**A RESOLUTION AUTHORIZING THE MAYOR AND
CLERK TO ENTER INTO AN AGREEMENT WITH
OZARK TENNIS ACADEMY FOR A TENNIS PROGRAM
AT MEMORIAL PARK.**

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL FOR THE
CITY OF BENTONVILLE, ARKANSAS.**

Section 1: That the Mayor and Clerk be and are hereby authorized to enter into an Agreement with Ozark Tennis Academy for a tennis program at Memorial Park Tennis Complex, as set forth in the agreement attached hereto as Exhibit "A".

Section 2: This resolution shall be in full force and effect from and after the date of its passage.

PASSED and APPROVED this ____ day of _____, 2018.

APPROVED:

MAYOR

ATTEST:

CITY CLERK