

City of Bentonville, Arkansas

Comprehensive Annual Financial Report

For the Year Ended December 31, 2020



Prepared by:

Jake Harper

Finance Director

Jessica Thurman

Assistant Finance Director

Visit our web site at: www.bentonvillear.com

City of Bentonville, Arkansas
December 31, 2020

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Introductory Section

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City of Bentonville, Arkansas
Finance and Accounting Department
1000 SW 14th St – 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 of the City of Bentonville, Arkansas (the City) for the year ended December 31, 2020, 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, 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, 2020. 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 estimate is 54,909 as of July 1, 2019, according to the U.S. Census Bureau. According to population projections from the Northwest Arkansas Regional Planning Commission, it is estimated that Bentonville's population could grow to 113,658 by the year 2045.

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.

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 530,000 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.

Long-term Financial Planning

During the annual budgeting process, the City evaluates long-term capital requirements and projected conditions in the local economy. The City is constantly monitoring the current economic conditions and will adjust the annual budget accordingly.

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, 2020. The City of Bentonville has earned this award for 22 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 for the fiscal year ended December 31, 2019. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. 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 Comprehensive Annual Financial Report 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,

A handwritten signature in black ink, appearing to read "Jake Harper". The signature is fluid and cursive, with the first name "Jake" and last name "Harper" clearly distinguishable.

Jake Harper
Finance Director

June 15, 2021



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Bentonville
Arkansas**

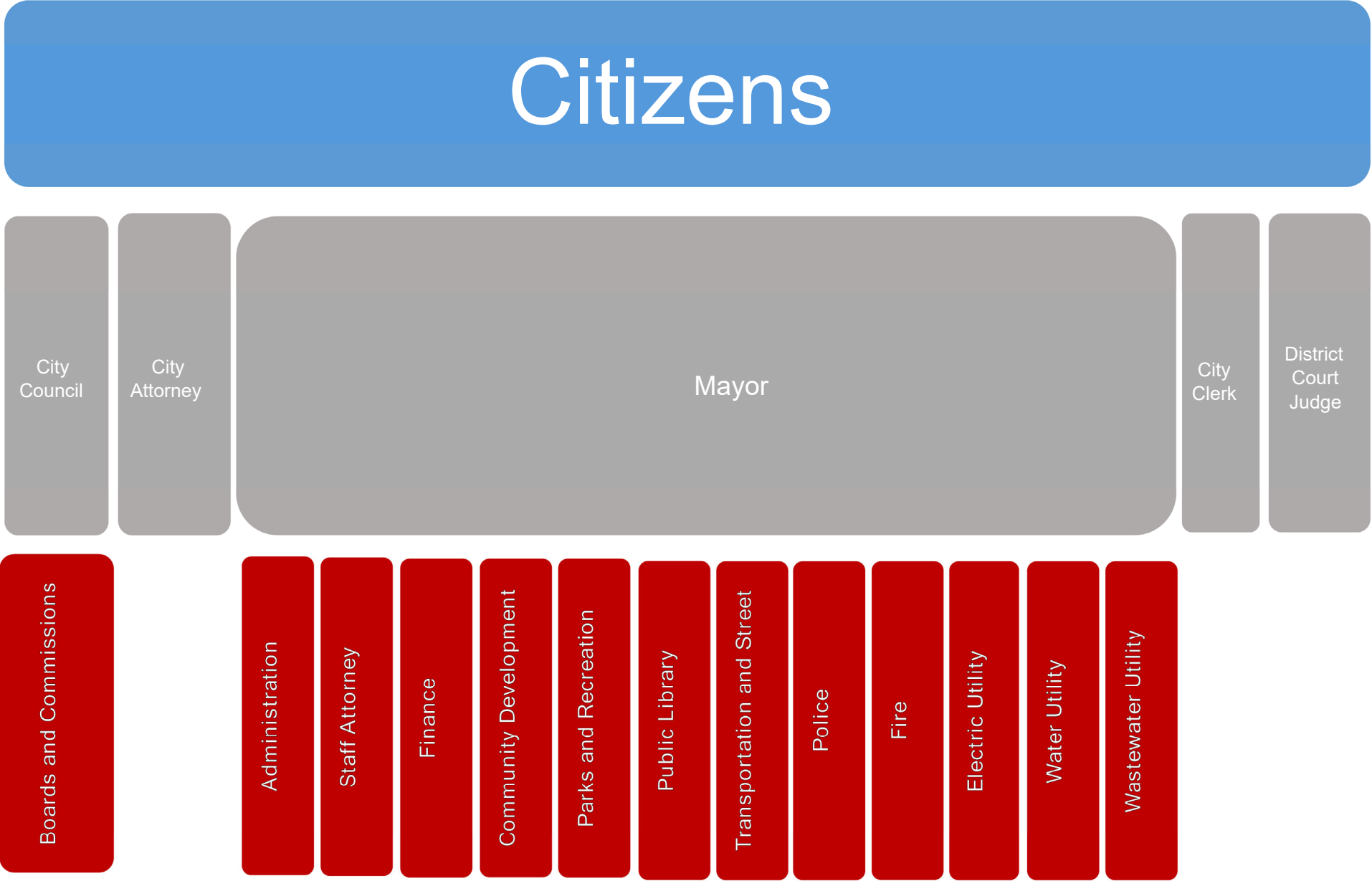
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrell

Executive Director/CEO

City of Bentonville Organizational Chart



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

**Stephanie Orman
Mayor**

Name	Ward	Position
Tim Robinson	1	1
Gayatri Agnew	1	2
Cindy Acree	2	1
Chris Sooter	2	2
Aubrey Patterson	3	1
Bill Burckart	3	2
Octavio Sanchez	4	1
Holly Hook	4	2
George Spence, City Attorney		
Kirby Romines, 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, 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, 2020, 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, each major fund and the aggregate remaining fund information of the City of Bentonville, Arkansas, as of December 31, 2020, 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 comparisons, 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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 as 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 introductory section and the 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 also have issued our report dated June 15, 2021, 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 15, 2021

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

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, 2020. 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 \$594,615,961.
- As of the close of the current fiscal year, the City of Bentonville's governmental funds reported combined ending fund balances of \$102,089,383 of which \$59,487,999 was unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$59,487,999 which is 107% of total general fund expenditures.
- The City's total bond related debt decreased by \$12,683,310 or 28% during 2020 primarily due to principal payments on existing debt.
- The City had general revenues of \$64,416,206, grants and contribution revenue of \$23,839,745, charges for services of \$111,455,141 and program expenses of \$161,735,033 for the year ended December 31, 2020.
- The City's capital outlays for the year, including outlays in the enterprise fund, were \$27,307,663.

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.

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).

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

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 can be found on pages 13-14 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.

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 15-16 of this report.

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

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 17-19 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 20-57 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 other post employment benefits (OPEB) to its employees. Required supplementary information can be found on pages 58-68 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 69-73 of this report.

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 exceeded liabilities and deferred inflows of resources by \$594,615,961 at the close of the most recent fiscal year.

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

By far the largest portion of the City's net position (82%) 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 124,769,213	\$ 121,175,808	\$ 69,668,592	\$ 59,794,906	\$ 194,437,805	\$ 180,970,714
Capital assets	289,101,845	270,754,848	213,752,536	208,708,294	502,854,381	479,463,142
Total assets	413,871,058	391,930,656	283,421,128	268,503,200	697,292,186	660,433,856
Total deferred outflows of resources	12,867,146	15,034,020	2,948,984	2,122,890	15,816,130	17,156,910
Long-term liabilities	65,179,636	78,537,719	18,501,964	17,206,766	83,681,600	95,744,485
Other liabilities	21,580,492	17,879,195	8,379,153	8,510,375	29,959,645	26,389,570
Total liabilities	86,760,128	96,416,914	26,881,117	25,717,141	113,641,245	122,134,055
Total deferred inflows of resources	4,455,822	1,116,339	395,288	507,106	4,851,110	1,623,445
Net position:						
Net investment in capital assets	279,366,430	252,689,293	208,392,983	202,310,382	487,759,413	454,999,675
Restricted	26,232,902	21,881,884	1,898,983	2,100,656	28,131,885	23,982,540
Unrestricted	29,922,922	34,860,246	48,801,741	39,938,805	78,724,663	74,799,051
Total net position	\$ 335,522,254	\$ 309,431,423	\$ 259,093,707	\$ 244,349,843	\$ 594,615,961	\$ 553,781,266

An additional portion of the City's net position (4.73%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$78,724,663 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 \$40,834,695 primarily resulting from an increase in capital assets net of accumulated depreciation of \$23,391,239 and payments on long-term debt of \$12,578,456. The major capital asset events contributing to this increase are discussed in the *Capital Assets* section of this document. Restricted net position increased by \$4,149,346 primarily due to an increase in funds set aside for new growth.

City of Bentonville, Arkansas
Management's Discussion and Analysis
December 31, 2020

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 9,706,525	\$ 14,615,432	\$ 101,748,616	\$ 101,729,728	\$ 111,455,141	\$ 116,345,160
Operating grants and contributions	6,119,081	660,682	827,105	-	6,946,186	660,682
Capital grants and contributions	12,434,429	5,050,131	4,459,130	2,432,863	16,893,559	7,482,994
General revenues:						
Property taxes	10,023,405	9,417,015	-	-	10,023,405	9,417,015
Sales taxes	43,279,794	39,654,947	-	-	43,279,794	39,654,947
State turnback	3,050,062	3,041,751	-	-	3,050,062	3,041,751
Impact Fees	2,858,636	-	-	-	2,858,636	-
Franchise fees	5,506,867	5,368,133	-	-	5,506,867	5,368,133
Investment income	735,402	1,178,951	394,011	289,274	1,129,413	1,468,225
Gain (loss) on sale of capital assets	20,025	3,769,638	-	24,061	20,025	3,793,699
Other	1,363,288	4,570,586	43,352	120,473	1,406,640	4,691,059
Total revenues	<u>95,097,514</u>	<u>87,327,266</u>	<u>107,472,214</u>	<u>104,596,399</u>	<u>202,569,728</u>	<u>191,923,665</u>
Expenses:						
General government	10,764,635	11,262,376	-	-	10,764,635	11,262,376
Public safety	30,483,681	27,161,452	-	-	30,483,681	27,161,452
Recreation	11,533,775	11,908,261	-	-	11,533,775	11,908,261
Street department	11,794,878	9,571,784	-	-	11,794,878	9,571,784
Library	2,014,164	1,887,076	-	-	2,014,164	1,887,076
Interest expense on long-term debt	1,464,550	1,929,130	-	-	1,464,550	1,929,130
Electric	-	-	59,723,199	60,093,455	59,723,199	60,093,455
Water	-	-	14,973,111	13,871,208	14,973,111	13,871,208
Wastewater	-	-	10,096,434	9,615,262	10,096,434	9,615,262
Sanitation	-	-	5,406,151	5,109,186	5,406,151	5,109,186
Support	-	-	3,480,455	3,521,239	3,480,455	3,521,239
Total expenses:	<u>68,055,683</u>	<u>63,720,079</u>	<u>93,679,350</u>	<u>92,210,350</u>	<u>161,735,033</u>	<u>155,930,429</u>
Increase in net position before transfers and special items	<u>27,041,831</u>	<u>23,607,187</u>	<u>13,792,864</u>	<u>12,386,049</u>	<u>40,834,695</u>	<u>35,993,236</u>
Transfers	<u>(951,000)</u>	<u>-</u>	<u>951,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>26,090,831</u>	<u>23,607,187</u>	<u>14,743,864</u>	<u>12,386,049</u>	<u>40,834,695</u>	<u>35,993,236</u>
Net position - beginning of the year,	<u>309,431,423</u>	<u>285,824,236</u>	<u>244,349,843</u>	<u>231,963,794</u>	<u>553,781,266</u>	<u>517,788,030</u>
Net position – end of the year	<u>\$ 335,522,254</u>	<u>\$ 309,431,423</u>	<u>\$ 259,093,707</u>	<u>\$ 244,349,843</u>	<u>\$ 594,615,961</u>	<u>\$ 553,781,266</u>

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

Governmental Activities

Governmental activities increased the City's net position by \$26,090,831, thereby accounting for 61% of the total growth in the net position of the City. The 2020 increase is \$(0.4) million more than in 2019 primarily due to a \$3.6 million increase in sales tax revenue.

Business-type Activities

Business-type activities increased the City's net position by \$14,743,864, accounting for 39% of the total growth in the City's net position. The 2020 increase is \$2.4 million more than 2019 due to a general increase in expenses of \$1.5 million offset by a general increase in charges for services of \$160,000 (both driven by the economic growth in Northwest Arkansas) combined with an increase of \$2.9 million in capital and operating grants and contributions.

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 \$59,487,999, while total fund balances reached \$62,906,166. 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 107% of total general fund expenditures, while total fund balances represent 113% of that same amount.

The fund balances of the City's general fund increased \$2,368,844 during the current fiscal year. Overall revenues increased by \$3,419,391 and were offset by an overall increase in expenses of \$837,346.

Street Fund

The City's street fund had a total fund balance of \$6,111,621 of which \$323 is nonspendable and the remaining balance is assigned and available to fund street capital and maintenance projects. The net increase in fund balance during the current year in the street fund was \$670,832. The street fund's fund balance increase is primarily due to a \$1,716,705 increase in grant revenues.

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

Capital Project Fund

The City's capital project fund had a total fund balance of \$17,972,203 all of which is restricted and available to fund capital projects that meet the requirements of 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 decrease in fund balance during the current year in the capital project fund was \$3,557,941, and is primarily the result of spending \$3,635,857 of bond proceeds on capital improvements.

Debt Service Fund

The City's debt service fund had a total fund balance of \$7,956,798, which is restricted for debt service. The net increase in fund balance during the current year in the debt service fund was \$557,287. Debt service's fund balance increase is primarily due to sales tax revenues exceeding debt service expenditures.

Proprietary Funds

Enterprise Fund

Unrestricted net position of the enterprise fund at the end of the year was \$48,801,741. The total growth in net position of the enterprise fund was \$14,743,864. Operating revenues of the enterprise fund decreased 0.06% to \$101,792,768 and the operating expenses increased 2% to \$93,442,172. 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 2020 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 amendment was a budget rollforward from 2019 for the \$3.4 million purchase of the West Plaza building to be renovated for use as the City's Administrative Services building.

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 \$15,727,949 decrease in general fund balance while the actual resulted in a fund balance increase of \$2,368,844. The prime factors in the variances can be briefly summarized as follows:

- *Property tax* revenue was \$7,269,641, while the final budgeted amount was \$6,490,137. The excess revenues over the budget (\$779,504) can be attributed to a general improvement in the local economy in 2020 compared to 2019 and an increase in assessed values of \$72,134,900, or 6%.

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

- *Sales tax* revenue was \$29,748,351, while the final budgeted amount was \$25,702,597. The increase in revenues over the budget (\$4,045,754) can be attributed to a general increase in retail sales tax from various projects in the City and the County and general increase in economic conditions.
- *Licenses and permits* revenue was \$1,943,451, while the final budgeted amount was \$1,247,601. The increase in revenues over the budget (\$695,850) can be attributed to a general increase in permits attributed to an increase in building permits and activity.
- *Grants* revenue was \$5,093,226, while the final budgeted amount was \$6,785,263. The decrease in revenues over the budget of (\$1,692,037) can be attributed to grants that were budgeted in 2020 but were not received for the year.
- *Capital outlay* expenditure was \$11,687,550, while the final budgeted amount was \$24,768,677. The decrease in expenditures over the budget (\$13,081,127) can be attributed to various budgeted capital outlay projects that were not completed during 2020 due to time constraints or planned multi-year projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2020, the City's investment in capital assets for its governmental and business-type activities was \$502,854,381 (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 \$6.1 million were made for a variety of street construction projects in new residential developments and widening and expansion projects for existing streets. In addition, \$4.6 million of streets, drainage and sidewalks constructed by developers were contributed to the City to own and maintain.
- Capital expenditures of \$5.1 million were made to purchase and remodel the City's Administrative Services building.
- Capital expenditures of \$1.6 million were made to construct the City's Public Works Maintenance facility.
- Capital expenditures of \$517,000 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 \$6.1 million. In addition, \$4.5 million in electric, water and sewer lines were contributed by developers to the City.
- Capital expenditures for furniture, fixtures and equipment city wide totaled \$3.7 million due to replacement and additional equipment needs throughout the city.

Additional information regarding capital assets can be found on pages 32-34 of this report.

City of Bentonville, Arkansas

Management's Discussion and Analysis

December 31, 2020

Long-term Debt

The City had \$33,310,301 in revenue bonds payable outstanding as of December 31, 2020, which is a decrease of \$12,683,310 from the previous year. The decrease was due to the regularly scheduled principal reductions on the outstanding debt. In June 2021, pursuant to the issuance of the City's 2021 Sales and Use Tax bonds, the City received a bond rating of AA- by Standard & Poor's.

Additional information regarding long-term debt can be found at pages 35-39 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 3.50%. This compares favorably to the state's average unemployment rate of 4.9% and the national average rate of 6.7%.
- The City's population growth has averaged about 7% annually and according to the most recent census the population is 54,909. 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 \$454 million in 2019 and \$529.2 million in 2020.

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; 1000 SW 14th Street; Bentonville, Arkansas 72712.

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Basic Financial Statements

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City of Bentonville, Arkansas
Statement of Net Position
December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 29,734,832	\$ 36,119,173	\$ 65,854,005
Certificates of deposit	33,440,555	15,451,208	48,891,763
Restricted cash and cash equivalents	23,286,103	1,621,805	24,907,908
Receivable			
Customer accounts, net of allowance for uncollectible accounts of \$329,000	-	12,129,123	12,129,123
Property taxes, net of allowance for uncollectibles of \$475,786	9,039,940	-	9,039,940
Grants and other	2,458,319	-	2,458,319
Internal balances	687,907	2,736	690,643
Inventories	-	3,984,912	3,984,912
Prepaid items	299,560	77,923	377,483
Total current assets	98,947,216	69,386,880	168,334,096
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	19,397,248	281,712	19,678,960
Sales taxes receivable	4,364,956	-	4,364,956
Total restricted assets	23,762,204	281,712	24,043,916
Net pension asset	2,059,793	-	2,059,793
Capital assets - non-depreciable	10,793,833	8,249,434	19,043,267
Capital assets - depreciable, net	278,308,012	205,503,102	483,811,114
	291,161,638	213,752,536	504,914,174
Total noncurrent assets	314,923,842	214,034,248	528,958,090
Total assets	413,871,058	283,421,128	697,292,186
Deferred Outflows of Resources			
Deferred outflows - pensions	7,741,094	2,058,543	9,799,637
Deferred outflows - OPEB	1,514,784	283,676	1,798,460
Deferred outflows - pension contributions	3,611,268	606,765	4,218,033
Total deferred outflows of resources	12,867,146	2,948,984	15,816,130

See Notes to Financial Statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 3,068,525	\$ 6,342,329	\$ 9,410,854
Accrued expenses and other	608,355	240,891	849,246
Accrued interest payable	156,512	4,534	161,046
Other postemployment benefit liability - current portion	166,735	-	166,735
Compensated absences - current portion	207,148	528,497	735,645
Due to other funds	690,643	-	690,643
Due to other governments	191,203	224,914	416,117
Bonds payable - current portion	9,470,000	975,929	10,445,929
Unearned revenues	7,021,371	62,059	7,083,430
Total current liabilities	21,580,492	8,379,153	29,959,645
Noncurrent Liabilities			
Customer deposits	-	1,429,857	1,429,857
Compensated absences	1,660,270	302,314	1,962,584
Other postemployment benefit liability	5,703,474	1,172,355	6,875,829
Net pension liability	39,335,144	11,213,814	50,548,958
Bonds payable, net	18,480,748	4,383,624	22,864,372
Total noncurrent liabilities	65,179,636	18,501,964	83,681,600
Total liabilities	86,760,128	26,881,117	113,641,245
Deferred Inflows of Resources			
Deferred inflows - OPEB	1,042,370	195,729	1,238,099
Deferred inflows - pensions	3,413,452	199,559	3,613,011
Total deferred inflows of resources	4,455,822	395,288	4,851,110
Net Position			
Net investment in capital assets	279,366,430	208,392,983	487,759,413
Restricted			
Debt service	7,800,286	277,179	8,077,465
New growth	7,142,595	-	7,142,595
Renewals and replacements	-	1,621,804	1,621,804
Capital improvements	3,032,914	-	3,032,914
Street improvements	6,111,298	-	6,111,298
Pensions	2,059,793	-	2,059,793
Other	86,016	-	86,016
Total restricted	26,232,902	1,898,983	28,131,885
Unrestricted	29,922,922	48,801,741	78,724,663
Total net position	\$ 335,522,254	\$ 259,093,707	\$ 594,615,961

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City of Bentonville, Arkansas
Statement of Activities
For the year ended December 31, 2020

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
					Primary Government		
Government/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 10,764,635	\$ 3,070,578	\$ 1,787,526	\$ -	\$ (5,906,531)	\$ -	\$ (5,906,531)
Public safety	30,483,681	3,302,059	186,947	250	(26,994,425)	-	(26,994,425)
Recreation	11,533,775	1,789,880	1,760,348	-	(7,983,547)	-	(7,983,547)
Street department	11,794,878	1,510,106	2,259,210	4,590,584	(3,434,978)	-	(3,434,978)
Library	2,014,164	33,902	125,050	7,843,595	5,988,383	-	5,988,383
Interest expense on long-term debt	1,464,550	-	-	-	(1,464,550)	-	(1,464,550)
Total governmental activities	68,055,683	9,706,525	6,119,081	12,434,429	(39,795,648)	-	(39,795,648)
Business-Type Activities:							
Electric	59,723,199	68,092,503	527,105	1,233,589	-	10,129,998	10,129,998
Water	14,973,111	12,872,797	300,000	3,224,741	-	1,424,427	1,424,427
Wastewater	10,096,434	14,688,256	-	800	-	4,592,622	4,592,622
Sanitation	5,406,151	5,799,564	-	-	-	393,413	393,413
Support	3,480,455	295,496	-	-	-	(3,184,959)	(3,184,959)
Total business-type activities	93,679,350	101,748,616	827,105	4,459,130	-	13,355,501	13,355,501
Total primary government	<u>\$ 161,735,033</u>	<u>\$ 111,455,141</u>	<u>\$ 6,946,186</u>	<u>\$ 16,893,559</u>	<u>(39,795,648)</u>	<u>13,355,501</u>	<u>(26,440,147)</u>
General Revenues:							
Property taxes					10,023,405	-	10,023,405
Sales taxes					43,279,794	-	43,279,794
State turnback					3,050,062	-	3,050,062
Impact Fees					2,858,636	-	2,858,636
Franchise taxes					5,506,867	-	5,506,867
Investment income					735,402	394,011	1,129,413
Gain on sales of capital assets					20,025	-	20,025
Transfers					(951,000)	951,000	-
Other					1,363,288	43,352	1,406,640
Total general revenues and transfers					65,886,479	1,388,363	67,274,842
Change in Net Position					26,090,831	14,743,864	40,834,695
Net Position - Beginning of Year					309,431,423	244,349,843	553,781,266
Net Position - End of Year					<u>\$ 335,522,254</u>	<u>\$ 259,093,707</u>	<u>\$ 594,615,961</u>

City of Bentonville, Arkansas
Balance Sheet - Governmental Funds
December 31, 2020

	General	Street	Capital Project	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 28,656,270	\$ 9,205,201	\$ -	\$ -	\$ -	\$ 37,861,471
Certificates of deposit	33,440,555	-	-	-	-	33,440,555
Accounts receivable:						
Property taxes, net of allowance for uncollectible accounts of \$475,786	6,918,325	2,121,615	-	-	-	9,039,940
Grants and other	1,163,381	1,287,878	-	-	7,060	2,458,319
Due from other funds	690,643	9,350	-	-	-	699,993
Prepaid and other	299,237	323	-	-	-	299,560
Restricted assets						
Cash and cash equivalents	1,040,369	-	18,834,698	6,556,857	8,124,788	34,556,712
Sales tax receivable	2,965,015	-	-	1,399,941	-	4,364,956
Total assets	<u>\$ 75,173,795</u>	<u>\$ 12,624,367</u>	<u>\$ 18,834,698</u>	<u>\$ 7,956,798</u>	<u>\$ 8,131,848</u>	<u>\$ 122,721,506</u>
Liabilities						
Accounts payable	\$ 1,858,443	\$ 240,180	\$ 862,495	\$ -	\$ 107,407	\$ 3,068,525
Due to other funds	12,086	-	-	-	690,643	702,729
Due to other governments	-	-	-	-	191,203	191,203
Accrued expenditures and other	572,674	35,681	-	-	-	608,355
Unearned revenues	2,906,101	4,115,270	-	-	-	7,021,371
Total liabilities	<u>5,349,304</u>	<u>4,391,131</u>	<u>862,495</u>	<u>-</u>	<u>989,253</u>	<u>11,592,183</u>
Deferred Inflows of Resources						
Unavailable revenues - property taxes	6,918,325	2,121,615	-	-	-	9,039,940
Fund balances						
Nonspendable						
Prepaid expenditures	299,237	323	-	-	-	299,560
Restricted						
Debt service	-	-	-	7,956,798	-	7,956,798
General capital improvements	3,032,914	-	17,972,203	-	-	21,005,117
New growth	-	-	-	-	7,142,595	7,142,595
Street improvements	-	6,111,298	-	-	-	6,111,298
Other	86,016	-	-	-	-	86,016
Unassigned	59,487,999	-	-	-	-	59,487,999
Total fund balances	<u>62,906,166</u>	<u>6,111,621</u>	<u>17,972,203</u>	<u>7,956,798</u>	<u>7,142,595</u>	<u>102,089,383</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 75,173,795</u>	<u>\$ 12,624,367</u>	<u>\$ 18,834,698</u>	<u>\$ 7,956,798</u>	<u>\$ 8,131,848</u>	<u>\$ 122,721,506</u>

See Notes to Financial Statements

Total fund balances - governmental funds	\$ 102,089,383
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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.	289,101,845
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Net pension assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	2,059,793
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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.	9,039,940
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Deferred inflows and outflows related to pensions and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	8,411,324
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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	(156,512)
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Accrued compensated absences	(1,867,418)
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Net pension liabilities	(39,335,144)
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Other postemployment benefits liability	(5,870,209)
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Bonds payable, net of premiums and discounts	<u>(27,950,748)</u>
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Total net position - governmental activities	<u>\$ 335,522,254</u>
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City of Bentonville, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2020

	General	Street	Capital Project	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property tax	\$ 7,269,641	\$ 2,260,536	\$ -	\$ -	\$ -	\$ 9,530,177
Sales tax	29,748,351	-	-	13,531,443	-	43,279,794
State turnback	1,497,831	2,657,372	-	-	-	4,155,203
Impact fees	-	-	-	-	2,858,636	2,858,636
Franchise taxes	5,506,867	-	-	-	-	5,506,867
Charges for services	3,869,740	46,756	-	-	-	3,916,496
Fines and forfeitures	388,542	-	-	-	-	388,542
Licenses and permits	1,943,451	17,391	-	-	-	1,960,842
Grants	5,093,226	2,259,210	-	-	-	7,352,436
Contributions	123,293	338,775	-	-	-	462,068
Interest	333,299	54,652	77,916	25,394	48,460	539,721
Investment income	195,681	-	-	-	-	195,681
Miscellaneous	1,230,901	672,760	-	-	-	1,903,661
Total revenues	57,200,823	8,307,452	77,916	13,556,837	2,907,096	82,050,124
Expenditures						
Current:						
General government	8,682,730	-	-	-	-	8,682,730
Public safety	24,418,096	-	-	-	-	24,418,096
Recreation	9,077,193	-	-	-	-	9,077,193
Street Department	-	3,970,303	-	-	-	3,970,303
Library	1,777,953	-	-	-	-	1,777,953
Capital outlay	11,687,550	3,666,317	3,635,857	-	-	18,989,724
Debt service						
Principal	-	-	-	11,535,000	-	11,535,000
Interest	-	-	-	1,464,550	-	1,464,550
Total expenditures	55,643,522	7,636,620	3,635,857	12,999,550	-	79,915,549
Excess (Deficiency) of Revenues Over Expenditures	1,557,301	670,832	(3,557,941)	557,287	2,907,096	2,134,575
Other Financing Sources (Uses)						
Sale of capital assets	20,025	-	-	-	-	20,025
Transfers in	791,518	-	-	-	-	791,518
Transfers out	-	-	-	-	(1,742,518)	(1,742,518)
Total other financing sources (uses)	811,543	-	-	-	(1,742,518)	(930,975)
Change in Fund Balances	2,368,844	670,832	(3,557,941)	557,287	1,164,578	1,203,600
Fund Balances, Beginning of Year	60,537,322	5,440,789	21,530,144	7,399,511	5,978,017	100,885,783
Fund Balances, End of Year	<u>\$ 62,906,166</u>	<u>\$ 6,111,621</u>	<u>\$ 17,972,203</u>	<u>\$ 7,956,798</u>	<u>\$ 7,142,595</u>	<u>\$ 102,089,383</u>

See Notes to Financial Statements

Net change in fund balance - total governmental funds	\$ 1,203,600
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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	18,444,877
Capital contributions	12,424,187
Capital asset disposals	(97,627)
Depreciation expense	(12,424,440)

Reductions in bond principal reported as expenditures for the funds are not reported as expenses in the statement of activities.	11,535,000
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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.	493,228
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Deferred inflows/outflows 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 changed during the current year.	(5,506,357)
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Expenses for pensions and other post employment 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 post employment benefit liabilities reported in the governmental fund statements.	(147,388)
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Accrued expenses, such as compensated absences, interest, pension costs, 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.	165,751
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Change in net position of governmental activities	\$ 26,090,831
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City of Bentonville, Arkansas

Statement of Net Position -

Proprietary Funds

December 31, 2020

	Business-type Activity - Enterprise Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 36,119,173
Certificates of deposit	15,451,208
Accounts receivable (customer accounts), net of allowance for uncollectible accounts of \$329,000	12,129,123
Due from other funds	2,736
Restricted cash and cash equivalents	1,621,805
Inventories	3,984,912
Total current assets	69,308,957
Noncurrent Assets	
Restricted Cash and cash equivalents	281,712
Capital assets, net of accumulated depreciation of \$105,744,169	213,752,536
Other assets	77,923
Total noncurrent assets	214,112,171
Total assets	283,421,128
Deferred Outflows of Resources	
Deferred outflows - pensions	2,058,543
Deferred outflows - pension contributions	606,765
Deferred outflows - OPEB	283,676
Total deferred outflows of resources	2,948,984

	Business-type Activity - Enterprise Fund
Liabilities	
Current Liabilities:	
Accounts payable	\$ 6,342,329
Accrued expenses and other	240,891
Accrued interest payable	4,534
Compensated absences	528,497
Due to other governments	224,914
Bonds payable - current portion	975,929
Unearned revenue	62,059
	<hr/>
Total current liabilities	8,379,153
Noncurrent Liabilities	
Customer deposits	1,429,857
Compensated absences	302,314
Other post employment benefits liability	1,172,355
Net pension liability	11,213,814
Bonds payable, net of unamortized premium and discount	4,383,624
	<hr/>
Total noncurrent liabilities	18,501,964
Total liabilities	<hr/> 26,881,117
Deferred Inflows of Resources	
Deferred inflows - OPEB	195,729
Deferred inflows - pensions	199,559
	<hr/>
Total deferred inflows of resources	395,288
Net Position	
Net investment in capital assets	208,392,983
Restricted	
Debt service	277,179
Renewals and replacements	1,621,804
Unrestricted	48,801,741
	<hr/>
Total net position	<u><u>\$ 259,093,707</u></u>

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City of Bentonville, Arkansas
Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds
Year Ended December 31, 2020

	Business-type Activity - Enterprise Fund
Operating Revenues	
Charges for services	\$ 101,745,586
Other, net	47,182
Total operating revenues	<u>101,792,768</u>
Operating Expenses	
Salaries and fringe benefits	12,569,427
Contract purchases	63,018,609
Maintenance	1,799,811
Depreciation and amortization	7,732,027
Materials and supplies	1,093,666
Other services and charges	7,228,632
Total operating expenses	<u>93,442,172</u>
Operating Income	<u>8,350,596</u>
Nonoperating Income (Expenses)	
Interest income	251,460
Investment Income	142,551
Bond interest and fiscal agent charges	(237,178)
Grants	827,105
Net non-operating revenues (expenses)	<u>983,938</u>
Income Before Capital Contributions and Transfers	9,334,534
Capital Contributions and Transfers	
Capital Contributions	4,458,330
Transfers in	951,000
Change in Net Position	14,743,864
Net Position - Beginning of Year	<u>244,349,843</u>
Net Position, End of Year	<u><u>\$ 259,093,707</u></u>

City of Bentonville, Arkansas
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2020

	Business-type Activity - Enterprise Fund
Operating Activities	
Receipts from customers	\$ 99,465,980
Payments to suppliers	(65,662,416)
Payments to employees	(11,571,000)
Other payments	(7,045,751)
	<hr/>
Net cash provided by operating activities	15,186,813
	<hr/>
Noncapital Financing Activities	
Transfer from other funds	951,000
	<hr/>
Net cash provided by noncapital financing activities	951,000
	<hr/>
Capital and Related Financing Activities	
Purchase and construction of capital assets	(8,317,939)
Principal paid on revenue bonds	(1,043,456)
Interest and agent fees paid of revenue bonds	(232,836)
Grants for capital purposes	827,105
	<hr/>
Net cash used in capital and related financing activities	(8,767,126)
	<hr/>
Investing Activities	
Maturity of certificates of deposit	18,500,000
Purchase of certificates of deposit	(13,468,313)
Maturity of investments	16,659,656
Purchase of investments	(18,500,000)
Interest income	251,460
	<hr/>
Net cash provided by investing activities	3,442,803
	<hr/>
Increase in Cash and Cash Equivalents	10,813,490
	<hr/>
Cash and Cash Equivalents, Beginning of Year	27,209,200
	<hr/>
Cash and Cash Equivalents, End of Year	\$ 38,022,690
	<hr/> <hr/>

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	\$ 36,119,173
Restricted cash and cash equivalents - current	1,621,805
Restricted cash and cash equivalents - noncurrent	281,712
	<u>\$ 38,022,690</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 8,350,596
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	7,732,027
Changes in assets and liabilities	
Receivables, net	(2,279,606)
Other assets	(10,071)
Inventories	128,689
Deferred outflows related to pensions	(677,893)
Deferred outflows related to OPEB	(148,201)
Accounts payable	120,981
Accrued expenses	144,732
Due to other governments	(20,509)
Other liabilities	167,179
Deferred revenue	(900)
OPEB liability	87,676
Net Pension liability	1,703,931
Deferred inflows related to OPEB	141,065
Deferred inflows related to pension	(252,883)
	<u>\$ 15,186,813</u>
Noncash Investing, Capital and Financing Activities	
Capital assets acquired through contributions	<u>\$ 4,458,330</u>

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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 City’s primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible.

Jointly Governed Venture

The City is a participant with nine Northwest Arkansas cities in a jointly governed 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, 2020, NACA has revenue bonds outstanding of \$53,852,537 with a final maturity date in October 2055. 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 2020, the City was NACA’s primary customer and paid service charges to NACA in the amount of \$5,796,316, of which \$531,291 is payable at year end. As of December 31, 2020, NACA reported a decrease in Net Position of \$2,475,975. Complete financial statements for NACA can be obtained from NACA’s administrative office at 11579 Snively 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.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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:

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, 2020

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 unearned 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, 2020

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, 2020, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

Generally, investments are stated at fair value or amortized cost and are held by the City in various forms as allowed by the laws of the State of Arkansas. The City records all investment income to funds with which the related investment asset is associated. Investment income includes interest income, dividend income, other investment income, realized and unrealized gains and losses on investments carried at fair value, investments carried at other than fair value, and other investment income. Investment income is included in unrestricted net position and is reflected as nonoperating revenue in the statement of revenues, expenses and changes in net position in Proprietary Funds.

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 \$9,039,940 and related deferred inflows of resources have been recorded at December 31, 2020, 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.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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.

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 at 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:

	Years
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.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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) until then. The City has three items that qualify for reporting in this category. Two of the items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments. 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*. The third item relates to other postemployment benefits (OPEB) and is comprised of the difference between the expected and actual experience and the change in assumptions. These amounts will be amortized to OPEB expense over future periods as shown in *Note 8*.

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 three items that qualify as deferred inflows of resources as of December 31, 2020. The items reported in the statements are unavailable revenues in the governmental funds balance sheet and deferred inflows - pensions and deferred inflows - OPEB 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 and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, deferred inflows - pensions, consists of the difference between the expected and actual experience related to the pension plans as well as the difference in the assumption changes. Deferred inflows - pensions are amortized to pension expense over future periods as shown within *Note 7*. The third item, deferred inflows - OPEB consists of the different in the assumption changes. Deferred inflows - OPEB are amortized to OPEB expense over future periods as shown in *Note 8*.

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 bond issue premiums or discounts. In the government wide statements, debt issuance costs are reported as expenditures in the period incurred.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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. No liability is recorded in the fund financial statements of governmental funds unless they have matured, as payment of this liability will not be made with expendable available financial resources unless an employee has terminated employment as of the end of the fiscal year. For governmental activities, compensated absences are generally liquidated by the general fund.

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.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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.

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 2020 for infrastructure capital assets contributed to the City from developers. The contributed assets were recorded at acquisition values totaling \$9,048,913 based upon the costs to construct by the developers (Level 3 inputs).

The City had nonrecurring fair value measurements during 2020 for the purchase of the Bentonville Public Library building and two lots near the library below fair value. The assets were recorded at fair value based upon valuation of recent sales of comparable property in the area (Level 2 inputs). The library building was valued at \$7.3 million and the lots of land near the library were valued at \$217,797 and \$315,806.

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.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

Adoption of Accounting Principles

GASB Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88): The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities 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 the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to 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 subjective 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.

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, 2020:

GASB Statement No. 87 - *Leases* (GASB 87): The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease 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 activities. This statement is effective for fiscal years beginning after June 15, 2021. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*: The primary objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. It also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, 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. 91, *Conduit Debt Obligations*: The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation: establishing that a conduit debt obligation is not a liability to the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, 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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*: The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership agreements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022. 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.

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, 2020, the City had bank balances of \$137,847,388 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, 2020, was \$133,651,188.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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.

Investments at December 31, 2020, consisted of the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Money Market Mutual Funds	\$ 25,673,267	\$ 25,673,267	\$ -	\$ -	\$ -

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.

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

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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.

Summary of Carrying Values

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

Carrying value	
Deposits	\$ 133,651,188
Cash on hand	8,181
Investments	<u>25,673,267</u>
	<u>\$ 159,332,636</u>
Included in the following statement of net position captions	
Cash and cash equivalents	\$ 65,854,005
Certificates of deposit	48,891,763
Restricted cash and cash equivalents - current	24,907,908
Restricted cash and cash equivalents - noncurrent	<u>19,678,960</u>
	<u>\$ 159,332,636</u>

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2020, is presented below:

Governmental Activities	Balance, December 31, 2019	Additions and Transfers, Net	Retirements and Transfers, Net	Balance, December 31, 2020
Capital assets, non-depreciable				
Land	\$ 9,405,000	\$ 1,388,833	\$ -	\$ 10,793,833
Total capital assets, non-depreciable	9,405,000	1,388,833	-	10,793,833
Capital assets, depreciable				
Other improvements	95,499,033	2,887,358	-	98,386,391
Streets	183,258,802	9,275,760	-	192,534,562
Buildings	60,131,306	14,530,975	-	74,662,281
Furniture, fixtures & equipment	39,129,628	2,786,137	307,188	41,608,577
Total capital assets, depreciable	378,018,769	29,480,230	307,188	407,191,811
Less accumulated depreciation				
Other improvements	31,670,938	3,217,220	-	34,888,158
Streets	49,519,766	4,632,085	-	54,151,851
Buildings	10,921,049	1,685,942	-	12,606,991
Furniture, fixtures & equipment	24,557,168	2,889,193	209,562	27,236,799
Total accumulated depreciation	116,668,921	12,424,440	209,562	128,883,799
Total governmental activities, net	\$ 270,754,848	\$ 18,444,623	\$ 97,626	\$ 289,101,845

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

Business-type Activities	Balance December 31, 2019	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2020
Capital Assets, non-depreciable				
Land	\$ 8,227,473	\$ 21,961	\$ -	\$ 8,249,434
Total capital assets, non-depreciable	8,227,473	21,961	-	8,249,434
Capital Assets, depreciable				
Other improvements	2,417,735	655,591	-	3,073,326
Water distribution facilities	72,088,274	2,649,003	-	74,737,277
Sewer and solid waste collection and treatment facilities	82,557,888	3,059,624	-	85,617,512
Electric distribution facilities	92,436,699	4,867,822	-	97,304,521
Buildings	22,608,071	651,395	-	23,259,466
Furniture and equipment	22,938,368	727,792	-	23,666,160
Vehicles	3,451,327	142,777	-	3,594,104
Total capital assets, depreciable	298,498,362	12,754,004	-	311,252,366
Less accumulated depreciation				
Other improvements	463,329	88,147	-	551,476
Water distribution facilities	25,225,930	1,490,945	-	26,716,875
Sewer and solid waste collection and treatment facilities	30,217,703	1,748,887	-	31,966,590
Electric distribution facilities	26,087,630	2,191,783	-	28,279,413
Buildings	2,162,925	577,838	-	2,740,763
Furniture and equipment	11,257,444	1,361,098	-	12,618,542
Vehicles	2,602,580	273,025	-	2,875,605
Total accumulated depreciation	98,017,541	7,731,723	-	105,749,264
Total business-type activities, net	<u>\$ 208,708,294</u>	<u>\$ 5,044,242</u>	<u>\$ -</u>	<u>\$ 213,752,536</u>

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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

Governmental activities	
General government	\$ 1,493,549
Public safety	1,976,194
Recreation	1,815,812
Street department	6,861,354
Library	<u>277,531</u>
Total depreciation expense	<u>12,424,440</u>
Business-type	
Electric	3,123,065
Water	1,830,230
Waste water	868,951
Sanitation	1,283,455
Support	<u>626,022</u>
Total depreciation expense	<u>7,731,723</u>
Total depreciation expense, primary government	<u><u>\$ 20,156,163</u></u>

Construction Projects

At December 31, 2020, the City had the following commitments with respect to unfinished capital projects.

Governmental Fund Construction Projects

	Project Authorization	Expended Through December 31, 2020	Remaining Commitment
West Side Taxiway	\$ 2,250,611	\$ 2,111,760	\$ 138,851
Circular Apron Phase 2	379,005	281,233	97,772
East Taxiway B	1,977,375	175,939	1,801,436
Street Redesign	1,564,000	745,750	818,250
McCollum Sidepath	355,631	72,350	283,281
Walton/3rd Street Signal Light	<u>753,248</u>	<u>338,456</u>	<u>414,792</u>
Total	<u><u>\$ 7,279,870</u></u>	<u><u>\$ 3,725,488</u></u>	<u><u>\$ 3,554,382</u></u>

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2020, were as follows:

Governmental Activities	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020	Amounts Due in One Year
Bonds payable					
Revenue bonds	\$ 38,735,000	\$ -	\$ 11,535,000	\$ 27,200,000	\$ 9,470,000
Add unamortized premium	1,375,297	-	174,332	1,200,965	-
Less unamortized bond issue discount	514,598	-	64,381	450,217	-
Bonds payable, net	39,595,699	-	11,644,951	27,950,748	9,470,000
Compensated absences	1,649,329	285,337	67,248	1,867,418	207,148
Net pension liability	38,816,790	518,354	-	39,335,144	-
Other postemployment benefits	5,388,071	482,138	-	5,870,209	166,735
Total governmental activities long-term liabilities	<u>\$ 85,449,889</u>	<u>\$ 1,285,829</u>	<u>\$ 11,712,199</u>	<u>\$ 75,023,519</u>	<u>\$ 9,843,883</u>
Business-type Activities	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020	Amounts Due in One Year
Bonds payable					
Revenue bonds - direct placement	\$ 6,403,009	\$ -	\$ 1,043,456	\$ 5,359,553	\$ 975,929
Less unamortized bond issue discount	5,097	-	5,097	-	-
Bonds payable, net	6,397,912	-	1,038,359	5,359,553	975,929
Compensated absences	748,302	82,509	-	830,811	528,497
Net pension liability	9,509,883	1,703,931	-	11,213,814	-
Other postemployment benefits	1,084,679	87,676	-	1,172,355	-
Customer deposits	1,262,678	167,179	-	1,429,857	-
Total business-type activities long-term liabilities	<u>\$ 19,003,454</u>	<u>\$ 2,041,295</u>	<u>\$ 1,038,359</u>	<u>\$ 20,006,390</u>	<u>\$ 1,504,426</u>

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

Bonds outstanding at December 31, 2020, were as follows:

	Interest Rates	Date Callable	Final Maturity Date	Principal at December 31, 2020
General long-term obligations				
Sales and Use Tax bonds, Series 2009	4.0-5.0%	2017	2027	\$ 7,265,000
Sales and Use Tax bonds, Series 2010	2.0-4.0%	2017	2027	6,830,000
Sales and Use Tax bonds, Series 2017	2.0-5.0%	2022	2027	13,105,000
				<u>\$ 27,200,000</u>
Enterprise Funds				
Revenue bonds, Series 2006A	2.5%	2016	2028	\$ 3,515,224
Revenue bonds, Series 2006B	5.2-5.9%	2013	2025	923,331
Revenue bonds, Series 2000	2.75%	N/A	2023	870,678
Revenue bonds, Series 1998	2.75%	2009	2021	50,320
				<u>\$ 5,359,553</u>

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 2020, the City retired \$4,010,000 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 2020, the City retired \$2,040,000 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 2020, the City retired \$2,805,000 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 2020, the City retired \$2,680,000 in principal of the outstanding bonds.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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 2020, the City retired \$388,229 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 2020, the City retired \$156,711 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 2020, the City retired \$350,803 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 2020, the City retired \$147,713 in principal of the outstanding bonds.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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, 2020.

Fiscal Year	Governmental Activities Bonds - Publicly Traded		Business Type Activities Bonds - Direct Placement		
	Principal	Interest	Principal	Interest	Fees
2021	\$ 9,470,000	\$ 939,071	\$ 975,929	\$ 156,916	\$ 43,607
2022	5,350,000	636,789	962,371	129,694	36,488
2023	5,560,000	421,434	743,689	97,133	27,615
2024	4,260,000	219,659	634,285	73,915	22,362
2025	2,560,000	79,877	658,678	52,446	17,933
2026-2030	-	-	1,384,601	57,948	25,753
	<u>\$ 27,200,000</u>	<u>\$ 2,296,830</u>	<u>\$ 5,359,553</u>	<u>\$ 568,052</u>	<u>\$ 173,758</u>

For governmental activities, net pension liabilities and other post-employment liabilities 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, 2020:

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	\$ 43,279,794	\$ 1,558,073	3.6%	\$ 14,156,006	Until 2027
Sales and Use Tax Bonds, Series 2010	Sales and Use Tax	43,279,794	2,466,948	5.7%	7,455,874	Until 2027
Sales and Use Tax Bonds, Series 2009	Sales and Use Tax	43,279,794	3,635,503	8.4%	7,884,950	Until 2027
Business-Type Activities:						
Combined Electric, Water and Sewer Revenue Bonds, Series 2006A	Revenues of the Enterprise Fund	101,748,616	610,492	0.6%	4,029,780	Until 2028
Combined Electric, Water and Sewer Revenue Bonds, Series 2006B	Revenues of the Enterprise Fund	101,748,616	203,497	0.2%	1,094,368	Until 2025
Combined Electric, Water and Sewer Revenue Bonds, Series 2000	Revenues of the Enterprise Fund	101,748,616	406,994	0.4%	927,150	Until 2023
Combined Electric, Water and Sewer Revenue Bonds, Series 1998	Revenues of the Enterprise Fund	101,748,616	203,497	0.2%	51,735	Until 2021

City of Bentonville, Arkansas

Notes to Financial Statements

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Revenue Bonds from Direct Placements

The City's outstanding revenue bonds from direct placements of \$5,359,553 contain a provision that in an event of default, the bondholder may apply in proper action to a court for the appointment of a receiver to administer the City on behalf of the bondholder with the power to charge and collect rates sufficient to provide for the payments of the expenses of operation and to pay the bond interest and principal. The direct placements are associated with Revolving Loan Funds administered through the Arkansas Development Finance Authority.

Note 5: Interfund Receivables and Payables

Interfund receivables and payables as of December 31, 2020, are as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 690,643	\$ 12,086
Street fund	9,350	-
Enterprise fund	2,736	-
	<u>\$ 702,729</u>	<u>\$ 12,086</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:

	Transfers in:		
	General Fund	Enterprise Fund	Total
Transfers out:			
Non-major governmental funds	<u>\$ 91,518</u>	<u>\$ 951,000</u>	<u>\$ 1,742,518</u>
Total	<u>\$ 791,518</u>	<u>\$ 951,000</u>	<u>\$ 1,742,518</u>

Transfers are used to move revenues from the fund where collected to the appropriate fund. These transfers represent movement of funds from impact fees held in non-major governmental funds to the respective funds for which the impact fees were imposed.

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

Note 7: Pension Plans

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

	<u>FRPF</u>	<u>LOPFI</u>	<u>APERS</u>	<u>Total</u>
Net pension asset	\$ 2,059,793	\$ -	\$ -	\$ 2,059,793
Net pension liability	-	22,068,039	28,480,919	50,548,958
Deferred outflows of resources	-	4,906,107	4,893,530	9,799,637
Deferred outflows of resources - contributions	-	2,676,967	1,541,066	4,218,033
Deferred inflows of resources	352,317	2,753,852	506,842	3,613,011
Pension expense	38,847	5,836,239	5,879,745	11,754,831

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 salaries.

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 Old Plan issues separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas, 72201.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	10
DROP members	-
Active members	-
	<hr/>
Total	<u>10</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, normally receive a state insurance turn back on an annual basis. However, no state insurance turn back was received during the year ended December 31, 2020.

Net Pension Asset. The City's net pension asset of \$2,059,793 as of December 31, 2020, was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial calculation as of December 31, 2019.

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

Actuarial Assumptions

Valuation Date	December 31, 2019
Cost Method	Individual entry-age normal
Asset valuation method	5-Year smoothed market
Amortization method	Closed amortization period
Amortization period	13 years beginning January 1, 2017
Assumptions:	
Inflation rate	2.50%
Investment rate of return	7.50%

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender-distinct RP2000 Combined Mortality Table, projected to 2020 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, 2019, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2017 valuation. Assumptions are reviewed annually. No additional changes were made for the 2019 valuation.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 7.0%. 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

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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%	1.30%
Domestic Equity	42%	5.40%
Foreign Equity	18%	7.80%
Alternative Investments	10%	6.70%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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, 2020

Changes in the Net Pension Asset

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at January 1, 2020	\$ 6,047,219	\$ 7,253,908	\$ (1,206,689)
Changes for the year:			
Interest	408,662	-	408,662
Differences between expected and actual experience	58,343	-	58,343
Contributions - employer	-	17,254	(17,254)
Contributions - employee	-	-	-
Net investment income	-	1,314,415	(1,314,415)
Benefit payments, including refunds of employee contributions	(418,394)	(418,394)	-
Change in assumptions	-	-	-
Administrative expense	-	(11,560)	11,560
Net changes	<u>48,611</u>	<u>901,715</u>	<u>(853,104)</u>
Balances at December 31, 2020	<u>\$ 6,095,830</u>	<u>\$ 8,155,623</u>	<u>\$ (2,059,793)</u>

The City has designated property tax millage to this plan that is paid directly to LOPFI and then allocated to the plan.

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

The following table presents the net pension asset for the City 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 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's Net Pension Asset	<u>\$ (1,367,564)</u>	<u>\$ (2,059,793)</u>	<u>\$ (2,639,779)</u>

Pension Plan Fiduciary Net Position

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

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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

For the year ended December 31, 2020, the City recognized pension expense of \$38,847 related to this plan.

At December 31, 2020, 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	\$ <u>(352,317)</u>

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	
2021	\$ (73,856)
2022	(101,244)
2023	(12,999)
2024	<u>(164,218)</u>
Total	<u>\$ (352,317)</u>

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.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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.

Contributions. Contributions to LOPFI are made by both the Member 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 23.50% of covered employee's salaries to the plan for policemen and firemen for the year ended December 31, 2020. Contributions made to the plan by employees and the City for the year ended December 31, 2020 amounted to \$674,060 and \$2,676,967, respectively.

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

At December 31, 2020, the City reported a liability of \$22,068,039 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, 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, 2019, the City's proportion was 2.856 percent, which was an increase of .01218 percent from the prior year.

For the year ended December 31, 2020, the City recognized pension expense of \$5,836,239 related to this plan. At December 31, 2020, 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	\$ 2,171,360	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,665,178
Changes in assumptions	1,905,662	-
Changes in proportion	829,085	88,674
Contributions subsequent to the measurement date	2,676,967	-
	<hr/>	<hr/>
Total	\$ 7,583,074	\$ 2,753,852
	<hr/>	<hr/>

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,676,967 will be recognized as a reduction of the net pension liability for the year ended December 31, 2021. 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	
2021	\$ 1,972,883
2022	792,901
2023	487,640
2024	<u>(1,101,169)</u>
Total	<u><u>\$ 2,152,255</u></u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 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	2.5 percent
Wage inflation	3.25 percent
Salary increases	3.75 to 18.25 percent, including inflation
Investment rate of return	7.5 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to December 31, 2016. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2019 actuarial evaluation to more closely reflect actual experience.

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

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%	1.30%
Domestic Equity	42.00%	5.40%
Foreign Equity	18.00%	7.80%
Alternative Investments	10.00%	6.70%
Total	100.00%	

Discount Rate

In the December 31, 2019 actuarial valuation, a single discount rate of 7% 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%. 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, 2020

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 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 percent) or 1-percentage-point higher (8 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability	\$ 35,162,845	\$ 22,068,039	\$ 11,508,144

Pension Plan Fiduciary Net Position

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

Arkansas Public Employees Retirement System ("APERS")

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

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

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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 Member (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 15.32% of covered employee's salaries to the plan for the period January 1, 2020 to December 31, 2020. Contributions made to the plan by employees and the City for the year ended December 31, 2020 amounted to \$735,509 and \$3,111,695, respectively.

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

At December 31, 2020, the City reported a liability of \$28,480,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was .99458979%, which is an increase of .01414676% from the prior year.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

For the year ended December 31, 2020, the City recognized pension expense of \$5,879,745. At December 31, 2020, 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	\$ 378,092	\$ 18,860
Change of assumptions	356,842	487,982
Changes in proportion	1,144,952	-
Net difference between projected and actual earnings on pension plan investments	3,013,644	-
Contributions subsequent to the measurement date	<u>1,541,066</u>	<u>-</u>
Total	<u>\$ 6,434,596</u>	<u>\$ 506,842</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,541,066 will be recognized as a reduction of the net pension liability for the year ended December 31, 2021. 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	
2021	\$ 783,978
2022	1,263,938
2023	1,445,913
2024	<u>892,859</u>
Total	<u>\$ 4,386,688</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 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

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2020 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%	6.22%
International Equity	24.00%	6.69%
Real Assets	16.00%	4.81%
Absolute Return	5.00%	3.05%
Domestic Fixed	18.00%	0.57%
Total	100.00%	

Discount Rate

In the June 30, 2020 actuarial valuation, a single discount rate of 7.15% 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%. 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, 2020

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	<u>\$ 43,378,547</u>	<u>\$ 28,480,919</u>	<u>\$ 16,187,003</u>

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 eligible 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. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

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 \$440.24 to \$1,500.84 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, 2020. Dependent coverage was provided for three of the retirees. Total benefits paid by the City for retirees during the fiscal year were \$204,440.

City of Bentonville, Arkansas

Notes to Financial Statements

December 31, 2020

Employees covered by benefit terms - at December 31, 2020, the following employees were covered by benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	19
Inactive plan members entitled to but not receiving benefit payments	0
Active members	<u>478</u>
 Total	 <u><u>497</u></u>

Total OPEB Liability - The City's total OPEB liability of \$7,042,564 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions: The Total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.12 percent based on the 20 year municipal bond yield from the Bond Buyer's index. Prior discount rate was 3.26 percent
Salary increases	3.25 percent
Inflation rate	2.50 percent
Healthcare Cost	
Trend rates	7 percent for 2021 decreasing annually, to ultimate rate of 4.5 percent for 2026
Cost Method	Allocation of Actuarial Present Value of Future Benefits for Services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary were: Services cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefits at retirement; and Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.
Mortality	General Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020 Police Retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020 Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality fully generational using Scale MP-2020

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

Changes in Total OPEB Liability

Service cost	\$ 440,363
Interest	222,061
Changes in assumptions	1,175,106
Differences between expected and actual experience	(1,063,276)
Benefit payments	<u>(204,440)</u>
Net change in total OPEB liability	569,814
Total OPEB Liability - beginning of year	<u>6,472,750</u>
Total OPEB Liability - end of year	<u><u>\$ 7,042,564</u></u>

Sensitivity of the Total OPEB Liability to the Discount Rate - The following represents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (1.12 percent) or 1-percentage-point higher (3.12 percent) than the current discount rate:

	Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
	1% Decrease 1.12%	Discount Rate 2.12%	1% Increase 3.12%
Other Postemployment Benefits Liability	<u>\$ 7,851,674</u>	<u>\$ 7,042,564</u>	<u>\$ 6,323,027</u>

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rates - The following represents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Other Postemployment Benefits Liability	<u>\$ 6,102,033</u>	<u>\$ 7,042,564</u>	<u>\$ 8,171,806</u>

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended December 31, 2020, the City recognized OPEB expense of \$727,873. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 308,127	\$ (956,948)
Changes in assumptions	1,490,333	(281,151)
Total	<u>\$ 1,798,460</u>	<u>\$ (1,238,099)</u>

The balances as of December 31, 2020 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense in the future fiscal years as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>
2021	\$ 65,448
2022	65,448
2023	65,448
2024	65,448
2025	65,448
Thereafter	233,121
Total	<u>\$ 560,361</u>

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 2019 to 2020; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

City of Bentonville, Arkansas
Notes to Financial Statements
December 31, 2020

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.

The Northwest Arkansas Conservation Authority (NACA) completed construction of the Little Osage Gravity Sewer line from the NACA regional wastewater treatment facility to the City of Bentonville in 2010. The City incurs all costs associated with operations and maintenance of the line and associated debt payments.

In January 2019, NACA was notified by a third party engineering firm of significant damage to the Little Osage Gravity Sewer line that serves the City. Significant repairs will need to be made to the existing lines or total replacement will need to be made in order for NACA to continue to serve the City. It is not certain the cost to repair the lines or who the responsible parties will be for the expense. However, the costs could be significant to the City and its ratepayers. NACA will pass any cost incurred by them for which no other source of funding can be obtained on to the City through the billing process.

Note 11: Subsequent Events

In February of 2021, a winter storm occurred that resulted in a significant increase in the monthly cost for purchase of power. The February bill from our power providers amounted to \$16 million. The City is currently in the process of disputing this bill. However, if the charges are deemed legitimate, this will be a significant unanticipated cost to the City and to its customers.

The City is currently in the process of issuance of Sales and Use Tax Bonds, Series 2021 which will be dated in July 2021. The principal amount of the bonds will be approximately \$100 million and will be used to finance the costs of capital improvements, provide a debt service reserve and pay expenses of authorizing and issuing the Series 2021 Bonds.

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Required Supplementary Information

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City of Bentonville, Arkansas
Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 6,490,137	\$ 6,490,137	\$ 7,269,641	\$ 779,504
Sales tax	25,702,597	25,702,597	29,748,351	4,045,754
State turnback	1,444,376	1,444,376	1,497,831	53,455
Franchise taxes	5,324,953	5,324,953	5,506,867	181,914
Charges for services	6,255,538	6,255,538	3,869,740	(2,385,798)
Fines and forfeitures	498,372	498,372	388,542	(109,830)
Licenses and permits	1,247,601	1,247,601	1,943,451	695,850
Grants	254,548	6,785,263	5,093,226	(1,692,037)
Contributions	14,500	135,125	123,293	(11,832)
Interest	186,122	186,122	333,299	147,177
Investment income	-	-	195,681	195,681
Miscellaneous	2,438,025	2,740,684	1,230,901	(1,509,783)
Total revenues	49,856,769	56,810,768	57,200,823	390,055
Expenditures				
Current				
General government	8,852,355	9,420,251	8,682,730	737,521
Public safety	24,706,194	25,752,665	24,418,096	1,334,569
Recreation	10,061,643	12,138,092	9,077,193	3,060,899
Library	1,824,638	1,937,538	1,777,953	159,585
Capital outlay	4,121,753	24,768,677	11,687,550	13,081,127
Total expenditures	49,566,583	74,017,223	55,643,522	18,373,701
Excess (Deficiency) of Revenues Over Expenditures	290,186	(17,206,455)	1,557,301	18,763,756
Other Financing Sources				
Sale of capital assets	-	-	20,025	20,025
Transfers in	250,000	350,875	791,518	440,643
Transfers out	-	1,127,631	-	(1,127,631)
Total other financing sources	250,000	1,478,506	811,543	(666,963)
Net Change in Fund Balances	540,186	(15,727,949)	2,368,844	18,096,793
Fund Balances, Beginning of Year	60,537,322	60,537,322	60,537,322	-
Fund Balances, End of Year	<u>\$ 61,077,508</u>	<u>\$ 44,809,373</u>	<u>\$ 62,906,166</u>	<u>\$ 18,096,793</u>

City of Bentonville, Arkansas
Budgetary Comparison Schedule -
Street Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 2,018,497	\$ 2,018,497	\$ 2,260,536	\$ 242,039
State turnback	2,483,208	2,483,208	2,657,372	174,164
Charges for services	27,000	27,000	46,756	19,756
Licenses and permits	-	-	17,391	17,391
Grants	-	4,668,836	2,259,210	(2,409,626)
Contributions	-	338,750	338,775	25
Interest	6,460	6,460	54,652	48,192
Miscellaneous	-	12,215	672,760	660,545
Total revenues	4,535,165	9,554,966	8,307,452	(1,247,514)
Expenditures				
Current:				
Street Department	2,831,820	3,601,790	3,970,303	(368,513)
Capital outlay	1,482,802	7,727,085	3,666,317	4,060,768
Total expenditures	4,314,622	11,328,875	7,636,620	3,692,255
Excess (Deficiency) of Revenues Over Expenditures	220,543	(1,773,909)	670,832	2,444,741
Other Financing Sources				
Transfers in	-	1,127,631	-	(1,127,631)
Transfers out	(72,122)	(72,122)	-	72,122
Total other financing sources	(72,122)	1,055,509	-	(1,055,509)
Net Change in Fund Balances	148,421	(718,400)	670,832	1,389,232
Fund Balances, Beginning of Year	5,440,789	5,440,789	5,440,789	-
Fund Balances, End of Year	<u>\$ 5,589,210</u>	<u>\$ 4,722,389</u>	<u>\$ 6,111,621</u>	<u>\$ 1,389,232</u>

City of Bentonville, Arkansas

Retiree Healthcare Plan

Schedule of the City's Changes in Total OPEB Liability and Related Ratios

Total OPEB Liability	2020	2019	2018
Service cost	\$ 440,363	\$ 350,443	\$ 340,441
Interest	222,061	227,467	185,817
Differences between expected and actual experience	(1,063,276)	257,644	145,729
Changes of assumptions or other inputs	1,175,106	540,922	(401,643)
Benefit payments	(204,440)	(173,719)	(122,045)
Net change in total OPEB liability	569,814	1,202,757	148,299
Total OPEB liability - beginning	6,472,750	5,269,993	5,121,694
Total OPEB liability - ending	<u>\$ 7,042,564</u>	<u>\$ 6,472,750</u>	<u>\$ 5,269,993</u>
Covered-employee payroll	\$ 28,116,711	\$ 27,868,664	\$ 24,500,575
Total OPEB liability as a percentage of covered-employee payroll	25.0%	23.2%	21.5%

Notes to Schedule:

No assets accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

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 75, the City will only present available information.

Change in Assumptions:

	2020	2019	2018
Discount Rate	2.12	3.26%	4.11%
Health Care Cost Trend Rates	7% for 2021 decreasing annually to 4.5% for 2026	7.5% for 2020 decreasing annually to 4.5% for 2026	8% for 2019 decreasing annually to 4.5% for 2026
Mortality	General Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020 Police Retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020 Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality fully generational using Scale MP-2020	RPH-2019 Total Dataset Mortality Table fully generational using Scale MP-2019	RHP-2018 Total Dataset Mortality Table fully generational using Scale MP-2018

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, Total Pension Liability	2020	2019	2018	2017	2016	2015
Interest	\$ 408,662	\$ 405,456	\$ 429,845	\$ 437,660	\$ 466,923	\$ 398,688
Difference between actual and expected experience	58,343	51,252	(192,297)	219,904	(60,276)	804,333
Assumption changes	-	-	417,704	-	132,682	-
Benefit payments	(418,394)	(403,429)	(415,392)	(1,101,418)	(355,876)	(344,268)
Net Change in Total Pension Liability	48,611	53,279	239,860	(443,854)	183,453	858,753
Total Pension Liability - Beginning	6,047,219	5,993,940	5,754,080	6,197,934	6,014,481	5,155,728
Total Pension Liability - Ending (a)	\$ 6,095,830	\$ 6,047,219	\$ 5,993,940	\$ 5,754,080	\$ 6,197,934	\$ 6,014,481
Plan Fiduciary Net Position						
Contributions - employer	\$ 17,254	\$ 13,795	\$ (62,065)	\$ 21,017	\$ 16,427	\$ 15,135
Contributions - employee	-	-	-	37,908	-	-
Net investment income	1,314,415	(218,852)	993,670	441,257	14,939	581,099
Local plan administrative mergers		10	-	-	-	-
Benefit payments	(418,394)	(403,429)	(415,392)	(1,101,418)	(355,876)	(344,268)
Administrative Expense	(11,560)	(14,510)	(12,739)	(14,488)	(18,669)	(13,808)
Net Change in Plan Fiduciary Net Position	901,715	(622,986)	503,474	(615,724)	(343,179)	238,158
Plan Fiduciary Net Position - Beginning	7,253,908	7,876,894	7,373,420	7,989,144	8,332,323	8,094,165
Plan Fiduciary Net Position - Ending (b)	\$ 8,155,623	\$ 7,253,908	\$ 7,876,894	\$ 7,373,420	\$ 7,989,144	\$ 8,332,323
City's Net Pension Asset (a) - (b)	\$ (2,059,793)	\$ (1,206,689)	\$ (1,882,954)	\$ (1,619,340)	\$ (1,791,210)	\$ (2,317,842)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	133.79%	119.95%	131.41%	128.14%	128.90%	138.54%
Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Asset as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	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.

Change in Assumptions:

(1) In 2018, the investment rate of return changed from 7.75% in 2017 to 7.00% in 2018

(2) In 2016, the inflation rate decreased from 3.00% in 2015 to 2.75% in 2016; the investment rate of return decreased from 8.00% in 2015 to 7.75% in 2016; and the projected salary increases decreased from 4.00% in 2015 to 3.75% in 2016

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	\$ -	\$ 16,427	\$ (16,427)	\$ -	N/A
2016	-	21,017	(21,017)	-	N/A
2017	-	(62,065)	62,065	-	N/A
2018	-	13,795	(13,795)	-	N/A
2019	-	17,254	(17,254)	-	N/A
2020	-	-	-	-	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	11 Years beginning January 1, 2019
Asset Valuation	5 Year Smoothed Market, 20% Soft Corridor
Inflation	2.5%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility benefits. Last updated for the 2017 pursuant to an experience study of the period 2012-2016.
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

City Fiscal year ended December 31,	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	2.85581%	2.73423%	2.71200%	2.64262%	2.54026%	2.472571%
City's proportion share of the net pension liability	\$ 22,068,039	\$ 24,673,203	\$ 19,271,356	\$ 15,076,984	\$ 13,330,612	\$ 9,023,336
City's covered-employee payroll	\$ 10,212,486	\$ 9,330,536	\$ 8,798,931	\$ 8,004,466	\$ 7,951,238	\$ 6,953,609
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.09%	264.44%	219.02%	188.36%	167.65%	129.76%
Plan fiduciary net position as a percentage of the total pension liability	73.03%	66.09%	71.48%	72.87%	72.90%	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.

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

City Fiscal year ended December 31,	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,676,967	\$ 2,399,934	\$ 2,135,877	\$ 1,940,202 (1)	\$ 1,684,557 (1)	\$ 1,639,457
Contributions in relation to the contractually required contribution	<u>(2,676,967)</u>	<u>(2,399,934)</u>	<u>(2,135,877)</u>	<u>(1,940,202)</u>	<u>(1,684,557)</u>	<u>(1,639,457)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 11,348,676	\$ 10,212,486	\$ 9,330,536	\$ 8,798,931	\$ 8,004,748	\$ 7,951,239
Contributions as a percentage of covered-employee payroll	23.59%	23.50%	22.89%	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.

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,	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.99458979%	0.98044303%	0.92204720%	0.89669761%	0.82968373%	0.80078759%
City's proportion share of the net pension liability	\$ 28,480,919	\$ 23,653,470	\$ 20,339,762	\$ 23,171,926	\$ 19,840,626	\$ 14,748,372
City's covered-employee payroll	\$ 19,310,426	\$ 18,020,449	\$ 17,225,762	\$ 16,818,306	\$ 14,261,744	\$ 14,277,688
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	147.49%	131.26%	118.08%	137.78%	139.12%	103.30%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

Note: Information in this schedule has been determined as of the measurement date (June 30 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
Cost-Sharing Plan
Schedule of City Contributions - APERS

City Fiscal year ended December 31,	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,111,695	\$ 2,875,787	\$ 2,636,432	\$ 2,444,877	\$ 2,260,596	\$ 2,224,163
Contributions in relation to the actuarially required contribution	(3,111,695)	(2,875,787)	(2,636,432)	(2,444,877)	(2,260,596)	(2,224,163)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 19,828,470	\$ 18,771,454	\$ 17,534,429	\$ 16,714,991	\$ 15,590,294	\$ 15,208,940
Contributions as a percentage of covered-employee payroll	15.69%	15.32%	15.04%	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, 2020

Budget 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 represented 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	11 years beginning January 1, 2019
Asset Valuation Method	5-Year smoothed market, 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individuals pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of edibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustment of 135% for males and 125% for females wre adjusted for fully generational mortality improvements using Scale MP-2016

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, 2020

LOPFI

Economic Assumptions

Investment Rate of Return	7.50%
Price Inflation	2.50%
Pay Increase Assumptions	Ranges from 3.75 to 18.25%
Wage inflation	3.25%
Total Number of Active Members	Assumed to continue at the present number.

APERS

Investment Rate of Return	7.15%
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, 2020

	Impact & Capacity	Court	Total Nonmajor Governmental Funds
Assets			
Accounts receivable:			
Grants and other	\$ -	\$ 7,060	\$ 7,060
Restricted assets			
Cash and cash equivalents	7,833,238	291,550	8,124,788
Total assets	<u>\$ 7,833,238</u>	<u>\$ 298,610</u>	<u>\$ 8,131,848</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 107,407	\$ 107,407
Due to other funds	690,643	-	690,643
Due to other governments	-	191,203	191,203
Total liabilities	<u>690,643</u>	<u>298,610</u>	<u>989,253</u>
Fund balances			
Restricted			
New growth	7,142,595	-	7,142,595
Total fund balances	<u>7,142,595</u>	<u>-</u>	<u>7,142,595</u>
Total liabilities and fund balances	<u>\$ 7,833,238</u>	<u>\$ 298,610</u>	<u>\$ 8,131,848</u>

City of Bentonville, Arkansas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2020

	Impact/Capacity Fees	Total Nonmajor Governmental Funds
Revenues		
Impact fees	\$ 2,858,636	\$ 2,858,636
Rev Interest	48,460	48,460
	<hr/>	<hr/>
Total revenues	2,907,096	2,907,096
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfers out	(1,742,518)	(1,742,518)
	<hr/>	<hr/>
Net Other Financing Sources (Uses)	(1,742,518)	(1,742,518)
	<hr/>	<hr/>
Net Change in Fund Balances	1,164,578	1,164,578
	<hr/>	<hr/>
Fund Balances at Beginning of Year	5,978,017	5,978,017
	<hr/>	<hr/>
Fund Balances at End of Year	<u>\$ 7,142,595</u>	<u>\$ 7,142,595</u>

City of Bentonville, Arkansas
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual -
Debt Service Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Sales tax	\$ 11,060,692	\$ 11,060,692	\$ 13,531,443	\$ 2,470,751
Interest	-	-	25,394	25,394
Total revenues	11,060,692	11,060,692	13,556,837	2,496,145
Expenditures				
Principal	11,060,693	11,060,693	11,535,000	(474,307)
Interest	-	-	1,464,550	(1,464,550)
Total expenditures	11,060,693	11,060,693	12,999,550	(1,938,857)
Deficiency of Revenues Over Expenditures	(1)	(1)	557,287	557,288
Net Change in Fund Balances	(1)	(1)	557,287	557,288
Fund Balances at Beginning of Year	7,399,511	7,399,511	7,399,511	-
Fund Balances at End of Year	<u>\$ 7,399,510</u>	<u>\$ 7,399,510</u>	<u>\$ 7,956,798</u>	<u>\$ 557,288</u>

City of Bentonville, Arkansas
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual -
Impact/Capacity Fees
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Impact fees	\$ 1,785,000	\$ 1,785,000	\$ 2,858,636	\$ 1,073,636
Rev Interest	-	-	48,460	48,460
Total revenues	1,785,000	1,785,000	2,907,096	1,122,096
Expenditures				
Public safety	800,000	800,000	-	800,000
Recreation	900,000	900,000	-	900,000
Library	85,000	85,000	-	85,000
Total expenditures	1,785,000	1,785,000	-	1,785,000
Other Financing Sources (Uses)				
Transfers out	-	(27,500)	(1,742,518)	(1,715,018)
Net other financing sources (uses)	-	(27,500)	(1,742,518)	(1,715,018)
Net Change in Fund Balances	-	(27,500)	1,164,578	1,192,078
Fund Balances at Beginning of Year	5,978,017	5,978,017	5,978,017	-
Fund Balances at End of Year	<u>\$ 5,978,017</u>	<u>\$ 5,950,517</u>	<u>\$ 7,142,595</u>	<u>\$ 1,192,078</u>

City of Bentonville, Arkansas
Combining Statement of Revenues and Expenses -
Enterprise Fund
Year Ended December 31, 2020

	Electric	Water	Wastewater	Sanitation	Support Services and Other	Total
Operating Revenues						
Charges for services	\$ 68,092,503	\$ 12,579,026	\$ 14,982,022	\$ 5,799,564	\$ 292,471	\$ 101,745,586
Other, net	9,046	11,784	2,016	-	24,336	47,182
Total operating revenues	68,101,549	12,590,810	14,984,038	5,799,564	316,807	101,792,768
Operating Expenses						
Salaries and fringe benefits	5,475,157	2,326,234	3,103,567	109,598	1,554,871	12,569,427
Contract purchases	45,763,660	6,183,908	5,796,316	5,274,725	-	63,018,609
Maintenance	859,873	394,522	512,398	-	33,018	1,799,811
Depreciation and amortization	3,123,065	1,860,568	2,152,406	-	595,988	7,732,027
Materials and supplies	296,917	176,780	398,253	-	221,716	1,093,666
Other services and charges	4,204,527	883,513	1,043,902	21,828	1,074,862	7,228,632
Total operating expenses	59,723,199	11,825,525	13,006,842	5,406,151	3,480,455	93,442,172
Operating Income (Loss)	8,378,350	765,285	1,977,196	393,413	(3,163,648)	8,350,596
Nonoperating Income (Expenses)						
Interest income	168,307	46,422	24,801	11,930	-	251,460
Investment Income	96,935	25,658	12,830	7,128	-	142,551
Bond interest and fiscal agent charges	-	(189,162)	(48,016)	-	-	(237,178)
Grants	527,105	-	300,000	-	-	827,105
Net non-operating revenues (expenses)	792,347	(117,082)	289,615	19,058	-	983,938
Income (Loss) Before Contributions and Transfers	9,170,697	648,203	2,266,811	412,471	(3,163,648)	9,334,534
Capital Contributions	1,233,589	1,965,273	1,259,468	-	-	4,458,330
Transfers in	-	-	951,000	-	-	951,000
Change in Net Position	<u>\$ 10,404,286</u>	<u>\$ 2,613,476</u>	<u>\$ 4,477,279</u>	<u>\$ 412,471</u>	<u>\$ (3,163,648)</u>	<u>\$ 14,743,864</u>

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Statistical Section

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City of Bentonville, Arkansas

Statistical Section

This section of the City of Bentonville, Arkansas comprehensive annual financial report 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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Financial Trends (Tables 1–5)

These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time.....75

Revenue Capacity (Tables 6–9)

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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.....85

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.....90

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.....92

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

Table 1

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities										
Net investments in capital assets	\$ 279,366,430	\$ 252,689,293	\$ 232,185,202	\$ 214,744,281	\$ 195,975,422	\$ 177,894,726	\$ 162,543,988	\$ 145,403,467	\$ 141,834,069	\$ 138,347,033
Restricted	26,232,902	21,881,884	20,794,051	19,818,040	16,800,936	20,714,460	19,104,639	14,783,330	13,317,046	11,787,380
Unrestricted	29,922,922	34,860,246	32,844,983	34,279,668	27,397,280	24,192,710	37,569,695	41,833,773	34,369,973	30,004,365
Total governmental activities net position	<u>\$ 335,522,254</u>	<u>\$ 309,431,423</u>	<u>\$ 285,824,236</u>	<u>\$ 268,841,989</u>	<u>\$ 240,173,638</u>	<u>\$ 222,801,896</u>	<u>\$ 219,218,322</u>	<u>\$ 202,020,570</u>	<u>\$ 189,521,088</u>	<u>\$ 180,138,778</u>
Business-type activities										
Net investments in capital assets	\$ 208,392,983	\$ 202,310,382	\$ 196,638,875	\$ 190,003,709	\$ 177,477,573	\$ 161,108,420	\$ 155,815,515	\$ 145,769,235	\$ 140,507,220	\$ 131,135,584
Restricted	1,898,983	2,100,656	2,903,653	2,869,343	2,778,744	6,416,985	8,973,505	8,954,000	6,990,745	9,088,735
Unrestricted	48,801,741	39,938,805	32,421,266	26,076,418	28,427,793	31,495,140	26,384,643	26,098,489	23,680,469	22,737,459
Total business-type activities net position	<u>\$ 259,093,707</u>	<u>\$ 244,349,843</u>	<u>\$ 231,963,794</u>	<u>\$ 218,949,470</u>	<u>\$ 208,684,110</u>	<u>\$ 199,020,545</u>	<u>\$ 191,173,663</u>	<u>\$ 180,821,724</u>	<u>\$ 171,178,434</u>	<u>\$ 162,961,778</u>
Primary government										
Net investments in capital assets	\$ 487,759,413	\$ 454,999,675	\$ 428,824,077	\$ 404,747,990	\$ 373,452,995	\$ 339,003,146	\$ 318,359,503	\$ 291,172,702	\$ 282,341,289	\$ 269,482,617
Restricted	28,131,885	23,982,540	23,697,704	22,687,383	19,579,680	27,131,445	28,078,144	23,737,330	20,307,791	20,876,115
Unrestricted	78,724,663	74,080,201	65,266,249	60,356,086	55,825,073	55,687,850	63,954,338	67,932,262	58,050,442	52,741,824
Total Primary government net position	<u>\$ 594,615,961</u>	<u>\$ 553,062,416</u>	<u>\$ 517,788,030</u>	<u>\$ 487,791,459</u>	<u>\$ 448,857,748</u>	<u>\$ 421,822,441</u>	<u>\$ 410,391,985</u>	<u>\$ 382,842,294</u>	<u>\$ 360,699,522</u>	<u>\$ 343,100,556</u>

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

Table 2

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
General government	\$ 10,764,635	\$ 11,262,376	\$ 8,199,550	\$ 8,380,920	\$ 7,838,616	\$ 7,159,267	\$ 6,878,233	\$ 6,541,906	\$ 6,064,188	\$ 5,772,537
Public safety	30,483,681	27,161,452	24,926,207	22,219,435	19,978,800	18,757,747	17,062,888	16,345,367	14,920,639	14,143,876
Recreation	11,533,775	11,908,261	10,579,540	10,239,510	9,126,620	7,469,788	5,744,250	5,023,191	4,526,151	3,973,104
Transportation	11,794,878	9,571,784	8,880,453	8,522,377	7,950,435	7,405,637	7,427,751	6,997,032	6,234,879	6,007,845
Library	2,014,164	1,887,076	1,765,524	1,688,914	1,505,475	1,372,391	1,305,770	1,182,469	1,073,172	1,009,643
CDBG	-	-	184	7,147	46,716	81,941	136,825	118,021	158,849	90,782
Interest on long-term debt	1,464,550	1,929,130	2,297,161	2,382,481	2,011,778	2,271,497	2,462,735	2,650,613	2,788,366	2,923,279
Total governmental activities expenses	68,055,683	63,720,079	56,648,619	53,440,784	48,458,440	44,518,268	41,018,452	38,858,599	35,766,244	33,921,066
Business-type activities										
Electric	59,723,199	60,093,455	59,685,788	60,318,959	59,066,230	54,031,667	53,015,464	45,650,369	45,627,215	45,435,606
Water	14,973,111	13,871,208	13,511,887	12,918,078	11,859,994	8,297,783	8,030,105	7,918,055	7,920,925	7,515,313
Wastewater	10,096,434	9,615,262	9,372,920	9,255,683	8,396,479	10,428,470	10,421,342	10,367,625	10,461,886	10,829,898
Sanitation	5,406,151	5,109,186	4,624,380	4,197,480	3,891,758	3,614,926	3,346,211	3,081,332	3,966,186	4,057,621
Support	3,480,455	3,521,239	3,456,000	3,745,763	3,268,751	3,172,472	3,011,606	2,920,570	2,399,556	2,323,157
Total business-type activities expenses	93,679,350	92,210,350	90,650,975	90,435,963	86,483,212	79,545,318	77,824,728	69,937,951	70,375,768	70,161,595
Total primary government	\$ 161,735,033	\$ 155,930,429	\$ 147,299,594	\$ 143,876,747	\$ 134,941,652	\$ 124,063,586	\$ 118,843,180	\$ 108,796,550	\$ 106,142,012	\$ 104,082,661
Program Revenues										
Governmental activities										
Charges for Services:										
General government	\$ 3,070,578	\$ 3,232,206	\$ 2,660,236	\$ 411,878	\$ 311,264	\$ 315,176	\$ 311,698	\$ 283,608	\$ 252,981	\$ 231,582
Public safety	3,302,059	2,762,512	2,537,032	1,778,596	1,527,968	1,260,881	1,272,011	1,120,967	1,045,858	1,034,482
Recreation	1,789,880	5,781,222	4,595,838	3,568,737	3,269,930	2,221,136	979,407	817,841	670,083	442,977
Transportation	1,510,106	2,779,600	958,771	33,259	66,379	39,940	64,336	89,365	55,318	31,563
Library	33,902	59,892	54,224	9	0					
Operating grants and contribution	6,119,081	660,682	3,369,266	5,402,348	7,545,636	4,924,083	2,499,028	1,428,695	1,281,973	1,504,879
Capital grants and contributions	12,434,429	5,050,131	5,513,785	5,909,573	4,795,540	3,436,893	5,787,147	4,585,176	1,998,723	1,563,169
Total governmental activities revenue	28,260,035	20,326,245	19,689,152	17,104,400	17,516,717	12,198,109	10,913,627	8,325,652	5,304,936	4,808,652
Business-type activities										
Charges for Services:										
Electric	68,092,503	70,130,577	68,494,676	66,007,652	62,539,169	58,752,316	56,079,341	51,351,834	51,001,844	49,374,616
Water	12,872,797	11,074,498	11,603,640	10,625,553	10,185,022	9,659,435	10,230,363	9,546,831	9,798,422	9,169,326
Wastewater	14,688,256	14,493,682	13,870,399	13,339,032	13,280,744	14,457,739	13,813,393	12,769,425	11,037,798	10,662,350
Sanitation	5,799,564	5,397,459	4,969,400	4,591,853	4,261,907	3,959,322	3,652,388	3,369,391	4,181,792	4,322,473
Support	295,496	633,512	987,220	929,561	887,122	875,159	864,817	815,528	809,887	862,667
Operating grants and contribution	827,105	-	150,122	11,978	137,426	-	14,391		-	
Capital grants and contributions	4,459,130	2,432,863	3,150,912	4,158,642	1,203,774	852,198	1,951,232	913,234	810,951	2,044,716
Total business-type activities	107,034,851	104,162,591	103,226,369	99,664,271	92,495,164	88,556,169	86,605,925	78,766,243	77,640,694	76,436,148
Total primary government	\$ 135,294,886	\$ 124,488,836	\$ 122,915,521	\$ 116,768,671	\$ 110,011,881	\$ 100,754,278	\$ 97,519,552	\$ 87,091,895	\$ 82,945,630	\$ 81,244,800
Net (expense) revenue										
Governmental activities	\$ (39,795,648)	\$ (44,438,594)	\$ (36,959,467)	\$ (36,336,384)	\$ (30,941,723)	\$ (32,320,159)	\$ (30,104,825)	\$ (30,532,947)	\$ (30,461,308)	\$ (29,112,414)
Business-type activities	13,355,501	11,952,241	12,575,394	9,228,308	6,011,952	9,010,851	8,781,197	8,828,292	7,254,066	6,274,553
Total - primary government	\$ (26,440,147)	\$ (32,486,353)	\$ (24,384,073)	\$ (27,108,076)	\$ (24,929,771)	\$ (23,309,308)	\$ (21,323,628)	\$ (21,704,655)	\$ (23,207,242)	\$ (22,837,861)

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

Table 2

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General revenues and other changes in net pension										
Governmental activities										
Property taxes	\$ 10,023,405	\$ 9,417,015	\$ 8,945,939	\$ 8,282,975	\$ 7,757,246	\$ 7,248,656	\$ 7,169,970	\$ 6,557,935	\$ 5,511,473	5,971,309
Sales taxes	43,279,794	39,654,947	35,758,719	37,651,052	30,117,108	29,458,234	26,383,529	26,320,374	24,481,898	21,639,791
State turnback	3,050,062	3,041,751	2,941,195	2,853,363	2,756,242	2,705,936	2,758,749	2,653,139	2,719,538	2,706,725
Franchise fees	5,506,867	5,368,133	5,653,246	5,351,361	4,788,966	4,599,120	4,477,679	4,166,269	3,991,999	4,396,945
Impact fees	2,858,636	-	-	-	-	-	-	-	-	-
Investment income	735,402	1,178,951	820,608	225,496	61,952	38,664	141,245	40,857	35,717	31,345
Gain on sales of capital assets	20,025	3,769,638	39,540	(30,542)	271,855	157,987	(1,475,353)	335,616	370,237	61,820
Transfers	(951,000)	-	(121,350)	-	(2,704,809)	(2,465,052)	(263,554)	(293,431)	(472,214)	(1,373,989)
Other	1,363,288	4,570,586	2,724,433	10,671,030	5,264,905	5,993,549	8,110,308	4,867,017	3,204,970	3,119,180
Special item - transfer of net pension asset	-	-	-	-	-	-	-	1,615,347	-	-
Total governmental activities	65,886,479	67,001,021	56,762,330	65,004,735	48,313,465	47,737,094	47,302,573	46,263,123	39,843,618	36,553,126
Business-type activities										
Investment income	394,011	289,274	133,581	41,398	36,505	36,685	26,111	32,208	32,752	33,264
Gain on sales of capital assets	-	24,061	-	272,526	634,635	246,613	448,502	-	-	-
Transfers	951,000	-	121,350	-	2,704,809	2,465,052	263,554	293,431	472,214	1,373,989
Other	43,352	120,473	813,873	723,128	275,664	1,438,958	832,574	489,359	457,624	873,853
Total business-type activities	1,388,363	433,808	1,068,804	1,037,052	3,651,613	4,187,308	1,570,741	814,998	962,590	2,281,106
Total primary government	\$ 67,274,842	\$ 67,434,829	\$ 57,831,134	\$ 66,041,787	\$ 51,965,078	\$ 51,924,402	\$ 48,873,314	\$ 47,078,121	\$ 40,806,208	\$ 38,834,232
Total change in net position										
Governmental activities	\$ 26,090,831	\$ 23,607,187	\$ 19,802,863	\$ 28,668,351	\$ 17,371,742	\$ 15,416,935	\$ 17,197,752	\$ 15,730,176	\$ 9,382,310	\$ 7,440,712
Business-type activities	14,743,864	12,386,049	13,644,198	10,265,360	9,663,565	13,198,159	10,351,939	9,643,290	8,216,656	8,555,659
Total - primary government	\$ 40,834,695	\$ 35,993,236	\$ 33,447,061	\$ 38,933,711	\$ 27,035,307	\$ 28,615,094	\$ 27,549,691	\$ 25,373,466	\$ 17,598,966	\$ 15,996,371

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

Table 3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General fund										
Nonspendable										
Prepaid expenditures	\$ 299,237	\$ 259,023	\$ 224,713	\$ 195,064	\$ 276,989	\$ 79,621	\$ 196,545	\$ 196,544	\$ 40,647	\$ 59,926
Restricted										
General capital improvements	3,032,914	2,202,079	2,169,461	-	631,806	211,073	244,089	202,710	222,935	310,626
Other	86,016	85,035	457,250	-	358,250	84,490	84,450	84,450	84,259	82,634
Unassigned	<u>59,487,999</u>	<u>57,991,185</u>	<u>51,638,842</u>	<u>48,453,612</u>	<u>38,160,366</u>	<u>34,229,088</u>	<u>32,846,738</u>	<u>36,961,000</u>	<u>28,357,600</u>	<u>23,226,592</u>
Total general fund	<u>62,906,166</u>	<u>60,537,322</u>	<u>54,490,266</u>	<u>48,648,676</u>	<u>39,427,411</u>	<u>34,604,272</u>	<u>33,371,822</u>	<u>37,444,704</u>	<u>28,705,441</u>	<u>23,679,778</u>
All other governmental funds										
Nonspendable										
Prepaid expenditures	323	642	550	1,225	1,275	1,336	1,273	1,344	1,264	1,023
Restricted										
Debt service	7,956,798	7,399,511	8,285,673	8,486,688	5,475,760	5,346,817	4,846,968	4,426,120	4,567,671	4,257,656
General capital improvements	17,972,203	21,530,144	23,649,222	29,016,117	1,927,588	7,405,024	8,670,569	10,839,800	14,028,640	31,497,513
New growth	7,142,595	5,978,017	5,572,099	4,480,877	1,599,901	2,811,377	3,896,869	3,742,765	2,542,808	1,664,039
Street Improvements	<u>6,111,298</u>	<u>5,440,147</u>	<u>3,387,671</u>	<u>4,836,116</u>	<u>7,084,321</u>	<u>10,369,831</u>	<u>10,792,880</u>	<u>6,794,250</u>	<u>6,384,472</u>	<u>6,055,452</u>
Total all other governmental funds	<u>39,183,217</u>	<u>40,348,461</u>	<u>40,895,215</u>	<u>46,821,023</u>	<u>16,088,845</u>	<u>25,934,385</u>	<u>28,208,559</u>	<u>25,804,279</u>	<u>27,524,855</u>	<u>43,475,683</u>
Total governmental funds	<u>\$ 102,089,383</u>	<u>\$ 100,885,783</u>	<u>\$ 95,385,481</u>	<u>\$ 95,469,699</u>	<u>\$ 55,516,256</u>	<u>\$ 60,538,657</u>	<u>\$ 61,580,381</u>	<u>\$ 63,248,983</u>	<u>\$ 56,230,296</u>	<u>\$ 67,155,461</u>

City of Bentonville, Arkansas

Changes in Fund Balances – Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

Table 4

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Property Tax	\$ 9,530,177	\$ 8,973,078	\$ 8,277,403	\$ 7,852,968	\$ 7,155,619	\$ 7,082,789	\$ 6,944,206	\$ 6,272,529	\$ 5,967,805	\$ 6,119,288
Sales Tax	43,279,794	39,654,947	35,758,719	37,651,052	30,117,108	29,458,234	26,383,529	26,320,374	24,481,899	21,639,791
State Turnback	4,155,203	4,007,424	3,843,744	2,853,363	2,756,242	2,705,936	2,758,749	2,653,139	2,719,538	2,706,724
Impact Fees	2,858,636	4,119,459	2,391,272	3,325,568	1,861,178	2,380,435	1,667,956	1,908,400	1,551,223	1,447,558
Franchise Fees	5,506,867	5,368,133	5,653,246	5,351,361	4,788,966	4,599,120	4,477,679	4,166,269	3,991,999	4,396,945
Charges for services	3,916,496	6,459,222	6,099,014	5,691,285	5,143,334	3,837,133	2,627,452	2,311,781	2,024,240	1,740,604
Fines and forfeitures	388,542	488,999	495,928	498,991	511,851	479,057	477,741	466,573	544,725	369,467
Licenses and permits	1,960,842	1,819,605	1,752,257	1,370,136	1,322,683	1,133,957	1,152,863	896,757	868,393	599,898
Grants	7,352,436	2,662,127	4,214,651	4,412,572	7,433,636	4,858,773	2,677,432	1,680,257	1,263,663	1,470,527
Contributions	462,068	280,763	1,126,912	2,212,553	3,594,921	1,251,106	3,163,948	3,201,581	253,338	323,114
Interest	539,721	1,178,951	820,608	225,370	61,952	38,677	141,245	40,857	35,717	31,345
Investment income	195,681	-	-	-	-	-	-	-	-	-
Miscellaneous	1,903,661	1,282,201	816,284	5,441,919	1,569,948	1,979,200	4,791,275	1,557,194	794,663	638,501
Total revenues	82,050,124	76,294,909	71,250,038	76,887,138	66,317,438	59,804,417	57,264,075	51,475,711	44,497,203	41,483,762
Expenditures										
Current:										
General government	8,682,730	7,515,045	6,833,349	6,694,940	6,663,862	6,385,081	6,097,814	5,525,445	5,406,881	5,126,855
Public safety	24,418,096	21,730,128	20,392,788	18,587,838	17,146,737	16,769,992	15,561,689	14,680,152	13,427,896	12,718,692
Recreation	9,077,193	9,582,308	8,507,693	8,163,683	7,252,049	6,009,329	4,603,727	4,077,746	3,684,363	3,253,297
Street Department	3,970,303	2,520,796	2,665,820	2,553,724	2,467,752	2,376,856	2,603,155	2,323,942	1,869,135	1,937,505
Library	1,777,953	1,609,734	1,449,844	1,386,429	1,256,940	1,168,999	1,108,606	983,062	895,126	854,923
CDBG	-	-	184	7,147	46,716	81,941	136,825	118,021	158,849	90,782
Capital Outlay	18,989,724	18,172,104	19,995,607	14,914,239	24,889,343	17,102,620	22,341,166	8,566,666	22,666,009	13,188,720
Debt Service										
Principal	11,535,000	11,516,950	9,121,959	7,970,000	7,035,000	6,245,000	5,160,000	5,560,000	4,400,000	4,115,000
Interest	1,464,550	1,917,180	2,285,202	2,269,991	2,481,252	2,481,252	2,481,252	2,668,529	2,812,133	2,938,080
Total expenditures	79,915,549	74,564,245	71,252,446	62,547,991	69,239,651	58,621,070	60,094,234	44,503,563	55,320,392	44,223,854
Excess of revenues over (under) expenditures	2,134,575	1,730,664	(2,408)	14,339,147	(2,922,213)	1,183,347	(2,830,159)	6,972,148	(10,823,189)	(2,740,092)
Other Financing Sources (Uses)										
Sale of capital assets	20,025	3,769,638	39,540	106,065	161,330	51,659	1,425,155	335,616	370,237	61,820
Proceeds from issuance of debt (includes premium)	-	-	-	25,508,231	-	-	-	-	-	-
Transfers in	791,518	5,521,936	1,186,184	444,592	367,845	1,000,875	1,250,298	415,012	200,246	492,174
Transfers out	(1,742,518)	(5,521,936)	(1,307,534)	(444,592)	(3,072,654)	(3,465,927)	(1,513,852)	(708,443)	(672,459)	(1,866,163)
Net other financing sources (uses)	(930,975)	3,769,638	(81,810)	25,614,296	(2,543,479)	(2,413,393)	1,161,601	42,185	(101,976)	(1,312,169)
Net change in fund balances	\$ 1,203,600	\$ 5,500,302	\$ (84,218)	\$ 39,953,443	\$ (5,465,692)	\$ (1,230,046)	\$ (1,668,558)	\$ 7,014,333	\$ (10,925,165)	\$ (4,052,261)
Debt service as a percentage of noncapital expenditures	21%	24%	22%	21%	21%	21%	20%	23%	22%	23%

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>
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
2018	8,277,403	35,725,644	5,653,246	33,075	3,843,744	53,533,112
2019	9,417,015	39,622,601	5,368,133	32,346	3,041,751	57,481,846
2020	10,023,405	43,279,794	5,506,867	19,075	3,050,062	61,879,203

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

Table 6

Year	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual	Total Direct Tax Rate
	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Assessed Value	Appraised Value		
2011	\$ 688,192,310	\$ 3,440,961,550	\$ 224,480,135	\$ 1,122,400,675	\$ 912,672,445	\$ 4,563,362,225	20%	7.21
2012	670,208,790	3,351,043,950	220,159,580	1,100,797,900	890,368,370	4,451,841,850	20%	7.21
2013	650,904,030	3,254,520,150	216,773,975	1,083,869,875	867,678,005	4,338,390,025	20%	7.21
2014	676,758,590	3,383,792,950	237,407,225	1,187,036,125	914,165,815	4,570,829,075	20%	7.21
2015	705,786,280	3,528,931,400	232,724,835	1,163,624,175	938,511,115	4,692,555,575	20%	7.21
2016	797,846,320	3,989,231,600	242,977,585	1,214,887,925	1,040,823,905	5,204,119,525	20%	7.21
2017	860,870,020	4,304,350,100	228,387,060	1,141,935,300	1,089,257,080	5,446,285,400	20%	7.21
2018	932,331,250	4,661,656,250	254,551,795	1,272,758,975	1,186,883,045	5,934,415,225	20%	7.21
2019	999,284,800	4,996,424,000	252,661,590	1,263,307,950	1,251,946,390	6,259,731,950	20%	7.21
2020	1,044,561,240	5,222,806,200	279,520,050	1,397,600,250	1,324,081,290	6,620,406,450	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	
2011	0.50	5.00	1.71	7.21	6.90	43.70	3.00	60.81
2012	0.50	5.00	1.71	7.21	6.90	43.70	3.00	60.81
2013	0.50	5.00	1.71	7.21	6.90	46.60	2.60	63.31
2014	0.50	5.00	1.71	7.21	6.90	46.60	2.60	63.31
2015	0.50	5.00	1.71	7.21	7.10	43.70	2.60	60.61
2016	0.50	4.90	1.71	7.11	7.10	46.60	2.60	63.41
2017	0.50	5.00	1.71	7.21	7.10	48.50	2.60	65.41
2018	0.50	5.00	1.71	7.21	7.10	48.50	2.60	65.41
2019	0.50	5.00	1.71	7.21	7.10	48.50	2.60	65.41
2020	0.50	5.00	1.71	7.21	7.10	48.50	2.60	65.41

Source: Benton County

City of Bentonville, Arkansas

Principal Sales Taxpayers

Last Ten Years

The City of Bentonville, Arkansas's largest own-source revenue is sales taxes. Sales taxes primarily come from two separate taxes: a 2% city tax based on point of sale, and a portion of the county's 1% tax based on point of sale. In 2020, the city sales tax generated revenue of \$33,864,294. The City's portion of the county sales tax generated revenue of \$9,415,500.

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	2020			2010		
	Rank	Taxable Assessed Value	Percentage of Total Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Assessed Value
WAL-MART/Sam's Club	1	\$ 171,228,355	12.93%	1	\$ 165,433,200	17.79%
Atitlus Group	2	13,119,600	0.99%	7	5,481,690	0.59%
Tyson Foods	3	12,984,055	0.99%	7	5,481,690	0.59%
Carroll Electric Cooperative	4	10,335,045	0.78%		N/A	N/A
American Electric Power	5	8,109,350	0.61%	5	6,908,000	0.74%
Bentonville Plaza Partners LLC	6	7,997,670	0.60%	3	7,443,030	0.80%
Cox Communications	7	7,736,070	0.58%	4	7,249,620	0.78%
Sourcegas Arkansas Inc.	8	6,967,055	0.53%		N/A	N/A
Walton Crossing Apartments	9	6,702,205	0.51%		N/A	N/A
BVPOA	10	6,147,280	0.46%		N/A	N/A
QHG of Springdale Inc D/B/A Bates Medical Center		N/A	N/A	2	15,151,990	1.63%
AT&T Mobility LLC		N/A	N/A	6	6,552,800	0.70%
Ozark Aircraft Systems LLC		N/A	N/A	8	4,784,090	0.51%
Southwestern Bell Telephone Company		N/A	N/A	9	4,433,875	0.48%
SH&S Partnership		N/A	N/A	10	4,072,630	0.44%

Source: Benton County

Principal Property Taxpayers as of 12/31/2011 was not available so 12/31/2010 will be used for comparison.

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
2011	2010	\$ 6,580,368	\$ 6,094,456	92.62%	\$ 481,817	\$ 6,576,273	99.94%
2012	2011	6,419,556	5,963,375	92.89%	450,137	6,413,512	99.91%
2013	2012	6,255,958	6,010,852	96.08%	237,459	6,248,311	99.88%
2014	2013	6,591,136	6,462,685	98.05%	118,762	6,581,447	99.85%
2015	2014	6,766,665	6,571,243	97.11%	187,209	6,758,452	99.88%
2016	2015	7,504,340	6,659,403	88.74%	836,669	7,496,072	99.89%
2017	2016	7,744,618	7,300,908	94.27%	430,132	7,731,040	99.82%
2018	2017	8,557,427	7,705,319	90.04%	833,652	8,538,971	99.78%
2019	2018	9,026,533	8,352,832	92.54%	640,272	8,993,104	99.63%
2020	2019	9,546,626	8,871,308	92.93%	521,524	9,392,832	98.39%

Source: Benton County

Property assessments are made; tax rates are established; and taxes are levied in one year for payment by the taxpayer and collection by local government the following year. The tax levy for this schedule includes the city's levy for its general fund, street fund and fire pension plan.

Total Tax Levy and Current Tax Collections have been restated to include street fund portions.

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
2011	\$ 71,451,626	\$ 26,426,982	\$ 97,878,608	7.19%	\$ 2,773
2012	67,026,723	23,847,880	90,874,603	5.96%	2,574
2013	61,441,820	21,175,923	82,617,743	4.76%	2,340
2014	56,256,917	18,358,534	74,615,451	4.29%	2,114
2015	49,987,014	15,579,393	65,566,407	3.54%	1,857
2016	42,927,110	13,414,930	56,342,040	3.04%	1,596
2017	60,430,601	11,168,023	71,598,624	3.64%	2,028
2018	51,210,650	8,827,689	60,038,339	2.86%	1,701
2019	39,595,699	6,397,912	45,993,611	2.00%	1,303
2020	27,950,748	5,359,553	33,310,301	1.39%	944

(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, 2020, the City has no general bonded debt outstanding.

City of Bentonville, Arkansas
Direct and Overlapping Governmental Activities Debt
December 31, 2020

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Primary Government
Bentonville School District (1) (2)	\$ 334,540,220	58%	\$ 194,033,328
Northwest Arkansas Community College (3) (4)	28,291,062	33%	9,336,050
Subtotal, overlapping debt			203,369,378
City of Bentonville, Arkansas direct debt			27,950,748
Total direct and overlapping debt			<u>\$ 231,320,126</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 6/30/2020 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 54,909 or 58%

(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 168,694 of which Bentonville is 54,909 or 33%

(4) Amount as of 6/30/2020 which was the most recent Audited Financial Statements available

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

As of December 31, 2020, the City has no general obligation debt.

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

Table 12

Year	Operating Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$ 76,436,148	\$ 69,125,852	\$ 7,310,296	\$ 2,454,048	\$ 1,035,743	\$ 3,489,791	2.09
2012	76,829,744	69,301,586	7,528,158	2,561,628	939,169	3,500,797	2.15
2013	77,853,009	68,968,824	8,884,185	2,671,957	837,173	3,509,130	2.67
2014	85,487,267	76,977,920	8,509,347	2,817,389	730,046	3,547,435	2.40
2015	88,959,008	78,826,457	10,132,551	2,779,142	718,860	3,498,002	2.90
2016	91,567,054	85,384,256	6,182,798	2,170,954	603,337	2,774,291	2.07
2017	96,228,757	89,968,643	6,260,114	2,253,374	516,855	2,770,229	2.26
2018	100,889,330	90,228,298	10,661,032	2,346,801	422,677	2,769,478	3.85
2019	101,850,203	91,906,922	9,943,281	2,436,245	303,430	2,739,675	3.63
2020	101,792,768	93,442,172	8,350,596	1,043,456	232,836	1,276,292	6.54

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

Table 13

<u>Fiscal Year</u>	<u>City of Bentonville Population (1)</u>	<u>Benton County Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2011	35,301	221,339	42,317	1,493,832,417	5.90%
2012	35,301	221,339	48,371	1,707,544,671	5.50%
2013	35,301	221,339	47,363	1,671,961,263	4.90%
2014	35,301	221,339	51,809	1,828,909,509	4.00%
2015	35,301	221,339	52,509	1,853,620,209	3.20%
2016	35,301	221,339	52,509	1,853,620,209	2.70%
2017	35,301	221,339	55,729	1,967,289,429	2.70%
2018	35,301	221,339	59,425	2,097,761,925	2.50%
2019	54,909	279,141	65,306	3,585,887,154	2.30%
2020	54,909	279,141	67,771	3,721,237,839	3.50%

(1) U.S. Census Bureau

(2) Fayetteville-Springdale-Rogers MSA (of which Bentonville is a part of) 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

City of Bentonville, Arkansas
Principal Employers
Last Ten Years

Table 14

Employer	2020			2010		
	Rank	Employees	Percentage of Population 54,909 (1)	Rank	Employees	Percentage of Population 35,301 (1)
Wal-Mart/Sam's Club	1	2,500+	4.55%	1	2,500+	7.08%
Mercy Health System of Northwest Arkansas	2	1000-2499	1.82%	8	200-299	0.57%
Bentonville School District	2	1000-2499	1.82%	2	1000-2499	2.83%
Northwest Arkansas Community College	4	500-999	0.91%	5	300-499	0.85%
Benton County	4	500-999	0.91%	3	500-999	1.42%
Cognizant	4	500-999	0.91%			
City of Bentonville	4	500-999	1.42%	5	300-499	0.85%
Arvest Bank Group, Inc.	8	300-499	0.55%	3	500-999	1.42%
Northwest Health System	8	300-499	0.55%	5	300-499	0.85%
Consumer Testing Laboratories	8	300-499	0.55%			
Outdoor Cap Company				8	200-299	0.57%
Fuji Film				8	200-299	0.57%

Source: Bentonville/Bella Vista Chamber of Commerce

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

(2) Data as of 2010 as 2011 statistics were not available.

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

Table 15

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Function										
Governmental Activities										
General government	75.5	71.5	72	91	59	65	64	67	64	65
Public Safety	229	212.5	191	199	189	175	174	161	162	154
Recreation	100.5	111.5	109	187	160	90	70	47	44	38
Street Department	25	23	23	26	29	23	23	22	22	22
Library	24	24.5	26	30	28	24	24	21	21	21
Total	<u>454.0</u>	<u>443.0</u>	<u>421.0</u>	<u>532.0</u>	<u>463.5</u>	<u>377.0</u>	<u>354.5</u>	<u>317.5</u>	<u>312.0</u>	<u>299.0</u>
Business-Type Activities										
Electric	49	46	41	43	42	37	36	36	36	36
Water	45	43	41	44	39	38	38	38	37	38
Wastewater	22	22	23	26	25	22	21	22	22	22
Support	22	24	23	26	23	21	21	22	22	23
Total	<u>138</u>	<u>135</u>	<u>128</u>	<u>139</u>	<u>129</u>	<u>118</u>	<u>116</u>	<u>118</u>	<u>117</u>	<u>119</u>
Total Primary Government	<u>592</u>	<u>578</u>	<u>549</u>	<u>671</u>	<u>593</u>	<u>495</u>	<u>470.50</u>	<u>435.50</u>	<u>429.00</u>	<u>418.00</u>

Source: Various city departments

City of Bentonville, Arkansas

Operating Indicators by Function

Last Ten Years

Table 16

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Function										
Governmental Activities										
General Government										
Building Permits Issued	1,797	1,750	1,732	1,562	1,461	1,375	1,227	1,225	1,253	866
Building Inspections performed	13,979	19,570	21,079	19,613	19,380	19,514	14,228	16,222	13,782	9,920
Fire										
Fire related calls for service *	4,238	1,420	1,485	1,553	1,534	1,453	1,309	1,229	1,100	1,128
EMS related calls for service	5,804	5,534	5,304	4,788	4,786	4,665	4,141	3,772	3,826	3,779
Police										
Calls for service Police	69,239	70,483	66,312	59,100	57,193	53,140	48,402	40,320	35,888	30,555
Calls for service Fire/EMS	7,225	6,976	6,937	6,031	6,294	6,111	5,455	5,029	4,925	4,907
Physical arrests	3,782	3,981	3,544	3,601	3,405	3,319	2,891	2,572	2,763	2,490
9-1-1 Calls	16,429	17,336	15,642	16,078	16,779	16,907	18,779	17,857	14,942	14,355
Recreation										
Program Participants	223,237	735,491	728,955	726,364	661,897	320,655	171,563	160,592	97,152	**
Transportation										
Streets Overlaid each year (miles)	7	2	2	3	3	2	4	2	3	3
Library										
Library card holders	42,518	42,615	26,867	26,929	27,058	35,514	30,621	27,190	27,108	28,066
Visits	139,034	319,697	302,398	296,311	300,766	298,585	296,819	296,031	300,652	277,059
Circulation (checkouts or materials)	551,135	725,056	667,538	675,787	679,444	651,289	602,218	560,778	541,028	482,198
Business-Type Activities										
Electric, Water, Wastewater Support Activities										
Meters read	610,224	599,999	572,648	555,128	530,850	503,834	483,297	466,085	450,585	438,307
Payments Processed (dollars)	\$ 90,995,518	\$ 94,437,561	\$ 93,810,989	\$ 90,026,317	\$ 88,326,913	\$ 84,237,799	\$ 84,480,153	\$ 73,951,337	\$ 72,493,590	\$ 70,010,486
Payments Processed (transactions)	226,616	215,614	206,971	193,627	190,814	185,954	188,519	182,333	177,907	173,423

** Data not available for given period.

Source: Various city departments

* Adjusted totals for Fire Related Calls in years 2009-2016

City of Bentonville, Arkansas

Capital Assets Statistics by Function

Last Ten Years

Table 17

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Function										
Governmental Activities										
General Government										
Number of general government buildings	4	4	4	4	4	4	4	4	4	4
Fire										
Fire Trucks available each year	9	8	8	8	8	8	7	7	7	7
Ambulances available each year	5	6	7	7	7	7	6	6	6	6
Fire Stations	7	6	6	6	6	6	5	5	5	5
Police										
Police Units (cars/trucks) that were available each year	103	94	91	89	85	83	80	77	70	69
Recreation										
Parks Acreage	341	341	341	341	341	341	311	311	311	309
Number of Parks	20	20	20	20	20	20	19	19	19	18
Number of Trails	28	28	27	25	25	24	23	23	23	21
Baseball/softball fields	20	24	24	24	24	24	24	24	24	24
Soccer Fields / Football Fields	16	16	16	16	16	16	13	13	10	10
Tennis Courts	22	22	14	14	14	14	14	14	14	14
Basketball Courts	5	5	5	5	5	5	4	4	4	4
Swimming Pools / Splash Parks	4	4	4	4	4	4	2	2	2	2
Ice Rink	1	1	1	1	1	1	1	1	1	1
Indoor Rec Center	2	2	2	2	2	2	1	1	1	1
Transportation										
Total Paved Streets (miles)	296	284	288	274	261	250	253	246	244	237
Traffic Signals	52	50	49	45	45	41	41	41	41	41
Library										
Items Available for checkout	154,953	149,962	143,760	135,568	134,725	131,070	121,905	114,238	111,887	103,000
Business-Type Activities										
Electric										
Electric Substations	9	9	9	9	9	9	9	9	9	8
Electric Lines (miles)										
Distribution	989.00	982.10	925.50	915.68	885.88	846.25	837.40	723.50	699.50	669.00
Transmission	16.32	16.32	16.32	16.32	16.32	16.32	16.32	16.32	16.32	**
Water										
Water Lines (miles)	336.69	330.71	325.60	321.90	314.40	307.30	301.60	298.30	290.50	288.30
Sewer Lines (miles)	314.99	311.25	308.40	305.80	300.40	294.20	289.30	287.20	283.60	282.00

** Data not available for given period.

Source: Various city departments.

City of Bentonville, Arkansas
Waste and Wastewater Rates
December 31, 2020

Table 18

Per 1,000 gallons						
	Water			Wastewater		
	Residential	Irrigation	Commerical	Residential	Commerical	
Inside City monthly usage rates						
First 4,000 gallons of water	\$ 3.58	N/A	N/A	N/A	N/A	
Next 6,000 gallons of water	3.93	N/A	N/A	N/A	N/A	
Over 10,000 gallons of water	5.43	N/A	N/A	N/A	N/A	
All Consumption	N/A	\$ 4.73	\$ 3.76	\$ 7.69	\$ 8.22	
Outside City monthly usage rates						
First 4,000 gallons of water	\$ 4.30	N/A	N/A	N/A	N/A	
Next 6,000 gallons of water	4.72	N/A	N/A	N/A	N/A	
Over 10,000 gallons of water	6.52	N/A	N/A	N/A	N/A	
All Consumption	N/A	\$ 5.68	\$ 4.51	\$ 9.23	\$ 9.86	

Rate per Month					
	Water		Wastewater		
	Irrigation		Residential	Commerical	
Meter rates					
5/8" meter	\$ 7.71	\$ 10.14	\$ 13.41	\$ 14.33	
3/4" meter	7.71	10.14	13.41	14.33	
1" meter	19.28	25.66	44.16	47.19	
1-1/2" meter	83.55	109.97	164.05	175.31	
2" meter	89.98	118.52	175.15	187.17	
3" meter	134.97	177.16	257.30	274.95	
4" meter	385.63	507.06	721.32	770.81	
6" meter	835.54	1,099.64	1,553.89	1,660.50	

City of Bentonville, Arkansas
Schedule of Electric, Water and Wastewater Customers
And Annual Billable Water Gallons
December 31, 2020

Table 19

Type	Number of Customers
Electric	26,275
Water	22,784
Wastewater	18,551

Year Ended December 31, 2020	Gallons
Annual billable water gallons	2,679,345

City of Bentonville, Arkansas

Schedule of Insurance Coverage

December 31, 2020

Table 20

Policy Coverage	Policy Period	Coverage	Insurer
Property	7-8-20 to 7-8-21	\$ 208,510,333	Affiliated FM Insurance Company
Municipal vehicles - Includes property and bodily injury	1-1-20 to 1-1-21	\$25,000 for one person, \$50,000 for multiple person	Arkansas Municipal League
Fraudulent or dishonest acts	7-1-20 to 6-30-21	\$ 300,000	Arkansas Fidelity Bond Trust Fund

Single Audit Section

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City of Bentonville, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

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 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 LY10-3314-001	\$ -	\$ 316,710
		<i>Cluster Total</i>	-	316,710
U.S. Department of Transportation/Airport Improvement Program	20.106		-	122,141
Total Department of Transportation Programs			-	438,851
Department of Treasury				
U.S. Department of Treasury/State of Arkansas/COVID- 19 Coronavirus Relief Fund	21.019	N/A	-	1,578,493
Total Department of Treasury Programs			-	1,578,493
United States Environmental Protection Agency				
U.S. Environmental Protection Agency/Regional Wetland Development Program	66.461		-	198,839
Total United States Environmental Protection Agency			-	198,839
Total Expenditures of Federal Awards			\$ -	\$ 2,216,183

City of Bentonville, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City under programs of the federal government for the year ended December 31, 2020. 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 the cost principles contained in the Uniform Guidance or other applicable regulatory guidance, 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 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, each major fund and the aggregate remaining fund information of the City of Bentonville, Arkansas (the City), for the year ended December 31, 2020, 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 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Rogers, Arkansas
June 15, 2021

Report on Compliance for the 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 the Major Federal Program

We have audited the City of Bentonville's (the City) 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, 2020. 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 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 the 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, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a 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 15, 2021

City of Bentonville, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

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 ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? ☐ Yes ☒ None reported
Material weakness(es)? ☐ Yes ☒ No

5. The opinion(s) expressed in the independent auditor's report on compliance for major federal awards was (were):
(Check each description that applies. If any other than unmodified apply, also list the name of each major program by the type of opinion applicable to that program.)
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

City of Bentonville, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2020

7. The City's major program was:

Cluster/Program	Assistance Listing Number
COVID-19 Coronavirus Relief Fund	21.019

8. The threshold used to distinguish between Type A and Type B programs was \$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, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

City of Bentonville, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020

Reference Number	Summary of Finding	Status
No matters are reportable.		

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 of the City of Bentonville, Arkansas'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, 2020.

- (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 is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. 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, 2020, 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 15, 2021