City of Benson
City Council Communication

Regular Meeting **March 28, 2016**

To: Mayor and Council Agenda Item # 2

From: Dustin DeSpain, Finance Director

Subject:

Presentation of Certified Audit Report for the City of Benson for the fiscal year ended June 30, 2015

Discussion:

Mr. Jim Usevitch from Colby and Powell, PLC, Certified Public Accountants, will present the City's audited financial statements to Council and will be available to answer Council's questions.

Staff Recommendation:

Presentation only

CITY OF BENSON, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2015

Benson

Arizona

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Benson, Arizona

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 Benson, Arizona, as of and for the year ended June 30, 2015, 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 Benson, Arizona, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement Nos. 68 and 71. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

The City of Benson has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 56 through 58, Schedule of the City's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 60, Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 61 through 62, Schedule of City Pension Contributions on page 63, and Schedule of Agent OPEB Plans' Funding Progress on page 65, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, on our consideration of the City of Benson, Arizona'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 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 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 of Benson, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

Colby + Powell

March 4, 2016

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CITY OF BENSON, ARIZONA
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 713,172	$ 1,960,668	$ 2,673,840
Cash and cash equivalents, restricted	22,485	59,707	82,192
Accounts receivable - net	-	92,822	92,822
Taxes receivable	40,791	-	40,791
Due from other governments	330,611	157,992	488,603
Prepaid expenses	166,293	144,902	311,195
Inventory	-	6,663	6,663
Due from (to) other funds	2,345,965	(2,345,965)	-
Capital assets, not being depreciated	712,778	7,744,582	8,457,360
Capital assets, being depreciated, net	5,301,085	18,372,262	23,673,347
Total assets	9,633,180	26,193,633	35,826,813
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	765,921	183,334	949,255
LIABILITIES			
Accounts payable	283,673	202,941	486,614
Accrued expenses	17,866	13,111	30,977
Deferred revenue	-	9,826	9,826
Settlement liability	182,693	-	182,693
Interest payable	88,894	-	88,894
Refundable deposits	-	59,707	59,707
Noncurrent liabilities			
Due within 1 year	359,885	114,452	474,337
Due in more than 1 year	8,901,307	1,847,223	10,748,530
Total liabilities	9,834,318	2,247,260	12,081,578
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	834,171	377,172	1,211,343
NET POSITION			
Net investment in capital assets	1,575,832	25,933,964	27,509,796
Restricted for:			
Public safety	22,485	-	22,485
Unrestricted (deficit)	(1,867,705)	(2,181,429)	(4,049,134)
Total net position	$ (269,388)	$ 23,752,535	$ 23,483,147

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Activities
June 30, 2015

Functions / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions
Primary government:			
Governmental activities			
General government	$ 1,550,363	$ 86,948	$ 15,832
Public safety	2,559,738	6,855	116,603
Highways and streets	552,966	-	361,220
Public works	58,968	-	3,780
Culture and recreation	883,183	22,669	18,465
Transit	198,399	8,420	108,165
Interest on long-term debt	186,971	-	-
Total governmental activities	5,990,588	124,892	624,065
Business-type activities			
Gas	711,059	798,545	-
Water	710,621	700,872	-
Liquid waste	704,192	713,059	-
Solid waste	593,522	621,551	-
Golf course	1,046,954	790,132	-
Municipal Airport	304,573	11,553	-
Total business-type activities	4,070,921	3,635,712	-
Total primary government	$ 10,061,509	$ 3,760,604	$ 624,065

General revenue:
Taxes:
Sales Tax
Property tax
Franchise tax
State sales tax revenue sharing
Auto lieu tax revenue sharing
State revenue sharing
Interest income
Miscellaneous
Total general revenue and transfers
Change in net position
Net position, July 1, 2014, as restated
Net position, June 30, 2015

See accompanying notes to financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government Governmental Activities	Business-type Activities	Total
$ -	$ (1,447,583)	$ -	$ (1,447,583)
1,726	(2,434,554)	-	(2,434,554)
-	(191,746)	-	(191,746)
-	(55,188)	-	(55,188)
7,319	(834,730)	-	(834,730)
-	(81,814)	-	(81,814)
-	(186,971)	-	(186,971)
9,045	(5,232,586)	-	(5,232,586)
-	-	87,486	87,486
-	-	(9,749)	(9,749)
-	-	8,867	8,867
-	-	28,029	28,029
-	-	(256,822)	(256,822)
157,992	-	(135,028)	(135,028)
157,992	-	(277,217)	(277,217)
$ 167,037	(5,232,586)	(277,217)	(5,509,803)
	2,914,136	-	2,914,136
	225,368	-	225,368
	152,475	-	152,475
	460,695	-	460,695
	226,502	-	226,502
	617,992	-	617,992
	3,019	-	3,019
	72,148	-	72,148
	4,672,335	-	4,672,335
	(560,251)	(277,217)	(837,468)
	290,863	24,029,752	24,320,615
	$ (269,388)	$ 23,752,535	$ 23,483,147

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Balance Sheet
Governmental Funds
Year Ended June 30, 2015

	General Fund	HURF/LTAF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 552,392	$ -	$ -	$ 160,780	$ 713,172
Cash and cash equivalents-restricted	22,485	-	-	-	22,485
Taxes receivable	40,791	-	-	-	40,791
Due from other governments	290,435	33,617	-	6,559	330,611
Prepaid expenses	93,840	72,453	-	-	166,293
Due from other funds	2,974,704	-	-	-	2,974,704
Total assets	$ 3,974,647	$ 106,070	$ -	$ 167,339	$ 4,248,056
LIABILITIES					
Accounts payable	$ 104,020	$ 15,448	$ -	$ 164,205	$ 283,673
Accrued expenses	15,787	1,507	-	572	17,866
Settlement liability	150,000	-	-	-	150,000
Due to other funds	-	625,605	-	3,134	628,739
Total liabilities	269,807	642,560	-	167,911	1,080,278
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	30,720	-	-	-	30,720
FUND BALANCES					
Nonspendable	3,068,544	72,453	-	-	3,140,997
Restricted for:					
Public safety	22,485	-	-	-	22,485
Unassigned	583,091	(608,943)	-	(572)	(26,424)
Total fund balances	3,674,120	(536,490)	-	(572)	3,137,058
Total liabilities, deferred inflows of resources, and fund balances	$ 3,974,647	$ 106,070	$ -	$ 167,339	$ 4,248,056

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2015

Fund balances-total governmental funds	$ 3,137,058
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 therefore, are not reported in the funds.	6,013,863
Some receivables are not available to pay for current-period expenditures and therefore, are unavailable in the funds.	30,720
Long-term liabilities, such as net pension liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(9,382,779)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	(68,250)
Net position of governmental activities	$ (269,388)

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General Fund	HURF/LTAF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Fund
Revenue					
Taxes	$ 3,217,918	$ -	$ 72,646	$ -	$ 3,290,564
Intergovernmental	1,423,517	361,220	-	129,303	1,914,040
Other revenue	96,487	-	-	-	96,487
Charges for services	59,663	-	-	8,420	68,083
Licenses and permits	49,480	-	-	-	49,480
Fines and forfeitures	7,250	-	-	-	7,250
Interest	3,019	-	-	-	3,019
Total revenue	4,857,334	361,220	72,646	137,723	5,428,923
Expenditures					
Current					
Public safety	2,057,620	-	-	10,241	2,067,861
General government	1,247,220	-	250,000	4,000	1,501,220
Culture and recreation	688,379	-	-	-	688,379
Highways and streets	-	331,054	34,676	-	365,730
Transit	-	-	-	158,053	158,053
Public works	55,830	-	-	-	55,830
Debt service					
Principal	303,828	-	-	-	303,828
Interest	187,318	-	-	-	187,318
Capital outlay	21,139	-	12,250	7,470	40,859
Total expenditures	4,561,334	331,054	296,926	179,764	5,369,078
Excess (deficiency) of revenue over expenditures	296,000	30,166	(224,280)	(42,041)	59,845
Other financing sources (uses)					
Transfers in (out)	(740,881)	-	532,533	208,348	-
Net change in fund balance	(444,881)	30,166	308,253	166,307	59,845
Fund balance, beginning of year	4,119,001	(566,656)	(308,253)	(166,879)	3,077,213
Fund balance, end of year	$ 3,674,120	$ (536,490)	$ -	$ (572)	$ 3,137,058

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015

Net change in fund balances-total governmental funds		$ 59,845
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds 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.		
Current year capital acquisitions	40,859	
Current year depreciation expense	(727,609)	
		(686,750)
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Property taxes		1,414
Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension contributions	337,790	
PSPRS health insurance transfer	(122,300)	
Pension expense	(440,901)	
		(225,411)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt principal repaid		304,175
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Increase in settlement liability	(32,693)	
Decrease in compensated absences payable	19,169	
		(13,524)
Change in net position of governmental activities		$ (560,251)

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,685,495	$ -	$ -
Cash and cash equivalents, restricted	44,004	15,703	-
Accounts receivable - net	5,596	22,140	24,301
Due from other governments	-	-	-
Prepaid expenses	-	86,943	57,959
Inventory	-	-	-
Total current assets	1,735,095	124,786	82,260
Noncurrent assets			
Capital assets, net of accumulated depreciation, where applicable:			
Land	-	55,771	354,792
Utilities systems, net	482,574	2,264,089	705,817
Buildings, net	-	-	5,204,219
Equipment, net	-	10,104	51,193
Capital assets, net	482,574	2,329,964	6,316,021
Total noncurrent assets	482,574	2,329,964	6,316,021
Total assets	2,217,669	2,454,750	6,398,281
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	35,934	53,260	34,902
LIABILITIES			
Current liabilities			
Accounts payable	44,634	20,097	16,220
Deferred revenue	-	-	-
Accrued expenses	3,387	2,847	2,993
Refundable deposits	44,004	15,703	-
Due to other funds	-	377,903	309,276
Compensated absences, current	10,718	20,611	21,612
Lease payable, current	-	-	-
Total current liabilities	102,743	437,161	350,101
Noncurrent liabilities			
Compensated absences	2,679	5,153	5,403
Lease payable	-	-	-
Net pension liability	334,170	495,291	324,572
Total noncurrent liabilities	336,849	500,444	329,975
Total liabilities	439,592	937,605	680,076
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	73,927	109,571	71,804
NET POSITION			
Net investment in capital assets	482,574	2,329,964	6,316,021
Unrestricted (deficit)	1,257,510	(869,130)	(634,718)
Total net position	$ 1,740,084	$ 1,460,834	$ 5,681,303

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds			
Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
$ 275,173	$ -	$ -	1,960,668
-	-	-	59,707
17,301	23,484	-	92,822
-	-	157,992	157,992
-	-	-	144,902
-	6,663	-	6,663
292,474	30,147	157,992	2,422,754
82,500	7,091,914	159,605	7,744,582
-	308,000	8,263,440	12,023,920
-	776,994	-	5,981,213
-	289,519	16,313	367,129
82,500	8,466,427	8,439,358	26,116,844
82,500	8,466,427	8,439,358	26,116,844
374,974	8,496,574	8,597,350	28,539,598
3,485	55,753	-	183,334
76,229	30,271	15,490	202,941
-	9,826	-	9,826
-	3,884	-	13,111
-	-	-	59,707
-	614,345	1,044,441	2,345,965
-	6,164	-	59,105
-	55,347	-	55,347
76,229	719,837	1,059,931	2,746,002
-	1,541	-	14,776
-	127,533	-	127,533
32,405	518,476	-	1,704,914
32,405	647,550	-	1,847,223
108,634	1,367,387	1,059,931	4,593,225
7,169	114,701	-	377,172
82,500	8,283,547	8,439,358	25,933,964
180,156	(1,213,308)	(901,939)	(2,181,429)
$ 262,656	$ 7,070,239	$ 7,537,419	23,752,535

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Operating revenue			
Charges for services, net of bad debt	$ 798,545	$ 700,872	$ 713,059
Sales	-	-	-
Total operating revenue	798,545	700,872	713,059
Operating expenses			
Personnel	242,194	355,202	233,502
Insurance	43,944	8,836	26,390
Professional services	7,115	4,174	23,110
Utilities	4,108	120,288	79,744
Repairs and maintenance	8,122	17,194	34,668
Materials and supplies	30,666	30,995	32,656
Cost of sales	322,509	-	-
Other	12,150	12,738	14,674
Depreciation	40,251	161,194	259,448
Total operating expenses	711,059	710,621	704,192
Operating income (loss)	87,486	(9,749)	8,867
Nonoperating revenue (expenses)			
Interest expense	-	-	-
Income (loss) before capital grants and transfers	87,486	(9,749)	8,867
Capital grants	-	-	-
Increase (decrease) in net position	87,486	(9,749)	8,867
Total net position, beginning of year, as resta	1,652,598	1,470,583	5,672,436
Total net position, end of year	$ 1,740,084	$ 1,460,834	$ 5,681,303

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds			
Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
$ 621,551	$ 446,890	$ 11,553	$ 3,292,470
-	343,242	-	343,242
621,551	790,132	11,553	3,635,712
22,894	417,250	-	1,271,042
-	7,021	19,062	105,253
562,878	36,006	5,905	639,188
-	79,372	13,035	296,547
-	71,732	6,899	138,615
-	86,381	-	180,698
-	145,679	-	468,188
7,750	26,944	-	74,256
-	169,069	259,672	889,634
593,522	1,039,454	304,573	4,063,421
28,029	(249,322)	(293,020)	(427,709)
-	(7,500)	-	(7,500)
28,029	(256,822)	(293,020)	(435,209)
-	-	157,992	157,992
28,029	(256,822)	(135,028)	(277,217)
234,627	7,327,061	7,672,447	24,029,752
$ 262,656	$ 7,070,239	$ 7,537,419	$ 23,752,535

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Cash flows from operating activities:			
Receipts from customers	$ 806,787	$ 713,346	$ 717,107
Payments to suppliers and providers of goods and services	(424,374)	(193,543)	(209,524)
Payments to employees	(241,468)	(355,676)	(244,721)
Net cash provided (used) by operating activities	140,945	164,127	262,862
Cash flows from noncapital financing activities:			
Received from other funds	1,548,296	-	-
Paid to other funds	-	(156,054)	(262,862)
Net cash provided (used) by noncapital financing activities	1,548,296	(156,054)	(262,862)
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	-	-
Purchase of capital assets	-	(7,954)	-
Interest paid	-	-	-
Net cash provided (used) by capital and related financing activities	-	(7,954)	-
Net increase (decrease) in cash and cash equivalents	1,689,241	119	-
Cash and cash equivalents, July 1, 2014	40,258	15,584	-
Cash and cash equivalents, June 30, 2015	$ 1,729,499	$ 15,703	$ -

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds			
Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
$ 626,525	$ 802,350	$ 11,553	$ 3,677,668
(538,846)	(537,057)	(40,678)	(1,944,022)
(23,253)	(421,152)	-	(1,286,270)
64,426	(155,859)	(29,125)	447,376
210,747	208,382	202,582	2,170,007
-	-	-	(418,916)
210,747	208,382	202,582	1,751,091
-	(45,023)	-	(45,023)
-	-	(173,457)	(181,411)
-	(7,500)	-	(7,500)
-	(52,523)	(173,457)	(233,934)
275,173	-	-	1,964,533
-	-	-	55,842
$ 275,173	$ -	$ -	$ 2,020,375

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015
(Continued)

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 87,486	$ (9,749)	$ 8,867
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	40,251	161,194	259,448
Bad debts	2,335	8,784	5,856
Pension expense	15,255	22,610	14,817
Employer pension contributions	(18,951)	(28,088)	(18,407)
(Increase) decrease in:			
Accounts receivable	2,161	3,571	(1,808)
Prepaid expenses	-	(3,060)	(2,040)
Increase (decrease) in:			
Accounts payable	4,240	3,742	3,758
Deferred revenue	-	-	-
Accrued expenses	3,387	2,847	2,993
Refundable deposits	3,746	119	-
Compensated absences payable	1,035	2,157	(10,622)
Net cash provided (used) by operating activities	$ 140,945	$ 164,127	$ 262,862

NONCASH INVESTING, CAPITAL FINANCING, AND NONCAPITAL FINANCING ACTIVITIES

The Municipal Airport Fund acquired $10,299 of equipment on account for the year ending June 30, 2015.

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds			
Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
$ 28,029	$ (249,322)	$ (293,020)	$ (427,709)
-	169,069	259,672	889,634
5,414	-	-	22,389
1,479	23,668	-	77,829
(1,838)	(29,401)	-	(96,685)
(440)	7,279	-	10,763
-	-	-	(5,100)
31,782	(83,922)	4,223	(36,177)
-	4,939	-	4,939
-	3,884	-	13,111
-	-	-	3,865
-	(2,053)	-	(9,483)
$ 64,426	$ (155,859)	$ (29,125)	$ 447,376

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Trust Fund
ASSETS	
Cash and cash equivalents	$ 592,772
Accounts receivable	517
Total assets	593,289
NET POSITION	
Held in trust for investment trust participants	$ 593,289

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Trust Fund
Additions:	
Contributions	$ 18,000
Other income	8,833
Interest and dividends	539
Total additions	27,372
Deductions:	
Pension payments	27,200
Change in net position	172
Net position, July 1, 2014	593,117
Net position, June 30, 2015	$ 593,289

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Benson, Arizona (City) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

A. Reporting Entity

The City is a general purpose local government that is governed by a separately elected City Council. The accompanying financial statements present the activities of the City (the primary government) and its component units.

Component units are legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City. The discretely presented component unit discussed below has a June 30 year-end.

> **The City of Benson Municipal Property Corporation** is a nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the Corporation is to assist the City of Benson, Arizona, in acquiring, constructing, financing, operating, improving or modifying public facilities for the benefit of all City of Benson, Arizona, residents. The Corporation's board of directors consists of seven members. For the year ending June 30, 2015, there was no activity.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the City as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the City) and its component unit. The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

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

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***HURF/LTAF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and from State of Arizona Local Transportation Assistance Fund which are legally restricted to expenditures for specified purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The ***Capital Projects Fund*** accounts for resources to be used for acquiring or constructing major capital facilities, other than those financed by proprietary funds.

The City reports the following major enterprise funds:

The ***Gas, Water, Liquid Waste, Solid Waste, Golf Course, and Municipal Airport*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the City Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the City Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following fund types:

The ***Trust Fund*** accounts for pension funds for various police officers and firefighters. The City acts as trustee for such funds and does not have title to the assets or liabilities accounted for in this fund.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. 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 landfill closure and post closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

For purposes of its statement of cash flows, the City considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the City.

F. Property Tax Calendar

Property taxes are levied on or before the third Monday in August and are payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real property assessed attaches on the first day of January preceding assessment and levy thereof.

Property taxes levied on residential property for current operations and maintenance expenses are limited to a percentage of the primary full cash value of such property. In addition, taxes levied for current operations and maintenance expenses on all types of property are limited to a maximum percentage increase over the prior year's levy adjusted for new construction and annexations. Property taxes levied to pay principle and interest on bonded indebtedness are unlimited.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ 5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings	5,000	Straight-line	30
Infrastructure	5,000	Straight-line	25-40
Equipment	5,000	Straight-line	3-20

H. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate vacation hours equal to 1.5 times their annual vacation hours earned. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Unused sick leave hours in excess of 960 accumulated at May 1 each year are paid to each eligible employee at 25% of the employee's normal hourly rate of pay.

J. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City's city council,
4. *Assigned* fund balances are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the City's governmental funds and includes all spendable amounts not contained in other classifications.

The City's policy for committed fund balances is through formal City resolutions passed through the elected city council. The process of rescinding a committed fund balance requires the same process.

The City's policy for assigned fund balances is through motions passed by the elected city council. Assigned fund balances do not require a formal resolution.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the City's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

K. Impact of Recently Issued Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The City implemented this standard during this fiscal period. See the subsequent notes for further details.

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The City implemented this standard during this fiscal period. See the subsequent notes for further details.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the City to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits – At June 30, 2015, the carrying amount of the City's total nonpooled cash in bank was $3,131,410 and the bank balance was $3,125,875. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was collateralized by securities held by the financial institutions.

Investments – At June 30, 2015, the investments consisted of the following:

	Rating	Reported Amount	Fair Value
Investment in State Treasurer's investment pool Primary Government	Unrated	$ 115,253	$ 115,253
Investment in State Treasurer's investment pool Fiduciary Funds	Unrated	$ 67,863	$ 67,863

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk. All other investments were insured or registered in the City's name, or were held by the City or its agent in the City's name.

Restricted cash –$59,707 is restricted for refundable customer deposits in the proprietary funds and $22,485 of RICO funds is restricted for public safety.

NOTE 3 – ACCOUNTS RECEIVABLES

The following table summarizes that City's receivables, net of allowance for uncollectible, for the proprietary funds as of June 30, 2015:

	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Golf Course Fund	Total
Accounts recievable	$ 10,596	$ 28,112	$ 26,368	$ 21,436	$ 23,484	$ 109,996
Less allowance	(5,000)	(5,972)	(2,067)	(4,135)	-	(17,174)
Accounts recivable - net	$ 5,596	$ 22,140	$ 24,301	$ 17,301	$ 23,484	$ 92,822

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2015, included $10,257 in county-shared revenue from auto lieu taxes, $34,792 in state-shared revenue from sales taxes, $212,028 in state-shared revenue from city sales taxes collected by the State, $33,358 in revenue from the State for public safety grants, $33,617 in state-shared revenue from highway user revenue fund (HURF) taxes, and $6,559 in state-shared revenue from Arizona Department of Transportation.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 705,308	$ -	$ -	$ 705,308
Construction in progress	-	7,470	-	7,470
Total capital assets not being depreciated	705,308	7,470	-	712,778
Capital assets being depreciated:				
Buildings	4,762,750	-	-	4,762,750
Equipment	3,601,063	33,389	-	3,634,452
Infrastructure	4,770,219	-	-	4,770,219
Total	13,134,032	33,389	-	13,167,421
Less accumulated depreciation for:				
Buildings	(2,521,391)	(227,319)	-	(2,748,710)
Equipment	(2,426,230)	(308,981)	-	(2,735,211)
Infrastructure	(2,191,106)	(191,309)	-	(2,382,415)
Total	(7,138,727)	(727,609)	-	(7,866,336)
Total capital assets being depreciated, net	5,995,305	(694,220)	-	5,301,085
Governmental activities capital assets, net	$ 6,700,613	$ (686,750)	$ -	$ 6,013,863

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 7,744,582	$ -	$ -	$ 7,744,582
Construction in progress	-	165,723	-	165,723
Total capital assets not being depreciated	7,744,582	165,723	-	7,910,305
Capital assets being depreciated:				
Utility systems	18,158,332	-	-	18,158,332
Buildings	9,894,642	-	-	9,894,642
Equipment	1,266,359	25,987	-	1,292,346
Total	29,319,333	25,987	-	29,345,320
Less accumulated depreciation for:				
Utility systems	(5,756,727)	(543,408)	-	(6,300,135)
Buildings	(3,659,550)	(253,879)	-	(3,913,429)
Equipment	(832,870)	(92,347)	-	(925,217)
Total	(10,249,147)	(889,634)	-	(11,138,781)
Total capital assets being depreciated, net	19,070,186	(863,647)	-	18,206,539
Business-type activities capital assets, net	$ 26,814,768	$ (697,924)	$ -	$ 26,116,844

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 32,430
Public safety	253,058
Highways and streets	191,309
Transit	42,449
Culture and recreation	204,361
Public works	4,002
Total governmental activities depreciation expense	$ 727,609
Business-type activities:	
Gas	$ 40,251
Water	161,194
Liquid waste	259,448
Golf Course	169,069
Airport	259,672
Total business-type activities depreciation expense	$ 889,634

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the City's long-term liability and obligation activity for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within 1 year
Governmental activities:					
Compensated absences	$ 176,178	$ -	$ 19,169	$ 157,009	$ 125,607
Net pension liability	4,864,903	-	198,751	4,666,152	-
Capital leases payable	67,385	-	67,385	-	-
Bond payable-refunding	2,220,000	-	105,000	2,115,000	110,000
Bonds payable	2,390,000	-	115,000	2,275,000	115,000
Bond discount	(36,053)	-	(2,403)	(33,650)	(2,403)
Notes payable	98,124	-	16,443	81,681	11,681
Governmental activities long-term liabilities	$ 9,780,537	$ -	$ 519,345	$ 9,261,192	$ 359,885
Business-type activities:					
Compensated absences	$ 83,364	$ -	$ 9,483	$ 73,881	$ 59,105
Net pension liability	2,028,744	-	323,830	1,704,914	-
Capital leases payable	227,903	-	45,023	182,880	55,347
Business-type activities long-term liabilities	$ 2,340,011	$ -	$ 378,336	$ 1,961,675	$ 114,452

The following schedule details debt service requirements to maturity for the City's bonds and notes payable at June 30, 2015.

	Governmental Activities					
Year Ending June 30	Notes Payable		Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 11,681	$ 3,121	$ 222,597	$ 174,566	$ 234,278	$ 177,686
2017	10,000	2,700	227,597	167,666	237,597	170,366
2018	10,000	2,300	232,597	160,028	242,597	162,328
2019	10,000	1,900	242,597	150,228	252,597	152,128
2020	10,000	1,500	252,597	140,666	262,597	142,166
2021-25	30,000	2,100	1,422,981	531,682	1,452,981	533,782
2026-30	-	-	1,755,384	175,216	1,755,384	175,216
Total	$ 81,681	$ 13,621	$ 4,356,350	$ 1,500,050	$ 4,438,031	$ 1,513,671

NOTE 6 – LONG-TERM LIABILITIES – Continued

Bonds Payable – The City's bonded debt consists of a 2010 Excise Tax Revenue Bond issuance of $5,240,000. The Excise Tax Revenue Bond requires repayments of interest only due semi-annually starting January 1, 2011, with annual principal payments starting on July 1, 2011. Bonds outstanding at June 30, 2015, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Governmental Activities				
Excise tax revenue bond	$ 2,525,000	2030	3.70%	$ 2,275,000
Excise tax revenue refunding bond	2,715,000	2030	3.70%	2,115,000
Total excise tax revenue bonds	$ 5,240,000			4,390,000
		Amortized bond discount		(33,650)
		Revenue bonds, net		$ 4,356,350

Notes Payable – Notes payable consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Governmental Activities				
Note payable - Company	$ 100,000	2023	4.00%	$ 80,000
Note payable - Individual	60,000	2016	7.00%	1,681
Total notes payable	$ 160,000			$ 81,681

Capital Leases Payable – The City has acquired equipment under the provisions of a long-term lease agreements classified as capital leases for accounting purposes because they provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following schedule details debt service requirements to maturity for the City's capital leases payable at June 30, 2015.

Business-type Activities		
Principal	Interest	Total Minimum Lease Pmts
$ 55,347	$ 6,727	$ 62,074
53,226	4,072	57,298
55,363	1,936	57,299
18,944	156	19,100
$ 182,880	$ 12,891	$ 195,771

NOTE 6 – LONG-TERM LIABILITIES – Continued

The assets acquired through capital leases are as follows:

	Business-type Activities
Equipment	$ 259,642
Less: accumulated depreciation	(49,456)
Carrying value	$ 210,186

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – RESTATEMENT OF BEGINNING NET POSITION

Net position of the Gas Fund and the Business-type Activities was increased by $85,945 to adjust for golf course sales taxes expensed in the Gas Fund in prior periods. Beginning sales tax payable of the Golf Course Fund and the Business-type Activities was decreased by $85,945.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-type Activities
Net position as previously reported at June 30, 2014	$ 4,799,854	$ 25,947,360
Prior period adjustments-implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(4,864,903)	(2,028,744)
Deferred outflows-Town contributions made during fiscal year 2014	355,912	111,136
Total prior period adjustment	(4,508,991)	(1,917,608)
Net position, as restated, July 1, 2014	$ 290,863	$ 24,029,752

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE – Continued

	Gas Fund	Water Fund	Liquid Waste Fund
Net position as previously reported at June 30, 2014	$ 2,028,457	$ 2,027,663	$ 6,037,500
Prior period adjustments-implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2013)	(397,642)	(589,366)	(386,221)
Deferred outflows-Town contributions made during fiscal year 2014	21,783	32,286	21,157
Total prior period adjustment	(375,859)	(557,080)	(365,064)
Net position, as restated, July 1, 2014	$ 1,652,598	$ 1,470,583	$ 5,672,436

	Solid Waste Fund	Golf Course Fund
Net position as previously reported at June 30, 2014	$ 271,075	$ 7,910,218
Prior period adjustments-implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(38,560)	(616,955)
Deferred outflows-Town contributions made during fiscal year 2014	2,112	33,798
Total prior period adjustment	(36,448)	(583,157)
Net position, as restated, July 1, 2014	$ 234,627	$ 7,327,061

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the pension plans described below. The plans are component units of the State of Arizona.

At June 30, 2015, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	$ 4,666,152	$ 1,704,913	$ 6,371,065
Deferred outflows of resources	765,921	183,333	949,254
Deferred inflows of resources	834,171	377,172	1,211,343
Pension expense	440,901	77,829	518,730

The City reported $360,183 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description – City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	**Retirement**	
	Initial membership date:	
	Before July 1, 2011	**On or after July 1, 2011**
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30,

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

2015, were $248,052. The City's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	**Health Benefit Supplement Fund**	**Long-term Disability Fund**
Year ended June 30,		
2015	$ 13,679	$ 2,736
2014	15,140	6,056
2013	15,676	6,532

During fiscal year 2015, the City paid for ASRS pension and OPEB contributions as follows: 52.87 percent from the General Fund, 4.95 percent from the HURF/LTAF Fund, 3.21 percent from the Transit Fund, 7.64 percent from the Gas Fund, 11.32 percent from the Water Fund, 7.42 percent from the Liquid Waste Fund, 0.74 percent from the Solid Waste Fund, and 11.85 percent from the Golf Course Fund.

Pension Liability – At June 30, 2015, the City reported a liability of $4,374,107 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The City's proportion measured as of June 30, 2014, was .029562 percent, which was a decrease of .001747 from its proportion measured as of June 30, 2013.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the City recognized pension expense for ASRS of $440,901. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 222,305	$ -
Net difference between projected and actual earnings on pension plan investments	-	764,896
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	202,773
Town contributions subsequent to the measurement date	248,052	-
Total	$ 470,357	$ 967,669

The $248,052 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	$ (182,732)
2017	(182,732)
2018	(188,676)
2019	(191,224)
2020	-
Thereafter	-

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent 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:

ASRS

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.50%
Commodities	4%	4.75%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be 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.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the City's Proportionate Share of the ASRS 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 8 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 (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	$ 5,528,646	$ 4,374,107	$ 3,747,711

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan Descriptions – City police and fir employees participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS

	Initial membership date:	
	Before January 1, 2012	**On or after January 1, 2012**
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	80% if accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	4	-
Inactive employees entitled to but not yet receiving benefits	2	-
Active employees	13	1
Total	19	1

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active Members - Pension	11.05%	11.05%
Town		
Pension	21.22%	20.73%
Health insurance premium benefit	1.27%	1.12%

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Police	PSPRS Fire
Contributions Made	$ 174,082	$ 12,341
Health Insurance Premium Benefit		
Annual OPEB cost	10,894	1,482
Contributions made	10,894	1,482

During fiscal year 2015, the City paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Net Pension Liability (Asset) – At June 30, 2015, the City reported the following net pension liabilities:

PSPRS

	Net Pension Liability (Asset)
PSPRS Police	$ 1,912,415
PSPRS Fire	84,543

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liabilities are as follows:

PSPRS	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-80%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

	PSPRS Police	PSPRS Fire
Discount rates	7.85%	7.85%

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be 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.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

PSPRS - Police	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	$ 3,443,201	$ 1,860,584	$ 1,582,617
Changes for the year			
Service Cost	144,455	-	144,455
Interest on the total pension liability	267,446	-	267,446
Changes of benefit terms	75,099	-	75,099
Differences between expected and actual experience in the measurement of the pension liability	(145,164)	-	(145,164)
Changes of assumptions or other inputs	327,183	-	327,183
Contributions-employer	-	173,370	(173,370)
Contributions-employee	-	82,762	(82,762)
Net investment income	-	240,572	(240,572)
Benefit payments, including refunds of employee contributions	(216,951)	(216,951)	-
Administrative expense	-	-	-
Other changes	-	(157,483)	157,483
Net changes	452,068	122,270	329,798
Balances at June 30, 2015	$ 3,895,269	$ 1,982,854	$ 1,912,415

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS - Fire	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	$ 463,920	$ 357,814	$ 106,106
Changes for the year			
Service Cost	13,510	-	13,510
Interest on the total pension liability	36,948	-	36,948
Changes of benefit terms	(140)	-	(140)
Differences between expected and actual experience in the measurement of the pension liability	(33,897)	-	(33,897)
Changes of assumptions or other inputs	20,043	-	20,043
Contributions-employer	-	8,548	(8,548)
Contributions-employee	-	7,093	(7,093)
Net investment income	-	48,425	(48,425)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Other changes	-	(6,039)	6,039
Net changes	36,464	58,027	(21,563)
Balances at June 30, 2015	$ 500,384	$ 415,841	$ 84,543

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate – The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 2,385,743	$ 1,912,415	$ 1,516,814
PSPRS Fire			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 150,855	$ 84,543	$ 29,665

Pension Plan Fiduciary Net Position – Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2015, the City recognized the following pension expense:

	Pension Expense
PSPRS Police	$ 312,551
PSPRS Fire	6,502

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 123,812
Changes of assumptions or other inputs	279,058	-
Net difference between projected and actual earnings on pension plan investments	-	80,890
Town contributions subsequent to the measurement date	174,082	-
Total	$ 453,140	$ 204,702

PSPRS - Fire	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 22,689
Changes of assumptions or other inputs	13,416	-
Net difference between projected and actual earnings on pension plan investments	-	16,283
Town contributions subsequent to the measurement date	12,341	-
Total	$ 25,757	$ 38,972

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Police	PSPRS Fire
Year ended June 30,		
2016	$ 6,550	$ (8,652)
2017	6,550	(8,652)
2018	6,551	(4,182)
2019	6,551	(4,070)
2020	26,773	-
Thereafter	21,381	-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements	
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent Plan OPEB Trend Information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	$ 10,894	100%	$ (51,736)
2014	9,134	100%	(21,283)
2013	9,842	100%	114,719
PSPRS Fire			
2015	$ 1,482	100%	$ 9,746
2014	1,303	100%	10,599
2013	1,342	100%	18,901

Agent Plan OPEB Funded Status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	PSPRS Police	PSPRS Fire
Actuarial value of assets (a)	$ 153,769	$ 9,010
Actuarial accrued liability (b)	$ 102,033	$ 18,756
Unfunded actuarial accrued liability (funding excess) (b) - (a)	$ (51,736)	$ 9,746
Funded ratio (a)/(b)	150.71%	48.04%
Annual covered payroll (c)	$ 661,590	$ 63,262
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.00%	15.41%

The actuarial methods and assumptions for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

NOTE 11 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2015, were as follows:

Payable from	Payable to General Fund
HURF/LTAF Fund	$ 625,605
Transit Fund (nonmajor)	3,134
Water Fund	377,903
Liquid Waste Fund	309,276
Golf Course Fund	614,345
Municipal Airport Fund	1,044,441
	$ 2,974,704

Interfund transfers—Interfund transfers for the fiscal year ended June 30, 2015, were as follows:

Transfer to	Transfer from General Fund
Capital Projects Fund	$ 532,533
Transit Fund (nonmajor)	208,348
	$ 740,881

The purpose of the interfund transfers shown above were to pay for capital expenditures and to fund current operations.

NOTE 12 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2015, the Transit Fund reported a deficit fund balance of $572.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Taxes	$ 3,205,000	$ 3,205,000	$ 3,217,918	$ 12,918
Intergovernmental	1,558,138	1,558,138	1,423,517	(134,621)
Other revenue	551,600	551,600	96,487	(455,113)
Charges for services	93,050	93,050	59,663	(33,387)
Licenses and permits	89,600	89,600	49,480	(40,120)
Fines and forfeitures	15,000	15,000	7,250	(7,750)
Interest	5,000	5,000	3,019	(1,981)
Total revenue	5,517,388	5,517,388	4,857,334	(660,054)
Expenditures				
Current				
Public safety	2,261,594	2,261,594	2,057,620	203,974
General government	2,276,313	2,276,313	1,247,220	1,029,093
Culture and recreation	777,839	777,839	688,379	89,460
Public works	94,357	94,357	55,830	38,527
Debt service				
Principal	303,828	303,828	303,828	-
Interest	187,318	187,318	187,318	-
Capital outlay	21,139	21,139	21,139	-
Total expenditures	5,922,388	5,922,388	4,561,334	1,361,054
Excess (deficiency) of revenue over expenditures	(405,000)	(405,000)	296,000	701,000
Other financing sources (uses)				
Sale of capital assets	5,000	5,000	-	(5,000)
Transfers in (out)	(400,538)	(400,538)	(740,881)	(340,343)
Total other financing sources (uses)	(395,538)	(395,538)	(740,881)	(345,343)
Net changes in fund balance	(800,538)	(800,538)	(444,881)	355,657
Fund balance, July 1, 2014	4,119,001	4,119,001	4,119,001	-
Fund balance, June 30, 2015	3,318,463	$ 3,318,463	$ 3,674,120	$ 355,657

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF/LTAF Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	$ 359,893	$ 359,893	$ 361,220	$ 1,327
Expenditures				
Current				
Highways and streets	359,893	359,893	331,054	28,839
Net changes in fund balance	-	-	30,166	30,166
Fund balance, July 1, 2014	(566,656)	(566,656)	(566,656)	-
Fund balance, June 30, 2015	(566,656)	$ (566,656)	$ (536,490)	$ 30,166

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Capital Projects Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Taxes	$ 200,000	$ 200,000	$ 72,646	$ (127,354)
Intergovernmental	50,000	50,000	-	(50,000)
Total revenue	250,000	250,000	72,646	(177,354)
Expenditures				
Current				
General government	1,262,674	1,262,674	250,000	1,012,674
Highways and streets	34,676	34,676	34,676	-
Capital outlay	12,250	12,250	12,250	-
Total expenditures	1,309,600	1,309,600	296,926	1,012,674
Excess (deficiency) of revenue over expenditures	(1,059,600)	(1,059,600)	(224,280)	835,320
Other financing sources (uses)				
Proceeds from issuance of debt	500,000	500,000	-	(500,000)
Transfers in (out)	559,600	559,600	532,533	(27,067)
Total other financing sources (uses)	1,059,600	1,059,600	532,533	(527,067)
Net changes in fund balance	-	-	308,253	808,253
Fund balance, July 1, 2014	(308,253)	(308,253)	(308,253)	-
Fund balance, June 30, 2015	(308,253)	$ (308,253)	$ -	$ 308,253

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (A.R.S.) require the City to prepare and adopt a balanced budget annually for each governmental fund. The City Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the City Councils' approval.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The City's budget is prepared on a basis consistent with generally accepted accounting principles.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	**2014 through 2006**
Town's proportion of the net pension liability	0.029562%	Information
Town's proportionate share of the net pension liability	$ 4,374,107	not available
Town's covered-employee payroll	$ 2,664,766	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2015

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	**2014 through 2006**
Total pension liability		Information
Service cost	$ 144,455	not available
Interest on the total pension liability	267,446	
Changes of benefit terms	75,099	
Differences between expected and actual experience in the measurement of the pension liability	(145,164)	
Changes of assumptions or other inputs	327,183	
Benefit payments, including refunds of employee contributions	(216,951)	
Net change in total pension liability	452,068	
Total pension liability - beginning	3,443,201	
Total pension liability - ending (a)	$ 3,895,269	
Plan fiduciary net position		
Contributions - employer	$ 173,370	
Contributions - employee	82,762	
Net investment income	240,572	
Benefit payments, including refunds of employee contributions	(216,951)	
Administrative expense	-	
Other changes	(157,483)	
Net change in plan fiduciary net position	122,270	
Plan fiduciary net position - beginning	1,860,584	
Plan fiduciary net position - ending (b)	$ 1,982,854	
Town's net pension liability (asset) - ending (a) - (b)	$ 1,912,415	
Plan fiduciary net position as a percentage of the total pension liability	50.90%	
Covered-employee payroll	$ 784,309	
Town's net pension liability (asset) as a percentage of covered-employee payroll	243.83%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2015

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	**2014 through 2006**
Total pension liability		Information
Service cost	$ 13,510	not available
Interest on the total pension liability	36,948	
Changes of benefit terms	(140)	
Differences between expected and actual experience in the measurement of the pension liability	(33,897)	
Changes of assumptions or other inputs	20,043	
Benefit payments, including refunds of employee contributions	-	
Net change in total pension liability	36,464	
Total pension liability - beginning	463,920	
Total pension liability - ending (a)	$ 500,384	
Plan fiduciary net position		
Contributions - employer	$ 8,548	
Contributions - employee	7,093	
Net investment income	48,425	
Benefit payments, including refunds of employee contributions	-	
Administrative expense	-	
Other changes	(6,039)	
Net change in plan fiduciary net position	58,027	
Plan fiduciary net position - beginning	357,814	
Plan fiduciary net position - ending (b)	$ 415,841	
Town's net pension liability (asset) - ending (a) - (b)	$ 84,543	
Plan fiduciary net position as a percentage of the total pension liability	83.10%	
Covered-employee payroll	$ 68,532	
Town's net pension liability (asset) as a percentage of covered-employee payroll	123.36%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of City Pension Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	$ 248,052	$ 285,130	Information not available
Town's contributions in relation to the statutorily required contribution	(248,052)	(285,130)	
Town's contribution deficiency (excess)	$ -	$ -	
Town's covered-employee payroll	$ 2,279,890	$ 2,664,766	
Town's contributions as a percentage of covered-employee payroll	10.88%	10.70%	

PSPRS - Police

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially determined contribution	$ 174,082	$ 173,370	Information not available
Town's contributions in relation to the actuarially determined contribution	(174,082)	(173,370)	
Town's contribution deficiency (excess)	$ -	$ -	
Town's covered-employee payroll	$ 761,019	$ 784,309	
Town's contributions as a percentage of covered-employee payroll	22.87%	22.10%	

PSPRS - Fire

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially determined contribution	$ 13,823	$ 8,548	Information not available
Town's contributions in relation to the actuarially determined contribution	(13,823)	(8,548)	
Town's contribution deficiency (excess)	$ -	$ -	
Town's covered-employee payroll	$ 63,261	$ 68,532	
Town's contributions as a percentage of covered-employee payroll	21.85%	12.47%	

See accompanying notes to pension plan schedules.

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%
Wage growth	In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Pension-Police

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2015	$2,132,788	$ 4,079,682	$1,946,894	52.3 %	$661,590	294.3 %
6/30/2014	2,010,735	3,895,269	1,884,534	51.6	784,311	240.3
6/30/2013	2,080,926	3,443,201	1,362,275	60.4	785,494	173.4

Pension-Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2015	$ 451,898	$ 477,522	$ 25,624	94.6 %	$ 63,262	40.5 %
6/30/2014	421,688	500,384	78,696	84.3	68,532	114.8
6/30/2013	400,117	463,920	63,803	86.2	68,531	93.1

Health Insurance-Police

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2015	$ 153,769	$ 102,033	$ (51,736)	150.7 %	$661,590	- %
6/30/2014	140,167	118,884	(21,283)	117.9	784,311	(2.7)
6/30/2013	-	114,719	114,719	-	785,494	14.6

1/0/1900

Health Insurance-Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2015	$ 9,010	$ 18,756	$ 9,746	48.0 %	$ 63,262	15.4 %
6/30/2014	8,188	18,787	10,599	43.6	68,532	15.5
6/30/2013	-	18,901	18,901	-	68,531	27.6

See accompanying notes to schedule of agent OPEB plans' funding progress.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.

Benson

Arizona

Founded in 1880

Gateway to the San Pedro Valley

OTHER REPORTING SECTION

COLBY & POWELL, PLC
CERTIFIED PUBLIC ACCOUNTANTS
1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233
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INDEPENDENT AUDITORS' 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*

To the City Council
City of Benson, Arizona

We have audited, in accordance with the 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 Benson, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Benson, Arizona's basic financial statements and have issued our report thereon dated March 4, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness..

Compliance and Other Matters

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

City of Benson, Arizona's Response to Finding

The City of Benson, Arizona's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Benson, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Colby + Powell

March 4, 2016

Financial Statement Findings

Audit finding and response is as follows:

Item: 01-2015

Subject: Account reconciliations

Condition: During our audit, it was found that there were no procedures being followed to periodically reconcile all balance sheet accounts to supporting documentation. As a result, we noted that the sales tax payable account in the Golf Course Fund was materially misstated due to errors from a prior period. Had there been procedures for the reconciling of all material balance sheet accounts to supporting documentation, the error could have been detected and corrected prior to the audit.

Recommendation: We recommend that management implement procedures for the periodic reconciliation of all material balance sheet accounts to supporting documentation.

CITY OF BENSON, ARIZONA

Report on Examination of
Annual Expenditure Limitation Report

June 30, 2015

COLBY & POWELL, PLC
CERTIFIED PUBLIC ACCOUNTANTS
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Tel: (480) 635-3200 · Fax: (480) 635-3201

March 4, 2016

Honorable Members of
the Benson City Council

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Benson, Arizona, as of and for the year ended June 30, 2015. Professional standards require that we provide information about our responsibilities under generally accepted auditing standards and Government Auditing Standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are shown in attached management representation letter.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, there were no such consultations with other accountants.

Audit Adjustments

Attached is a list of adjustments that were brought to the attention of management as a result of audit procedures.

Uncorrected Misstatements

There were no uncorrected misstatements, other than those that we believe were trivial to the financial statements as a whole.

Other Audit Findings or Issues

Included in our audit report issued in accordance with Government Auditing Standards is the Schedule of Findings and Responses. Please consult the report issued as well as the schedule for further details.

This information is intended solely for the use of City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to provide our services to the City of Benson and please contact us if you have any questions or comments regarding this letter.

Colby + Powell

Attachments

Benson
Arizona Founded in 1880
Gateway to the San Pedro Valley

March 4, 2016

Colby and Powell, PLC
1535 W. Harvard Ave., Ste. 101
Gilbert, AZ 85233

This representation letter is provided in connection with your audit of the financial statements of City of Benson, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2015, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of March 4, 2016, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 13, 2015, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related

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parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements [or in the schedule of findings and questioned costs].

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the City of Benson is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the City of Benson or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

    c) Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21) We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.

22) We have a process to track the status of audit findings and recommendations.

23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

25) The City of Benson has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

28) As part of your audit, you assisted with preparation of the financial statements and related notes [and schedule of expenditures of federal awards]. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

29) The City of Benson has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

30) The City of Benson has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

31) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

33) The financial statements properly classify all funds and activities.

34) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

35) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

37) Provisions for uncollectible receivables have been properly identified and recorded.

38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

41) Special and extraordinary items are appropriately classified and reported.

42) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

43) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

44) We have appropriately disclosed the City of Benson's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

46) With respect to the Identify supplementary information on which an in-relation-to opinion is issued.

    a) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule of expenditures of federal awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

47) With respect to federal award programs:

    a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

    b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

    c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

    d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.

j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

t) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.

u) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.

v) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.

w) We have charged costs to federal awards in accordance with applicable cost principles.

x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

z) We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signed: _____ Signed: _____

Title: Finance Director Title: _____

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
Reverse prior year receivables				
1030115	CITY SALES TAX		187,311.75	
1030120	STATE SALES TAX		37,728.39	
1030125	FRANCHISE TAX		5,181.33	
1030130	AUTO LIEU TAX		9,089.25	
2030010	GASOLINE TAX		31,804.31	
1012500	ACCOUNTS RECEIVABLE			239,310.72
2012500	ACCOUNTS RECEIVABLE			31,804.31
Total			**271,115.03**	**271,115.03**
Adjusting Journal Entries JE # 2				
Record bank transfer 06/30/15				
0110200	CASH IN BANK - PAYROLL		80,395.87	
0111110	CASH IN BANK - GENERAL			80,395.87
Total			**80,395.87**	**80,395.87**
Adjusting Journal Entries JE # 3				
Adjust accured vacation to actual				
5040110	SALARIES AND WAGES		1,034.89	
5140110	SALARIES AND WAGES		2,157.36	
5240110	SALARIES AND WAGES		219.87	
5523100	ACCRUED VACATION PAYABLE		2,157.36	
9525500	COMPENSATED ABSENCES		19,412.52	
5023100	ACCRUED VACATION PAYABLE			1,034.89
5123100	ACCRUED VACATION PAYABLE			2,157.36
5223100	ACCRUED VACATION PAYABLE			219.87
5550110	SALARIES AND WAGES			2,157.36
9518200	AMOUNT TO BE PROVIDED			19,412.52
Total			**24,982.00**	**24,982.00**
Adjusting Journal Entries JE # 4				
Record current year receivables				
1012500	ACCOUNTS RECEIVABLE		257,076.75	
2012500	ACCOUNTS RECEIVABLE		33,617.45	
1030115	CITY SALES TAX			212,027.85
1030120	STATE SALES TAX			34,792.38
1030130	AUTO LIEU TAX			10,256.52
2030010	GASOLINE TAX			33,617.45
Total			**290,694.20**	**290,694.20**
Adjusting Journal Entries JE # 5				
Adjust property taxes				
1012500	ACCOUNTS RECEIVABLE		30,719.73	
1023040	PROPERTY TAX PAYABLE		29,306.04	
1030110	GENERAL PROPERTY TAX		27,624.25	
1012500	ACCOUNTS RECEIVABLE			56,930.29
1023040	PROPERTY TAX PAYABLE			30,719.73
Total			**87,650.02**	**87,650.02**
Adjusting Journal Entries JE # 6				

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adj payroll cash for direct deposit clearing 06/30				
0110100	CASH ALLOCATED TO OTHER FUNDS		74,357.72	
1021500	ACCRUED SALARIES PAYABLE		51,954.23	
1421500	ACCRUED SALARIES PAYABLE		2,075.28	
2021500	ACCRUED SALARIES PAYABLE		1,720.68	
5021500	ACCRUED SALARIES PAYABLE		3,693.32	
5121500	ACCRUED SALARIES PAYABLE		5,807.63	
5221500	ACCRUED SALARIES PAYABLE		3,837.31	
5321500	ACCRUED SALARIES PAYABLE		414.19	
5521500	ACCRUED SALARIES PAYABLE		4,855.09	
0110200	CASH IN BANK - PAYROLL			74,357.72
1010100	CASH - COMBINED FUND			51,954.23
1410100	CASH - COMBINED FUND			2,075.28
2010100	CASH - COMBINED FUND			1,720.68
5010100	CASH - COMBINED FUND			3,693.32
5110100	CASH - COMBINED FUND			5,807.63
5210100	CASH - COMBINED FUND			3,837.31
5310100	CASH - COMBINED FUND			414.19
5510100	CASH - COMBINED FUND			4,855.09
Total			**148,715.45**	**148,715.45**
Adjusting Journal Entries JE # 7				
Adjust bond cash account to actual				
1010100	CASH - COMBINED FUND		313,893.75	
4810103	BOND CASH		313,893.75	
1014300	PREPAID EXPENSE			313,893.75
4810100	CASH COMBINED FUND			313,893.75
Total			**627,787.50**	**627,787.50**
Adjusting Journal Entries JE # 8				
Ajust balances to actual				
4840201	SERIES 2010 BOND PRINCIPLE		220,000.00	
9525735	NOTE PAYABLE-LAND		5,000.00	
9525800	BOND		105,000.00	
9525850	BOND		115,000.00	
4840200	SERIES 2010 BOND DEBT SERVICE			220,000.00
9518200	AMOUNT TO BE PROVIDED			225,000.00
Total			**445,000.00**	**445,000.00**
Adjusting Journal Entries JE # 9				
Reverse prior year accounts payable				
1010100	CASH - COMBINED FUND		171,833.98	
1420200	ACCOUNTS PAYABLE		157.58	
1520200	ACCOUNTS PAYABLE		19,563.17	
2020200	ACCOUNTS PAYABLE		14,881.74	
5020200	ACCOUNTS PAYABLE		40,357.60	
5120200	ACCOUNTS PAYABLE		16,354.65	
5220200	ACCOUNTS PAYABLE		12,462.03	
5320200	ACCOUNTS PAYABLE		44,446.62	
5520200	ACCOUNTS PAYABLE		22,642.76	
5620200	ACCOUNTS PAYABLE		967.83	
1020200	ACCOUNTS PAYABLE			171,833.98
1410100	CASH - COMBINED FUND			157.58
1510100	CASH COMBINED FUND			19,563.17

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
2010100	CASH - COMBINED FUND			14,881.74
5010100	CASH - COMBINED FUND			40,357.60
5110100	CASH - COMBINED FUND			16,354.65
5210100	CASH - COMBINED FUND			12,462.03
5310100	CASH - COMBINED FUND			44,446.62
5510100	CASH - COMBINED FUND			22,642.76
5610100	CASH - COMBINED FUND			967.83
Total			**343,667.96**	**343,667.96**

Adjusting Journal Entries JE # 10
Adjust payroll liabilites to correct amount

1022250	RETIREMENT PAYABLE		4,191.09	
1022255	POLICE DEPARTMENT RET PAYABLE		29,774.06	
1410100	CASH - COMBINED FUND		513.67	
2010100	CASH - COMBINED FUND		770.50	
5010100	CASH - COMBINED FUND		1,284.16	
5110100	CASH - COMBINED FUND		2,054.66	
5210100	CASH - COMBINED FUND		1,284.16	
5310100	CASH - COMBINED FUND		256.83	
5510100	CASH - COMBINED FUND		2,311.50	
1010100	CASH - COMBINED FUND			8,475.48
1022210	FICA PAYABLE			3,142.38
1022220	FEDERAL WITHHOLDING PAYABLE			817.61
1022230	STATE WITHHOLDING PAYABLE			4,321.91
1041110	SALARIES AND WAGES			1,284.16
1042110	SALARIES AND WAGES			256.83
1043110	SALARIES AND WAGES			513.67
1045110	SALARIES AND WAGES			7,704.98
1045130	OVERTIME WAGES			513.67
1045131	OVERTIME WAGES STONE GARDEN			256.83
1046110	SALARIES AND WAGES			1,027.33
1047110	SALARIES AND WAGES			256.83
1049110	SALARIES AND WAGES			1,027.33
1050110	SALARIES & WAGES			770.50
1056110	SALARIES AND WAGES			770.50
1057110	SALARIES AND WAGES			513.67
1060110	SALARIES AND WAGES			513.67
1061110	SALARIES AND WAGES			770.50
1062110	SALARIES AND WAGES			513.67
1064110	SALARIES AND WAGES			256.83
1065110	SALARIES AND WAGES			256.83
1440110	SALARIES AND WAGES			513.67
2040110	SALARIES AND WAGES			770.50
5040110	SALARIES AND WAGES			1,284.16
5140110	SALARIES AND WAGES			2,054.66
5240110	SALARIES AND WAGES			1,284.16
5340110	SALARIES AND WAGES			256.83
5540110	SALARIES AND WAGES			513.67
5550110	SALARIES AND WAGES			1,027.33
5560110	SALARIES AND WAGES			770.47
Total			**42,440.63**	**42,440.63**

Adjusting Journal Entries JE # 11
Record County RICO activity

1045640	OPERATING SUPPLIES		507.74	
1011140	RESTRICTED CASH- RICO CTY ACCT			388.51

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
1030150	INTEREST INCOME			119.23
Total			**507.74**	**507.74**
Adjusting Journal Entries JE # 12				
Correct transit ar				
1430060	SEAGO AAA		3,108.32	
1430070	FARE REVENUE		1,371.16	
1412500	ACCOUNTS RECEIVABLE			4,479.48
Total			**4,479.48**	**4,479.48**
Adjusting Journal Entries JE # 13				
Client Entry for Stone Garden				
1030539	STONEGARDEN GRANT		2,952.47	
1012501	STONE GARDEN AR			2,952.47
Total			**2,952.47**	**2,952.47**
Adjusting Journal Entries JE # 14				
Reclass airport grant to fund 56				
4610100	CASH - COMBINED FUND		165,726.12	
5612502	ACCOUNTS RECEIVABLE - FAA		150,598.94	
5612503	ADOT RECEIVABLE		7,392.68	
5616110	CONST IN PROGRESS - AIRPORT		165,726.12	
4641797	STATE AIRPORT GRANTS			10,530.00
4641798	FEDERAL AIRPORT GRANTS			155,196.12
5610100	CASH - COMBINED FUND			165,726.12
5630210	GRANT DONATION			157,991.62
Total			**489,443.86**	**489,443.86**
Adjusting Journal Entries JE # 15				
Record captial asset purchased in the captial project fund				
5616400	AIRPORT EQUIPMENT		7,731.88	
5630021	CONTRIBUTION GENERAL FUND			7,731.88
Total			**7,731.88**	**7,731.88**
Adjusting Journal Entries JE # 16				
Record Depreciation for enterprise funds				
5040650	DEPRECIATION		40,251.00	
5140650	DEPRECIATION		161,194.00	
5240650	DEPRECIATION		259,448.00	
5560650	DEPRECIATION		169,069.00	
5640650	DEPRECIATION		259,672.28	
5016990	ACCUMULATED DEPRECIATION			40,251.00
5116990	ACCUMULATED DEPRECIATION			161,194.00
5216990	ACCUMULATED DEPRECIATION			259,448.00
5516990	ACCUMULATED DEPRECIATION			169,069.00
5616990	ACCUMULATED DEPRECIATION			259,672.28
Total			**889,634.28**	**889,634.28**
Adjusting Journal Entries JE # 17				
Reallocate ASRS payments to police and fire department into seperate accounts				
1045225	AZ STATE RETIREMENT BENEFITS (AUDITOR)		34,574.93	

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
1046225	AZ STATE RETIREMENT BENEFITS (AUDITOR)		6,828.19	
1045220	RETIREMENT BENEFITS			34,574.93
1046220	RETIREMENT BENEFITS			6,828.19
Total			**41,403.12**	**41,403.12**
Adjusting Journal Entries JE # 18				
Record additional asset at Airport				
5616400	AIRPORT EQUIPMENT		10,298.64	
5640430	REPAIRS & MAINTENANCE			10,298.64
Total			**10,298.64**	**10,298.64**
Adjusting Journal Entries JE # 19				
Client Entry - Adjust 0110150				
0110100	CASH ALLOCATED TO OTHER FUNDS		14,398.20	
5079840	BAD DEBT WRITE OFF		3,599.55	
5140840	BAD DEBT WRITE OFF		3,599.55	
5240840	BAD DEBT WRITE OFF		3,599.55	
5340840	BAD DEBT WRITE OFF		3,599.55	
0110150	RETURNED CHECK CLEARING			14,398.20
5010100	CASH - COMBINED FUND			3,599.55
5110100	CASH - COMBINED FUND			3,599.55
5210100	CASH - COMBINED FUND			3,599.55
5310100	CASH - COMBINED FUND			3,599.55
Total			**28,796.40**	**28,796.40**
Adjusting Journal Entries JE # 20				
Adjust accounts payable to match unpaid invoice report from client				
1063610	MISCELLANEOUS		8,921.14	
1020200	ACCOUNTS PAYABLE			8,921.14
Total			**8,921.14**	**8,921.14**
Adjusting Journal Entries JE # 21				
Allocate AP from general fund to other funds				
1020200	ACCOUNTS PAYABLE		379,706.06	
1410100	CASH - COMBINED FUND		2,883.13	
2010100	CASH - COMBINED FUND		15,447.52	
4610100	CASH - COMBINED FUND		161,352.05	
5010100	CASH - COMBINED FUND		44,105.49	
5110100	CASH - COMBINED FUND		20,096.55	
5210100	CASH - COMBINED FUND		16,219.96	
5310100	CASH - COMBINED FUND		76,642.66	
5510100	CASH - COMBINED FUND		27,468.88	
5610100	CASH - COMBINED FUND		15,489.82	
1010100	CASH - COMBINED FUND			379,706.06
1420200	ACCOUNTS PAYABLE			2,883.13
2020200	ACCOUNTS PAYABLE			15,447.52
4620200	ACCOUNTS PAYABLE			161,352.05
5020200	ACCOUNTS PAYABLE			44,105.49
5120200	ACCOUNTS PAYABLE			20,096.55
5220200	ACCOUNTS PAYABLE			16,219.96
5320200	ACCOUNTS PAYABLE			76,642.66
5520200	ACCOUNTS PAYABLE			27,468.88
5620200	ACCOUNTS PAYABLE			15,489.82
Total			**759,412.12**	**759,412.12**

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 22				
Reclass capital outlay				
1045701	DISPATCH UPGRADES		6,239.00	
1050700	CAPITAL OUTLAY		8,899.95	
1540075	CIP PW 11-8 USED CNTY DUMP TRK		12,250.00	
1045630	COMPUTER SUPPLIES			6,239.00
1050430	REPAIRS & MAINTENANCE			8,899.95
1590000	TRANSFER			12,250.00
Total			**27,388.95**	**27,388.95**
Adjusting Journal Entries JE # 23				
Client entry - recognize contribution to pension				
1079681	CONTRIBUTION TO FIRE PENSION		18,000.00	
7010100	CASH - COMBINED FUND		18,000.00	
1010100	CASH - COMBINED FUND			18,000.00
7030020	CONTRIBUTION FROM GENERAL FUN			18,000.00
Total			**36,000.00**	**36,000.00**
Adjusting Journal Entries JE # 24				
PPA for sales taxes paid from Gas for GC				
5010100	CASH - COMBINED FUND		85,945.92	
5524500	SALES TAX PAYABLE		85,945.92	
5027000	PRIOR PERIOD ADJUSTMENT			85,945.92
5510100	CASH - COMBINED FUND			85,945.92
Total			**171,891.84**	**171,891.84**
Adjusting Journal Entries JE # 25				
Record transfer from GF to Transit				
1099999	TRANSFER		208,347.99	
1410100	CASH - COMBINED FUND		208,347.99	
1010100	CASH - COMBINED FUND			208,347.99
1430080	CONTRIBUTION FROM GENERAL FUN			208,347.99
Total			**416,695.98**	**416,695.98**
Adjusting Journal Entries JE # 26				
Transfer to close out cap projects fund				
1099999	TRANSFER		532,533.11	
1510100	CASH COMBINED FUND		7,731.88	
1510100	CASH COMBINED FUND		1,390,543.83	
2599999	TRANSFERS		858,010.72	
5630021	CONTRIBUTION GENERAL FUND		7,731.88	
1010100	CASH - COMBINED FUND			532,533.11
1540090	CIP PW 12-1 UAS INFRASTRUCTURE			7,731.88
1590000	TRANSFER			1,390,543.83
2510100	CASH COMBINED FUND			858,010.72
5610100	CASH - COMBINED FUND			7,731.88
Total			**2,796,551.42**	**2,796,551.42**
Adjusting Journal Entries JE # 27				
Adj allowances				

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
5012900	ALLOWANCE FOR BAD DEBT		5,796.36	
5079840	BAD DEBT WRITE OFF			5,796.36
Total			**5,796.36**	**5,796.36**
Adjusting Journal Entries JE # 28				
Reclass water expense to water fund				
1510100	CASH COMBINED FUND		6,884.68	
5140910	TRANSFER TO CAPITAL PROJECTS		6,884.68	
1590000	TRANSFER			6,884.68
5110100	CASH - COMBINED FUND			6,884.68
Total			**13,769.36**	**13,769.36**
Adjusting Journal Entries JE # 29				
Record PPA for GASB 68				
5017000	DEFERRED OUTFLOWS OF RESOURCES		21,783.00	
5027000	PRIOR PERIOD ADJUSTMENT		375,859.00	
5117000	DEFERRED OUTFLOWS OF RESOURCES		32,286.00	
5127000	PRIOR PERIOD ADJUSTMENT		557,080.00	
5217000	DEFERRED OUTFLOWS OF RESOURCES		21,157.00	
5227000	PRIOR PERIOD ADJUSTMENT		365,064.00	
5317000	DEFERRED OUTFLOWS OF RESOURCES		2,112.00	
5327000	PRIOR PERIOD ADJUSTMENT		36,448.00	
5517000	DEFERRED OUTFLOWS OF RESOURCES		33,798.00	
5527000	PRIOR PERIOD ADJUSTMENT		583,157.00	
5026000	NET PENSION LIABILITY			397,642.00
5126000	NET PENSION LIABILITY			589,366.00
5226000	NET PENSION LIABILITY			386,221.00
5326000	NET PENSION LIABILITY			38,560.00
5526000	NET PENSION LIABILITY			616,955.00
Total			**2,028,744.00**	**2,028,744.00**
Adjusting Journal Entries JE # 30				
Record CY GASB 68 adjustment				
5017000	DEFERRED OUTFLOWS OF RESOURCES		14,151.00	
5026000	NET PENSION LIABILITY		63,472.04	
5117000	DEFERRED OUTFLOWS OF RESOURCES		20,973.65	
5126000	NET PENSION LIABILITY		94,075.37	
5217000	DEFERRED OUTFLOWS OF RESOURCES		13,744.90	
5226000	NET PENSION LIABILITY		61,649.14	
5317000	DEFERRED OUTFLOWS OF RESOURCES		1,372.55	
5326000	NET PENSION LIABILITY		6,155.30	
5517000	DEFERRED OUTFLOWS OF RESOURCES		21,954.83	
5526000	NET PENSION LIABILITY		98,478.97	
5026500	DEFERRED INFLOWS OF RESOURCES			73,927.30
5040220	RETIREMENT BENEFITS			3,695.74
5126500	DEFERRED INFLOWS OF RESOURCES			109,571.48
5140220	RETIREMENT BENEFITS			5,477.54
5226500	DEFERRED INFLOWS OF RESOURCES			71,803.94
5240220	RETIREMENT BENEFITS			3,590.10
5326500	DEFERRED INFLOWS OF RESOURCES			7,168.78
5340220	RETIREMENT BENEFITS			359.07
5526500	DEFERRED INFLOWS OF RESOURCES			114,700.71
5540220	RETIREMENT BENEFITS			5,733.09
Total			**396,027.75**	**396,027.75**

Client: ***COB - City of Benson, Arizona***
Engagement: ***FY15 - City of Benson, Arizona***
Period Ending: ***6/30/2015***
Trial Balance: ***TB***
Workpaper: ***370.01 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 31				
Reallocate stifel balances to zero due to/froms				
1010303	MONEY MARKET S&Y		21,412.30	
7010100	CASH - COMBINED FUND		21,412.30	
1010100	CASH - COMBINED FUND			21,412.30
7011100	MONEY MARKET-S&Y INVESTMENT A			21,412.30
Total			**42,824.60**	**42,824.60**

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COLBY & POWELL, PLC
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Honorable Mayor and Council of the
City of Benson, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Benson, Arizona, for the year ended June 30, 2015. This report is the responsibility of the management. Our responsibility is to express an opinion on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the City of Benson, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in **Note 1.**

Colby + Powell

March 4, 2016

CITY OF BENSON, ARIZONA

Annual Expenditure Limitation Report - Part I
Year Ended June 30, 2015

1. Voter-approved alternative expenditure limitation (Approved March 12, 2013)	$ 17,811,967
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	8,800,466
3. Amount under (in excess of) the expenditure limitation (if excess expenditures are reported, provide an explanation.)	$ 9,011,501

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: Duston W. Delfosin, Finance Director

Telephone No.: (520) 586-2245 Date: 3/25/2016

See accompanying notes.

CITY OF BENSON, ARIZONA

Annual Expenditure Limitation Report - Part II
Year Ended June 30, 2015

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Amounts reported on the reconciliation, Line D	$ 5,369,078	$ 3,404,188	$ 27,200	$ 8,800,466
B. Less exclusions claimed (Note 1)	-	-	-	-
C. Amounts subject to the expenditure limitation (If an individual category/type amount is negative reduce exclusions claimed to net to Zero.)	$ 5,369,078	$ 3,404,188	$ 27,200	$ 8,800,466

See accompanying notes.

CITY OF BENSON, ARIZONA

Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2015

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Total expenditures/expenses and applicable other financing uses reported within the general purpose financial statements	$ 5,369,078	$ 4,070,921	$ 27,200	$ 9,467,199
B. Subtractions:				
Items not requiring the use of working capital:				
Depreciation	-	(889,634)	-	(889,634)
Pension expense	-	(77,829)	-	(77,829)
Bad debt expense	-	(22,389)	-	(22,389)
Total Subtractions	-	(989,852)	-	(989,852)
C. Additions:				
Principal payments on long-term debt	-	45,023	-	45,023
Acquisition of capital assets	-	181,411	-	181,411
Pension contributions paid in the current year	-	96,685	-	96,685
Total Additions	-	323,119	-	323,119
D. Amounts reported on Part II, Line A	$ 5,369,078	$ 3,404,188	$ 27,200	$ 8,800,466

See accompanying notes.

CITY OF BENSON, ARIZONA

Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by **Arizona Revised Statutes §41-1279.07**, and in accordance with the voter-approved alternative expenditure limitation adopted March 12, 2013, as authorized by the **Arizona Constitution, Article IX, §20(9)**.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on **Part II** and each subtraction or addition in the **Reconciliation** that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds; Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

NOTE 2 – LONG-TERM DEBT PRINCIPAL PAYMENTS

The addition for principal payments on long-term debt in the enterprise funds consists of the following debt payments:

Lease payable - Golf Course	$ 45,023

NOTE 3 – CAPTIAL ASSET ACQUISTION

Water-Utility system	$ 7,954
Municipal Airport - Infrastructure	173,457
	$ 181,411