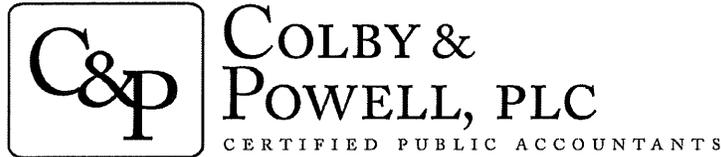


CITY OF BENSON, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Benson, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Benson, Arizona as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Benson, Arizona as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10, the Budgetary Comparison Schedules on pages 38 through 39, and the Schedule of Agent Retirement Plans' Funding Progress on page 41, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Colby + Powell PLLC

November 18, 2009

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

The management of the City of Benson is pleased to offer to the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$762,000 (3%) to \$22.5 million. Net assets from governmental activities increased \$67,000 (1%) to \$9.4 million. Net assets from business-type activities increased \$696,000 (6%) to \$13.1 million.
- The City's revenues from governmental activities decreased \$726,000 (-11%) to \$5.7 million. Revenues from business-type activities decreased \$45,000 (-1%) to \$4.9 million.
- Expenditures from governmental activities increased \$134,000 (2%) to \$5.6 million. Expenses from business-type activities decreased \$135,000 (-3%) to \$4.2 million.
- The total outstanding debt of the City decreased by \$738,000 (18%) to \$4.1 million during the past fiscal year.
- At June 30, 2009, the unreserved fund balance for the General Fund was \$4.3 million, or 93% of the fund's expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City of Benson's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include public safety, streets, parks, library and administration. Business-type activities include the natural gas, water and wastewater utilities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be segregated into three categories: governmental funds, proprietary funds, and a fiduciary fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Highway Users (HURF) and Capital Projects Fund, all of which are considered to be major funds. Data from the other non-major governmental funds are combined into a single listing.

The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with the budget. The budgetary information can be found on pages 38-41 of this report.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Proprietary (enterprise) funds provide the same type of information as the government-wide financial statements, only in more detail. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains five proprietary funds: Natural Gas, Water, Liquid Waste, Solid Waste and Airport. The basic proprietary fund financial statements can be found on pages 17-20 of this report.

Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 23-37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary statements for the General, Highway Users (HURF) and Capital Projects Funds, and the progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 38-42 of this report.

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$22.5 million at June 30, 2009. The largest portion of the City's net assets (85%) reflects its investment in capital assets (e.g. land, buildings, utility infrastructure, streets, vehicles and equipment). The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The following table presents a summary of the City's net assets at the two most recent fiscal year ends - June 30, 2009 and June 30, 2008.

Net Assets at June 30, 2009 and 2008

	Fiscal Year 2009			Fiscal Year 2008		
	Governmental Activities	Business-type Activities	Total Government	Governmental Activities	Business-type Activities	Total Government
Cash and receivables	\$ 4,298,599	\$ (441,647)	\$ 3,856,952	\$ 4,884,212	\$ 144,683	\$ 5,028,895
Other assets	100,014	99,745	199,759	71,098	71,098	142,196
Capital assets	6,077,931	14,080,458	20,158,389	6,273,333	13,546,382	19,819,715
Total assets	\$ 10,476,544	\$ 13,738,556	\$ 24,215,100	\$ 11,228,643	\$ 13,762,163	\$ 24,990,806
Current liabilities	\$ 267,529	\$ 207,821	\$ 475,350	\$ 806,169	\$ 719,319	\$ 1,525,488
Non-current liabilities	857,858	415,010	1,272,868	1,138,093	622,737	1,760,830
Total liabilities	\$ 1,125,387	\$ 622,831	\$ 1,748,218	\$ 1,944,262	\$ 1,342,056	\$ 3,286,318
Net assets:						
Invested in capital assets net of debt	\$ 5,344,697	\$ 13,727,168	\$ 19,071,865	\$ 5,316,838	\$ 13,023,202	\$ 18,340,040
Restricted			-			-
Unrestricted	4,006,460	(611,443)	3,395,017	3,967,563	(603,095)	3,364,468
Total net assets	\$ 9,351,157	\$ 13,115,725	\$ 22,466,882	\$ 9,284,401	\$ 12,420,107	\$ 21,704,508

The City's overall financial position has improved during the year as reflected in the increase in net assets by 3.5% to a total of \$22.5 million. The unrestricted net assets of the combined governmental and business-type activities increased slightly (1%) to a total of \$3.4 million. This is an important measure of the City's net assets available for spending at the end of the fiscal year. The relative stability of the City's spendable assets indicates that the City has operated at a near break-even level during the year, despite the effects of a severe recession. The City maintains sufficient net asset balances to operate in a very conservative, but fairly normal, manner. In fact, net assets have increased by \$1.2 million (56%) compared to balances just three years ago, at June 30, 2006.

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

There are no restrictions on the net assets of the governmental or business type funds. Restrictions are legal obligations on how the assets may be expended. A portion of sales tax revenues have been earmarked for the repayment of the wastewater plant debt, but the funds are not legally restricted.

Changes in net assets. The City's total revenues for the fiscal year ended June 30, 2009, were \$10.6 million. The total cost of all programs and services was \$9.8 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009, and June 30, 2008.

Governmental and Business-type Activities
For the fiscal year ending June 30, 2009 and 2008

	Fiscal Year 2009		Fiscal Year 2008	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenue				
Program Revenue				
Charges for services & misc.	\$ 542,068	\$ 3,404,801	\$ 345,175	\$ 3,456,402
Grants and contributions	661,112	763,437	1,401,340	813,891
Total Program Revenue	1,203,180	4,168,238	1,746,515	4,270,293
General Revenue				
Taxes	3,216,815	637,160	3,434,741	422,321
Intergovernmental	1,306,767		1,325,194	
Interest	(35,852)	(14,831)	110,194	(20,839)
Other	19,860	84,847	(180,272)	248,844
Total general revenue	4,507,590	707,176	4,689,857	650,326
Total revenue	5,710,770	4,875,414	6,436,372	4,920,619
Expenses				
General government	1,652,664		1,662,315	
Culture and recreation	986,427		751,305	
Public safety	2,216,626		2,367,180	
Highways and streets	508,485		516,649	
Public Works	279,792		212,400	
Gas, water, sewer and garbage		3,898,890		4,059,948
Airport		280,900		254,996
Total expenses	5,643,994	4,179,790	5,509,849	4,314,944
Increase in net assets	66,776	695,624	926,523	605,675
Beginning net assets	9,284,381	12,420,101	8,306,881	11,814,432
Ending net assets	\$ 9,351,157	\$ 13,115,725	\$ 9,233,404	\$ 12,420,107

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

Government activities. The City's governmental functions include general government, culture and recreation, public safety, highways and streets and public works. Each function's net cost, (total cost less revenues generated by the activities) is presented below. This table reflects the extent to which the City's general taxes support each of the Governmental functions.

Governmental Activities June 30, 2009 and 2008

	Fiscal Year 2009		Fiscal Year 2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 1,652,664	\$ 1,229,168	\$ 1,662,315	\$ 985,224
Culture and recreation	986,427	882,910	751,305	749,765
Highways and Streets	508,485	124,964	516,649	(184,692)
Public Safety	2,216,626	1,959,136	2,367,180	2,000,637
Public Works	257,803	222,647	187,550	187,550
Shop	21,989	21,989	24,850	24,850
Total	<u>\$ 5,643,994</u>	<u>\$ 4,440,814</u>	<u>\$ 5,509,849</u>	<u>\$ 3,763,334</u>

Governmental program expenses decreased in all categories except one. Culture and recreation expenses increased due primarily to completion of several small improvement projects at City park facilities.

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

Business-type activities. The cost of providing all business-type activities for fiscal 2008-2009 was \$4.2 million, down from \$4.3 million last year. All of this cost was paid by users, except for the airport.

The City's business-type activities include gas, water, wastewater, sanitation and airport. The activities' net cost (total cost less revenues generated by the activities) is presented below. The net cost reflects the extent to which general business-type revenues support each of the business type programs.

Business-type Activities for the fiscal years ended June 30, 2009 and 2008

	Fiscal Year 2009		Fiscal Year 2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Gas	\$ 1,254,087	\$ (23,061)	\$ 1,329,046	\$ 6,749
Water	802,389	70,746	807,545	61,748
Liquid waste	1,198,730	497,209	1,301,211	598,411
Airport	280,900	(494,345)	254,996	(569,223)
Sanitation	643,684	(38,997)	622,146	(53,034)
Total	\$ 4,179,790	\$ 11,552	\$ 4,314,944	\$ 44,651

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2009 the City had invested \$25.8 million in capital assets (net of accumulated depreciation) as reflected in the following table. Of the total, \$1.3 million represent current year infrastructure additions.

The following table the changes in capital assets for the fiscal years ended June 30, 2009, and June 30, 2008.

Change in Capital Assets for the fiscal years ended June 30, 2009 and 2008

	Fiscal Year 2009				Fiscal Year 2008			
	Governmental	Business Type	Component	Total	Governmental	Business Type	Component	Total
	Activities	Activities	Unit		Activities	Activities	Unit	
Beginning Balance	\$ 6,273,333	\$ 13,546,382	\$ 5,780,049	\$ 25,599,764	\$ 5,061,296	\$ 12,926,913	\$ 5,949,936	\$ 23,938,145
Additions	281,507	1,049,897		1,331,404	1,610,006	1,073,197		2,683,203
Deductions	(25,276)			(25,276)				-
Depreciation	(451,633)	(515,822)	(169,886)	(1,137,341)	(397,969)	(453,728)	(169,887)	(1,021,584)
Ending Balance	<u>\$ 6,077,931</u>	<u>\$ 14,080,457</u>	<u>\$ 5,610,163</u>	<u>\$ 25,768,551</u>	<u>\$ 6,273,333</u>	<u>\$ 13,546,382</u>	<u>\$ 5,780,049</u>	<u>\$ 25,599,764</u>

Additional information of the City of Benson's capital assets can be found in the notes to the financial statements.

City of Benson, Arizona
Management's Discussion and Analysis
June 30, 2009

Debt Administration. As of June 30, 2009, the City had \$4.11 million in total debt outstanding, compared to \$4.85 million as of June 30, 2008.

Outstanding Debt at June 30, 2009 and 2008

	2009	2008
Governmental:		
Compensated absences	\$ 124,624	\$ 181,598
Capital lease	365,355	417,878
Bond Payable	333,500	500,000
Notes payable	34,379	38,617
Total governmental	857,858	1,138,093
Business-type:		
Compensated absences	61,720	95,296
Bond payable	333,500	500,000
Notes payable	19,790	27,441
Total business-type	415,010	622,737
Component Unit:		
Notes payable	2,838,621	3,088,674
Total	\$ 4,111,489	\$ 4,849,504

Additional information on the City of Benson's long-term debt can be found in the notes to the financial statements.

Economic Factors

The City of Benson, along with most cities in Arizona and across the nation, experienced its first negative growth in revenues in many years. A deep recession struck shortly after the fiscal 2008-2009 budget was approved by Council. The effects of the recession were only partially recognized in the approved budget. City Council and Staff proactively responded to the larger than anticipated downturn by instituting a soft hiring freeze, eliminating all but essential capital spending and tightening the controls over all spending categories.

The City relies heavily on state shared revenues and local sales tax revenues to support General Fund activities. During the fiscal year 2008-2009, 87% of the general fund revenues were derived from state shared revenues and local sales tax. Those revenues decreased by \$357,000 (-8%) during fiscal 2008-2009. Given the current and projected economic trends and general economic uncertainties, the City anticipates a further contraction of revenues during the 2009-2010 fiscal year. The fiscal 2009-2010 budget anticipates a 14% reduction in state shared revenues and a further 5% decrease in local sales tax collections.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, investors, customers and creditors) with general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 120 W. Sixth St., Benson, AZ 85602.

CITY OF BENSON, ARIZONA
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,211,078	\$ -	\$ 3,211,078	\$ 313,365
Restricted cash	-	13,744	13,744	
Receivables - net	-	98,763	98,763	-
Taxes receivable	319,319	-	319,319	-
Due from other governments	214,048	-	214,048	-
Due from other funds	554,154	(554,154)	-	-
Prepaid expenses	100,014	99,745	199,759	-
Capital assets, not being depreciated	474,013	641,895	1,115,908	-
Capital assets, being depreciated, net	<u>5,603,918</u>	<u>13,438,563</u>	<u>19,042,481</u>	<u>5,610,163</u>
Total assets	<u>10,476,544</u>	<u>13,738,556</u>	<u>24,215,100</u>	<u>5,923,528</u>
LIABILITIES				
Accounts payable	107,695	104,930	212,625	-
Accrued expenses	118,059	35,008	153,067	-
Refundable deposits	-	67,883	67,883	-
Due to government agency	12,775	-	12,775	-
Legal settlement, payable	29,000	-	29,000	-
Noncurrent liabilities				
Due within 1 year	325,494	235,666	561,160	261,540
Due in more than 1 year	<u>532,364</u>	<u>179,344</u>	<u>711,708</u>	<u>2,577,081</u>
Total liabilities	<u>1,125,387</u>	<u>622,831</u>	<u>1,748,218</u>	<u>2,838,621</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,344,697	13,727,168	19,071,865	2,771,542
Unrestricted (deficit)	<u>4,006,460</u>	<u>(611,443)</u>	<u>3,395,017</u>	<u>313,365</u>
Total net assets	<u>\$ 9,351,157</u>	<u>\$ 13,115,725</u>	<u>\$ 22,466,882</u>	<u>\$ 3,084,907</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Balance Sheet
Governmental Funds
Year Ended June 30, 2009

Functions / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets			Component Unit	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		
						Total		Total
Primary government:								
Governmental activities								
General government	\$ 1,652,664	\$ 286,199	\$ 137,297	\$ -	\$ (1,229,168)	\$ -	\$ (1,229,168)	
Public safety	2,216,626	209,475	20,025	27,990	(1,959,136)	-	(1,959,136)	
Highways and streets	508,485	-	383,521	-	(124,964)	-	(124,964)	
Shop	21,989	-	-	-	(21,989)	-	(21,989)	
Public works	257,803	35,156	-	-	(222,647)	-	(222,647)	
Culture and recreation	986,427	11,238	92,279	-	(882,910)	-	(882,910)	
Total governmental activities	5,643,994	542,068	633,122	27,990	(4,440,814)	-	(4,440,814)	
Business-type activities								
Gas	1,254,087	1,277,148	-	-	-	23,061	23,061	
Water	802,389	731,643	-	-	-	(70,746)	(70,746)	
Liquid waste	1,198,730	701,521	-	-	-	(497,209)	(497,209)	
Solid waste	643,684	682,681	-	-	-	38,997	38,997	
Municipal Airport	280,900	11,808	-	763,437	-	494,345	494,345	
Total business-type activities	4,179,790	3,404,801	-	763,437	-	(11,552)	(11,552)	
Total primary government	\$ 9,823,784	\$ 3,946,869	\$ 633,122	\$ 791,427	(4,440,814)	(11,552)	(4,452,366)	
Component Units								
MPC	\$ 303,776	\$ -	\$ -	\$ 422,321	\$ -	\$ -	\$ 118,545	
General revenue:								
Taxes:								
Sales Taxes					2,142,199		2,142,199	
Construction sales tax					619,295		619,295	
Property taxes					203,101		203,101	
Sales Taxes, levied for debt service					-	637,160	637,160	
Franchise tax					157,098		157,098	
Bed Taxes					95,122		95,122	
State sales tax revenue sharing					378,109		378,109	
Auto lieu tax revenue sharing					218,265		218,265	
State revenue sharing					710,393		710,393	
Interest income(expense)					(35,852)	(14,831)	(50,683)	
Miscellaneous					63,409		63,409	
Sale of assets					41,298		41,298	
Transfers					(84,847)	84,847	-	
Total general revenue					4,507,590	707,176	5,214,766	
Change in net assets					66,776	695,624	762,400	
Net assets, July 1, 2008					9,284,381	12,420,101	21,704,482	
Net assets, June 30, 2009					\$ 9,351,157	\$ 13,115,725	\$ 22,466,882	

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Balance Sheet
Governmental Funds
Year Ended June 30, 2009

ASSETS	General Fund	HURF/LTAF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,210,388	\$ -	\$ 690	\$ -	\$ 3,211,078
Taxes receivable	319,319	-	-	-	319,319
Due from other governments	61,821	28,079	-	124,148	214,048
Prepaid expenses	50,141	49,873	-	-	100,014
Due from other funds	866,477	-	-	-	866,477
Total assets	\$ 4,508,146	\$ 77,952	\$ 690	\$ 124,148	\$ 4,710,936

LIABILITIES AND FUND BALANCES

Liabilities	General Fund	HURF/LTAF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Accounts payable	\$ 86,014	\$ 14,127	\$ -	\$ 7,554	\$ 107,695
Accrued expenses	108,307	3,331	-	6,421	118,059
Due to governmental agency	-	-	-	12,775	12,775
Due to other funds	-	214,925	-	97,398	312,323
Total liabilities	194,321	232,383	-	124,148	550,852

Fund balances

Unreserved, reported in:					
General fund	4,313,825	-	-	-	4,313,825
Special revenue funds	-	(154,431)	-	-	(154,431)
Capital projects funds	-	-	690	-	690
Total fund balances	4,313,825	(154,431)	690	-	4,160,084
Total liabilities and fund balances	\$ 4,508,146	\$ 77,952	\$ 690	\$ 124,148	\$ 4,710,936

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2009

Fund balances--total governmental funds	\$ 4,160,084
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	6,077,931
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds	<u>(886,858)</u>
Net assets of governmental activities	<u><u>\$ 9,351,157</u></u>

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, 2009

	General Fund	HURF/LTAF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Fund
Revenue					
Taxes	\$ 2,597,520	\$ -	\$ 619,295	\$ -	\$ 3,216,815
Intergovernmental	1,358,132	381,648	-	134,814	1,874,594
Fines & forfeitures	119,367	-	-	-	119,367
Licenses & permits	270,489	-	-	-	270,489
Charges for services	55,197	-	-	-	55,197
Impact fees	-	-	133,020	-	133,020
Interest	2,506	-	-	-	2,506
Other revenue	120,689	-	-	-	120,689
Total revenue	<u>4,523,900</u>	<u>381,648</u>	<u>752,315</u>	<u>134,814</u>	<u>5,792,677</u>
Expenditures					
Current					
Public safety	2,079,037	-	-	3,775	2,082,812
General government	1,299,481	-	271,990	-	1,571,471
Culture and recreation	849,823	-	-	77,830	927,653
Highways and streets	-	369,176	-	1,874	371,050
Public works	244,714	-	-	-	244,714
Shop	22,635	-	-	-	22,635
Debt service					
Principal	56,761	-	166,500	-	223,261
Interest	38,358	-	-	-	38,358
Capital outlay	68,951	-	149,385	63,171	281,507
Total expenditures	<u>4,659,760</u>	<u>369,176</u>	<u>587,875</u>	<u>146,650</u>	<u>5,763,461</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(135,860)</u>	<u>12,472</u>	<u>164,440</u>	<u>(11,836)</u>	<u>29,216</u>
Other financing sources					
Sale of assets	66,574	-	-	-	66,574
Transfers in	71,656	-	-	11,836	83,492
Transfers out	-	-	(168,339)	-	(168,339)
Total other financing sources	<u>138,230</u>	<u>-</u>	<u>(168,339)</u>	<u>11,836</u>	<u>(18,273)</u>
Net change in fund balances	2,370	12,472	(3,899)	-	10,943
Fund balances, July 1, 2008, restated	<u>4,311,455</u>	<u>(166,903)</u>	<u>4,589</u>	<u>-</u>	<u>4,149,141</u>
Fund balances, June 30, 2009	<u>\$ 4,313,825</u>	<u>\$ (154,431)</u>	<u>\$ 690</u>	<u>\$ -</u>	<u>\$ 4,160,084</u>

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, 2009

Net change in fund balances--total governmental funds \$ 10,943

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.

Capital outlay	281,507	
Loss on disposal of assets	(25,276)	
Depreciation expense	<u>(451,633)</u>	(195,402)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal repaid	223,261	
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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.

Legal settlement	(29,000)	
Compensated absences	<u>56,974</u>	

Change in net assets of governmental activities \$ 66,776

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities--Enterprise Funds					Total
	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Municipal Airport Fund	
ASSETS						
Current assets						
Restricted cash	\$ -	\$ 13,744	\$ -	\$ -	\$ -	\$ 13,744
Accounts receivable - net	44,614	26,885	8,046	19,218	-	98,763
Due from other funds	1,746,823	-	-	133,173	-	1,879,996
Prepaid expenses	-	59,847	39,898	-	-	99,745
Total current assets	<u>1,791,437</u>	<u>100,476</u>	<u>47,944</u>	<u>152,391</u>	<u>-</u>	<u>2,092,248</u>
Noncurrent assets						
Capital assets, net of accumulated depreciation, where applicable:						
Land	-	45,000	354,791	82,500	159,604	641,895
Utilities systems, net	486,634	2,474,948	774,204	-	8,553,412	12,289,198
Buildings, net	-	-	941,618	-	-	941,618
Equipment, net	33,720	97,994	68,765	-	7,268	207,747
Capital assets, net	<u>520,354</u>	<u>2,617,942</u>	<u>2,139,378</u>	<u>82,500</u>	<u>8,720,284</u>	<u>14,080,458</u>
Total noncurrent assets	<u>520,354</u>	<u>2,617,942</u>	<u>2,139,378</u>	<u>82,500</u>	<u>8,720,284</u>	<u>14,080,458</u>
Total assets	<u>2,311,791</u>	<u>2,718,418</u>	<u>2,187,322</u>	<u>234,891</u>	<u>8,720,284</u>	<u>16,172,706</u>
LIABILITIES						
Current liabilities						
Accounts payable	6,522	20,771	16,704	53,978	6,955	104,930
Accrued expenses	18,584	6,887	9,537	-	-	35,008
Refundable deposits	49,522	18,361	-	-	-	67,883
Due to other funds	-	633,436	1,321,562	-	479,152	2,434,150
Compensated absences, current	13,082	10,222	26,072	-	-	49,376
Bonds payable, current	-	166,500	-	-	-	166,500
Notes payable, current	-	19,790	-	-	-	19,790
Total current liabilities	<u>87,710</u>	<u>875,967</u>	<u>1,373,875</u>	<u>53,978</u>	<u>486,107</u>	<u>2,877,637</u>
Noncurrent liabilities						
Compensated absences	3,270	2,556	6,518	-	-	12,344
Bonds payable	-	167,000	-	-	-	167,000
Total noncurrent liabilities	<u>3,270</u>	<u>169,556</u>	<u>6,518</u>	<u>-</u>	<u>-</u>	<u>179,344</u>
Total liabilities	<u>90,980</u>	<u>1,045,523</u>	<u>1,380,393</u>	<u>53,978</u>	<u>486,107</u>	<u>3,056,981</u>
Net assets						
Invested in capital assets, net of related debt	520,354	2,264,652	2,139,378	82,500	8,553,412	13,560,296
Unrestricted (deficit)	1,700,457	(591,757)	(1,332,449)	98,413	(319,235)	(444,571)
Total net assets	<u>\$ 2,220,811</u>	<u>\$ 1,672,895</u>	<u>\$ 806,929</u>	<u>\$ 180,913</u>	<u>\$ 8,234,177</u>	<u>\$ 13,115,725</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities--Enterprise Funds					Total
	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Municipal Airport Fund	
Operating Revenue						
Charges for services	\$ 1,276,111	\$ 712,013	\$ 683,785	\$ 682,681	\$ 11,808	\$ 3,366,398
Other revenue	1,037	19,630	17,736	-	-	38,403
Total operating revenue	<u>1,277,148</u>	<u>731,643</u>	<u>701,521</u>	<u>682,681</u>	<u>11,808</u>	<u>3,404,801</u>
Operating expenses:						
Personnel	407,468	341,081	409,042	-	-	1,157,591
Insurance	36,796	7,189	21,568	-	15,170	80,723
Professional services	10,709	8,790	45,539	633,092	14,023	712,153
Utilities	4,496	138,662	78,458	-	15,406	237,022
Repairs and maintenance	17,940	57,876	44,224	-	17,787	137,827
Materials & supplies	706,809	51,501	48,089	-	3,524	809,923
Other	15,099	34,729	23,689	3,831	-	77,348
Depreciation	38,537	156,495	105,800	-	214,990	515,822
Bad Debt	16,233	6,066	-	6,761	-	29,060
MPC lease payments	-	-	422,321	-	-	422,321
Total operating expenses	<u>1,254,087</u>	<u>802,389</u>	<u>1,198,730</u>	<u>643,684</u>	<u>280,900</u>	<u>4,179,790</u>
Operating income (loss)	<u>23,061</u>	<u>(70,746)</u>	<u>(497,209)</u>	<u>38,997</u>	<u>(269,092)</u>	<u>(774,989)</u>
Nonoperating revenue (expenses)						
Investment income	14	-	-	-	-	14
Interest expense	-	(14,497)	(348)	-	-	(14,845)
Total nonoperating revenue (expenses)	<u>14</u>	<u>(14,497)</u>	<u>(348)</u>	<u>-</u>	<u>-</u>	<u>(14,831)</u>
Income (loss) before contributions, gains, losses, and transfers	23,075	(85,243)	(497,557)	38,997	(269,092)	(789,820)
Sales tax	-	69,639	567,521	-	-	637,160
Transfers in	-	49,768	35,079	-	-	84,847
Capital grants	-	-	-	-	763,437	763,437
Increase (decrease) in net assets	23,075	34,164	105,043	38,997	494,345	695,624
Total net assets, July 1, 2008	<u>2,197,736</u>	<u>1,638,731</u>	<u>701,886</u>	<u>141,916</u>	<u>7,739,832</u>	<u>12,420,101</u>
Total net assets, June 30, 2009	<u>\$ 2,220,811</u>	<u>\$ 1,672,895</u>	<u>\$ 806,929</u>	<u>\$ 180,913</u>	<u>\$ 8,234,177</u>	<u>\$ 13,115,725</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities--Enterprise Funds					
	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Municipal Airport Fund	Total
Cash flows from operating activities:						
Receipts from customers	\$ 1,293,331	\$ 737,523	\$ 711,170	\$ 684,988	\$ 11,808	\$ 3,438,820
Payments to suppliers and providers of goods and services	(881,752)	(341,844)	(713,409)	(656,742)	(62,537)	(2,656,284)
Payments to employees	(406,864)	(342,160)	(441,700)	-	-	(1,190,724)
Net cash provided by (used by) operating activities	<u>4,715</u>	<u>53,519</u>	<u>(443,939)</u>	<u>28,246</u>	<u>(50,729)</u>	<u>(408,188)</u>
Cash flows from noncapital financing activities:						
Received from other funds	62,163	104,572	-	-	98,439	265,174
Paid to other funds	-	-	(75,304)	(28,246)	-	(103,550)
Transfers in	-	119,407	602,600	-	-	722,007
Net cash provided by (used by) noncapital financing activities	<u>62,163</u>	<u>223,979</u>	<u>527,296</u>	<u>(28,246)</u>	<u>98,439</u>	<u>883,631</u>
Cash flows from capital and related financing activities:						
Principal paid on long-term debt	-	(166,500)	(7,651)	-	-	(174,151)
Purchase of capital assets	(66,892)	(96,501)	(75,358)	-	(811,147)	(1,049,898)
Sales Tax	-	-	-	-	-	-
Capital grants received	-	-	-	-	763,437	763,437
Interest paid	-	(14,497)	(348)	-	-	(14,845)
Net cash provided by (used by) capital and related financing activities	<u>(66,892)</u>	<u>(277,498)</u>	<u>(83,357)</u>	<u>-</u>	<u>(47,710)</u>	<u>(475,457)</u>
Cash flows from investing activities:						
Interest received on investments	14	-	-	-	-	14
Net cash provided by (used by) investing activities	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>
Net increase (decrease) in cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009
(Continued)

	Business-type Activities--Enterprise Funds					Total
	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Municipal Airport Fund	
Reconciliation of operating income						
(loss) to net cash provided by						
(used by) operating activities:						
Operating income (loss)	\$ 23,061	\$ (70,746)	\$ (497,209)	\$ 38,997	\$ (269,092)	\$ (774,989)
Adjustments to reconcile operating						
income (loss) to net cash provided						
by (used by) operating activities:						
Depreciation	38,537	156,495	105,800	-	214,990	515,822
Bad debts	16,233	6,066	-	6,761	-	29,060
(Increase) decrease in assets:						
Accounts receivable	(4,895)	2,816	9,649	(4,454)	-	3,116
Prepaid expenses	-	(17,188)	(11,459)	-	-	(28,647)
Increase (decrease) in liabilities:						
Accounts payable	(73,671)	(19,843)	(18,061)	(13,058)	3,373	(121,260)
Accrued expenses	151	(682)	973	-	-	442
Refundable deposits	4,846	(3,002)	-	-	-	1,844
Compensated absences payable	453	(397)	(33,632)	-	-	(33,576)
Net cash provided by (used for)						
operating activities	<u>\$ 4,715</u>	<u>\$ 53,519</u>	<u>\$ (443,939)</u>	<u>\$ 28,246</u>	<u>\$ (50,729)</u>	<u>\$ (408,188)</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 584,386
Accounts receivable	<u>3,521</u>
Total assets	<u>587,907</u>
LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
NET ASSETS	
Held in trust for investment trust participants	<u><u>\$ 587,907</u></u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2009

	<u>Trust Fund</u>
Additions:	
Other income	\$ 4,402
Interest and dividends	<u>5,223</u>
Total additions	<u>9,625</u>
 Deductions:	
Pension payments	<u>26,600</u>
Total deductions	<u>26,600</u>
Change in net assets	(16,975)
Net assets, July 1, 2008	<u>604,882</u>
Net assets, June 30, 2009	<u><u>\$ 587,907</u></u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

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.

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 assets 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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

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 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 ***Fiduciary Fund*** is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus. Trust funds account for assets where both the principal and interest may be spent.

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The City's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Cash and Investments

For purposes of its statement of cash flows, the City considers only those highly liquid investments with a maturity of 3 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 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. 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.

The property tax rate to finance current operations and maintenance expenses for the year ended June 30, 2009, was \$0.4645 per \$100 of the primary assessed valuation of \$46,579,041

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. 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:

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

G. Investment Income

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

H. 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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

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, 2009, the carrying amount of the City’s total nonpooled cash in bank was \$2,707,758, and the bank balance was \$2,930,962. Of the bank balance, \$2,169,139 was covered by federal depository insurance or by collateral held by the City or its agent in the City’s name, \$100,000 by Securities investor protection corporation, \$362,417 backed by the U.S. government, and \$299,406 was insured by a commercial insurer.

Investments—At June 30, 2009, the investments consisted of the following.

	Reported Amount	Fair Value
Investment in State Treasurer's investment pool		
Primary Government	\$ 999,506	\$ 999,506
Investment in State Treasurer's investment pool		
Fiduciary Funds	\$ 67,856	\$ 67,856

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 – Restricted cash consists of bond proceeds of \$13,744 reserved for water related construction projects.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2009, included \$28,079 in state-shared revenue from highway user revenue fund (HURF) taxes, \$30,715 in state-shared revenue from sales taxes, \$20,240 in county-shared revenue from auto lieu taxes, \$9,904 in state-shared revenue from Historic Preservation Office, \$38,856 in federal-shared revenue from Homeland Security, and \$86,254 in state-shared revenue from department of transportation.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 4– RESTATEMENT OF BEGINNING FUND BALANCE/NET ASSETS

Prior to June 30, 2008, the City did not record \$50,977 contributions received by various donors for the restoration of the town swimming pool. Fund balance for the general fund was restated to record the increase in cash for the donations totaling \$50,977. The increase in the statement of net assets reflects an increase of \$50,977 in cash and unrestricted net assets.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 474,013	-	-	\$ 474,013
Total capital assets not being depreciated	<u>474,013</u>	<u>-</u>	<u>-</u>	<u>474,013</u>
Capital assets being depreciated:				
Buildings	3,041,204	9,311	(2,301)	3,048,214
Equipment/Recreation	3,128,040	180,865	(143,223)	3,165,682
Infrastructure	3,540,824	91,331	-	3,632,155
Total	<u>9,710,068</u>	<u>281,507</u>	<u>(145,524)</u>	<u>9,846,051</u>
Less accumulated depreciation for:				
Buildings	(1,489,563)	(72,192)	2,301	(1,559,454)
Equipment/Recreation	(1,229,952)	(234,155)	117,947	(1,346,160)
Infrastructure	(1,191,233)	(145,286)	-	(1,336,519)
Total	<u>(3,910,748)</u>	<u>(451,633)</u>	<u>120,248</u>	<u>(4,242,133)</u>
Total capital assets being depreciated, net	<u>5,799,320</u>	<u>(170,126)</u>	<u>(25,276)</u>	<u>5,603,918</u>
Governmental activities capital assets, net	<u>\$ 6,273,333</u>	<u>\$ (170,126)</u>	<u>\$ (25,276)</u>	<u>\$ 6,077,931</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 641,895	\$ -	\$ -	\$ 641,895
Total capital assets not being depreciated	641,895	-	-	641,895
Capital assets being depreciated:				
Utility systems	14,626,538	954,342	-	15,580,880
Buildings	2,166,797	-	-	2,166,797
Equipment	573,696	95,556	(14,258)	654,994
Total	17,367,031	1,049,898	(14,258)	18,402,671
Less accumulated depreciation for:				
Utility systems	(2,899,868)	(391,814)	-	(3,291,682)
Buildings	(1,162,235)	(62,944)	-	(1,225,179)
Equipment	(400,441)	(61,064)	14,258	(447,247)
Total	(4,462,544)	(515,822)	14,258	(4,964,108)
Total capital assets being depreciated, net	12,904,487	534,076	-	13,438,563
Business-type activities capital assets, net	\$ 13,546,382	\$ 534,076	\$ -	\$ 14,080,458
	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Component Unit activities:				
Capital assets being depreciated:				
Utility systems	\$ 6,795,453	\$ -	\$ -	\$ 6,795,453
Less accumulated depreciation for:				
Utility systems	(1,015,404)	(169,886)	-	(1,185,290)
Component unit activities capital assets, net	\$ 5,780,049	\$ (169,886)	\$ -	\$ 5,610,163

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 62,618
Public safety	161,272
Highways and streets	145,286
Culture and recreation	68,051
Public works	<u>14,406</u>
 Total governmental activities depreciation expense	 <u><u>\$ 451,633</u></u>
 Business-type activities:	
Gas	\$ 38,537
Water	156,495
Liquid waste	105,800
Airport	<u>214,990</u>
 Total business-type activities depreciation expense	 <u><u>\$ 515,822</u></u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the City’s long-term liability and obligation activity for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Governmental activities:					
Compensated absences	\$ 181,598	\$ 66,693	\$ 123,667	\$ 124,624	\$ 99,699
Capital leases payable	417,878	-	52,523	365,355	54,750
Bond payable	500,000	-	166,500	333,500	166,500
Notes payable	38,617	-	4,238	34,379	4,545
Governmental activities long-term liabilities	<u>\$ 1,138,093</u>	<u>\$ 66,693</u>	<u>\$ 346,928</u>	<u>\$ 857,858</u>	<u>\$ 325,494</u>
Business-type activities:					
Compensated absences	\$ 95,296	\$ 17,561	\$ 51,137	\$ 61,720	\$ 49,376
Bond payable	500,000	-	166,500	333,500	166,500
Notes payable	27,441	-	7,651	19,790	19,790
Business-type activities long-term liabilities	<u>\$ 622,737</u>	<u>\$ 17,561</u>	<u>\$ 225,288</u>	<u>\$ 415,010</u>	<u>\$ 235,666</u>
Component unit activities:					
Notes payable	\$ 3,088,674	\$ -	\$ 250,053	\$ 2,838,621	\$ 261,540
Component unit activities long-term liabilities	<u>\$ 3,088,674</u>	<u>\$ -</u>	<u>\$ 250,053</u>	<u>\$ 2,838,621</u>	<u>\$ 261,540</u>

Bonds Payable – The City’s bonded debt consists of a 2006 Excise Tax Revenue Bond issuance of \$1,220,000 of which the City has received \$1,000,000 as of June 30, 2009. The Excise Tax Revenue Bond requires repayments of interest only due semi-annually starting July 1, 2006, with principal payments starting on July 1, 2009. Bonds outstanding at June 30, 2009, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Excise Tax Revenue Bond	<u>\$1,000,000</u>	2009-2010	4.75%	<u>\$1,000,000</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City’s notes payable at June 30, 2009.

Year Ending June 30	Governmental Activities						Component Unit	
	Notes Payable		Leases Payable		Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	4,545	2,263	54,750	15,491	166,500	11,887	261,540	122,387
2011	4,873	1,934	57,072	13,169	167,000	3,966	273,556	110,372
2012	5,226	1,582	59,491	10,750	-	-	286,123	97,805
2013	5,603	1,204	62,014	8,227	-	-	299,267	84,661
2014	6,005	803	64,643	5,598	-	-	313,015	70,912
2015-18	8,127	1,581	67,385	2,857	-	-	1,405,120	133,092
Total	<u>\$ 34,379</u>	<u>\$ 9,367</u>	<u>\$ 365,355</u>	<u>\$ 56,092</u>	<u>\$ 333,500</u>	<u>\$ 15,853</u>	<u>\$ 2,838,621</u>	<u>\$ 619,229</u>

Year Ending June 30	Business-type Activities			
	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2010	19,790	5,115	166,500	17,546
2011	-	-	167,000	3,966
Total	<u>\$ 19,790</u>	<u>\$ 5,115</u>	<u>\$ 333,500</u>	<u>\$ 21,512</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES – Continued

Notes payable consisted of the following:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
<u>Governmental Activities</u>				
Note payable - Individual	<u>\$ 60,000</u>	2015	7.00%	<u>\$ 34,379</u>
<u>Business Activities</u>				
Note payable - Institution	<u>60,000</u>	2011	6.00%	<u>19,790</u>
<u>Component Unit Activities</u>				
Note payable - USDA	<u>\$ 4,892,000</u>	2018	4.50%	<u>\$ 2,838,621</u>

Capital leases—The City has acquired a fire truck under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The asset acquired through a capital lease is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 516,602
Less: accumulated depreciation	<u>(191,355)</u>
Carrying value	<u>\$ 325,247</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City's capital leases payable at June 30, 2009.

Total minimum lease payments	421,446
Less amount representing interest	<u>(56,092)</u>
Present value of net minimum lease payments	<u><u>\$ 365,355</u></u>

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 – RETIREMENT PLANS

Plan Descriptions—The City contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 8 – RETIREMENT PLANS – Continued

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS 3300 N. Central Ave. P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or (800) 621-3778	PSPRS 1020 E. Missouri Ave. Phoenix, AZ 85014 (602) 255-5575
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Funding Policy—The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates.

Cost-sharing plans – For the year ended June 30, 2009, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.4 percent (8.9 percent retirement and 0.5 percent long-term disability) of the members’ annual covered payroll. The City’s contributions to ASRS for the years ended June 30, 2009, 2008, and 2007, were \$237,079, \$221,098, and \$191,218 respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute at the actuarially determined rate of 14.39 and 5.00 percent for police and fire personnel respectively.

Annual Pension Cost – The City’s pension cost for the agent plan for the year ended June 30, 2009, and related information follows.

	PSPRS	
	Police	Fire
Contribution rates:		
City	14.39%	5.00%
Plan members	7.65%	7.65%
Annual pension cost	\$ 160,724	\$ 7,724
Contributions made	\$ 160,724	\$ 7,724

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 8 – RETIREMENT PLANS – Continued

The current-year annual required contributions for the PSPRS were determined as part of its June 30, 2009, actuarial valuation using the individual entry-age actuarial cost method. The actuarial assumptions included (a) 8.5 percent investment rate of return and (b) projected salary increases ranging from 5.5 percent to 9.0 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 20 years.

Trend Information – Annual pension cost information for the 3 preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2008	105,484	100 %	-
	2007	66,927	100 %	\$ -
	2006	55,620	100 %	-

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2009, were as follows:

Payable from	Payable to			
	Gas Fund	General Fund	Solid Waste Fund	Total
Liquid Waste Fund	\$ 1,321,562	\$ -	\$ -	\$ 1,321,562
Water Fund	425,261	75,002	133,173	633,436
Municipal Airport Fund	-	479,152	-	479,152
HURF/LTAF Fund	-	214,925	-	214,925
Other governmental funds	-	97,398	-	97,398
	<u>\$ 1,746,823</u>	<u>\$ 866,477</u>	<u>\$ 133,173</u>	<u>\$ 2,746,473</u>

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes	\$ 2,932,020	\$ 2,932,020	\$ 2,597,520	\$ (334,500)
Intergovernmental	1,348,746	1,348,746	1,358,132	9,386
Fines & forfeitures	143,300	143,300	119,367	(23,933)
Licenses and permits	225,000	225,000	270,489	45,489
Charges for services	70,700	70,700	55,197	(15,503)
Interest	125,000	125,000	2,506	(122,494)
Other revenue	25,000	25,000	120,689	95,689
Total revenue	4,869,766	4,869,766	4,523,900	(345,866)
Expenditures				
Current				
Public safety	2,750,726	2,750,726	2,079,037	671,689
General government	2,741,670	2,741,670	1,299,481	1,442,189
Culture and recreation	1,020,606	1,020,606	849,823	170,783
Public works	340,698	340,698	244,714	95,984
Shop	67,145	67,145	22,635	44,510
Debt service				
Principal/Interest	1,000,000	1,000,000	95,119	904,881
Capital outlay	-	-	68,951	(68,951)
Total expenditures	7,920,845	7,920,845	4,659,760	2,589,396
Excess (deficiency) of revenue over expenditures	(3,051,079)	(3,051,079)	(135,860)	(2,935,262)
Other financing sources				
Sale of Assets	50,000	50,000	66,574	16,574
Transfers in	-	-	71,656	71,656
Total other financing sources	50,000	50,000	138,230	88,230
Net changes in fund balances	(3,001,079)	(3,001,079)	2,370	(2,935,262)
Fund balances, July 1, 2008	3,001,079	3,001,079	4,311,455	10,313,613
Fund balances, June 30, 2009	\$ -	\$ -	\$ 4,313,825	\$ 7,378,351

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF/LTAF Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 456,363	\$ 456,363	\$ 381,648	\$ (74,715)
Total revenue	<u>456,363</u>	<u>456,363</u>	<u>381,648</u>	<u>(74,715)</u>
Expenditures				
Highways and streets	456,363	456,363	369,176	87,187
Total expenditures	<u>456,363</u>	<u>456,363</u>	<u>369,176</u>	<u>87,187</u>
Net changes in fund balances	-	-	12,472	12,472
Fund balances, July 1, 2008	-	-	(166,903)	(166,903)
Fund balances, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (154,431)</u></u>	<u><u>\$ (154,431)</u></u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Capital Projects Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 2,525,000	\$ 2,525,000	\$ 619,295	\$ (1,905,705)
Impact fees	350,000	350,000	133,020	(216,980)
Total revenue	<u>2,875,000</u>	<u>2,875,000</u>	<u>752,315</u>	<u>(2,122,685)</u>
Expenditures				
General government	-	-	271,990	271,990
Principle on debt	-	-	166,500	166,500
Capital outlay	2,875,000	2,875,000	149,385	(2,725,615)
Total expenditures	<u>2,875,000</u>	<u>2,875,000</u>	<u>587,875</u>	<u>(2,287,125)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>164,440</u>	<u>164,440</u>
Other financing sources				
Transfers out	-	-	(168,339)	(168,339)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(168,339)</u>	<u>(168,339)</u>
Net change in fund balance	-	-	(3,899)	(3,899)
Fund balances, July 1, 2008	<u>-</u>	<u>-</u>	<u>4,589</u>	<u>4,589</u>
Fund balances, June 30, 2009	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$ 690</u></u>	<u><u>\$ 690</u></u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2009

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.

Encumbrance accounting, under which purchase orders, contracts, and other commitments to expend monies are recorded to reserve that portion of the applicable fund balance, is not employed by the City during the year. However, the City must encumber amounts necessary and available to pay liabilities outstanding for goods or services received but unpaid at June 30, after which warrants may be drawn against the encumbered amounts for 60 days immediately following the close of the fiscal year. After 60 days, the remaining encumbered balances lapse.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

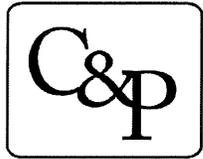
The City's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted items.

- Financial activity of component unit.
- Expendable Trust Fund.
- Enterprise Funds.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Process
June 30, 2009

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/08	\$1,677,675	\$2,500,103	\$(822,428)	67.1 %	\$ 838,583	98.1 %
06/30/07	\$1,486,103	\$2,399,757	\$(913,654)	61.9 %	\$ 722,158	126.5 %
06/30/06	\$1,548,783	\$1,952,194	\$(403,411)	79.3 %	\$ 367,217	109.9 %



COLBY &
POWELL, PLC

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO THE USES OF HIGHWAY USER REVENUE FUND MONIES
IN ACCORDANCE WITH ARS TITLE 28, CHAPTER 18, ARTICLE 2**

To the City Council
City of Benson, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Benson as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2009.

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. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Colby & Powell PLC".

November 18, 2009