

CITY OF BENSON, ARIZONA

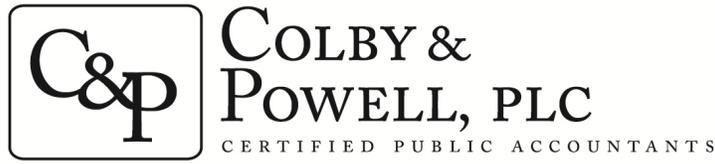
Annual Financial Statements
and Independent Auditors' Report
June 30, 2016



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1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Benson, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 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

November 28, 2016



CITY OF BENSON, ARIZONA
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,054,901	\$ 2,014,136	\$ 3,069,037
Cash and cash equivalents, restricted	22,269	51,928	74,197
Accounts receivable - net	-	108,893	108,893
Taxes receivable	47,114	-	47,114
Due from other governments	422,722	-	422,722
Prepaid expenses	197,542	164,224	361,766
Inventory	-	6,663	6,663
Due from (to) other funds	2,364,861	(2,364,861)	-
Capital assets, not being depreciated	705,308	7,744,582	8,449,890
Capital assets, being depreciated, net	5,813,676	17,778,312	23,591,988
Total assets	10,628,393	25,503,877	36,132,270
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	731,233	173,573	904,806
LIABILITIES			
Accounts payable	82,939	127,929	210,868
Accrued expenses	92,872	14,463	107,335
Deferred revenue	-	14,356	14,356
Interest payable	86,081	-	86,081
Refundable deposits	-	51,928	51,928
Noncurrent liabilities			
Due within 1 year	429,832	110,936	540,768
Due in more than 1 year	8,074,391	1,962,698	10,037,089
Total liabilities	8,766,115	2,282,310	11,048,425
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	818,765	480,176	1,298,941
NET POSITION			
Net investment in capital assets	2,205,387	25,391,019	27,596,406
Restricted for:			
Public safety	22,269	-	22,269
Unrestricted (deficit)	(452,910)	(2,476,055)	(2,928,965)
Total net position	\$ 1,774,746	\$ 22,914,964	\$ 24,689,710

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Activities
June 30, 2016

Functions / Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities			
General government	\$ 1,190,757	\$ 107,650	\$ 45,340
Public safety	2,491,313	9,934	51,354
Highways and streets	464,525	-	372,214
Public works	81,665	350	-
Culture and recreation	685,777	23,081	-
Transit	198,010	9,068	140,729
Interest on long-term debt	180,182	-	-
Total governmental activities	5,292,229	150,083	609,637
Business-type activities			
Gas	701,243	758,175	-
Water	862,373	701,950	-
Liquid waste	895,564	677,184	-
Solid waste	594,271	584,819	-
Golf course	1,008,231	701,113	-
Municipal Airport	329,180	12,760	-
Total business-type activities	4,390,862	3,436,001	-
Total primary government	\$ 9,683,091	\$ 3,586,084	\$ 609,637

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, 2015
Net position, June 30, 2016

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
\$ -	\$ (1,037,767)	\$ -	\$ (1,037,767)
479,184	(1,950,841)	-	(1,950,841)
-	(92,311)	-	(92,311)
-	(81,315)	-	(81,315)
203,382	(459,314)	-	(459,314)
267,072	218,859	-	218,859
-	(180,182)	-	(180,182)
<u>949,638</u>	<u>(3,582,871)</u>	<u>-</u>	<u>(3,582,871)</u>
-	-	56,932	56,932
-	-	(160,423)	(160,423)
-	-	(218,380)	(218,380)
-	-	(9,452)	(9,452)
-	-	(307,118)	(307,118)
117,290	-	(199,130)	(199,130)
<u>117,290</u>	<u>-</u>	<u>(837,571)</u>	<u>(837,571)</u>
<u>\$ 1,066,928</u>	<u>(3,582,871)</u>	<u>(837,571)</u>	<u>(4,420,442)</u>
	3,882,000	-	3,882,000
	232,901	-	232,901
	155,035	-	155,035
	479,832	-	479,832
	237,153	-	237,153
	614,641	-	614,641
	1,753	-	1,753
	23,690	-	23,690
	<u>5,627,005</u>	<u>-</u>	<u>5,627,005</u>
	2,044,134	(837,571)	1,206,563
	(269,388)	23,752,535	23,483,147
	<u>\$ 1,774,746</u>	<u>\$ 22,914,964</u>	<u>\$ 24,689,710</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Balance Sheet
Governmental Funds
Year Ended June 30, 2016

	General Fund	HURF/LTAF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,041,189	\$ 10,610	\$ -	\$ 3,102	\$ 1,054,901
Cash and cash equivalents-restricted	22,269	-	-	-	22,269
Taxes receivable	47,114	-	-	-	47,114
Due from other governments	283,507	33,433	-	105,782	422,722
Prepaid expenses	115,428	82,114	-	-	197,542
Due from other funds	3,187,223	-	-	-	3,187,223
Total assets	\$ 4,696,730	\$ 126,157	\$ -	\$ 108,884	\$ 4,931,771
LIABILITIES					
Accounts payable	\$ 69,228	\$ 10,609	\$ -	\$ 3,102	\$ 82,939
Accrued expenses	89,828	2,116	-	928	92,872
Due to other funds	-	614,677	-	207,685	822,362
Total liabilities	159,056	627,402	-	211,715	998,173
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	35,206	-	-	-	35,206
FUND BALANCES					
Nonspendable	3,302,651	82,114	-	-	3,384,765
Restricted for:					
Public safety	22,269	-	-	-	22,269
Unassigned	1,177,548	(583,359)	-	(102,831)	491,358
Total fund balances	4,502,468	(501,245)	-	(102,831)	3,898,392
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,696,730	\$ 126,157	\$ -	\$ 108,884	\$ 4,931,771

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, 2016

Fund balances-total governmental funds	\$ 3,898,392
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.	6,518,984
Some receivables are not available to pay for current-period expenditures and therefore, are unavailable in the funds.	35,206
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.	(8,590,304)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>(87,532)</u>
Net position of governmental activities	<u><u>\$ 1,774,746</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, 2016

	General Fund	HURF/LTAF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Fund
Revenue					
Taxes	\$ 4,140,966	\$ -	\$ 124,485	\$ -	\$ 4,265,451
Intergovernmental	1,422,787	372,214	-	1,072,407	2,867,408
Other revenue	47,756	-	-	-	47,756
Charges for services	62,903	-	-	9,068	71,971
Licenses and permits	70,218	-	-	-	70,218
Fines and forfeitures	7,320	-	-	-	7,320
Interest	1,753	-	-	-	1,753
Total revenue	<u>5,753,703</u>	<u>372,214</u>	<u>124,485</u>	<u>1,081,475</u>	<u>7,331,877</u>
Expenditures					
Current					
Public safety	2,158,371	-	-	13,629	2,172,000
General government	1,253,350	-	250,000	2,175	1,505,525
Culture and recreation	722,786	-	-	-	722,786
Highways and streets	-	336,969	-	-	336,969
Transit	-	-	-	201,329	201,329
Public works	97,078	-	-	-	97,078
Debt service					
Principal	291,647	-	-	-	291,647
Interest	180,592	-	-	-	180,592
Capital outlay	260,826	-	-	966,601	1,227,427
Total expenditures	<u>4,964,650</u>	<u>336,969</u>	<u>250,000</u>	<u>1,183,734</u>	<u>6,735,353</u>
Excess (deficiency) of revenue over expenditures	<u>789,053</u>	<u>35,245</u>	<u>(125,515)</u>	<u>(102,259)</u>	<u>596,524</u>
Other financing sources (uses)					
Capital lease proceeds	164,810	-	-	-	164,810
Transfers in (out)	(125,515)	-	125,515	-	-
Total other financing sources (uses)	<u>39,295</u>	<u>-</u>	<u>125,515</u>	<u>-</u>	<u>164,810</u>
Net change in fund balance	828,348	35,245	-	(102,259)	761,334
Fund balance, beginning of year	<u>3,674,120</u>	<u>(536,490)</u>	<u>-</u>	<u>(572)</u>	<u>3,137,058</u>
Fund balance, end of year	<u>\$ 4,502,468</u>	<u>\$ (501,245)</u>	<u>\$ -</u>	<u>\$ (102,831)</u>	<u>\$ 3,898,392</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, 2016

Net change in fund balances-total governmental funds \$ 761,334

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	1,227,427	
Current year depreciation expense	<u>(722,306)</u>	505,121

Revenue in the Statement of Activities that do not provide
current financial resources are not reported as revenue
in the funds.

Property taxes		4,486
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City 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 City'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.

City pension contributions	366,813	
Pension expense	<u>262,290</u>	629,103

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

(164,810)

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		292,057
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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.

Decrease in settlement liability	32,693	
Increase in compensated absences payable	<u>(15,850)</u>	<u>16,843</u>

Change in net position of governmental activities \$ 2,044,134

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,775,889	\$ -	\$ -
Cash and cash equivalents, restricted	37,159	14,769	-
Accounts receivable - net	11,184	27,410	24,859
Due from other governments	-	-	-
Prepaid expenses	-	98,536	65,688
Inventory	-	-	-
Total current assets	<u>1,824,232</u>	<u>140,715</u>	<u>90,547</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation, where applicable:			
Land	-	55,771	354,792
Utilities systems, net	466,764	2,130,148	676,812
Buildings, net	-	-	5,048,588
Equipment, net	10,151	9,676	53,700
Capital assets, net	<u>476,915</u>	<u>2,195,595</u>	<u>6,133,892</u>
Total noncurrent assets	<u>476,915</u>	<u>2,195,595</u>	<u>6,133,892</u>
Total assets	<u>2,301,147</u>	<u>2,336,310</u>	<u>6,224,439</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>33,512</u>	<u>52,267</u>	<u>35,866</u>
LIABILITIES			
Current liabilities			
Accounts payable	29,873	3,995	23,305
Deferred revenue	-	-	-
Accrued expenses	2,972	4,129	2,921
Refundable deposits	37,159	14,769	-
Due to other funds	-	330,378	267,382
Compensated absences, current	11,196	21,906	14,622
Lease payable, current	-	-	-
Total current liabilities	<u>81,200</u>	<u>375,177</u>	<u>308,230</u>
Noncurrent liabilities			
Compensated absences	2,799	5,477	3,656
Lease payable	-	-	-
Net pension liability	<u>360,934</u>	<u>562,920</u>	<u>386,277</u>
Total noncurrent liabilities	<u>363,733</u>	<u>568,397</u>	<u>389,933</u>
Total liabilities	<u>444,933</u>	<u>943,574</u>	<u>698,163</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>92,710</u>	<u>144,592</u>	<u>99,219</u>
NET POSITION			
Net investment in capital assets	476,915	2,195,595	6,133,892
Unrestricted (deficit)	<u>1,320,101</u>	<u>(895,184)</u>	<u>(670,969)</u>
Total net position	<u>\$ 1,797,016</u>	<u>\$ 1,300,411</u>	<u>\$ 5,462,923</u>

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds

Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
\$ 238,247	\$ -	\$ -	2,014,136
-	-	-	51,928
20,310	25,130	-	108,893
-	-	-	-
-	-	-	164,224
-	6,663	-	6,663
<u>258,557</u>	<u>31,793</u>	<u>-</u>	<u>2,345,844</u>
82,500	7,091,914	159,605	7,744,582
-	246,401	8,141,776	11,661,901
-	745,913	-	5,794,501
-	234,645	13,738	321,910
<u>82,500</u>	<u>8,318,873</u>	<u>8,315,119</u>	<u>25,522,894</u>
<u>82,500</u>	<u>8,318,873</u>	<u>8,315,119</u>	<u>25,522,894</u>
<u>341,057</u>	<u>8,350,666</u>	<u>8,315,119</u>	<u>27,868,738</u>
<u>3,283</u>	<u>48,645</u>	<u>-</u>	<u>173,573</u>
46,474	23,762	520	127,929
-	14,356	-	14,356
222	4,219	-	14,463
-	-	-	51,928
-	790,791	976,310	2,364,861
-	10,160	-	57,884
-	53,052	-	53,052
<u>46,696</u>	<u>896,340</u>	<u>976,830</u>	<u>2,684,473</u>
-	2,539	-	14,471
-	78,823	-	78,823
<u>35,358</u>	<u>523,915</u>	<u>-</u>	<u>1,869,404</u>
<u>35,358</u>	<u>605,277</u>	<u>-</u>	<u>1,962,698</u>
<u>82,054</u>	<u>1,501,617</u>	<u>976,830</u>	<u>4,647,171</u>
<u>9,082</u>	<u>134,573</u>	<u>-</u>	<u>480,176</u>
82,500	8,186,998	8,315,119	25,391,019
<u>170,704</u>	<u>(1,423,877)</u>	<u>(976,830)</u>	<u>(2,476,055)</u>
<u>\$ 253,204</u>	<u>\$ 6,763,121</u>	<u>\$ 7,338,289</u>	<u>22,914,964</u>

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, 2016

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Operating revenue			
Charges for services, net of bad debt	\$ 758,175	\$ 701,950	\$ 677,184
Sales	-	-	-
Total operating revenue	<u>758,175</u>	<u>701,950</u>	<u>677,184</u>
Operating expenses			
Personnel	307,882	512,206	358,126
Insurance	47,355	9,471	28,413
Professional services	9,991	4,579	36,187
Utilities	3,393	102,958	69,568
Repairs and maintenance	6,703	15,954	62,550
Materials and supplies	26,311	48,714	54,105
Cost of sales	245,617	-	-
Other	13,603	15,399	25,360
Depreciation	40,388	153,092	261,255
Total operating expenses	<u>701,243</u>	<u>862,373</u>	<u>895,564</u>
Operating income (loss)	<u>56,932</u>	<u>(160,423)</u>	<u>(218,380)</u>
Nonoperating revenue (expenses)			
Interest expense	-	-	-
Income (loss) before capital grants and transfers	56,932	(160,423)	(218,380)
Capital grants	-	-	-
Increase (decrease) in net position	56,932	(160,423)	(218,380)
Total net position, beginning of year	<u>1,740,084</u>	<u>1,460,834</u>	<u>5,681,303</u>
Total net position, end of year	<u>\$ 1,797,016</u>	<u>\$ 1,300,411</u>	<u>\$ 5,462,923</u>

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds

<u>Solid Waste Fund</u>	<u>Golf Course Fund</u>	<u>Municipal Airport Fund</u>	<u>Total</u>
\$ 584,819	\$ 388,148	\$ 12,760	\$ 3,123,036
-	312,965	-	312,965
<u>584,819</u>	<u>701,113</u>	<u>12,760</u>	<u>3,436,001</u>
30,205	461,539	-	1,669,958
-	7,577	20,146	112,962
556,212	18,849	16,904	642,722
-	77,307	13,805	267,031
-	45,230	16,929	147,366
-	87,115	234	216,479
-	135,186	-	380,803
7,854	21,580	-	83,796
-	147,554	261,162	863,451
<u>594,271</u>	<u>1,001,937</u>	<u>329,180</u>	<u>4,384,568</u>
<u>(9,452)</u>	<u>(300,824)</u>	<u>(316,420)</u>	<u>(948,567)</u>
<u>-</u>	<u>(6,294)</u>	<u>-</u>	<u>(6,294)</u>
(9,452)	(307,118)	(316,420)	(954,861)
<u>-</u>	<u>-</u>	<u>117,290</u>	<u>117,290</u>
(9,452)	(307,118)	(199,130)	(837,571)
<u>262,656</u>	<u>7,070,239</u>	<u>7,537,419</u>	<u>23,752,535</u>
<u>\$ 253,204</u>	<u>\$ 6,763,121</u>	<u>\$ 7,338,289</u>	<u>\$ 22,914,964</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Cash flows from operating activities:			
Receipts from customers	\$ 745,742	\$ 695,746	\$ 676,626
Payments to suppliers and providers of goods and services	(367,734)	(224,770)	(276,827)
Payments to employees	(259,730)	(405,662)	(278,779)
Net cash provided (used) by operating activities	<u>118,278</u>	<u>65,314</u>	<u>121,020</u>
Cash flows from noncapital financing activities:			
Received from other funds	-	-	-
Paid to other funds	-	(47,525)	(41,894)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(47,525)</u>	<u>(41,894)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	-	-
Purchase of capital assets	(34,729)	(18,723)	(79,126)
Capital grant receipts	-	-	-
Interest paid	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(34,729)</u>	<u>(18,723)</u>	<u>(79,126)</u>
Cash flows from investing activities:			
Interest received on investments	-	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	83,549	(934)	-
Cash and cash equivalents, July 1, 2015	<u>1,729,499</u>	<u>15,703</u>	<u>-</u>
Cash and cash equivalents, June 30, 2016	<u>\$ 1,813,048</u>	<u>\$ 14,769</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds			
Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
\$ 581,810	\$ 703,997	\$ 12,760	\$ 3,416,681
(593,821)	(399,353)	(82,988)	(1,945,493)
(24,915)	(423,791)	-	(1,392,877)
(36,926)	(119,147)	(70,228)	78,311
-	176,446	-	176,446
-	-	(68,131)	(157,550)
-	176,446	(68,131)	18,896
-	(51,005)	-	(51,005)
-	-	(136,923)	(269,501)
-	-	275,282	275,282
-	(6,294)	-	(6,294)
-	(57,299)	138,359	(51,518)
-	-	-	-
-	-	-	-
(36,926)	-	-	45,689
275,173	-	-	2,020,375
\$ 238,247	\$ -	\$ -	\$ 2,066,064

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016
(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)	\$ 56,932	\$ (160,423)	\$ (218,380)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	40,388	153,092	261,255
Bad debts	1,282	1,024	1,283
Pension expense	69,039	136,504	110,706
Employer pension contributions	(21,070)	(32,861)	(22,550)
(Increase) decrease in:			
Accounts receivable	(6,870)	(6,294)	(1,841)
Prepaid expenses	-	(11,593)	(7,729)
Increase (decrease) in:			
Accounts payable	(14,761)	(16,102)	7,085
Deferred revenue	-	-	-
Accrued expenses	(415)	1,282	(72)
Refundable deposits	(6,845)	(934)	-
Compensated absences payable	598	1,619	(8,737)
Net cash provided (used) by operating activities	\$ 118,278	\$ 65,314	\$ 121,020

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds			
Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
\$ (9,452)	\$ (300,824)	\$ (316,420)	\$ (948,567)
-	147,554	261,162	863,451
1,116	-	-	4,705
7,132	63,004	-	386,385
(2,064)	(30,585)	-	(109,130)
(4,125)	(1,646)	-	(20,776)
-	-	-	(19,322)
(29,755)	(6,509)	(14,970)	(75,012)
-	4,530	-	4,530
222	335	-	1,352
-	-	-	(7,779)
-	4,994	-	(1,526)
<u>\$ (36,926)</u>	<u>\$ (119,147)</u>	<u>\$ (70,228)</u>	<u>\$ 78,311</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

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

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	<u>Trust Fund</u>
Additions:	
Contributions	\$ 25,785
Other income	<u>6,815</u>
Total additions	<u>32,600</u>
Deductions:	
Pension payments	<u>32,600</u>
Total deductions	<u>32,600</u>
Change in net position	-
Net position, July 1, 2015	<u>593,289</u>
Net position, June 30, 2016	<u><u>\$ 593,289</u></u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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, 2016, 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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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, 2016

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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,

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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 February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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, 2016, the carrying amount of the City's total nonpooled cash in bank was \$3,019,743 and the bank balance was \$3,092,482. 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, 2016, the investments consisted of the following:

	Rating	Reported Amount	Fair Value
Investment in State Treasurer's investment pool			
Primary Government	Unrated	\$ 116,335	\$ 116,335
Investment in State Treasurer's investment pool			
Fiduciary Funds	Unrated	\$ 68,248	\$ 68,248

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 –\$51,928 is restricted for refundable customer deposits in the proprietary funds and \$22,269 of RICO funds is restricted for public safety.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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, 2016:

	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Golf Course Fund	Total
Accounts receivable	\$ 16,184	\$ 33,382	\$ 26,926	\$ 24,445	\$ 25,130	\$ 126,067
Less allowance	(5,000)	(5,972)	(2,067)	(4,135)	-	(17,174)
Accounts receivable - net	<u>\$ 11,184</u>	<u>\$ 27,410</u>	<u>\$ 24,859</u>	<u>\$ 20,310</u>	<u>\$ 25,130</u>	<u>\$ 108,893</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2016, included \$10,577 in county-shared revenue from auto lieu taxes, \$36,536 in state-shared revenue from sales taxes, \$231,808 in state-shared revenue from city sales taxes collected by the State, \$26,318 in revenue from the State for public safety grants, \$33,433 in state-shared revenue from highway user revenue fund (HURF) taxes, \$47,543 in state-shared revenue from Arizona Department of Transportation and \$36,507 in various other grants.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
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	<u>712,778</u>	<u>-</u>	<u>(7,470)</u>	<u>705,308</u>
Capital assets being depreciated:				
Buildings	4,762,750	227,815	-	4,990,565
Equipment	3,634,452	1,007,082	-	4,641,534
Infrastructure	4,770,219	-	-	4,770,219
Total	<u>13,167,421</u>	<u>1,234,897</u>	<u>-</u>	<u>14,402,318</u>
Less accumulated depreciation for:				
Buildings	(2,748,710)	(82,752)	-	(2,831,462)
Equipment	(2,735,211)	(448,245)	-	(3,183,456)
Infrastructure	(2,382,415)	(191,309)	-	(2,573,724)
Total	<u>(7,866,336)</u>	<u>(722,306)</u>	<u>-</u>	<u>(8,588,642)</u>
Total capital assets being depreciated, net	<u>5,301,085</u>	<u>512,591</u>	<u>-</u>	<u>5,813,676</u>
Governmental activities capital assets, net	<u>\$ 6,013,863</u>	<u>\$ 512,591</u>	<u>\$ (7,470)</u>	<u>\$ 6,518,984</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
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	<u>7,910,305</u>	<u>-</u>	<u>(165,723)</u>	<u>7,744,582</u>
Capital assets being depreciated:				
Utility systems	18,158,332	335,631	-	18,493,963
Buildings	9,894,642	68,891	-	9,963,533
Equipment	1,292,343	30,705	-	1,323,048
Total	<u>29,345,317</u>	<u>435,227</u>	<u>-</u>	<u>29,780,544</u>
Less accumulated depreciation for:				
Utility systems	(6,300,135)	(283,869)	-	(6,584,004)
Buildings	(3,913,429)	(255,602)	-	(4,169,031)
Equipment	(925,217)	(323,980)	-	(1,249,197)
Total	<u>(11,138,781)</u>	<u>(863,451)</u>	<u>-</u>	<u>(12,002,232)</u>
Total capital assets being depreciated, net	<u>18,206,536</u>	<u>(428,224)</u>	<u>-</u>	<u>17,778,312</u>
Business-type activities capital assets, net	<u>\$ 26,116,841</u>	<u>\$ (428,224)</u>	<u>\$ (165,723)</u>	<u>\$ 25,522,894</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 31,780
Public safety	280,933
Highways and streets	196,629
Transit	47,482
Culture and recreation	165,482
Total governmental activities depreciation expense	<u>\$ 722,306</u>
Business-type activities:	
Gas	\$ 40,388
Water	153,092
Liquid waste	261,255
Golf Course	147,554
Airport	261,162
Total business-type activities depreciation expense	<u>\$ 863,451</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the City’s long-term liability and obligation activity for the year ended June 30, 2016.

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Governmental activities:					
Compensated absences	\$ 157,009	\$ 15,850	\$ -	\$ 172,859	\$ 138,287
Net pension liability	4,666,152	-	648,385	4,017,767	-
Capital leases payable	-	164,810	54,966	109,844	53,948
Bond payable-refunding	2,115,000	-	110,000	2,005,000	110,000
Bonds payable	2,275,000	-	115,000	2,160,000	120,000
Bond discount	(33,650)	-	(2,403)	(31,247)	(2,403)
Notes payable	81,681	-	11,681	70,000	10,000
Governmental activities long-term liabilities	<u>\$ 9,261,192</u>	<u>\$ 180,660</u>	<u>\$ 937,629</u>	<u>\$ 8,504,223</u>	<u>\$ 429,832</u>
Business-type activities:					
Compensated absences	\$ 73,881	\$ -	\$ 1,526	\$ 72,355	\$ 57,884
Net pension liability	1,704,914	164,490	-	1,869,404	-
Capital leases payable	182,880	-	51,005	131,875	53,052
Business-type activities long-term liabilities	<u>\$ 1,961,675</u>	<u>\$ 164,490</u>	<u>\$ 52,531</u>	<u>\$ 2,073,634</u>	<u>\$ 110,936</u>

The following schedule details debt service requirements to maturity for the City’s bonds and notes payable at June 30, 2016.

Year Ending June 30	Governmental Activities					
	Notes Payable		Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 10,000	\$ 2,700	\$ 227,597	\$ 167,666	\$ 237,597	\$ 170,366
2017	10,000	2,300	232,597	160,028	242,597	162,328
2018	10,000	1,900	242,597	150,228	252,597	152,128
2019	10,000	1,500	252,597	140,666	262,597	142,166
2020	10,000	1,100	257,597	130,266	267,597	131,366
2021-25	20,000	1,000	1,487,980	468,620	1,507,980	469,620
2026-30	-	-	1,432,788	108,012	1,432,788	108,012
Total	<u>\$ 70,000</u>	<u>\$ 10,500</u>	<u>\$ 4,133,753</u>	<u>\$ 1,325,485</u>	<u>\$ 4,203,753</u>	<u>\$ 1,335,985</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

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, 2016, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
<u>Governmental Activities</u>				
Excise tax revenue bond	\$ 2,525,000	2030	3.70%	\$ 2,160,000
Excise tax revenue refunding bond	<u>2,715,000</u>	2030	3.70%	<u>2,005,000</u>
Total excise tax revenue bonds	<u>\$ 5,240,000</u>			4,165,000
			Amortized bond discount	<u>(31,247)</u>
			Revenue bonds, net	<u>\$ 4,133,753</u>

Notes Payable – Notes payable consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
<u>Governmental Activities</u>				
Note payable - Company	<u>\$ 100,000</u>	2023	4.00%	<u>\$ 70,000</u>

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, 2016.

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total Minimum Lease Pmts	Principal	Interest	Total Minimum Lease Pmts
2016	\$ 53,948	\$ 3,454	\$ 57,402	\$ 53,052	\$ 4,247	\$ 57,299
2017	55,896	1,506	57,402	55,182	2,117	57,299
2018	-	-	-	23,641	233	23,874
Total	<u>\$ 109,844</u>	<u>\$ 4,960</u>	<u>\$ 114,804</u>	<u>\$ 131,875</u>	<u>\$ 6,597</u>	<u>\$ 138,472</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES – Continued

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities	Total
Equipment	\$ 190,530	\$ 259,642	\$ 450,172
Less: accumulated depreciation	(26,990)	(86,547)	(113,537)
Carrying value	\$ 163,540	\$ 173,095	\$ 336,635

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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, 2016, 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	\$ 4,017,767	\$ 1,869,404	\$ 5,887,171
Deferred outflows of resources	731,233	173,573	904,806
Deferred inflows of resources	818,765	480,176	1,298,941
Pension expense	173,834	(63,239)	110,595

The City reported \$366,813 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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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	
	<u>Initial membership date:</u>	
	<u>Before July 1, 2011</u>	<u>On or after July 1, 2011</u>
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, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 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 11.47 percent (10.85 percent for retirement, 0.50 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,

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

2016, were \$252,781. 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,		
2016	\$ 11,649	\$ 2,796
2015	13,679	2,736
2014	15,140	6,056

During fiscal year 2016, the City paid for ASRS pension and OPEB contributions as follows: 42.04 percent from the General Fund, 5.47 percent from the HURF/LTAF Fund, 4.01 percent from the Transit Fund, 9.36 percent from the Gas Fund, 14.60 percent from the Water Fund, 10.02 percent from the Liquid Waste Fund, 0.92 percent from the Solid Waste Fund, and 13.59 percent from the Golf Course Fund.

Pension Liability – At June 30, 2016, the City reported a liability of \$3,855,617 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. 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, 2015. The City’s proportion measured as of June 30, 2015, was .024750 percent, which was a decrease of .004812 from its proportion measured as of June 30, 2014.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the City recognized pension expense for ASRS of \$(130,430). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 105,211	\$ 202,038
Net difference between projected and actual earnings on pension plan investments	-	123,564
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	664,754
City contributions subsequent to the measurement date	<u>252,781</u>	<u>-</u>
Total	<u>\$ 357,992</u>	<u>\$ 990,356</u>

The \$252,781 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,	
2017	\$ (420,051)
2018	(414,990)
2019	(139,301)
2020	89,197
2021	-
Thereafter	-

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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, 2014
Actuarial roll forward date	June 30, 2015
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, 2014, 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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	58%	6.79%
Fixed income	25%	370.00%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Commodities	2%	3.93%
Total	<u>100%</u>	

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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	\$ 5,052,176	\$ 3,855,617	\$ 3,035,582

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 fire 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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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

	<u>Initial membership date:</u>	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2016, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	5	-
Inactive employees entitled to but not yet receiving benefits	2	-
Active employees	11	1
Total	18	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, 2016, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police	PSPRS Fire
Active Members - Pension	11.65%	11.65%
Town Pension	22.92%	20.56%
Health insurance premium benefit	0.14%	1.33%

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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, 2016, were:

	PSPRS Police		PSPRS Fire
Contributions Made	\$ 205,197		\$ 15,940
Health Insurance Premium Benefit			
Annual OPEB cost	1,188		985
Contributions made	1,188		985

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, 2016, the City reported the following net pension liabilities:

PSPRS

	Net Pension Liability (Asset)
PSPRS Police	\$ 1,995,608
PSPRS Fire	35,946

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the City’s net pension liability as a result of the statutory adjustments is not known.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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, 2015
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-8.0%
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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – The discount rate used to measure the PSPRS total pension liability was 7.85 percent. The projection of cash flows used to determine the 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.

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, 2015	\$ 3,895,269	\$ 1,982,854	\$ 1,912,415
Changes for the year			
Service Cost	141,310	-	141,310
Interest on the total pension liability	304,443	-	304,443
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	(86,011)	-	(86,011)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	161,488	(161,488)
Contributions-employee	-	84,093	(84,093)
Net investment income	-	73,063	(73,063)
Benefit payments, including refunds of employee contributions	(175,329)	(175,329)	-
Administrative expense	-	(2,156)	2,156
Other changes	-	(39,939)	39,939
Net changes	184,413	101,220	83,193
Balances at June 30, 2016	\$ 4,079,682	\$ 2,084,074	\$ 1,995,608

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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	\$ 500,384	\$ 415,841	\$ 84,543
Changes for the year			
Service Cost	13,435	-	13,435
Interest on the total pension liability	39,807	-	39,807
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	(76,104)	-	(76,104)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	4,620	(4,620)
Contributions-employee	-	6,990	(6,990)
Net investment income	-	15,227	(15,227)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(764)	764
Other changes	-	(338)	338
Net changes	(22,862)	25,735	(48,597)
Balances at June 30, 2015	\$ 477,522	\$ 441,576	\$ 35,946

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	\$ 2,474,503	\$ 1,995,608	\$ 1,595,188
PSPRS Fire			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 98,232	\$ 35,946	\$ (15,724)

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

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2016, the City recognized the following pension expense:

	Pension Expense	
PSPRS Police	\$	257,559
PSPRS Fire		(16,534)

Pension Deferred Outflows/Inflows of Resources – At June 30, 2016, 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	\$ -	\$ 175,354
Changes of assumptions or other inputs	230,933	-
Net difference between projected and actual earnings on pension plan investments	66,957	59,496
Town contributions subsequent to the measurement date	205,197	-
	205,197	-
Total	\$ 503,087	\$ 234,850

PSPRS - Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 61,760
Changes of assumptions or other inputs	6,789	-
Net difference between projected and actual earnings on pension plan investments	14,263	11,976
Town contributions subsequent to the measurement date	22,675	-
	22,675	-
Total	\$ 43,727	\$ 73,736

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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:

Year ended June 30,	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
2017	\$ 10,563	\$ (30,832)
2018	10,563	(24,991)
2019	10,563	(426)
2020	30,396	3,565
2021	8,264	-
Thereafter	(7,309)	-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, 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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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, 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	4.5%-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, 2015, along with the actuarial assumptions and methods used in those valuations follow.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
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)	7.82%	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, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 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%

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2016, were as follows:

Payable from	Payable to General Fund
HURF/LTAF Fund	\$ 614,677
Grants Fund (nonmajor)	109,536
Transit Fund (nonmajor)	98,149
Water Fund	330,378
Liquid Waste Fund	267,382
Golf Course Fund	790,791
Municipal Airport Fund	976,310
	\$ 3,187,223

Interfund transfers—Interfund transfers for the fiscal year ended June 30, 2016, were as follows:

Transfer to	Transfer from General Fund
Capital Projects Fund	\$ 125,515

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

NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2016, the following funds reported a deficit fund balance:

Fund	Deficit
HURF/LTAF Fund	\$ 501,245
Transit Fund	51,533
Grants Fund	51,298



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 4,315,000	\$ 4,315,000	\$ 4,140,966	\$ (174,034)
Intergovernmental	1,490,523	1,490,523	1,422,787	(67,736)
Other revenue	45,599	45,599	47,756	2,157
Charges for services	92,800	92,800	62,903	(29,897)
Licenses and permits	109,100	109,100	70,218	(38,882)
Fines and forfeitures	14,500	14,500	7,320	(7,180)
Interest	1,000	1,000	1,753	753
Total revenue	<u>6,068,522</u>	<u>6,068,522</u>	<u>5,753,703</u>	<u>(314,819)</u>
Expenditures				
Current				
Public safety	2,484,539	2,484,539	2,158,371	326,168
General government	1,598,594	1,598,594	1,253,350	345,244
Culture and recreation	850,816	850,816	722,786	128,030
Public works	103,496	103,496	97,078	6,418
Debt service				
Principal	300,000	300,000	291,647	8,353
Interest	99,975	99,975	180,592	(80,617)
Capital outlay	1,460,082	1,460,082	260,826	1,199,256
Total expenditures	<u>6,897,502</u>	<u>6,897,502</u>	<u>4,964,650</u>	<u>1,932,852</u>
Excess (deficiency) of revenue over expenditures	<u>(828,980)</u>	<u>(828,980)</u>	<u>789,053</u>	<u>1,618,033</u>
Other financing sources (uses)				
Capital lease proceeds	-	-	164,810	164,810
Transfers in (out)	(271,020)	(271,020)	(125,515)	145,505
Total other financing sources (uses)	<u>(271,020)</u>	<u>(271,020)</u>	<u>39,295</u>	<u>310,315</u>
Net changes in fund balance	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>828,348</u>	<u>1,928,348</u>
Fund balance, July 1, 2015	<u>1,100,000</u>	<u>1,100,000</u>	<u>3,674,120</u>	<u>2,574,120</u>
Fund balance, June 30, 2016	<u><u>-</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,502,468</u></u>	<u><u>\$ 4,502,468</u></u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF/LTAF Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 370,990	\$ 370,990	\$ 372,214	\$ 1,224
Expenditures				
Current				
Highways and streets	370,990	370,990	336,969	34,021
Net changes in fund balance	-	-	35,245	35,245
Fund balance, July 1, 2015	(536,490)	(536,490)	(536,490)	-
Fund balance, June 30, 2016	<u>(536,490)</u>	<u>\$ (536,490)</u>	<u>\$ (501,245)</u>	<u>\$ 35,245</u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2016

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, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
City's proportion of the net pension liability	0.024750%	0.029562%	Information not available
City's proportionate share of the net pension liability	\$ 3,855,617	\$ 4,374,107	
City's covered-employee payroll	\$ 2,329,776	\$ 2,664,766	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.49%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	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, 2016

PSPRS - Police

	Reporting Fiscal Year		
	(Measurement Date)		
	2016	2015	2014
	(2015)	(2014)	through
	_____	_____	2006
	_____	_____	_____
Total pension liability			Information not available
Service cost	\$ 141,310	\$ 144,455	
Interest on the total pension liability	304,443	267,446	
Changes of benefit terms	-	75,099	
Differences between expected and actual experience in the measurement of the pension liability	(86,011)	(145,164)	
Changes of assumptions or other inputs	-	327,183	
Benefit payments, including refunds of employee contributions	(175,329)	(216,951)	
Net change in total pension liability	184,413	452,068	
Total pension liability - beginning	3,895,269	3,443,201	
Total pension liability - ending (a)	<u>\$ 4,079,682</u>	<u>\$ 3,895,269</u>	
Plan fiduciary net position			
Contributions - employer	\$ 161,488	\$ 173,370	
Contributions - employee	84,093	82,762	
Net investment income	73,063	240,572	
Benefit payments, including refunds of employee contributions	(175,329)	(216,951)	
Administrative expense	(2,156)	-	
Other changes	(39,939)	(157,483)	
Net change in plan fiduciary net position	101,220	122,270	
Plan fiduciary net position - beginning	1,982,854	1,860,584	
Plan fiduciary net position - ending (b)	<u>\$ 2,084,074</u>	<u>\$ 1,982,854</u>	
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,995,608</u>	<u>\$ 1,912,415</u>	
Plan fiduciary net position as a percentage of the total pension liability	51.08%	50.90%	
Covered-employee payroll	\$ 661,590	\$ 784,309	
City's net pension liability (asset) as a percentage of covered-employee payroll	301.64%	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, 2016

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Total pension liability			Information not available
Service cost	\$ 13,435	\$ 13,510	
Interest on the total pension liability	39,807	36,948	
Changes of benefit terms	-	(140)	
Differences between expected and actual experience in the measurement of the pension liability	(76,104)	(33,897)	
Changes of assumptions or other inputs	-	20,043	
Benefit payments, including refunds of employee contributions	-	-	
Net change in total pension liability	(22,862)	36,464	
Total pension liability - beginning	500,384	463,920	
Total pension liability - ending (a)	<u>\$ 477,522</u>	<u>\$ 500,384</u>	
Plan fiduciary net position			
Contributions - employer	\$ 4,620	\$ 8,548	
Contributions - employee	6,990	7,093	
Net investment income	15,227	48,425	
Benefit payments, including refunds of employee contributions	-	-	
Administrative expense	(764)	-	
Other changes	(338)	(6,039)	
Net change in plan fiduciary net position	25,735	58,027	
Plan fiduciary net position - beginning	415,841	357,814	
Plan fiduciary net position - ending (b)	<u>\$ 441,576</u>	<u>\$ 415,841</u>	
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 35,946</u>	<u>\$ 84,543</u>	
Plan fiduciary net position as a percentage of the total pension liability	92.47%	83.10%	
Covered-employee payroll	\$ 63,262	\$ 68,532	
City's net pension liability (asset) as a percentage of covered-employee payroll	56.82%	123.36%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of City Pension Contributions
June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Statutorily required contribution	\$ 264,430	\$ 248,052	\$ 285,130	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(264,430)</u>	<u>(248,052)</u>	<u>(285,130)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 2,329,776	\$ 2,279,890	\$ 2,664,766	
Town's contributions as a percentage of covered-employee payroll	11.35%	10.88%	10.70%	

PSPRS - Police

	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Actuarially determined contribution	\$ 208,543	\$ 174,082	\$ 173,370	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(208,543)</u>	<u>(174,082)</u>	<u>(173,370)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 727,626	\$ 761,019	\$ 784,309	
Town's contributions as a percentage of covered-employee payroll	28.66%	22.87%	22.10%	

PSPRS - Fire

	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Actuarially determined contribution	\$ 15,940	\$ 13,823	\$ 8,548	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(15,940)</u>	<u>(13,823)</u>	<u>(8,548)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 68,531	\$ 63,261	\$ 68,532	
Town's contributions as a percentage of covered-employee payroll	23.26%	21.85%	12.47%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2016

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 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market 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 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% 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, 2016

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

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, 2016

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.



SINGLE AUDIT ACT REPORTS SECTION

CITY OF BENSON
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Arizona Department of Housing			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.288	129-15	190,822
Total U.S. Department of Housing and Urban Development			190,822
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	-	105,631
Passed through Arizona Department of Transportation			
Highway Planning and Construction	20.205	GTR-15-0005534-T	120,182
Formula Grants for Rural Areas	20.509	GTR-15-0005534-T	236,788
Passed through Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2015-PT-004	163
Total U.S. Department of Transportation			462,764
<u>U.S. Department of Health and Human Services</u>			
Passed through the SouthEastern Arizona Governments Organization			
Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	109-16	20,440
Child Abuse and Neglect Discretionary Activities	93.670	109-16	20,440
Total U.S. Department of Health and Human Services			40,880
<u>U.S. Department of Homeland Security</u>			
Passed through AZ community Foundation			
Assistance to Firefighter Grant	97.044	EMW-2013-FV-01639	429,068
Passed through the Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	150414-01	22,881
Total U.S. Department of Homeland Security			451,949
<u>U.S. Department of Justice</u>			
Passed through Arizona Criminal Justice Commission			
National Criminal History Improvement Program (NCHIP)	16.554	NCP15-16-006	26,318
Total U.S. Department of Justice			26,318
Total Federal Assistance			\$ 1,172,733

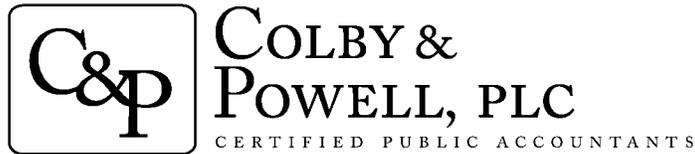
CITY OF BENSON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Benson, Arizona under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Benson, Arizona, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Benson, Arizona.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Benson, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

**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, 2016, 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 November 28, 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 opinion 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 Organization's internal control.

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

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

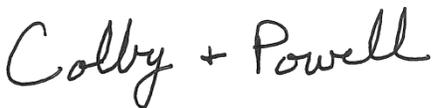
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

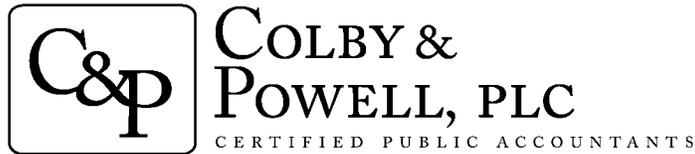
As part of obtaining reasonable assurance about whether The City of Benson, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 28, 2016



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the City Council
City of Benson, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of Benson, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The City of Benson, Arizona's major federal programs for the year ended June 30, 2016. The City of Benson, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Benson, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

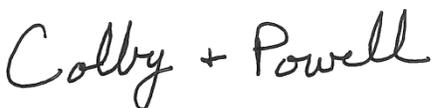
Report on Internal Control Over Compliance

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

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

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

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



November 28, 2016

CITY OF BENSON, ARIZONA
Schedule of Findings and Responses
June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)? _____ Yes _____ X No

Identification of major federal programs:

CFDA Number	Name of Federal Program
14.288	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
97.044	Assistance to Firefighter Grant

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

Auditee qualified as low-risk auditee? _____ Yes _____ X No

Financial Statement Findings

None

Federal Award Program Findings

None

CITY OF BENSON, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2016

The status of audit findings from the prior year is as follows:

The City of Benson, Arizona had no Single Audit findings for the year ended June 30, 2015.