

CITY OF BENSON, ARIZONA

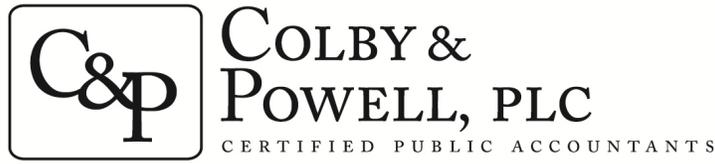
Annual Financial Statements
and Independent Auditors' Report
June 30, 2017



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Benson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Arizona, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The City of Benson has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 56 through 58, Schedule of the City's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 60, Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 61 through 62, Schedule of City Pension Contributions on page 63, and Schedule of Agent OPEB Plans' Funding Progress on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City 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.

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

March 16, 2018



CITY OF BENSON, ARIZONA
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,442,618	\$ -	\$ 3,442,618
Cash and cash equivalents, restricted	22,715	60,192	82,907
Accounts receivable - net	-	137,462	137,462
Taxes receivable	51,599	-	51,599
Due from other governments	349,879	-	349,879
Prepaid expenses	183,074	161,617	344,691
Inventory	-	6,663	6,663
Due from (to) other funds	715,426	(715,426)	-
Capital assets, not being depreciated	722,980	7,744,582	8,467,562
Capital assets, being depreciated, net	5,139,377	17,110,181	22,249,558
	<u>10,627,668</u>	<u>24,505,271</u>	<u>35,132,939</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,176,842	358,708	1,535,550
LIABILITIES			
Accounts payable	185,473	202,395	387,868
Accrued expenses	97,569	20,901	118,470
Deferred revenue	-	17,901	17,901
Interest payable	82,631	-	82,631
PSPRS-Parker lawsuit liability	12,126	-	12,126
Refundable deposits	-	60,192	60,192
Noncurrent liabilities			
Due within 1 year	450,734	108,851	559,585
Due in more than 1 year	8,463,112	1,997,619	10,460,731
	<u>9,291,645</u>	<u>2,407,859</u>	<u>11,699,504</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	739,764	395,416	1,135,180
NET POSITION			
Net investment in capital assets	1,840,305	24,756,054	26,596,359
Restricted for:			
Public safety	22,715	-	22,715
Unrestricted (deficit)	(89,919)	(2,695,350)	(2,785,269)
	<u>\$ 1,773,101</u>	<u>\$ 22,060,704</u>	<u>\$ 23,833,805</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Activities
June 30, 2017

Functions / Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities			
General government	\$ 1,495,011	\$ 121,279	\$ 41,595
Public safety	3,129,378	37,307	105,389
Highways and streets	660,093	-	390,968
Public works	66,928	8,449	8,370
Culture and recreation	926,027	24,250	17,279
Transit	245,384	5,660	133,478
Interest on long-term debt	173,880	-	-
Total governmental activities	6,696,701	196,945	697,079
Business-type activities			
Gas	765,193	721,344	-
Water	765,378	701,645	-
Liquid waste	823,907	699,123	-
Solid waste	592,893	669,990	-
Golf course	1,099,343	748,871	-
Municipal Airport	372,788	24,269	-
Total business-type activities	4,419,502	3,565,242	-
Total primary government	\$ 11,116,203	\$ 3,762,187	\$ 697,079

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
Change in net position
Net position, July 1, 2016
Net position, June 30, 2017

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
\$ -	\$ (1,332,137)	\$ -	\$ (1,332,137)
2,260	(2,984,422)	-	(2,984,422)
-	(269,125)	-	(269,125)
-	(50,109)	-	(50,109)
-	(884,498)	-	(884,498)
-	(106,246)	-	(106,246)
-	(173,880)	-	(173,880)
<u>2,260</u>	<u>(5,800,417)</u>	<u>-</u>	<u>(5,800,417)</u>
-	-	(43,849)	(43,849)
-	-	(63,733)	(63,733)
-	-	(124,784)	(124,784)
-	-	77,097	77,097
-	-	(350,472)	(350,472)
-	-	(348,519)	(348,519)
<u>-</u>	<u>-</u>	<u>(854,260)</u>	<u>(854,260)</u>
<u>\$ 2,260</u>	<u>(5,800,417)</u>	<u>(854,260)</u>	<u>(6,654,677)</u>
	4,032,671	-	4,032,671
	236,080	-	236,080
	161,681	-	161,681
	447,255	-	447,255
	241,389	-	241,389
	598,012	-	598,012
	3,442	-	3,442
	78,242	-	78,242
	<u>5,798,772</u>	<u>-</u>	<u>5,798,772</u>
	(1,645)	(854,260)	(855,905)
	<u>1,774,746</u>	<u>22,914,964</u>	<u>24,689,710</u>
	<u>\$ 1,773,101</u>	<u>\$ 22,060,704</u>	<u>\$ 23,833,805</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Balance Sheet
Governmental Funds
Year Ended June 30, 2017

	General Fund	HURF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,441,193	\$ -	\$ 1,425	\$ -	\$ 3,442,618
Cash and cash equivalents-restricted	22,715	-	-	-	22,715
Taxes receivable	51,599	-	-	-	51,599
Due from other governments	297,157	36,406	-	16,316	349,879
Prepaid expenses	102,264	80,810	-	-	183,074
Due from other funds	837,251	-	-	-	837,251
Total assets	\$ 4,752,179	\$ 117,216	\$ 1,425	\$ 16,316	\$ 4,887,136
LIABILITIES					
Accounts payable	\$ 156,038	\$ 21,873	\$ 1,425	\$ 6,137	\$ 185,473
Accrued expenses	93,307	2,669	-	1,593	97,569
Due to other funds	-	92,674	-	29,151	121,825
Total liabilities	249,345	117,216	1,425	36,881	404,867
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	35,206	-	-	-	35,206
FUND BALANCES					
Nonspendable	939,515	80,810	-	-	1,020,325
Restricted for:					
Public safety	22,715	-	-	-	22,715
Unassigned	3,505,398	(80,810)	-	(20,565)	3,404,023
Total fund balances	4,467,628	-	-	(20,565)	4,447,063
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,752,179	\$ 117,216	\$ 1,425	\$ 16,316	\$ 4,887,136

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, 2017

Fund balances-total governmental funds		\$ 4,447,063
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		5,862,357
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue</p>		35,206
<p>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.</p>		
<p style="padding-left: 20px;">PSPRS-Parker lawsuit liability</p>	(12,126)	
<p style="padding-left: 20px;">Accrued interest</p>	(82,631)	
<p style="padding-left: 20px;">Long-term liabilities</p>	<u>(8,913,846)</u>	
		(9,008,603)
<p>Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the</p>		<u>437,078</u>
Net position of governmental activities		<u><u>\$ 1,773,101</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, 2017

	General Fund	HURF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Fund
Revenue					
Taxes	\$ 4,400,843	\$ -	\$ 29,588	\$ -	\$ 4,430,431
Intergovernmental	1,390,311	390,968	-	178,348	1,959,627
Other revenue	97,590	-	5,074	-	102,664
Charges for services	91,199	-	-	5,660	96,859
Licenses and permits	90,512	-	-	-	90,512
Fines and forfeitures	9,021	-	-	-	9,021
Interest	3,442	-	-	-	3,442
Impact fees	2,500	-	-	-	2,500
Total revenue	<u>6,085,418</u>	<u>390,968</u>	<u>34,662</u>	<u>184,008</u>	<u>6,695,056</u>
Expenditures					
Current					
Public safety	2,451,471	-	-	6	2,451,477
General government	1,278,294	-	254,797	14,131	1,547,222
Culture and recreation	809,904	-	-	-	809,904
Highways and streets	-	435,001	54,586	-	489,587
Transit	-	-	-	174,926	174,926
Public works	71,915	-	-	-	71,915
Debt service					
Principal	293,948	-	-	-	293,948
Interest	174,927	-	-	-	174,927
Capital outlay	32,449	5,285	88,470	6,275	132,479
Total expenditures	<u>5,112,908</u>	<u>440,286</u>	<u>397,853</u>	<u>195,338</u>	<u>6,146,385</u>
Excess (deficiency) of revenue over expenditures	<u>972,510</u>	<u>(49,318)</u>	<u>(363,191)</u>	<u>(11,330)</u>	<u>548,671</u>
Other financing sources (uses)					
Transfers in (out)	<u>(1,007,350)</u>	<u>550,563</u>	<u>363,191</u>	<u>93,596</u>	<u>-</u>
Net change in fund balance	<u>(34,840)</u>	<u>501,245</u>	<u>-</u>	<u>82,266</u>	<u>548,671</u>
Fund balance, beginning of year	<u>4,502,468</u>	<u>(501,245)</u>	<u>-</u>	<u>(102,831)</u>	<u>3,898,392</u>
Fund balance, end of year	<u>\$ 4,467,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,565)</u>	<u>\$ 4,447,063</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, 2017

Net change in fund balances-total governmental funds \$ 548,671

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	132,479	
Depreciation expense	(789,106)	
		(656,627)

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	360,003	
Pension expense	(519,119)	
		(159,116)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the

Bond principal repaid	230,000	
Capital leases principal repaid	53,948	
Note principal repaid	10,000	
		293,948

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

PSPRS-Parker lawsuit liability	(12,126)	
Amortization of bond discount	(2,403)	
Increase in compensated absences payable	(17,442)	
Decrease in accrued interest	3,450	
		(28,521)

Change in net position of governmental activities \$ (1,645)

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
ASSETS			
Current assets			
Cash and cash equivalents, restricted	\$ 44,020	\$ 16,172	\$ -
Accounts receivable - net	17,136	38,319	28,472
Prepaid expenses	-	96,972	64,645
Inventory	-	-	-
Due from other funds	1,734,100	-	-
Total current assets	1,795,256	151,463	93,117
Noncurrent assets			
Capital assets, net of accumulated depreciation, where applicable:			
Land	-	55,771	354,792
Utilities systems, net	425,290	1,988,998	647,809
Buildings, net	-	-	4,854,775
Equipment, net	16,584	35,641	142,657
Capital assets, net	441,874	2,080,410	6,000,033
Total noncurrent assets	441,874	2,080,410	6,000,033
Total assets	2,237,130	2,231,873	6,093,150
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	69,241	108,004	74,124
LIABILITIES			
Current liabilities			
Accounts payable	38,540	33,133	39,556
Deferred revenue	-	-	-
Accrued expenses	3,505	6,109	2,990
Refundable deposits	44,020	16,172	-
Due to other funds	-	319,226	295,861
Compensated absences, current	11,819	18,358	5,173
Lease payable, current	-	-	-
Total current liabilities	97,884	392,998	343,580
Noncurrent liabilities			
Compensated absences	2,955	4,590	1,293
Lease payable	-	-	-
Net pension liability	376,038	586,554	402,553
Total noncurrent liabilities	378,993	591,144	403,846
Total liabilities	476,877	984,142	747,426
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	76,327	119,057	81,709
NET POSITION			
Net investment in capital assets	441,874	2,080,410	6,000,033
Unrestricted (deficit)	1,311,293	(843,732)	(661,894)
Total net position	\$ 1,753,167	\$ 1,236,678	\$ 5,338,139

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>
\$ -	\$ -	\$ -	\$ 60,192
24,848	28,687	-	137,462
-	-	-	161,617
-	6,663	-	6,663
306,930	-	-	2,041,030
<u>331,778</u>	<u>35,350</u>	<u>-</u>	<u>2,406,964</u>
82,500	7,091,914	159,605	7,744,582
-	184,800	7,868,690	11,115,587
-	714,834	-	5,569,609
-	218,942	11,161	424,985
<u>82,500</u>	<u>8,210,490</u>	<u>8,039,456</u>	<u>24,854,763</u>
<u>82,500</u>	<u>8,210,490</u>	<u>8,039,456</u>	<u>24,854,763</u>
<u>414,278</u>	<u>8,245,840</u>	<u>8,039,456</u>	<u>27,261,727</u>
<u>6,806</u>	<u>100,533</u>	<u>-</u>	<u>358,708</u>
45,964	40,696	4,506	202,395
-	17,901	-	17,901
356	7,941	-	20,901
-	-	-	60,192
-	1,096,189	1,045,180	2,756,456
-	12,392	-	47,742
-	61,109	-	61,109
<u>46,320</u>	<u>1,236,228</u>	<u>1,049,686</u>	<u>3,166,696</u>
-	3,097	-	11,935
-	37,600	-	37,600
<u>36,961</u>	<u>545,978</u>	<u>-</u>	<u>1,948,084</u>
<u>36,961</u>	<u>586,675</u>	<u>-</u>	<u>1,997,619</u>
<u>83,281</u>	<u>1,822,903</u>	<u>1,049,686</u>	<u>5,164,315</u>
<u>7,502</u>	<u>110,821</u>	<u>-</u>	<u>395,416</u>
82,500	8,111,781	8,039,456	24,756,054
<u>247,801</u>	<u>(1,699,132)</u>	<u>(1,049,686)</u>	<u>(2,695,350)</u>
<u>\$ 330,301</u>	<u>\$ 6,412,649</u>	<u>\$ 6,989,770</u>	<u>22,060,704</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, 2017

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Operating revenue			
Charges for services, net of bad debt	\$ 721,344	\$ 701,645	\$ 699,123
Sales	-	-	-
Total operating revenue	<u>721,344</u>	<u>701,645</u>	<u>699,123</u>
Operating expenses			
Personnel	225,994	405,016	187,938
Depreciation	44,159	137,644	269,629
Professional services	9,679	5,796	33,101
Cost of sales	304,100	-	-
Utilities	3,620	133,523	88,004
Repairs and maintenance	58,863	18,423	113,695
Materials and supplies	44,554	39,323	65,394
Insurance	51,573	9,910	29,731
Other	22,651	15,743	36,415
Total operating expenses	<u>765,193</u>	<u>765,378</u>	<u>823,907</u>
Operating income (loss)	<u>(43,849)</u>	<u>(63,733)</u>	<u>(124,784)</u>
Nonoperating revenue (expenses)			
Interest expense	-	-	-
Increase (decrease) in net position	(43,849)	(63,733)	(124,784)
Total net position, beginning of year	<u>1,797,016</u>	<u>1,300,411</u>	<u>5,462,923</u>
Total net position, end of year	<u>\$ 1,753,167</u>	<u>\$ 1,236,678</u>	<u>\$ 5,338,139</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>
\$ 669,990	\$ 378,864	\$ 24,269	\$ 3,195,235
-	370,007	-	370,007
<u>669,990</u>	<u>748,871</u>	<u>24,269</u>	<u>3,565,242</u>
21,376	485,152	-	1,325,476
-	154,083	275,663	881,178
561,148	43,295	21,766	674,785
-	147,455	-	451,555
-	86,085	15,541	326,773
-	44,100	36,137	271,218
-	94,495	5,625	249,391
-	7,928	18,056	117,198
10,369	23,227	-	108,405
<u>592,893</u>	<u>1,085,820</u>	<u>372,788</u>	<u>4,405,979</u>
<u>77,097</u>	<u>(336,949)</u>	<u>(348,519)</u>	<u>(840,737)</u>
-	(13,523)	-	(13,523)
77,097	(350,472)	(348,519)	(854,260)
<u>253,204</u>	<u>6,763,121</u>	<u>7,338,289</u>	<u>22,914,964</u>
<u>\$ 330,301</u>	<u>\$ 6,412,649</u>	<u>\$ 6,989,770</u>	<u>\$ 22,060,704</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Cash flows from operating activities:			
Receipts from customers	\$ 722,253	\$ 692,139	\$ 695,510
Payments to suppliers and providers of goods and services	(486,373)	(192,016)	(349,046)
Payments to employees	(261,690)	(465,109)	(239,173)
Net cash provided (used) by operating activities	<u>(25,810)</u>	<u>35,014</u>	<u>107,291</u>
Cash flows from noncapital financing activities:			
Received from other funds	-	-	28,479
Paid to other funds	(1,734,100)	(11,152)	-
Transfers	-	-	-
Operating contribution received	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(1,734,100)</u>	<u>(11,152)</u>	<u>28,479</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	-	-
Purchase of capital assets	(9,118)	(22,459)	(135,770)
Interest paid	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(9,118)</u>	<u>(22,459)</u>	<u>(135,770)</u>
Net increase (decrease) in cash and cash equivalents	(1,769,028)	1,403	-
Cash and cash equivalents, July 1, 2016	<u>1,813,048</u>	<u>14,769</u>	<u>-</u>
Cash and cash equivalents, June 30, 2017	<u><u>\$ 44,020</u></u>	<u><u>\$ 16,172</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds

Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
\$ 665,452	\$ 748,859	\$ 24,269	\$ 3,548,482
(572,027)	(429,651)	(93,139)	(2,122,252)
<u>(24,742)</u>	<u>(532,217)</u>	<u>-</u>	<u>(1,522,931)</u>
<u>68,683</u>	<u>(213,009)</u>	<u>(68,870)</u>	<u>(96,701)</u>
-	305,398	68,870	402,747
<u>(306,930)</u>	<u>-</u>	<u>-</u>	<u>(2,052,182)</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(306,930)</u>	<u>305,398</u>	<u>68,870</u>	<u>(1,649,435)</u>
-	(78,866)	-	(78,866)
-	-	-	(167,347)
<u>-</u>	<u>(13,523)</u>	<u>-</u>	<u>(13,523)</u>
-	(92,389)	-	(259,736)
<u>(238,247)</u>	<u>-</u>	<u>-</u>	<u>(2,005,872)</u>
<u>238,247</u>	<u>-</u>	<u>-</u>	<u>2,066,064</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,192</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017
(Continued)

	Business-type Activities--Enterprise Funds		
	Gas	Water	Liquid
	Fund	Fund	Waste Fund
Reconciliation of operating income			
(loss) to net cash provided (used)			
by operating activities:			
Operating income (loss)	\$ (43,849)	\$ (63,733)	\$ (124,784)
Adjustments to reconcile operating			
income (loss) to net cash provided			
(used) by operating activities:			
Depreciation	44,159	137,644	269,629
Pension expense	(12,191)	(19,016)	(13,051)
Employer pension contributions	(24,817)	(38,622)	(26,441)
(Increase) decrease in:			
Accounts receivable	(5,952)	(10,909)	(3,613)
Prepaid expenses	-	1,564	1,043
Increase (decrease) in:			
Accounts payable	8,667	29,138	16,251
Deferred revenue	-	-	-
Accrued expenses	533	1,980	69
Refundable deposits	6,861	1,403	-
Compensated absences payable	779	(4,435)	(11,812)
	<u>\$ (25,810)</u>	<u>\$ 35,014</u>	<u>\$ 107,291</u>
Net cash provided (used) by			
operating activities			

**NONCASH INVESTING, CAPITAL FINANCING, AND NONCAPITAL FINANCING
ACTIVITIES**

The Golf Course Fund acquired \$45,700 of equipment under the terms of a capital lease for the year ending June 30, 2017.

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds			
Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
\$ 77,097	\$ (336,949)	\$ (348,519)	\$ (840,737)
-	154,083	275,663	881,178
(1,198)	(17,700)	-	(63,156)
(2,302)	(35,877)	-	(128,059)
(4,538)	(3,557)	-	(28,569)
-	-	-	2,607
(510)	16,934	3,986	74,466
-	3,545	-	3,545
134	3,722	-	6,438
-	-	-	8,264
-	2,790	-	(12,678)
<u>\$ 68,683</u>	<u>\$ (213,009)</u>	<u>\$ (68,870)</u>	<u>\$ (96,701)</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 569,673
Accounts receivable	<u>517</u>
Total assets	<u>570,190</u>
NET POSITION	
Held in trust for investment trust participants	<u><u>\$ 570,190</u></u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	<u>Trust Fund</u>
Additions:	
Other income	\$ 7,948
Interest and dividends	<u>553</u>
Total additions	<u>8,501</u>
Deductions:	
Pension payments	<u>31,600</u>
Total deductions	<u>31,600</u>
Change in net position	(23,099)
Net position, July 1, 2016	<u>593,289</u>
Net position, June 30, 2017	<u><u>\$ 570,190</u></u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Benson, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America 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, 2017, 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, 2017

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, 2017

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, 2017

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, 2017

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 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

I. Investment Income

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

J. Compensated Absences

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

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

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

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the City's Council has approved, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. The City Council has authorized the City manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the City's policy to use (the City will use) restricted fund balances first. It is the City's policy to use (the City will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

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; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the City Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The City’s investment policy states that the City will conform with Arizona Revised Statutes. The City does not have a formal investment policy with respect to custodial credit risk, concentration credit risk, or foreign currency risk.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Deposits – At June 30, 2017, the carrying amount of the City’s total nonpooled cash in bank was \$3,363,665 and the bank balance was \$3,451,249. 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, 2017, the investments consisted of the following:

	Rating	Reported Amount	Fair Value
Investment in State Treasurer's Investment Pool 7 Primary Government	AAA	\$ 117,630	\$ 117,630
Investment in State Treasurer's Investment Pool 7 Fiduciary Funds	AAA	\$ 68,787	\$ 68,787

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the City held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools. The shares are not identified with specific investments and are not subject to custodial credit risk.

Restricted cash –\$60,192 is restricted for refundable customer deposits in the proprietary funds and \$22,715 of RICO funds is restricted for public safety.

NOTE 3 – ACCOUNTS RECEIVABLE

The following table summarizes that City’s receivables, net of allowance for uncollectible, for the proprietary funds as of June 30, 2017:

	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Golf Course Fund	Total
Accounts receivable	\$ 22,136	\$ 44,291	\$ 30,539	\$ 28,983	\$ 28,687	\$ 154,636
Less allowance	(5,000)	(5,972)	(2,067)	(4,135)	-	(17,174)
Accounts receivable - net	\$ 17,136	\$ 38,319	\$ 28,472	\$ 24,848	\$ 28,687	\$ 137,462

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2017, included \$9,551 in county-shared revenue from auto lieu taxes, \$38,260 in state-shared revenue from sales taxes, \$249,346 in state-shared revenue from city sales taxes collected by the State, \$36,406 in state-shared revenue from highway user revenue fund (HURF) taxes, \$16,316 in state-shared revenue from Arizona Department of Transportation.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 705,308	\$ 17,672	\$ -	\$ 722,980
Capital assets being depreciated:				
Buildings	4,982,028	78,890	-	5,060,918
Equipment	4,650,071	35,917	(8,000)	4,677,988
Infrastructure	4,770,219	-	-	4,770,219
Total	<u>14,402,318</u>	<u>114,807</u>	<u>(8,000)</u>	<u>14,509,125</u>
Less accumulated depreciation for:				
Buildings	(2,940,092)	(204,284)	-	(3,144,376)
Equipment	(3,074,826)	(393,513)	8,000	(3,460,339)
Infrastructure	(2,573,724)	(191,309)	-	(2,765,033)
Total	<u>(8,588,642)</u>	<u>(789,106)</u>	<u>8,000</u>	<u>(9,369,748)</u>
Total capital assets being depreciated, net	<u>5,813,676</u>	<u>(674,299)</u>	<u>-</u>	<u>5,139,377</u>
Governmental activities capital assets, net	<u>\$ 6,518,984</u>	<u>\$ (656,627)</u>	<u>\$ -</u>	<u>\$ 5,862,357</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,744,582	\$ -	\$ -	\$ 7,744,582
Capital assets being depreciated:				
Utility systems	18,500,551	33,788	-	18,534,339
Buildings	9,956,945	-	-	9,956,945
Equipment	1,323,048	179,259	(36,940)	1,465,367
Total	<u>29,780,544</u>	<u>213,047</u>	<u>(36,940)</u>	<u>29,956,651</u>
Less accumulated depreciation for:				
Utility systems	(6,880,392)	(538,360)	-	(7,418,752)
Buildings	(4,128,652)	(258,684)	-	(4,387,336)
Equipment	(993,188)	(84,134)	36,940	(1,040,382)
Total	<u>(12,002,232)</u>	<u>(881,178)</u>	<u>36,940</u>	<u>(12,846,470)</u>
Total capital assets being depreciated, net	<u>17,778,312</u>	<u>(668,131)</u>	<u>-</u>	<u>17,110,181</u>
Business-type activities capital assets, net	<u>\$ 25,522,894</u>	<u>\$ (668,131)</u>	<u>\$ -</u>	<u>\$ 24,854,763</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 32,678
Public safety	295,172
Highways and streets	196,753
Transit	85,176
Culture and recreation	<u>179,327</u>
Total governmental activities depreciation expense	<u>\$ 789,106</u>
Business-type activities:	
Gas	\$ 44,159
Water	137,644
Liquid waste	269,629
Golf Course	154,083
Airport	<u>275,663</u>
Total business-type activities depreciation expense	<u>\$ 881,178</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the City’s long-term liability and obligation activity for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Governmental activities:					
Compensated absences	\$ 172,859	\$ 17,442	\$ -	\$ 190,301	\$ 152,241
Net pension liability	4,017,767	683,726	-	4,701,493	-
Capital leases payable	109,844	-	53,948	55,896	55,896
Bond payable-refunding	2,005,000	-	110,000	1,895,000	110,000
Bonds payable	2,160,000	-	120,000	2,040,000	125,000
Bond discount	(31,247)	-	(2,403)	(28,844)	(2,403)
Notes payable	70,000	-	10,000	60,000	10,000
Governmental activities long-term liabilities	<u>\$ 8,504,223</u>	<u>\$ 701,168</u>	<u>\$ 291,545</u>	<u>\$ 8,913,846</u>	<u>\$ 450,734</u>
Business-type activities:					
Compensated absences	\$ 72,355	\$ -	\$ 12,678	\$ 59,677	\$ 47,742
Net pension liability	1,869,404	78,680	-	1,948,084	-
Capital leases payable	131,875	45,700	78,866	98,709	61,109
Business-type activities long-term liabilities	<u>\$ 2,073,634</u>	<u>\$ 124,380</u>	<u>\$ 91,544</u>	<u>\$ 2,106,470</u>	<u>\$ 108,851</u>

The following schedule details debt service requirements to maturity for the City’s bonds and notes payable at June 30, 2017.

Year Ending June 30	Governmental Activities					
	Notes Payable		Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 10,000	\$ 2,100	\$ 232,597	\$ 160,028	\$ 242,597	\$ 162,128
2019	10,000	1,700	242,597	150,228	252,597	151,928
2020	10,000	1,300	252,597	140,666	262,597	141,966
2021	10,000	900	257,597	130,266	267,597	131,166
2022	10,000	500	272,596	119,267	282,596	119,767
2023-27	10,000	100	1,547,980	401,483	1,557,980	401,583
2027-31	-	-	1,100,192	55,883	1,100,192	55,883
Total	<u>\$ 60,000</u>	<u>\$ 6,600</u>	<u>\$ 3,906,156</u>	<u>\$ 1,157,819</u>	<u>\$ 3,966,156</u>	<u>\$ 1,164,419</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2017, 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%	\$ 2,040,000
Excise tax revenue refunding bond	<u>2,715,000</u>	2030	3.70%	<u>1,895,000</u>
Total excise tax revenue bonds	<u>\$ 5,240,000</u>			3,935,000
			Amortized bond discount	<u>(28,844)</u>
			Revenue bonds, net	<u>\$ 3,906,156</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>\$ 60,000</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, 2017.

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total Minimum Lease Pmts	Principal	Interest	Total Minimum Lease Pmts
2018	\$ 55,896	\$ 1,506	\$ 57,402	\$ 61,109	\$ 7,721	\$ 68,830
2019	-	-	-	<u>37,600</u>	<u>2,583</u>	<u>40,183</u>
Total	<u>\$ 55,896</u>	<u>\$ 1,506</u>	<u>\$ 57,402</u>	<u>\$ 98,709</u>	<u>\$ 10,304</u>	<u>\$ 109,013</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES – Continued

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities	Total
Equipment	\$ 190,530	\$ 305,342	\$ 495,872
Less: accumulated depreciation	(65,098)	(130,168)	(195,266)
Carrying value	\$ 125,432	\$ 175,174	\$ 300,606

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, 2017

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, 2017, 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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 4,701,493	\$ 1,948,084	\$ 6,649,577
Deferred outflows of resources	1,176,842	358,708	1,535,550
Deferred inflows of resources	739,764	395,417	1,135,181
Pension expense	519,119	(63,156)	455,963

The City reported \$360,003 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, 2017

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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members’ annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired,

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension plan for the year ended June 30, 2017, were \$264,488. 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,		
2017	\$ 13,740	\$ 3,435
2016	11,651	2,796
2015	13,451	2,736

During fiscal year 2017, 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, 2017, the City reported a liability of \$4,017,496 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2016. The City’s proportion measured as of June 30, 2016, was .02489 percent, which was an increase of .00014 from its proportion measured as of June 30, 2015.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$(130,245). At June 30, 2017, 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	\$ 24,414	\$ 276,374
Changes of assumptions or other inputs	-	212,558
Net difference between projected and actual earnings on pension plan investments	435,363	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,491	326,528
Town contributions subsequent to the measurement date	<u>264,488</u>	<u>-</u>
Total	<u><u>\$ 739,756</u></u>	<u><u>\$ 815,460</u></u>

The \$264,488 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, 2018. 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,	
2018	\$ (458,514)
2019	(182,551)
2020	178,799
2021	122,074
2022	-
Thereafter	-

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2015
Actuarial roll forward date	June 30, 2016
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, 2015, 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 8.75 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 Arithmetic Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Commodities	2%	3.84%
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 8.75 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, 2017

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	\$ 5,122,613	\$ 4,017,496	\$ 3,131,434

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 nine-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, 2017

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, 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% to 100% of retired member's pension benefit	
Active Members	80% to 100% of 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 earnings. In addition, the Legislature may enact increase's effects on the plan. 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, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2017, 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	1	-
Active employees	12	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, 2017, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police	PSPRS Fire
Active Members - Pension	7.65%	7.65%
Town Pension	30.22%	18.67%
Health insurance premium benefit	0.00%	0.00%

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2017, were:

	PSPRS Police		PSPRS Fire
Contributions Made	\$ 236,147		\$ 13,174
Health Insurance Premium Benefit			
Annual OPEB cost	1,838		-
Contributions made	1,838		-

During fiscal year 2017, the City paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Net Pension Liability (Asset) – At June 30, 2017, the City reported the following net pension liabilities:

PSPRS

	Net Pension Liability (Asset)
PSPRS Police	\$ 2,469,095
PSPRS Fire	62,988

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments changed the basis for 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.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County’s net pension liabilities as a result of these changes is not known.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2016
Actuarial cost method	Entry age normal
Discount rate	7.50%
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, 2016, 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 and CORP pension plan investments was determined to be 7.50 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 arithmetic 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 Geometric 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, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – At June 30, 2016, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate 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, 2016	\$ 4,079,682	\$ 2,084,074	\$ 1,995,608
Changes for the year			
Service Cost	138,299	-	138,299
Interest on the total pension liability	316,814	-	316,814
Changes of benefit terms	200,621	-	200,621
Differences between expected and actual experience in the measurement of the pension liability	(126,538)	-	(126,538)
Changes of assumptions or other inputs	164,158	-	164,158
Contributions-employer	-	191,584	(191,584)
Contributions-employee	-	84,768	(84,768)
Net investment income	-	11,938	(11,938)
Benefit payments, including refunds of employee	(225,960)	(225,960)	-
Administrative expense	-	(2,117)	2,117
Other changes	-	(66,306)	66,306
Net changes	467,394	(6,093)	473,487
Balances at June 30, 2017	\$ 4,547,076	\$ 2,077,981	\$ 2,469,095

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2016	\$ 477,522	\$ 441,576	\$ 35,946
Changes for the year			
Service Cost	15,043	-	15,043
Interest on the total pension liability	38,076	-	38,076
Changes of benefit terms	67,364	-	67,364
Differences between expected and actual experience in the measurement of the pension liability	4,345	-	4,345
Changes of assumptions or other inputs	22,500	-	22,500
Contributions-employer	-	10,493	(10,493)
Contributions-employee	-	7,984	(7,984)
Net investment income	-	2,580	(2,580)
Benefit payments, including refunds of employee	-	-	-
Administrative expense	-	(771)	771
Other changes	-	2	(2)
Net changes	147,328	20,288	127,040
Balances at June 30, 2017	\$ 624,850	\$ 461,864	\$ 162,986

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:

PSPRS	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 3,065,554	\$ 2,469,095	\$ 1,977,160
PSPRS Fire			
Rate	6.50%	7.50%	8.50%
Net pension liability (asset)	\$ 252,744	\$ 162,986	\$ 89,544

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, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2017, the City recognized the following pension expense:

PSPRS

	Pension Expense (Income)
PSPRS Police	\$ 523,220
PSPRS Fire	62,988

Pension Deferred Outflows/Inflows of Resources – At June 30, 2017, 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	\$ -	\$ 247,346
Changes of assumptions or other inputs	320,920	-
Net difference between projected and actual earnings on pension plan investments	170,981	39,664
Town contributions subsequent to the measurement date	236,147	-
	<u>\$ 728,048</u>	<u>\$ 287,010</u>
Total	<u>\$ 728,048</u>	<u>\$ 287,010</u>

PSPRS Fire

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,831	\$ 24,727
Changes of assumptions or other inputs	14,821	-
Net difference between projected and actual earnings on pension plan investments	36,920	7,984
Town contributions subsequent to the measurement date	13,174	-
	<u>\$ 67,746</u>	<u>\$ 32,711</u>
Total	<u>\$ 67,746</u>	<u>\$ 32,711</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PSPRS

Year ended June 30,	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
2018	\$ 46,723	\$ (9,080)
2019	46,723	14,265
2020	66,556	10,121
2021	44,423	6,555
2022	(1,340)	-
Thereafter	1,806	-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Projections of benefits are based on (1) the plans as the County and plans’ members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

PSPRS - OPEB Contribution Requirements

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; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

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			
2017	\$ 1,838	100%	\$ -
2016	-	100%	-
2015	-	100%	-
PSPRS Fire			
2017	\$ -	100%	\$ 6,376
2016	-	100%	9,208
2015	-	100%	9,746

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Actuarial value of assets (a)	\$ 171,525	\$ 11,957
Actuarial accrued liability (b)	\$ 106,717	\$ 18,333
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$ (64,808)	\$ 6,376
Funded ratio (a)/(b)	160.73%	65.22%
Annual covered payroll (c)	\$ 748,414	\$ 70,563
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	-8.66%	9.04%

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

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 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	7.50%
Projected salary increases	4%-8%
Wage growth	4%

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2017, were as follows:

	Payable to			
Payable from	General Fund	Gas Fund	Solid Waste Fund	Total
HURF Fund	\$ 92,674	\$ -	\$ -	\$ 92,674
Grants Fund (nonmajor)	16,979	-	-	16,979
Transit Fund (nonmajor)	12,172	-	-	12,172
Water Fund	-	12,296	306,930	319,226
Liquid Waste Fund	-	295,861	-	295,861
Golf Course Fund	-	1,096,189	-	1,096,189
Municipal Airport Fund	715,426	329,754	-	1,045,180
	\$ 837,251	\$ 1,734,100	\$ 306,930	\$ 2,878,281

Interfund transfers—Interfund transfers for the fiscal year ended June 30, 2017, were as follows:

	Transfer from
Transfer to	General Fund
HURF Fund	\$ 550,563
Capital Projects Fund	363,191
Transit Fund (nonmajor)	93,596
	\$ 1,007,350

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

NOTE 10 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2017, the following funds reported a deficit fund balance:

Fund	Deficit
Grants Fund	20,565

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 11 – PSPRS PARKER LIABILITY

In 2011, legislators passed Senate Bill 1609, which contained several provisions meant to shore up the plans administered by PSPRS. One of those provisions was a gradual increase in member contribution rates from 7% to 11% in the elected officials' plan (EORP) and from 7.65% to 11.65% in the public safety plan (PSPRS). In August 2011, those provisions were challenged via two separate, but parallel, lawsuits—Hall for EORP and Parker for PSPRS. In November 2016, the Supreme Court upheld the lower court decision in Hall that ruled those increased member contribution rates were unconstitutional. These two lawsuits have been adjudicated separately where the Parker case was stayed (put on hold) pending the final outcome of Hall. Nevertheless, the facts and circumstances are essentially the same where both parties to Parker agreed, at the time of stay, to appropriately apply the remedies of Hall when finalized.

PSPRS members who became members of the system prior to July 20, 2011 and who paid employee contributions that exceeded 7.65% are eligible to receive a refund of those excess contributions unless they terminated and already received a refund. PSPRS has prepared a list of affected members for each employer, along with the amount of excess contributions that must be returned to them. The City refunded employees the excess contributions before June 30, 2017. However, applicable interest of \$12,126 is still due to employees as of June 30, 2017.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 4,311,000	\$ 4,311,000	\$ 4,400,843	\$ 89,843
Intergovernmental	1,457,609	1,457,609	1,390,311	(67,298)
Other revenue	25,000	25,000	97,590	72,590
Charges for services	113,350	113,350	91,199	(22,151)
Licenses and permits	332,600	332,600	90,512	(242,088)
Fines and forfeitures	14,100	14,100	9,021	(5,079)
Interest	1,000	1,000	3,442	2,442
Impact fees	-	-	2,500	2,500
Total revenue	<u>6,254,659</u>	<u>6,254,659</u>	<u>6,085,418</u>	<u>(169,241)</u>
Expenditures				
Current				
Public safety	2,665,411	2,665,411	2,451,471	213,940
General government	3,247,208	3,247,208	1,278,294	1,968,914
Culture and recreation	920,683	920,683	809,904	110,779
Public works	200,522	200,522	71,915	128,607
Debt service				
Principal	649,388	649,388	293,948	355,440
Interest	174,927	174,927	174,927	-
Capital outlay	32,449	32,449	32,449	-
Total expenditures	<u>7,890,588</u>	<u>7,890,588</u>	<u>5,112,908</u>	<u>2,777,680</u>
Excess (deficiency) of revenue over expenditures	<u>(1,635,929)</u>	<u>(1,635,929)</u>	<u>972,510</u>	<u>2,608,439</u>
Other financing sources (uses)				
Sale of assets	5,000	5,000	-	(5,000)
Misc	(655,000)	(655,000)	-	655,000
Transfers in (out)	(389,178)	(389,178)	(1,007,350)	(618,172)
Total other financing sources (uses)	<u>(1,039,178)</u>	<u>(1,039,178)</u>	<u>(1,007,350)</u>	<u>31,828</u>
Net changes in fund balance	<u>(2,675,107)</u>	<u>(2,675,107)</u>	<u>(34,840)</u>	<u>2,640,267</u>
Fund balance, beginning of year	<u>4,502,468</u>	<u>4,502,468</u>	<u>4,502,468</u>	<u>-</u>
Fund balance, end of year	<u>1,827,361</u>	<u>\$ 1,827,361</u>	<u>\$ 4,467,628</u>	<u>\$ 2,640,267</u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 376,115	\$ 376,115	\$ 390,968	\$ 14,853
Expenditures				
Current				
Highways and streets	428,098	428,098	435,001	(6,903)
Capital outlay	5,285	5,285	5,285	-
Total expenditures	<u>433,383</u>	<u>433,383</u>	<u>440,286</u>	<u>(6,903)</u>
Excess (deficiency) of revenue over expenditures	<u>(57,268)</u>	<u>(57,268)</u>	<u>(49,318)</u>	<u>7,950</u>
Other financing sources (uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>550,563</u>	<u>550,563</u>
Net changes in fund balance	(57,268)	(57,268)	501,245	558,513
Fund balance, beginning of year	<u>(501,245)</u>	<u>(501,245)</u>	<u>(501,245)</u>	<u>-</u>
Fund balance, end of year	<u><u>(558,513)</u></u>	<u><u>\$ (558,513)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 558,513</u></u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2017

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, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.024890%	0.024750%	0.029562%	Information not available
Town's proportionate share of the net pension liability	\$ 4,017,496	\$ 3,855,617	\$ 4,374,107	
Town's covered-employee payroll	\$ 2,330,221	\$ 2,279,881	\$ 2,664,766	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.41%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	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, 2017

PSPRS Police

	Reporting Fiscal Year (Measurement Date)			2014 through 2007
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 138,299	\$ 141,310	\$ 144,455	
Interest on the total pension liability	316,814	304,443	267,446	
Changes of benefit terms	200,621	-	75,099	
Differences between expected and actual experience in the measurement of the pension liability	(126,538)	(86,011)	(145,164)	
Changes of assumptions or other inputs	164,158	-	327,183	
Benefit payments, including refunds of employee contributions	(225,960)	(175,329)	(216,951)	
Net change in total pension liability	467,394	184,413	452,068	
Total pension liability - beginning	4,079,682	3,895,269	3,443,201	
Total pension liability - ending (a)	<u>\$ 4,547,076</u>	<u>\$ 4,079,682</u>	<u>\$ 3,895,269</u>	
Plan fiduciary net position				
Contributions - employer	\$ 191,584	\$ 161,488	\$ 173,370	
Contributions - employee	84,768	84,093	82,762	
Net investment income	11,938	73,063	240,572	
Benefit payments, including refunds of employee contributions	(225,960)	(175,329)	(216,951)	
Administrative expense	(2,117)	(2,156)	-	
Other changes	(66,306)	(39,939)	(157,483)	
Net change in plan fiduciary net position	(6,093)	101,220	122,270	
Plan fiduciary net position - beginning	2,084,074	1,982,854	1,860,584	
Plan fiduciary net position - ending (b)	<u>\$ 2,077,981</u>	<u>\$ 2,084,074</u>	<u>\$ 1,982,854</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 2,469,095</u>	<u>\$ 1,995,608</u>	<u>\$ 1,912,415</u>	
Plan fiduciary net position as a percentage of the total pension liability	45.70%	51.08%	50.90%	
Covered-employee payroll	\$ 760,718	\$ 661,590	\$ 784,309	
Town's net pension liability (asset) as a percentage of covered-employee payroll	324.57%	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, 2017

PSPRS Fire

	Reporting Fiscal Year (Measurement Date)			2014 through 2007
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 15,043	\$ 13,435	\$ 13,510	
Interest on the total pension liability	38,076	39,807	36,948	
Changes of benefit terms	67,364	-	(140)	
Differences between expected and actual experience in the measurement of the pension liability	4,345	(76,104)	(33,897)	
Changes of assumptions or other inputs	22,500	-	20,043	
Benefit payments, including refunds of employee contributions	-	-	-	
Net change in total pension liability	147,328	(22,862)	36,464	
Total pension liability - beginning	477,522	500,384	463,920	
Total pension liability - ending (a)	<u>\$ 624,850</u>	<u>\$ 477,522</u>	<u>\$ 500,384</u>	
Plan fiduciary net position				
Contributions - employer	\$ 10,493	\$ 4,620	\$ 8,548	
Contributions - employee	7,984	6,990	7,093	
Net investment income	2,580	15,227	48,425	
Benefit payments, including refunds of employee contributions	-	-	-	
Administrative expense	(771)	(764)	-	
Other changes	2	(338)	(6,039)	
Net change in plan fiduciary net position	20,288	25,735	58,027	
Plan fiduciary net position - beginning	441,576	415,841	357,814	
Plan fiduciary net position - ending (b)	<u>\$ 461,864</u>	<u>\$ 441,576</u>	<u>\$ 415,841</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 162,986</u>	<u>\$ 35,946</u>	<u>\$ 84,543</u>	
Plan fiduciary net position as a percentage of the total pension liability	73.92%	92.47%	83.10%	
Covered-employee payroll	\$ 68,531	\$ 63,262	\$ 68,532	
Town's net pension liability (asset) as a percentage of covered-employee payroll	237.83%	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, 2017

Arizona State Retirement System

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 264,488	\$ 252,829	\$ 248,279	\$ 285,130	Information not available
Town's contributions in relation to the statutorily required contribution	(264,488)	(252,829)	(248,279)	(285,130)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 2,453,506	\$ 2,330,221	\$ 2,279,881	\$ 2,664,766	
Town's contributions as a percentage of covered- employee payroll	10.78%	10.85%	10.89%	10.70%	

PSPRS - Police

	Reporting Fiscal Year				2013 through 2007
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 236,147	\$ 191,584	\$ 161,488	\$ 173,370	Information not available
Town's contributions in relation to the actuarially determined contribution	(236,147)	(191,584)	(161,488)	(173,370)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 748,414	\$ 760,718	\$ 661,590	\$ 784,309	
Town's contributions as a percentage of covered- employee payroll	31.55%	25.18%	24.41%	22.10%	

PSPRS - Fire

	Reporting Fiscal Year				2013 through 2007
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 13,174	\$ 10,493	\$ 4,620	\$ 8,548	Information not available
Town's contributions in relation to the actuarially determined contribution	(13,174)	(10,493)	(4,620)	(8,548)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 70,563	\$ 68,531	\$ 63,262	\$ 68,532	
Town's contributions as a percentage of covered- employee payroll	18.67%	15.31%	7.30%	12.47%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

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 2015 actuarial valuation	21 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, 2017

Health Insurance - Police

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2017	\$ 171,525	\$ 106,717	\$ 64,808	160.7 %	\$ 748,414	0.0 %
6/30/2016	162,613	107,784	54,829	150.9	760,718	0.0
6/30/2015	153,769	102,033	51,736	150.7	661,590	0.0

Health Insurance - Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2017	\$ 11,957	\$ 18,333	\$ (6,376)	65.2 %	\$ 70,563	9.04%
6/30/2016	10,301	19,509	(9,208)	52.8	68,531	13.44
6/30/2015	9,010	18,756	(9,746)	48.0	63,262	15.41

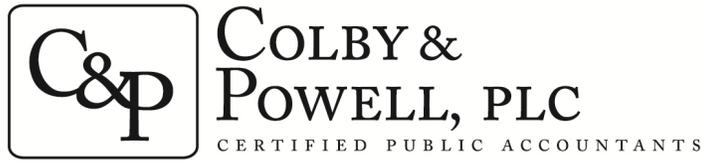
See accompanying notes to schedule of agent OPEB plans' funding progress.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

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.





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**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council
City of Benson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Benson, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Benson, Arizona's basic financial statements and have issued our report thereon dated March 26, 2018.

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.

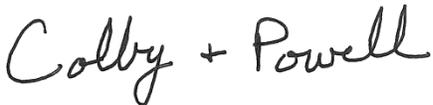
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

March 16, 2018

