

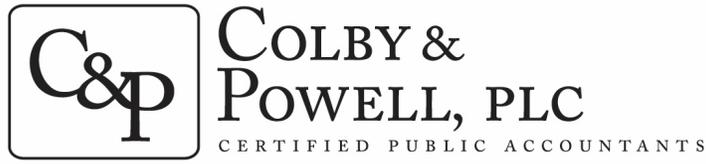
CITY OF BENSON, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2019

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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, 2019, 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, 2019, 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, Arizona 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, Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans, Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Pension Plans, and Schedule of City Pension/OPEB Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

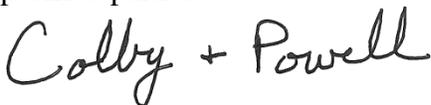
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2020, 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.

Compliance over the use of Highway User Revenue Fund and other dedicated state transportation revenue monies

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. 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 authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Auditor General of the State of Arizona,) the City Council, management, and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.



February 3, 2020



CITY OF BENSON, ARIZONA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,927,208	\$ -	\$ 3,927,208
Cash and cash equivalents, restricted	954,621	59,204	1,013,825
Cash with trustee	329,175	-	329,175
Accounts receivable - net	-	195,239	195,239
Due from pension trust	13,774	-	13,774
Taxes receivable	776,731	-	776,731
Due from other governments	132,656	-	132,656
Prepaid expenses	245,806	233,038	478,844
Inventory	-	6,663	6,663
Interactivity balances	580,964	(580,964)	-
Net pension and other postemployment benefits asset	5,463	3,952	9,415
Capital assets, not being depreciated	722,980	7,744,582	8,467,562
Capital assets, being depreciated, net	4,456,863	15,940,504	20,397,367
Total assets	12,146,241	23,602,218	35,748,459
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	1,078,880	257,970	1,336,850
LIABILITIES			
Accounts payable	135,710	161,775	297,485
Accrued expenses	113,693	23,581	137,274
Deferred revenue	-	39,953	39,953
Interest payable	73,913	-	73,913
Refundable deposits	-	59,204	59,204
Noncurrent liabilities			
Due within 1 year	463,185	71,012	534,197
Due in more than 1 year	8,105,044	1,526,891	9,631,935
Total liabilities	8,891,545	1,882,416	10,773,961
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	541,561	189,845	731,406
NET POSITION			
Net investment in capital assets	1,575,045	23,685,086	25,260,131
Restricted for:			
Public safety	23,843	-	23,843
Debt service	323,892	-	323,892
Unrestricted (deficit)	1,869,235	(1,897,159)	(27,924)
Total net position	\$ 3,792,015	\$ 21,787,927	\$ 25,579,942

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Activities
June 30, 2019

Functions / Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities				
General government	\$ 1,406,302	\$ 145,085	\$ 8,552	\$ -
Public safety	2,884,697	57,833	61,328	275
Highways and streets	594,832	-	427,663	-
Public works	52,545	2,964	-	-
Culture and recreation	1,058,482	24,981	17,277	232,768
Transit	287,212	5,687	165,623	-
Interest on long-term debt	157,136	-	-	-
Total governmental activities	6,441,206	236,550	680,443	233,043
Business-type activities				
Gas	856,809	1,212,723	-	-
Water	768,458	810,616	-	-
Liquid waste	883,307	834,994	-	-
Solid waste	616,060	620,198	-	-
Golf course	1,357,127	866,416	-	-
Municipal Airport	373,566	19,221	-	23,978
Total business-type activities	4,855,327	4,364,168	-	23,978
Total primary government	\$ 11,296,533	\$ 4,600,718	\$ 680,443	\$ 257,021

General revenues:

Taxes:
Sales Tax
Property tax
Franchise tax
State sales tax revenue sharing
Auto lieu tax revenue sharing
State revenue sharing
Interest income
Gain on disposal of capital assets
Miscellaneous

Transfers

Total general revenues and transfers
Change in net position
Net position, July 1, 2018
Net position, June 30, 2019

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,252,665)	\$ -	\$ (1,252,665)
(2,765,261)	-	(2,765,261)
(167,169)	-	(167,169)
(49,581)	-	(49,581)
(783,456)	-	(783,456)
(115,902)	-	(115,902)
(157,136)	-	(157,136)
<u>(5,291,170)</u>	<u>-</u>	<u>(5,291,170)</u>
-	355,914	355,914
-	42,158	42,158
-	(48,313)	(48,313)
-	4,138	4,138
-	(490,711)	(490,711)
-	(330,367)	(330,367)
<u>-</u>	<u>(467,181)</u>	<u>(467,181)</u>
<u>(5,291,170)</u>	<u>(467,181)</u>	<u>(5,758,351)</u>
4,604,938	-	4,604,938
317,077	-	317,077
190,570	-	190,570
486,835	-	486,835
254,323	-	254,323
585,760	-	585,760
27,765	-	27,765
16,710	-	16,710
69,353	-	69,353
(175,268)	175,268	-
<u>6,378,063</u>	<u>175,268</u>	<u>6,553,331</u>
1,086,893	(291,913)	794,980
2,705,122	22,079,840	24,784,962
<u>\$ 3,792,015</u>	<u>\$ 21,787,927</u>	<u>\$ 25,579,942</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Balance Sheet
Governmental Funds
Year Ended June 30, 2019

	General Fund	HURF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,918,342	\$ -	\$ -	\$ 22,640	\$ 3,940,982
Cash and cash equivalents-restricted	23,843	-	930,778	-	954,621
Cash with trustee	329,175	-	-	-	329,175
Taxes receivable	776,731	-	-	-	776,731
Due from other governments	62,796	39,554	-	30,306	132,656
Prepaid expenses	143,910	101,896	-	-	245,806
Due from other funds	831,846	-	-	-	831,846
Total assets	\$ 6,086,643	\$ 141,450	\$ 930,778	\$ 52,946	\$ 7,211,817
LIABILITIES					
Accounts payable	\$ 117,981	\$ 9,942	\$ -	\$ 7,787	\$ 135,710
Accrued liabilities	105,828	4,812	-	3,053	113,693
Due to other funds	-	120,847	110,569	19,466	250,882
Total liabilities	223,809	135,601	110,569	30,306	500,285
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	33,827	-	-	-	33,827
FUND BALANCES					
Nonspendable	975,756	101,896	-	-	1,077,652
Restricted for:					
Public safety	23,843	-	-	-	23,843
Debt service	323,892	-	-	-	323,892
Capital projects	-	-	820,209	-	820,209
Unassigned	4,505,516	(96,047)	-	22,640	4,432,109
Total fund balances	5,829,007	5,849	820,209	22,640	6,677,705
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,086,643	\$ 141,450	\$ 930,778	\$ 52,946	\$ 7,211,817

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, 2019

Fund balances-total governmental funds		\$ 6,677,705
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,179,843
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		33,827
Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.		5,463
Liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
Accrued interest	(73,913)	
Bonds payable	(3,455,000)	
Bond discount	24,038	
Capital leases	(133,836)	
Compensated absences	(198,603)	
Net pension/OPEB liability	(4,764,828)	
Notes payable	(40,000)	
	(8,642,142)	(8,642,142)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		537,319
Net position of governmental activities		\$ 3,792,015

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, 2019

	General Fund	HURF Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Fund
Revenues					
Taxes	\$ 5,012,133	\$ -	\$ 107,153	\$ -	\$ 5,119,286
Intergovernmental	1,374,522	427,663	-	408,141	2,210,326
Licenses and permits	139,636	-	-	-	139,636
Charges for services	80,091	-	-	5,687	85,778
Other revenue	78,373	7,660	-	5,250	91,283
Interest	27,765	-	-	-	27,765
Fines and forfeitures	10,288	-	-	-	10,288
Total revenues	<u>6,722,808</u>	<u>435,323</u>	<u>107,153</u>	<u>419,078</u>	<u>7,684,362</u>
Expenditures					
Current					
Public safety	2,659,136	-	-	-	2,659,136
General government	1,374,760	-	42,455	13,656	1,430,871
Culture and recreation	907,490	-	-	20,000	927,490
Highways and streets	-	433,810	-	-	433,810
Transit	-	-	-	217,443	217,443
Public works	55,221	-	-	-	55,221
Debt service					
Principal	299,838	-	-	-	299,838
Interest	159,633	-	-	-	159,633
Capital outlay	254,823	-	-	299,162	553,985
Total expenditures	<u>5,710,901</u>	<u>433,810</u>	<u>42,455</u>	<u>550,261</u>	<u>6,737,427</u>
Excess (deficiency) of revenues over expenditures	<u>1,011,907</u>	<u>1,513</u>	<u>64,698</u>	<u>(131,183)</u>	<u>946,935</u>
Other financing sources (uses)					
Capital lease agreements	178,674	-	-	-	178,674
Sale of capital assets	10,133	-	-	24,767	34,900
Transfers in (out)	(1,039,458)	-	755,511	108,679	(175,268)
Total other financing sources (uses)	<u>(850,651)</u>	<u>-</u>	<u>755,511</u>	<u>133,446</u>	<u>38,306</u>
Net change in fund balance	161,256	1,513	820,209	2,263	985,241
Fund balance, beginning of year	<u>5,667,751</u>	<u>4,336</u>	<u>-</u>	<u>20,377</u>	<u>5,692,464</u>
Fund balance, end of year	<u>\$ 5,829,007</u>	<u>\$ 5,849</u>	<u>\$ 820,209</u>	<u>\$ 22,640</u>	<u>\$ 6,677,705</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, 2019

Net change in fund balances-total governmental funds		\$ 985,241
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	553,985	
Depreciation expense	<u>(611,158)</u>	(57,173)
In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		
		(18,190)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable grant revenue	8,996	
Property taxes	<u>(6,701)</u>	2,295
City pension/OPEB 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/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
City pension/OPEB contributions	525,051	
Pension/OPEB expense	<u>(487,499)</u>	37,552
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 Statement of Net Position.		
Debt principal repaid	297,435	
Capital leases incurred	<u>(178,674)</u>	118,761
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.		
Decrease in compensated absences payable	13,507	
Decrease in accrued interest	<u>4,900</u>	18,407
Change in net position of governmental activities		<u><u>\$ 1,086,893</u></u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
ASSETS			
Current assets			
Cash and cash equivalents, restricted	\$ 39,627	\$ 19,577	\$ -
Accounts receivable - net	31,084	41,958	42,530
Prepaid expenses	-	122,276	81,514
Inventory	-	-	-
Due from other funds	2,327,243	-	334
Total current assets	2,397,954	183,811	124,378
Noncurrent assets			
Net other postemployment benefits asset	752	1,090	662
Capital assets, net of accumulated depreciation, where applicable:			
Land	-	55,771	354,792
Utilities systems, net	343,117	1,723,467	611,391
Buildings, net	-	-	4,403,461
Equipment, net	20,679	51,476	138,689
Capital assets, net	363,796	1,830,714	5,508,333
Total noncurrent assets	364,548	1,831,804	5,508,995
Total assets	2,762,502	2,015,615	5,633,373
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	49,099	71,160	43,200
LIABILITIES			
Current liabilities			
Accounts payable	31,985	10,342	33,612
Deferred revenue	-	-	-
Accrued expenses	4,743	3,140	3,911
Refundable deposits	39,627	19,577	-
Due to other funds	-	103,925	-
Compensated absences, current	14,362	27,906	14,303
Total current liabilities	90,717	164,890	51,826
Noncurrent liabilities			
Compensated absences	3,590	6,976	3,576
Net pension and other postemployment benefits liability	287,233	416,289	252,721
Total noncurrent liabilities	290,823	423,265	256,297
Total liabilities	381,540	588,155	308,123
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	36,133	52,368	31,792
NET POSITION			
Net investment in capital assets	363,796	1,830,714	5,508,333
Unrestricted (deficit)	2,030,132	(384,462)	(171,675)
Total net position	\$ 2,393,928	\$ 1,446,252	\$ 5,336,658

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds

Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
\$ -	\$ -	\$ -	\$ 59,204
31,944	47,723	-	195,239
-	-	29,248	233,038
-	6,663	-	6,663
312,396	-	-	2,639,973
<u>344,340</u>	<u>54,386</u>	<u>29,248</u>	<u>3,134,117</u>
65	1,383	-	3,952
82,500	7,091,915	159,604	7,744,582
-	61,599	7,716,254	10,455,828
-	760,306	-	5,163,767
-	100,126	9,939	320,909
<u>82,500</u>	<u>8,013,946</u>	<u>7,885,797</u>	<u>23,685,086</u>
<u>82,565</u>	<u>8,015,329</u>	<u>7,885,797</u>	<u>23,689,038</u>
426,905	8,069,715	7,915,045	26,823,155
4,240	90,271	-	257,970
46,180	34,705	4,951	161,775
-	39,953	-	39,953
-	11,787	-	23,581
-	-	-	59,204
-	1,857,876	1,259,136	3,220,937
-	14,441	-	71,012
<u>46,180</u>	<u>1,958,762</u>	<u>1,264,087</u>	<u>3,576,462</u>
-	3,610	-	17,752
24,805	528,091	-	1,509,139
<u>24,805</u>	<u>531,701</u>	<u>-</u>	<u>1,526,891</u>
70,985	2,490,463	1,264,087	5,103,353
3,120	66,432	-	189,845
82,500	8,013,946	7,885,797	23,685,086
274,540	(2,410,855)	(1,234,839)	(1,897,159)
<u>\$ 357,040</u>	<u>\$ 5,603,091</u>	<u>\$ 6,650,958</u>	<u>21,787,927</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, 2019

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Operating revenue			
Charges for services, net of bad debt	\$ 1,212,723	\$ 810,616	\$ 834,994
Sales	-	-	-
Total operating revenue	<u>1,212,723</u>	<u>810,616</u>	<u>834,994</u>
Operating expenses			
Personnel	322,590	353,692	311,191
Depreciation	47,916	145,181	278,721
Professional services	11,219	17,688	33,427
Cost of sales	302,939	-	-
Materials and supplies	51,911	77,251	75,116
Utilities	5,435	116,908	73,889
Repairs and maintenance	48,584	21,724	58,802
Other	17,273	26,954	25,207
Insurance	44,848	9,060	26,954
Total operating expenses	<u>852,715</u>	<u>768,458</u>	<u>883,307</u>
Operating income (loss)	<u>360,008</u>	<u>42,158</u>	<u>(48,313)</u>
Nonoperating revenue (expenses)			
Gain (Loss) on disposal of capital assets	(4,094)	-	-
Interest expense	-	-	-
Total nonoperating revenue (expenses)	<u>(4,094)</u>	<u>-</u>	<u>-</u>
Income (loss) before capital grants and transfers	355,914	42,158	(48,313)
Capital grants	-	-	-
Transfers	30,743	16,837	20,057
Increase (decrease) in net position	386,657	58,995	(28,256)
Total net position, beginning of year	<u>2,007,271</u>	<u>1,387,257</u>	<u>5,364,914</u>
Total net position, end of year	<u>\$ 2,393,928</u>	<u>\$ 1,446,252</u>	<u>\$ 5,336,658</u>

See accompanying notes to financial statements.

Business-type Activities--Enterprise Funds

Solid Waste Fund	Golf Course Fund	Municipal Airport Fund	Total
\$ 620,198	\$ 362,969	\$ 19,221	\$ 3,860,721
-	503,447	-	503,447
<u>620,198</u>	<u>866,416</u>	<u>19,221</u>	<u>4,364,168</u>
23,120	681,546	-	1,692,139
-	154,843	296,766	923,427
583,799	19,174	30,328	695,635
-	174,961	-	477,900
-	141,165	1,709	347,152
-	69,396	13,246	278,874
-	77,568	15,002	221,680
9,141	30,706	-	109,281
-	7,157	16,515	104,534
<u>616,060</u>	<u>1,356,516</u>	<u>373,566</u>	<u>4,850,622</u>
<u>4,138</u>	<u>(490,100)</u>	<u>(354,345)</u>	<u>(486,454)</u>
-	-	-	(4,094)
<u>-</u>	<u>(611)</u>	<u>-</u>	<u>(611)</u>
<u>-</u>	<u>(611)</u>	<u>-</u>	<u>(4,705)</u>
4,138	(490,711)	(354,345)	(491,159)
-	-	23,978	23,978
<u>-</u>	<u>107,631</u>	<u>-</u>	<u>175,268</u>
4,138	(383,080)	(330,367)	(291,913)
<u>352,902</u>	<u>5,986,171</u>	<u>6,981,325</u>	<u>22,079,840</u>
<u>\$ 357,040</u>	<u>\$ 5,603,091</u>	<u>\$ 6,650,958</u>	<u>\$ 21,787,927</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Cash flows from operating activities:			
Receipts from customers	\$ 1,208,743	\$ 816,875	\$ 826,823
Payments to suppliers and providers of goods and services	(621,906)	(287,860)	(297,363)
Payments to employees	(221,845)	(377,926)	(336,778)
Net cash provided (used) by operating activities	<u>364,992</u>	<u>151,089</u>	<u>192,682</u>
Cash flows from noncapital financing activities:			
Received from other funds	-	-	-
Paid to other funds	(385,434)	(155,290)	(160,698)
Transfers	30,743	16,837	20,057
Net cash provided (used) by noncapital financing activities	<u>(354,691)</u>	<u>(138,453)</u>	<u>(140,641)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	-	-
Purchase of capital assets	(9,183)	(9,185)	(52,041)
Capital grant receipts	-	-	-
Interest paid	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(9,183)</u>	<u>(9,185)</u>	<u>(52,041)</u>
Net increase (decrease) in cash and cash equivalents	1,118	3,451	-
Cash and cash equivalents, July 1, 2018	<u>38,509</u>	<u>16,126</u>	<u>-</u>
Cash and cash equivalents, June 30, 2019	<u><u>\$ 39,627</u></u>	<u><u>\$ 19,577</u></u>	<u><u>\$ -</u></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>
\$ 614,196	\$ 866,042	\$ 19,221	\$ 4,351,900
(594,623)	(542,526)	(82,924)	(2,427,202)
(25,214)	(722,173)	-	(1,683,936)
<u>(5,641)</u>	<u>(398,657)</u>	<u>(63,703)</u>	<u>240,762</u>
5,641	436,866	95,306	537,813
-	-	-	(701,422)
<u>-</u>	<u>107,631</u>	<u>-</u>	<u>175,268</u>
<u>5,641</u>	<u>544,497</u>	<u>95,306</u>	<u>11,659</u>
-	(37,599)	-	(37,599)
-	(107,630)	(55,581)	(233,620)
-	-	23,978	23,978
<u>-</u>	<u>(611)</u>	<u>-</u>	<u>(611)</u>
<u>-</u>	<u>(145,840)</u>	<u>(31,603)</u>	<u>(247,852)</u>
-	-	-	4,569
<u>-</u>	<u>-</u>	<u>-</u>	<u>54,635</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,204</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019
(Continued)

	Business-type Activities--Enterprise Funds		
	Gas Fund	Water Fund	Liquid Waste Fund
Reconciliation of operating income (loss)			
to net cash provided (used) by			
operating activities			
Operating income (loss)	\$ 360,008	\$ 42,158	\$ (48,313)
Adjustments to reconcile operating income			
(loss) to net cash provided (used) by			
operating activities:			
Depreciation	47,916	145,181	278,721
Bad debts	2,925	933	3,251
Changes in assets, deferred outflows of			
resources, liabilities, and deferred			
inflows of resources:			
Accounts receivable	(8,023)	1,875	(11,422)
Prepaid expenses	-	(6,877)	(4,584)
Net pension and other postemployment			
benefits asset	350	507	308
Deferred outflows of resources related to			
pensions and other postemployment			
benefits	(6,855)	(9,936)	(6,032)
Accounts payable	(21,117)	(11,398)	616
Deferred revenue	-	-	-
Accrued expenses	569	(2,155)	(352)
Refundable deposits	1,118	3,451	-
Compensated absences payable	2,600	8,364	(6,754)
Net pension and other postemployment			
benefits liability	(26,537)	(38,461)	(23,349)
Deferred inflows of resources related to			
pensions and other postemployment			
benefits	12,038	17,447	10,592
Net cash provided (used) by			
operating activities	<u>\$ 364,992</u>	<u>\$ 151,089</u>	<u>\$ 192,682</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>
\$ 4,138	\$ (490,100)	\$ (354,345)	\$ (486,454)
-	154,843	296,766	923,427
308	-	-	7,417
(6,310)	(7,765)	-	(31,645)
-	-	-	(11,461)
30	643	-	1,838
(592)	(12,604)	-	(36,019)
(1,683)	(22,399)	(6,124)	(62,105)
-	7,391	-	7,391
(279)	1,583	-	(634)
-	-	-	4,569
-	(3,592)	-	618
(2,292)	(48,790)	-	(139,429)
<u>1,039</u>	<u>22,133</u>	<u>-</u>	<u>63,249</u>
<u>\$ (5,641)</u>	<u>\$ (398,657)</u>	<u>\$ (63,703)</u>	<u>\$ 240,762</u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 611,757
Accounts receivable	<u>517</u>
Total assets	<u>612,274</u>
LIABILITIES	
Due to City of Benson	<u>13,773</u>
NET POSITION	
Held in trust for investment trust participants	<u><u>\$ 598,501</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, 2019

	<u>Pension Trust Fund</u>
Additions:	
Other income	\$ 18,212
Interest and dividends	<u>16,848</u>
Total additions	<u>35,060</u>
Deductions:	
Pension payments	<u>33,000</u>
Change in net position	2,060
Net position, beginning of year	<u>596,441</u>
Net position, end of year	<u><u>\$ 598,501</u></u>

See accompanying notes to financial statements.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

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 municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, 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.

Included within the reporting entity:

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, 2019, there was no activity.

The Villages at Vigneto Community Facilities District Number 1, The Villages at Vigneto Community Facilities District Number 2, and The Villages at Vigneto Community Facilities District Number 3 were formed for the purpose of acquiring and improving public infrastructure in specified land areas. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the City and are considered component units. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the Districts. The City Council appoints the Board of Directors. For financial reporting purposes, transactions of the Districts are combined together and blended as if they were part of the City's operations. Separate financial statements of the Districts are not prepared.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund which is legally restricted to expenditures for specified purposes.

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 fiduciary fund types:

The ***Pension Trust Fund*** accounts for the City's Volunteer Firefighter's Relief and Pension Fund, a defined contribution plan for which the assets are held by the City in a trustee capacity.

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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

D. Cash and Investments

For the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

All 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, 2019

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

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows 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 a 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, 2019

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. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the 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, 2019

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, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Deposits – At June 30, 2019, the carrying amount of the City’s total nonpooled cash in bank was \$2,799,329 and the bank balance was \$2,961,286. Of the bank balance, \$250,707 was covered by federal depository insurance and the remainder was collateralized by securities held by the financial institutions.

Investments – At June 30, 2019, the investments consisted of the following:

	Rating	Reported Amount	Fair Value
Investment in State Treasurer's Investment Pool 7 Primary Government	AAA	\$ 1,187,186	\$ 1,187,186
Investment in State Treasurer's Investment Pool 7 Fiduciary Funds	AAA	\$ 611,757	\$ 611,757

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 –\$59,204 is restricted for refundable customer deposits in the proprietary funds. In the governmental funds \$23,843 of RICO funds is restricted for public safety and \$930,778 are bond funds restricted for capital improvements.

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, 2019:

	Gas Fund	Water Fund	Liquid Waste Fund	Solid Waste Fund	Golf Course Fund	Total
Accounts receivable	\$ 36,084	\$ 47,930	\$ 44,598	\$ 36,079	\$ 47,723	\$ 212,414
Less allowance	(5,000)	(5,972)	(2,068)	(4,135)	-	(17,175)
Accounts receivable - net	\$ 31,084	\$ 41,958	\$ 42,530	\$ 31,944	\$ 47,723	\$ 195,239

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2019, included \$10,410 in county-shared revenue from auto lieu taxes, \$16,325 in state-shared revenue from sales taxes, \$31,027 in public safety grants from the State of Arizona, \$5,034 in wildland fire services from the State of Arizona, \$39,554 in state-shared revenue from highway user revenue fund (HURF) taxes, \$30,306 in grant revenue from the State of Arizona.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 722,980	\$ -	\$ -	\$ 722,980
Capital assets being depreciated:				
Buildings	5,060,918	-	-	5,060,918
Equipment	4,579,107	264,886	(292,051)	4,551,942
Infrastructure	4,870,466	289,099	-	5,159,565
Total	<u>14,510,491</u>	<u>553,985</u>	<u>(292,051)</u>	<u>14,772,425</u>
Less accumulated depreciation for:				
Buildings	(3,368,646)	(190,799)	-	(3,559,445)
Equipment	(3,650,270)	(248,234)	273,861	(3,624,643)
Infrastructure	(2,959,349)	(172,125)	-	(3,131,474)
Total	<u>(9,978,265)</u>	<u>(611,158)</u>	<u>273,861</u>	<u>(10,315,562)</u>
Total capital assets being depreciated, net	<u>4,532,226</u>	<u>(57,173)</u>	<u>(18,190)</u>	<u>4,456,863</u>
Governmental activities capital assets, net	<u>\$ 5,255,206</u>	<u>\$ (57,173)</u>	<u>\$ (18,190)</u>	<u>\$ 5,179,843</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,744,582	\$ -	\$ -	\$ 7,744,582
Capital assets being depreciated:				
Utility systems	18,925,320	46,327	-	18,971,647
Buildings	9,956,945	113,112	-	10,070,057
Equipment	1,526,862	44,933	(27,596)	1,544,199
Total	<u>30,409,127</u>	<u>204,372</u>	<u>(27,596)</u>	<u>30,585,903</u>
Less accumulated depreciation for:				
Utility systems	(7,960,196)	(555,623)	-	(8,515,819)
Buildings	(4,646,653)	(259,637)	-	(4,906,290)
Equipment	(1,138,625)	(108,167)	23,502	(1,223,290)
Total	<u>(13,745,474)</u>	<u>(923,427)</u>	<u>23,502</u>	<u>(14,645,399)</u>
Total capital assets being depreciated, net	<u>16,663,653</u>	<u>(719,055)</u>	<u>(4,094)</u>	<u>15,940,504</u>
Business-type activities capital assets, net	<u>\$ 24,408,235</u>	<u>\$ (719,055)</u>	<u>\$ (4,094)</u>	<u>\$ 23,685,086</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 26,552
Public safety	159,631
Highways and streets	176,592
Transit	80,498
Culture and recreation	167,885
	<u>611,158</u>
Total governmental activities depreciation expense	<u>\$ 611,158</u>
Business-type activities:	
Gas	\$ 47,916
Water	145,181
Liquid waste	278,721
Golf Course	154,843
Airport	296,766
	<u>923,427</u>
Total business-type activities depreciation expense	<u>\$ 923,427</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the City’s long-term liability and obligation activity for the year ended June 30, 2019.

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due within 1 year</u>
Governmental activities:					
Compensated absences	\$ 212,110	\$ -	\$ 13,507	\$ 198,603	\$ 158,882
Net pension and other postemployment benefits liability	4,964,845	-	200,017	4,764,828	-
Capital leases payable	-	178,674	44,838	133,836	41,706
Bond payable-refunding	1,785,000	-	120,000	1,665,000	125,000
Bonds payable	1,915,000	-	125,000	1,790,000	130,000
Bond discount	(26,441)	-	(2,403)	(24,038)	(2,403)
Notes payable from direct borrowings and direct placements	<u>50,000</u>	<u>-</u>	<u>10,000</u>	<u>40,000</u>	<u>10,000</u>
Governmental activities long-term liabilities	<u>\$ 8,900,514</u>	<u>\$ 178,674</u>	<u>\$ 510,959</u>	<u>\$ 8,568,229</u>	<u>\$ 463,185</u>
Business-type activities:					
Compensated absences	\$ 88,146	\$ 618	\$ -	\$ 88,764	\$ 71,012
Net pension and other postemployment benefits liability	1,648,568	-	139,429	1,509,139	-
Capital leases payable	<u>37,599</u>	<u>-</u>	<u>37,599</u>	<u>-</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,774,313</u>	<u>\$ 618</u>	<u>\$ 177,028</u>	<u>\$ 1,597,903</u>	<u>\$ 71,012</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City’s bonds and notes payable at June 30, 2019.

Year Ending June 30	Governmental Activities					
	Notes Payable from Direct Borrowings and Direct Placements		Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest
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	10,000	100	287,596	106,942	297,596	107,042
2024	-	-	297,596	94,192	297,596	94,192
2025-29	-	-	1,677,980	256,233	1,677,980	256,233
2030-34	-	-	385,000	-	385,000	-
Total	\$ 40,000	\$ 2,800	\$ 3,430,962	\$ 847,566	\$ 3,470,962	\$ 850,366

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, 2019, 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%	\$ 1,790,000
Excise tax revenue refunding bond	2,715,000	2030	3.70%	1,665,000
Total excise tax revenue bonds	<u>\$ 5,240,000</u>			3,455,000
			Amortized bond discount	<u>(24,038)</u>
			Revenue bonds, net	<u>\$ 3,430,962</u>

Notes Payable – Notes payable consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
<u>Governmental Activities</u>				
Note Payable from Direct Borrowings and Direct Placements	<u>\$ 100,000</u>	2023	4.00%	<u>\$ 40,000</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES – Continued

In November 2012, the City entered into a note agreement for the purchase of real property. The principal borrowed bears interest at 4.00 percent and requires semiannual payments of \$5,000 for principal plus the amount of interest accrued over the prior six months. The note will mature in January of 2023.

The note is secured by a deed of trust on real property. Should default be made in the payment of principal, then in any such event the holder may declare the whole sum of principal and interest immediately due and payable.

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 provide 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, 2019.

Year Ending June 30	Leases Payable Governmental Activities		
	Principal	Interest	Total Minimum Lease Pmts
	2020	\$ 41,706	\$ 8,280
2021	44,548	5,438	49,986
2022	47,582	2,404	49,986
Total	\$ 133,836	\$ 16,122	\$ 149,958

The assets acquired through capital leases are as follows:

	Governmental Activities
Equipment	\$ 225,474
Less: accumulated depreciation	(15,690)
Carrying value	\$ 209,784

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – 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, 2019, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) 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/OPEB assets	\$ 5,463	\$ 3,953	\$ 9,416
Net pension/OPEB liabilities	4,764,828	1,509,139	6,273,967
Deferred outflows of resources related to pension and OPEB	1,078,880	257,970	1,336,850
Deferred inflows of resources related to pension and OPEB	541,561	189,845	731,406
Pension and OPEB expense	487,499	27,090	514,589

The City reported \$525,051 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 website at www.azasrs.gov.

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:

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

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. 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.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were \$309,886, \$12,750, and \$4,435, respectively.

During fiscal year 2019, the City paid for ASRS pension and OPEB contributions as follows: 48.90 percent from the General Fund, 5.51 percent from the Highways and Streets Fund, 3.61 percent from the Transit Fund, 7.99 percent from the Gas Fund, 11.58 percent from the Water Fund, 7.03 percent from the Liquid Waste Fund, .69 percent from the Solid Waste Fund, and 14.69 percent from the Golf Course Fund.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Liability - At June 30, 2019, the City reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability
Pension	\$ 3,581,456
Health insurance premium benefit	(9,416)
Long-term disability	13,444

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The City’s proportion of the net asset or net 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, 2018. The City’s proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.02568%	0.00053%
Health insurance premium benefit	0.02615%	0.00081%
Long-term disability	0.02573%	0.00048%

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	50,271
Health insurance premium benefit	9,375
Long-term disability	4,884

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,666	\$ 19,744	\$ -	\$ 8,691
Changes of assumptions or other inputs	94,772	317,545	18,160	-
Net difference between projected and actual earnings on pension plan investments	-	86,126	-	18,811
Changes in proportion and differences between City contributions and proportionate share of contributions	72,379	-	33	10
City contributions subsequent to the measurement date	309,886	-	12,750	-
Total	<u>\$ 575,703</u>	<u>\$ 423,415</u>	<u>\$ 30,943</u>	<u>\$ 27,512</u>
	<u>Long-Term Disability</u>			
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 344	\$ -		
Changes of assumptions or other inputs	2,912	-		
Net difference between projected and actual earnings on pension plan investments	-	1,302		
Changes in proportion and differences between City contributions and proportionate share of contributions	167	-		
City contributions subsequent to the measurement date	4,435	-		
Total	<u>\$ 7,858</u>	<u>\$ 1,302</u>		

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2020	\$ 70,498	\$ (3,642)	64
2021	(58,826)	(3,642)	64
2022	(130,646)	(3,640)	63
2023	(38,624)	369	412
2024	-	1,236	476
Thereafter	-	-	1,042

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

ASRS

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS 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 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate share of the			
Net pension liability	\$ 5,105,448	\$ 3,581,456	\$ 2,308,186
Net insurance premium benefit liability (asset)	33,364	(9,416)	(45,857)
Net long-term disability liability	15,236	13,444	11,705

Plan Fiduciary Net Position – Detailed information about the plans’ 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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City’s financial statements.

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website 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, 2019

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:

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
Benefit percentage		
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%	1.5% to 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 inflation. 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, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	5	5	-	-
Inactive employees entitled to but not yet receiving benefits	2	1	-	-
Active employees	12	12	1	1
Total	19	18	1	1

Contributions – 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, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	City-Pension	City-Health Insurance Premium Benefit
PSPRS Police	7.65% - 11.65%	35.67%	0.00%
PSPRS Fire	7.65% - 11.65%	32.12%	1.04%

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The City’s contributions to the plans for the year ended June 30, 2019, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 302,729	\$ -
PSPRS Fire	23,608	764

During fiscal year 2019, the City paid for 100 percent of PSPRS-Police and PSPRS-Fire pension and OPEB contributions from the General Fund.

Liability – At June 30, 2019, the City reported the following assets and liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 2,530,146	\$ 4,201
PSPRS Fire	138,381	6,339

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

PSPRS-Police

	Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 5,059,228	\$ 2,532,721	\$ 2,526,507
Changes for the year			
Service Cost	141,393	-	141,393
Interest on the total liability	371,409	-	371,409
Differences between expected and actual experience in the measurement of the liability	(128,065)	-	(128,065)
Contributions-employer	-	254,686	(254,686)
Contributions-employee	-	70,960	(70,960)
Net investment income	-	173,878	(173,878)
Benefit payments, including refunds of employee contributions	(221,780)	(221,780)	-
Hall/Parker Settlement	-	(91,034)	91,034
Administrative expense	-	(3,346)	3,346
Other changes	-	(24,046)	24,046
Net changes	<u>162,957</u>	<u>159,318</u>	<u>3,639</u>
Balances at June 30, 2019	<u>\$ 5,222,185</u>	<u>\$ 2,692,039</u>	<u>\$ 2,530,146</u>

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2018	\$ 106,717	\$ 165,520	\$ (58,803)
Changes for the year			
Service Cost	2,534	-	2,534
Interest on the total liability	7,290	-	7,290
Differences between expected and actual experience in the measurement of the liability	64,513	-	64,513
Net investment income	-	11,507	(11,507)
Benefit payments, including refunds of employee contributions	(18,931)	(18,931)	-
Administrative expense	-	(175)	175
Other changes	-	1	(1)
Net changes	55,406	(7,598)	63,004
Balances at June 30, 2019	\$ 162,123	\$ 157,922	\$ 4,201

PSPRS-Fire

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 687,728	\$ 534,650	\$ 153,078
Changes for the year			
Service Cost	17,996	-	17,996
Interest on the total liability	51,558	-	51,558
Differences between expected and actual experience in the measurement of the liability	(22,743)	-	(22,743)
Contributions-employer	-	32,361	(32,361)
Contributions-employee	-	5,507	(5,507)
Net investment income	-	37,357	(37,357)
Hall/Parker Settlement	-	(12,454)	12,454
Administrative expense	-	(1,269)	1,269
Other changes	-	6	(6)
Net changes	46,811	61,508	(14,697)
Balances at June 30, 2019	\$ 734,539	\$ 596,158	\$ 138,381

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2018	\$ 18,333	\$ 11,538	\$ 6,795
Changes for the year			
Service Cost	310	-	310
Interest on the total liability	1,368	-	1,368
Differences between expected and actual experience in the measurement of the liability	(793)	-	(793)
Contributions-employer	-	548	(548)
Net investment income	-	805	(805)
Administrative expense	-	(12)	12
Net changes	885	1,341	(456)
Balances at June 30, 2019	\$ 19,218	\$ 12,879	\$ 6,339

Sensitivity of the City’s Net Pension/OPEB Liability to Changes in the Discount Rate – The following table presents the City’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the City’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PSPRS Police			
Net pension (asset) liability	\$ 3,232,196	\$ 2,530,146	\$ 1,957,946
Net OPEB (asset) liability	22,801	4,201	(11,458)
PSPRS Fire			
Net pension (asset) liability	\$ 244,289	\$ 138,381	\$ 52,515
Net OPEB (asset) liability	8,457	6,339	4,556

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

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	Pension Expense		OPEB Expense	
PSPRS Police	\$ 407,595	\$	5,858	
PSPRS Fire	37,289		(683)	

Deferred Outflows/Inflows of Resources – At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS-Police

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ -	\$ 246,549	\$ 54,339
Changes of assumptions or other inputs	295,051	-	-	2,976
Net difference between projected and actual earnings on plan investments	33,563	-	-	3,808
City contributions subsequent to the measurement date	302,729	-	-	-
Total	\$ 631,343	\$ 246,549	\$ 54,339	\$ 11,504

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS-Fire

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19,736	\$ -	\$ 874
Changes of assumptions or other inputs	4,970	-	-	338
Net difference between projected and actual earnings on plan investments	7,321	-	-	177
City contributions subsequent to the measurement date	<u>23,608</u>	<u>-</u>	<u>764</u>	<u>-</u>
Total	<u><u>\$ 35,899</u></u>	<u><u>\$ 19,736</u></u>	<u><u>\$ 764</u></u>	<u><u>\$ 1,389</u></u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
2020	\$ 54,043	\$ 7,402	\$ (3,556)	\$ (1,123)
2021	31,910	7,402	(1,186)	(217)
2022	(13,851)	7,403	(3,324)	(62)
2023	7,281	8,681	621	13
2024	2,682	8,674	-	-
Thereafter	-	3,273	-	-

CITY OF BENSON, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2019, were as follows:

Payable from	Payable to				Total
	General Fund	Gas Fund	Liquid Waste Fund	Solid Waste Fund	
HURF Fund	\$ 120,847	\$ -	\$ -	\$ -	\$ 120,847
Capital Projects Fund	110,569	-	-	-	110,569
Transit Fund (nonmajor)	19,466	-	-	-	19,466
Water Fund	-	103,591	334	-	103,925
Golf Course Fund	-	1,857,876	-	-	1,857,876
Municipal Airport Fund	580,964	365,776	-	312,396	1,259,136
	<u>\$ 831,846</u>	<u>\$ 2,327,243</u>	<u>\$ 334</u>	<u>\$ 312,396</u>	<u>\$ 3,471,819</u>

Interfund transfers—Interfund transfers for the fiscal year ended June 30, 2019, were as follows:

Transfer to	Transfer from		Total
	General Fund	Capital Projects Fund	
Gas Fund	\$ -	\$ 30,743	\$ 30,743
Water Fund	-	16,837	16,837
Liquid Waste Fund	-	20,057	20,057
Golf Course Fund	-	107,631	107,631
Capital Projects Fund	930,779	-	930,779
Grants Fund (nonmajor)	87,313	-	87,313
Transit Fund (nonmajor)	21,366	-	21,366
	<u>\$ 1,039,458</u>	<u>\$ 175,268</u>	<u>\$ 1,214,726</u>

The purpose of the interfund transfers shown above was to pay for capital expenditures and to fund current operations. The purpose of the interfund transfer from the General Fund to the Capital Projects Fund was to move bond proceeds recognized in a prior period in the General Fund to the Capital Projects Fund since the bond proceeds are only to be spent on capital projects.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,605,850	\$ 4,605,850	\$ 5,012,133	\$ 406,283
Intergovernmental	1,342,320	1,342,320	1,374,522	32,202
Licenses and permits	340,800	340,800	139,636	(201,164)
Charges for services	204,475	204,475	80,091	(124,384)
Other revenue	23,500	23,500	78,373	54,873
Interest	4,090	4,090	27,765	23,675
Fines and forfeitures	9,400	9,400	10,288	888
Total revenues	<u>6,530,435</u>	<u>6,530,435</u>	<u>6,722,808</u>	<u>192,373</u>
Expenditures				
Administration	539,260	539,260	444,463	94,797
City Council	47,615	47,615	40,509	7,106
City Clerk	135,983	135,983	144,855	(8,872)
Community Enrichment	82,300	82,300	57,843	24,457
Finance	266,234	266,234	285,754	(19,520)
Tourism	155,689	155,689	142,891	12,798
Police	2,335,536	2,335,536	2,467,273	(131,737)
Fire	494,163	494,163	467,323	26,840
City Attorney	247,343	247,343	191,164	56,179
Magistrate	42,326	42,326	40,662	1,664
Library	254,563	254,563	251,874	2,689
Parks	344,854	344,854	328,564	16,290
Recreation	170,070	170,070	142,634	27,436
Building	263,374	263,374	187,432	75,942
Planning and Zoning	152,442	152,442	64,871	87,571
Public Works	160,412	160,412	55,064	105,348
Contingencies	873,855	873,855	-	873,855
Bond Escrow	402,625	402,625	397,725	4,900
Total expenditures	<u>6,968,644</u>	<u>6,968,644</u>	<u>5,710,901</u>	<u>1,257,743</u>
Excess (deficiency) of revenues over expenditures	<u>(438,209)</u>	<u>(438,209)</u>	<u>1,011,907</u>	<u>1,450,116</u>
Other financing sources (uses)				
Capital lease agreements	-	-	178,674	178,674
Sale of capital assets	10,000	10,000	10,133	133
Transfers in (out)	(897,768)	(897,768)	(1,039,458)	(141,690)
Total other financing sources (uses)	<u>(887,768)</u>	<u>(887,768)</u>	<u>(850,651)</u>	<u>37,117</u>
Net changes in fund balance	(1,325,977)	(1,325,977)	161,256	1,487,233
Fund balance, beginning of year	<u>5,667,751</u>	<u>5,667,751</u>	<u>5,667,751</u>	<u>-</u>
Fund balance, end of year	<u>4,341,774</u>	<u>\$ 4,341,774</u>	<u>\$ 5,829,007</u>	<u>\$ 1,487,233</u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
HURF Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 413,068	\$ 413,068	\$ 427,663	\$ 14,595
Other revenue	-	-	7,660	7,660
Total revenues	<u>413,068</u>	<u>413,068</u>	<u>435,323</u>	<u>22,255</u>
Expenditures				
Current				
Highways and streets	414,505	414,505	433,810	(19,305)
Net changes in fund balance	(1,437)	(1,437)	1,513	2,950
Fund balance, beginning of year	<u>4,336</u>	<u>4,336</u>	<u>4,336</u>	<u>-</u>
Fund balance, end of year	<u><u>2,899</u></u>	<u><u>\$ 2,899</u></u>	<u><u>\$ 5,849</u></u>	<u><u>\$ 2,950</u></u>

See accompanying notes to budgetary comparison schedule.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2019

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.

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the City Clerk, Finance, Police, and HURF departments.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2019

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
City's proportion of the net pension liability	0.025680%	0.025150%	0.024890%	0.024750%	0.029562%	Information not available
City's proportionate share of the net pension liability	\$ 3,581,456	\$ 3,917,880	\$ 4,017,496	\$ 3,855,617	\$ 4,374,107	
City's covered payroll	\$ 2,771,787	\$ 2,453,506	\$ 2,330,221	\$ 2,279,881	\$ 2,664,766	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.21%	159.68%	172.41%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
City's proportion of the net OPEB (asset)	0.026150%	0.025340%	Information not available
City's proportionate share of the net OPEB (asset)	\$ (9,416)	\$ (13,795)	
City's covered payroll	\$ 2,771,787	\$ 2,453,506	
City's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.34%	-0.56%	
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2019

ASRS-Long-Term Disability

	Reporting Fiscal Year		
	(Measurement Date)		
	2019	2018	2017 through
	(2018)	(2017)	2010
City's proportion of the net OPEB (asset)	0.025730%	0.025250%	Information
City's proportionate share of the net OPEB (asset)	\$ 13,444	\$ 9,153	not available
City's covered payroll	\$ 2,771,787	\$ 2,453,506	
City's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.49%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 141,393	\$ 159,861	\$ 138,299	\$ 141,310	\$ 144,455	
Interest on the total pension liability	371,409	339,132	316,814	304,443	267,446	
Changes of benefit terms	-	53,217	200,621	-	75,099	
Differences between expected and actual experience in the measurement of the pension liability	(128,065)	(3,801)	(126,538)	(86,011)	(145,164)	
Changes of assumptions or other inputs	-	174,233	164,158	-	327,183	
Benefit payments, including refunds of employee contributions	(221,780)	(210,490)	(225,960)	(175,329)	(216,951)	
Net change in total pension liability	162,957	512,152	467,394	184,413	452,068	
Total pension liability - beginning	5,059,228	4,547,076	4,079,682	3,895,269	3,443,201	
Total pension liability - ending (a)	<u>\$ 5,222,185</u>	<u>\$ 5,059,228</u>	<u>\$ 4,547,076</u>	<u>\$ 4,079,682</u>	<u>\$ 3,895,269</u>	
Plan fiduciary net position						
Contributions - employer	\$ 254,686	\$ 326,453	\$ 191,584	\$ 161,488	\$ 173,370	
Contributions - employee	70,960	88,054	84,768	84,093	82,762	
Net investment income	173,878	253,339	11,938	73,063	240,572	
Benefit payments, including refunds of employee contributions	(221,780)	(210,490)	(225,960)	(175,329)	(216,951)	
Hall/Parker Settlement	(91,034)	-	-	-	-	
Administrative expense	(3,346)	(2,642)	(2,117)	(2,156)	-	
Other changes	(24,046)	26	(66,306)	(39,939)	(157,483)	
Net change in plan fiduciary net position	159,318	454,740	(6,093)	101,220	122,270	
Plan fiduciary net position - beginning	2,532,721	2,077,981	2,084,074	1,982,854	1,860,584	
Plan fiduciary net position - ending (b)	<u>\$ 2,692,039</u>	<u>\$ 2,532,721</u>	<u>\$ 2,077,981</u>	<u>\$ 2,084,074</u>	<u>\$ 1,982,854</u>	
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 2,530,146</u>	<u>\$ 2,526,507</u>	<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	51.55%	50.06%	45.70%	51.08%	50.90%	
Covered payroll	\$ 745,348	\$ 748,414	\$ 760,718	\$ 661,590	\$ 784,309	
City's net pension (asset) liability as a percentage of covered payroll	339.46%	337.58%	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/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 17,996	\$ 18,883	\$ 15,043	\$ 13,435	\$ 13,510	
Interest on the total pension liability	51,558	47,572	38,076	39,807	36,948	
Changes of benefit terms	-	1,194	67,364	-	(140)	
Differences between expected and actual experience in the measurement of the pension liability	(22,743)	(24,731)	4,345	(76,104)	(33,897)	
Changes of assumptions or other inputs	-	19,960	22,500	-	20,043	
Benefit payments, including refunds of employee contributions	-	-	-	-	-	
Net change in total pension liability	46,811	62,878	147,328	(22,862)	36,464	
Total pension liability - beginning	687,728	624,850	477,522	500,384	463,920	
Total pension liability - ending (a)	<u>\$ 734,539</u>	<u>\$ 687,728</u>	<u>\$ 624,850</u>	<u>\$ 477,522</u>	<u>\$ 500,384</u>	
Plan fiduciary net position						
Contributions - employer	\$ 32,361	\$ 10,955	\$ 10,493	\$ 4,620	\$ 8,548	
Contributions - employee	5,507	7,678	7,984	6,990	7,093	
Net investment income	37,357	55,034	2,580	15,227	48,425	
Benefit payments, including refunds of employee contributions	-	-	-	-	-	
Hall/Parker Settlement	(12,454)	-	-	-	-	
Administrative expense	(1,269)	(887)	(771)	(764)	-	
Other changes	6	6	2	(338)	(6,039)	
Net change in plan fiduciary net position	61,508	72,786	20,288	25,735	58,027	
Plan fiduciary net position - beginning	534,650	461,864	441,576	415,841	357,814	
Plan fiduciary net position - ending (b)	<u>\$ 596,158</u>	<u>\$ 534,650</u>	<u>\$ 461,864</u>	<u>\$ 441,576</u>	<u>\$ 415,841</u>	
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 138,381</u>	<u>\$ 153,078</u>	<u>\$ 162,986</u>	<u>\$ 35,946</u>	<u>\$ 84,543</u>	
Plan fiduciary net position as a percentage of the total pension liability	81.16%	77.74%	73.92%	92.47%	83.10%	
Covered payroll	\$ 71,982	\$ 70,563	\$ 68,531	\$ 63,262	\$ 68,532	
City's net pension (asset) liability as a percentage of covered payroll	192.24%	216.94%	237.83%	56.82%	123.36%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS OPEB - Police

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 2,534	\$ 2,769	Information
Interest on the total OPEB liability	7,290	8,119	not available
Changes of benefit terms	-	579	
Differences between expected and actual experience in the measurement of the OPEB liability	64,513	(6,560)	
Changes of assumptions or other inputs	-	(4,136)	
Benefit payments	(18,931)	(1,838)	
Net change in total OPEB liability	55,406	(1,067)	
Total OPEB liability - beginning	106,717	107,784	
Total OPEB liability - ending (a)	<u>\$ 162,123</u>	<u>\$ 106,717</u>	
Plan fiduciary net position			
Net investment income	\$ 11,507	\$ 17,565	
Benefit payments	(18,931)	(1,838)	
Administrative expense	(175)	(156)	
Other changes	1	-	
Net change in plan fiduciary net position	(7,598)	15,571	
Plan fiduciary net position - beginning	165,520	149,949	
Plan fiduciary net position - ending (b)	<u>\$ 157,922</u>	<u>\$ 165,520</u>	
City's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 4,201</u>	<u>\$ (58,803)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	97.41%	155.10%	
Covered payroll	\$ 745,348	\$ 748,414	
City's net OPEB (asset) liability as a percentage of covered payroll	0.56%	-7.86%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS OPEB - Fire

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 310	\$ 318	Information
Interest on the total OPEB liability	1,368	1,475	not available
Differences between expected and actual experience in the measurement of the OPEB liability	(793)	(1,613)	
Changes of assumptions or other inputs	-	(1,356)	
Net change in total OPEB liability	885	(1,176)	
Total OPEB liability - beginning	18,333	19,509	
Total OPEB liability - ending (a)	<u>\$ 19,218</u>	<u>\$ 18,333</u>	
Plan fiduciary net position			
Contributions - employer	\$ 548	\$ 916	
Net investment income	805	1,134	
Administrative expense	(12)	(11)	
Net change in plan fiduciary net position	1,341	2,039	
Plan fiduciary net position - beginning	11,538	9,499	
Plan fiduciary net position - ending (b)	<u>\$ 12,879</u>	<u>\$ 11,538</u>	
City's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 6,339</u>	<u>\$ 6,795</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	67.02%	62.94%	
Covered payroll	\$ 71,982	\$ 70,563	
City's net OPEB (asset) liability as a percentage of covered payroll	8.81%	9.63%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

ASRS-Pension

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 309,886	\$ 278,210	\$ 264,488	\$ 252,829	\$ 248,279	\$ 285,130	Information not available
City's contributions in relation to the statutorily required contribution	<u>(309,886)</u>	<u>(278,210)</u>	<u>(264,488)</u>	<u>(252,829)</u>	<u>(248,279)</u>	<u>(285,130)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 2,771,787</u>	<u>\$ 2,549,353</u>	<u>\$ 2,453,506</u>	<u>\$ 2,330,221</u>	<u>\$ 2,279,881</u>	<u>\$ 2,664,766</u>	
City's contributions as a percentage of covered payroll	11.18%	10.91%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 12,750	\$ 11,224	\$ 13,643	Information not available
City's contributions in relation to the statutorily required contribution	<u>(12,750)</u>	<u>(11,224)</u>	<u>(13,643)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 2,771,787</u>	<u>\$ 2,549,353</u>	<u>\$ 2,453,506</u>	
City's contributions as a percentage of covered payroll	0.46%	0.44%	0.56%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

ASRS-Long-Term Disability

	Reporting Fiscal Year			
	2019	2018	2017	2016 through 2010
Statutorily required contribution	\$ 4,435	\$ 4,083	\$ 3,434	Information not available
City's contributions in relation to the statutorily required contribution	<u>(4,435)</u>	<u>(4,083)</u>	<u>(3,434)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 2,771,787</u>	<u>\$ 2,549,353</u>	<u>\$ 2,453,506</u>	
City's contributions as a percentage of covered payroll	0.16%	0.16%	0.14%	

PSPRS - Police

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 302,729	\$ 254,686	\$ 326,453	\$ 191,584	\$ 161,488	\$ 173,370	Information not available
City's contributions in relation to the actuarially determined contribution	<u>(302,729)</u>	<u>(254,686)</u>	<u>(326,453)</u>	<u>(191,584)</u>	<u>(161,488)</u>	<u>(173,370)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 848,693</u>	<u>\$ 745,348</u>	<u>\$ 748,414</u>	<u>\$ 760,718</u>	<u>\$ 661,590</u>	<u>\$ 784,309</u>	
City's contributions as a percentage of covered payroll	35.67%	34.17%	43.62%	25.18%	24.41%	22.10%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

PSPRS OPEB - Police

	<u>Reporting Fiscal Year</u>			
	2019	2018	2017	2016 through 2010
Actuarially determined contribution	\$ -	\$ -	\$ -	Information not available
City's contributions in relation to the actuarially determined contribution	-	-	-	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 848,693</u>	<u>\$ 745,348</u>	<u>\$ 748,414</u>	
City's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	

PSPRS - Fire

	<u>Reporting Fiscal Year</u>						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 23,608	\$ 32,361	\$ 10,955	\$ 10,493	\$ 4,620	\$ 8,548	Information not available
City's contributions in relation to the actuarially determined contribution	(23,608)	(32,361)	(10,955)	(10,493)	(4,620)	(8,548)	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 73,498</u>	<u>\$ 71,982</u>	<u>\$ 70,563</u>	<u>\$ 68,531</u>	<u>\$ 63,262</u>	<u>\$ 68,532</u>	
City's contributions as a percentage of covered payroll	32.12%	44.96%	15.53%	15.31%	7.30%	12.47%	

See accompanying notes to pension plan schedules.

CITY OF BENSON, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

PSPRS OPEB - Fire

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Actuarially determined contribution	\$ 764	\$ 548	\$ 916	Information not available
City's contributions in relation to the actuarially determined contribution	(764)	(548)	(916)	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	
City's covered payroll	\$ 73,498	\$ 71,982	\$ 70,563	
City's contributions as a percentage of covered payroll	1.04%	0.76%	1.30%	

See accompanying notes to pension plan schedules.

CITY OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

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-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

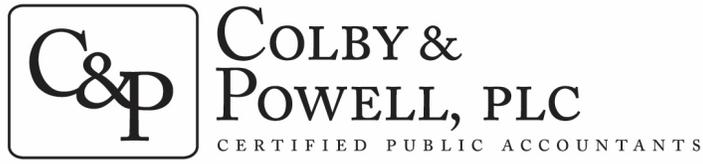
Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2019 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s

CITY OF BENSON, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2019

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.





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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, 2019, 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 February 3, 2020.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item **2019-001** to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and responses as item **2019-002** to be a significant deficiency.

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*.

The City of Benson, Arizona's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Colby + Powell

February 3, 2020

CITY OF BENSON, ARIZONA
Schedule of Findings and Responses
June 30, 2019

Item: 2019-001

Subject: Preparation of the working trial balance.

Criteria: All transactions entered into during the period should be posted in the City's financial records in accordance with an acceptable basis of accounting. All such transactions should be recorded in their correct account according to the City's approved chart of accounts, the City's budget, and generally accepted accounting principles.

Condition: During our audit we discovered that the City did not have a complete and accurate working trial balance prior to the start of the audit. The trial balance required various accounting adjustments which were unknown by management.

Recommendation: We recommend that all material and necessary journal entries should be recorded in the trial balance prior to the start of the annual audit.

Response: Management agrees with this finding and will ensure that all material adjustments are posted to the general ledger prior to the start of the audit.

Item: 2019-002

Subject: Bank reconciliations

Criteria: Old outstanding items (stale items) on the bank reconciliation should be investigated and, if necessary, remitted to the State in accordance with State escheatment laws.

Condition: During our audit we noted several stale items on the bank reconciliation greater than one year.

Recommendation: We recommend that the management investigate regularly all stale items and remit any unclaimed items to the State in accordance with unclaimed property laws.

Response: Management agrees with this finding and is the process of investigating all stale items and will remit the proper items to the State.