

TOWN OF SUPERIOR, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2020**

TABLE OF CONTENTS

Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	3
Government-wide Statements	
Statement of Net Position	20
Statement of Activities.....	21
Fund Statements	
Governmental Funds	
Balance Sheet.....	22
Reconciliation of the Balance Sheet to the Statement of Net Position	23
Statement of Revenue, Expenditures, and Changes in Fund Balances.....	24
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	25
Proprietary Funds	
Statement of Net Position	26
Statement of Revenue, Expenses, and Changes in Fund Net Position	27
Statement of Cash Flows	28
Fiduciary Funds	
Statement of Fiduciary Net Position.....	30
Statement of Changes in Fiduciary Net Position	31
Notes to Financial Statements	32
Required Supplementary Information	
Budgetary Comparison Schedules	65
Notes to Budgetary Comparison Schedules.....	68
Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans	69
Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Pension Plans	71
Schedule of Town Pension/OPEB Contributions	75

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 <i>Government Auditing Standards</i>	81
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	83
Schedule of Expenditures of Federal Awards	86
Notes to Schedule of Expenditures of Federal Awards	87
Schedule of Findings and Questioned Costs.....	88
Independent Auditors' Report on State Legal Compliance	92



INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Superior, 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 Town of Superior, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town'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 Town of Superior, Arizona, as of June 30, 2020, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension related schedules, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Superior, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020, on our consideration of the Town of Superior, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Superior, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Gilbert, Arizona
October 20, 2020

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

We, the Town of Superior, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2020. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operations. We encourage readers to consider the information presented here in conjunction with the Town's financial statements following this section.

FINANCIAL HIGHLIGHTS

- ❖ The total net position of the Town showed an increase of 19.89%, between fiscal years 2019 and 2020. The 2020 Governmental Activities' net position increased 20.06% and the Business-type Activities' decreased 4.33%.
- ❖ The Town's total 2020 revenues were \$5,793,910 and expenses totaled \$4,781,150, resulting in an increase in net position of \$1,012,760 or 19.89%.
- ❖ The revenue sources of local taxes and state-shared revenues with \$2,350,961 representing 46.65% of all revenues in the governmental activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the governmental activities, accounting for 28.25% of the total governmental activities' revenue. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 18.40% of the total governmental activities' revenue.
- ❖ Expenditures for the Town's governmental activities (excluding interest of \$5,662) total \$3,881,712. Public safety activities account for 31.00%, highway and streets spent 33.43% of the expenditures, culture and recreation 6.28%, and general government services accounted for 24.83% of total expenditures for 2020. General government services include administration, community services, community development and finance.
- ❖ General Fund revenues of \$2,578,715 were less than budgeted revenues of \$2,702,030 by \$123,315, or 4.56% while General Fund expenditures of \$2,470,194 were less than budgeted expenditures of \$2,467,935 by \$32,741 or 1.31%. General Fund expenditures during the year are monitored with actual revenues.
- ❖ At the end of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$3,096,183, an increase of \$500,660 in comparison with the prior year. The major change in fund balance was due to accumulating funds for upcoming projects funded through agreements with Resolution Copper along with unexpected

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

additional income from AZCARES. The business-type activities' total net position was \$32,752, a decrease of \$1,482 from 2019.

- ❖ The Town of Superior had total long-term obligations outstanding of \$1,362,870 in 2020, an increase of \$118,341. This is primarily due to the increase in the PSPRS net pension liability for the police and a new note for sewer system improvements. The largest item of debt is the pension liability, accounting for \$1,127,054, or 83% of the long-term liability. The remainder of the debt is divided between paid time off at \$92,585 and equipment leases and notes at \$143,231.
- ❖ The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension/OPEB liability at the end of 2020 of \$774,554, an increase of 3.23%. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police and fire), had a net pension/OPEB liability at the end of 2020 of \$352,500, an increase of 9.34%. The total net pension/OPEB liability for the Town at the end of 2020 was \$1,127,054, an increase of 5.06%.

ECONOMIC HIGHLIGHTS

Planning and Zoning. The Town has restructured its engineering department. The previous contracted service was not sustainable and led to significant overages in the admin department. The hiring of our own internal engineering tech led to savings in the 2020 fiscal year. The Town is in the process of taking over building permit administration, which will affect revenues and expenses in this fund.

Resolution Copper Partnership Agreements. Funds for the construction of several projects, including the US 60 playground, the Roosevelt Multi-Generational Center and the Enterprise and Innovation Center were deposited during the 2020 fiscal year, and the unutilized portions of the funding will be spent in the following years.

Wastewater Treatment Plant Design Phase. The Town completed the design phase of the plant this year with an engineering loan from RCAC. During the 2020, the Town made interest only payments. The town will be transitioning this to a construction loan in the 2021 Fiscal Year. The full plant refurbishment has been funded through USDA, with \$1,100,000 as loan and \$1,570,000 as a grant. Work will begin in FY 2021. The rate increase adopted in 2017 is sufficient to pay the necessary debt service.

Ambulance. The ambulance fund continues to underperform due to factors beyond local control. The Town has applied for a rate increase, but the rate is near a point of diminishing return for rate increases, as the Medicare and Medicaid rates are fixed and account for most of the Town's billings. This shortfall will continue until federal and state programs adjust their rates. The Town has received notice that the rate increase will take effect in FY 2021, but a short fall of \$100,000 is anticipated.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Report (AFR) for the Town of Superior, Arizona consists of three parts:

1. *The Management's Discussion and Analysis* provides a brief discussion of the basic financial statements, annual comparisons of the government-wide financial statements, and analysis of government's overall financial position.
2. *Basic Financial Statements*:
 - ❖ *Government-wide Financial Statements* provide both long-term and short-term information about the Town's overall financial status.
 - ❖ *Fund Financial Statements* focus on the individual parts of Town government and report the Town's operations in more detail than the government-wide statements.
 - ❖ *Notes to the Financial Statements* explain some of the information in the financial statements and provide more detailed data.
3. *Required Supplementary Information* further explains and supports the information in the financial statements and includes detailed budgetary comparison schedules for major special revenue funds as well as the General Fund. It also includes schedules and notes related to pensions as required by GASB 68 and 75.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Superior's finances in a manner similar to private sector business. The statements distinguish between governmental and business-type activities.

Governmental activities include the Town's basic services, such as general government (administration), public safety (police and fire), highways and streets, and culture and recreation, and are mainly financed through taxes and intergovernmental revenues.

Business-type activities include the sewer utility and ambulance and are financed by fees charged to cover the costs of services they provide.

The *Statement of Net Position* presents information on all of the Town of Superior's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. (The Statement of Net Position can be found on page 20 of this report)

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

flows. The statement shows the degree to which the direct expenses of a function are offset by program revenues. (The Statement of Activities can be found on page 21 of this report)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Superior, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

All of the funds within the Town can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*. The governmental and proprietary categories are organized as major funds or non-major funds, with an emphasis placed on major funds, as the GASB standards require. Fiduciary funds are reported in aggregate by fund type.

Governmental Funds – Most of the Town's basic services are included in governmental funds which focus on how cash, and other financial assets that can be easily converted to cash, flow in and out, along with the balances left at the end of the year that are available for spending. The governmental fund financial statements tell how general government services were funded as well as what is available for future spending remains. Because fund financial statements do not include the additional long-term focus of government-wide statements, additional information is provided reconciling the difference between them. (The governmental fund financial statements can be found on pages 22 to 25 of this report)

- ❖ General Fund – Accounts for the Town's primary operating activities and is used to account for all financial resources, except those required to be accounted for in another fund.
- ❖ HURF Fund – accounts for specific revenue received from the State of Arizona Highway Revenue Fund which is legally restricted to expenditures for street and transportation purposes.
- ❖ Grants Fund – Accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor.

Proprietary Funds – Proprietary funds, also known as Enterprise funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Superior uses an enterprise fund to account for its wastewater treatment (sewer), ambulance and cemetery operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. (The proprietary fund financial statements can be found on pages 26 to 29 of this report)

Fiduciary Funds – The Town reports a single fiduciary fund known as a pension trust fund in which the Town, acting as a trustee, invests retirement contributions on behalf of participants. Participants to the plan are past and current volunteer firefighters.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. (The notes to financial statements can be found on pages 32 to 64 of this report)

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

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council,
4. *Assigned* fund balances are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

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

Supplemental Information

In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund and all major special revenue funds to demonstrate compliance with the budget. Additionally, governments are required to disclose certain information about employee pension funds. (Supplementary information and schedules can be found on pages 65 to 80 of this report)

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 3,454,566	\$ 2,892,170	\$ (811,638)	\$ (905,090)	\$ 2,642,928	\$ 1,987,080
Capital assets						
Non-depreciable	302,849	152,776	99,985	-	402,834	152,776
Depreciable (net)	3,722,228	3,365,721	1,024,257	1,080,630	4,746,485	4,446,351
Total assets	7,479,643	6,410,667	312,604	175,540	7,792,247	6,586,207
Deferred Outflows of Resources						
Related to Pensions	\$ 338,423	\$ 396,914	\$ 96,890	\$ 94,248	435,313	491,162
LIABILITIES						
Other liabilities	200,540	158,311	96,707	29,696	297,247	188,007
Noncurrent liabilities						
Due within one year	70,671	63,887	75,643	13,122	146,314	77,009
Due in more than one year	1,097,060	1,053,973	119,496	113,547	1,216,556	1,167,520
Total liabilities	1,368,271	1,276,171	291,846	156,365	1,660,117	1,432,536
Deferred Inflows of Resources						
Related to Pensions	\$ 378,604	\$ 474,461	\$ 84,896	\$ 79,189	\$ 463,500	553,650
NET POSITION						
Net investment in capital assets	3,900,608	3,423,454	1,065,480	1,080,630	4,966,088	4,504,084
Restricted	3,577,815	3,451,334	-	-	3,577,815	3,451,334
Unrestricted	(1,407,232)	(1,817,839)	(1,032,728)	(1,046,396)	(2,439,960)	(2,864,235)
Total net position	\$ 6,071,191	\$ 5,056,949	\$ 32,752	\$ 34,234	\$ 6,103,943	\$ 5,091,183
CHANGE IN NET POSITION	\$ 1,014,242	\$ 625,340	\$ (1,482)	\$ (46,736)	\$ 1,012,760	\$ 578,604
PERCENTAGE CHANGE IN NET POSITIONS	20.06%	14.11%	-4.33%	-47.72%	19.89%	12.82%

Net Position: Net position may serve over time as a useful indicator of a government's financial position. The table above reflects the Condensed Statement of Net Position of the Town showing that net position increased 19.89%, between fiscal years 2019 and 2020. The 2020 Governmental Activities' net position increased 20.06% and the Business-type Activities' decreased 4.33%.

Net position consists of three components. The largest portion of the Town of Superior's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town of Superior uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Condensed Statement of Changes in Net Position

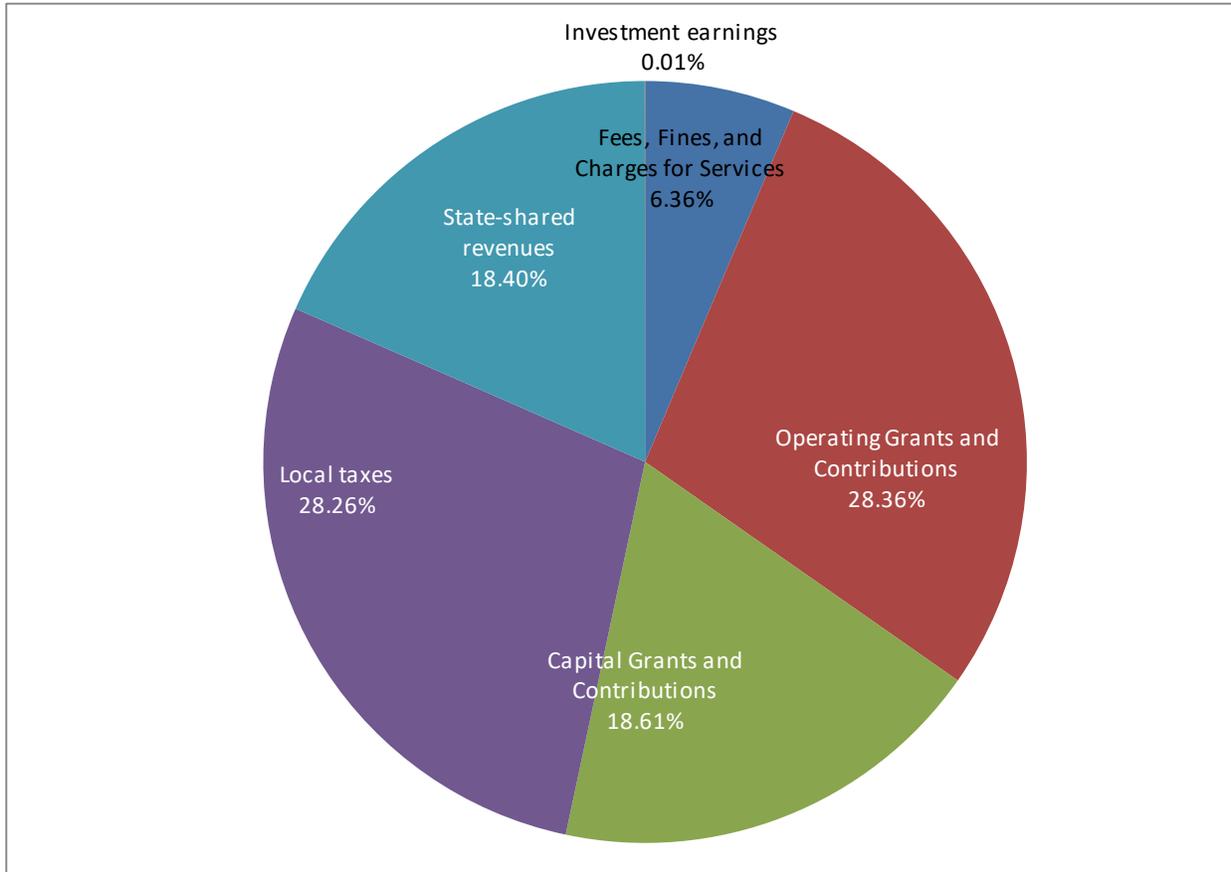
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 320,706	\$ 324,084	\$ 754,513	\$ 667,672	\$ 1,075,219	\$ 991,756
Operating grants and contributions	1,428,947	569,823	-	30,000	1,428,947	599,823
Capital grants and contributions	938,078	734,699	-	-	938,078	734,699
General revenues						
Local taxes	1,423,899	1,402,194	-	-	1,423,899	1,402,194
State-shared revenues	927,062	867,491	-	-	927,062	867,491
Investment earnings	705	1,177	-	-	705	1,177
Gain on disposal of capital assets	-	3,717	-	-	-	3,717
Miscellaneous	-	137	-	-	-	137
Total revenues	5,039,397	3,903,322	754,513	697,672	5,793,910	4,600,994
Expenses						
General government	963,896	794,041	-	-	963,896	794,041
Public safety	1,203,454	1,169,617	-	-	1,203,454	1,169,617
Highways and streets	1,297,798	833,718	-	-	1,297,798	833,718
Welfare	172,619	149,547	-	-	172,619	149,547
Culture and recreation	243,945	260,483	-	-	243,945	260,483
Interest	5,662	7,133	-	-	5,662	7,133
Utilities	-	-	382,560	399,497	382,560	399,497
Ambulance	-	-	511,216	408,354	511,216	408,354
Total expenses	3,887,374	3,214,539	893,776	807,851	4,781,150	4,022,390
Change in net position before transfers	1,152,023	688,783	(139,263)	(110,179)	1,012,760	578,604
Transfers	(137,781)	(63,443)	137,781	63,443	-	-
Change in net position	1,014,242	625,340	(1,482)	(46,736)	1,012,760	578,604
Net position, beginning of year	5,056,949	4,431,609	34,234	80,970	5,091,183	4,512,579
Net position, end of year	\$ 6,071,191	\$ 5,056,949	\$ 32,752	\$ 34,234	\$ 6,103,943	\$ 5,091,183

Change in Net Position: The Town's total 2020 revenues were \$5,793,910 and expenses totaled \$4,781,150, resulting in an increase in net position of \$1,012,760 or 19.89%.

Revenues for the Town's governmental activities totaled \$5,039,397, a 29.11% increase from 2019. Local taxes are the largest revenue source for the governmental activities, accounting for 28.26% of total revenues. State-shared revenues account for 18.40% of the total revenues. Operating and capital grants together contribute 46.97% of the revenues. Charges for services contribute 6.36% of the total revenues while miscellaneous revenues and investment earnings make up 0.01%.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Governmental Activity Revenue

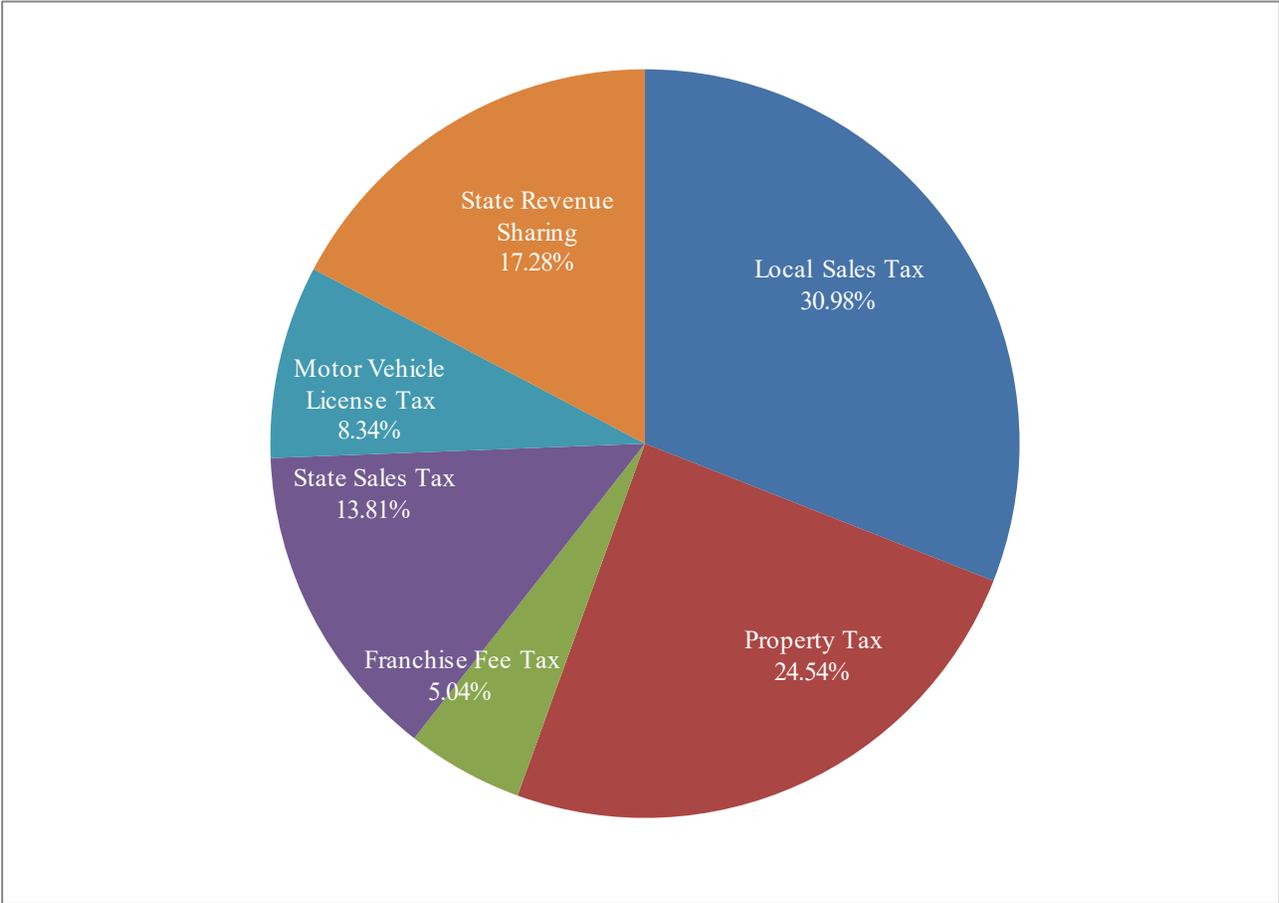


The revenue sources of local taxes and state-shared revenues with \$2,350,961 representing 46.65% of all revenues in the governmental activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the governmental activities, accounting for 28.26% of the total governmental activities revenue. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 18.40% of the total governmental activities revenue.

Revenues for the Town's business-type activities totaled \$754,513, an increase of 8.15% from 2019. The increase was mainly due to an increase in rates for wastewater. The business-type activities' total net position was \$32,752, a decrease of \$1,482 from 2019.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

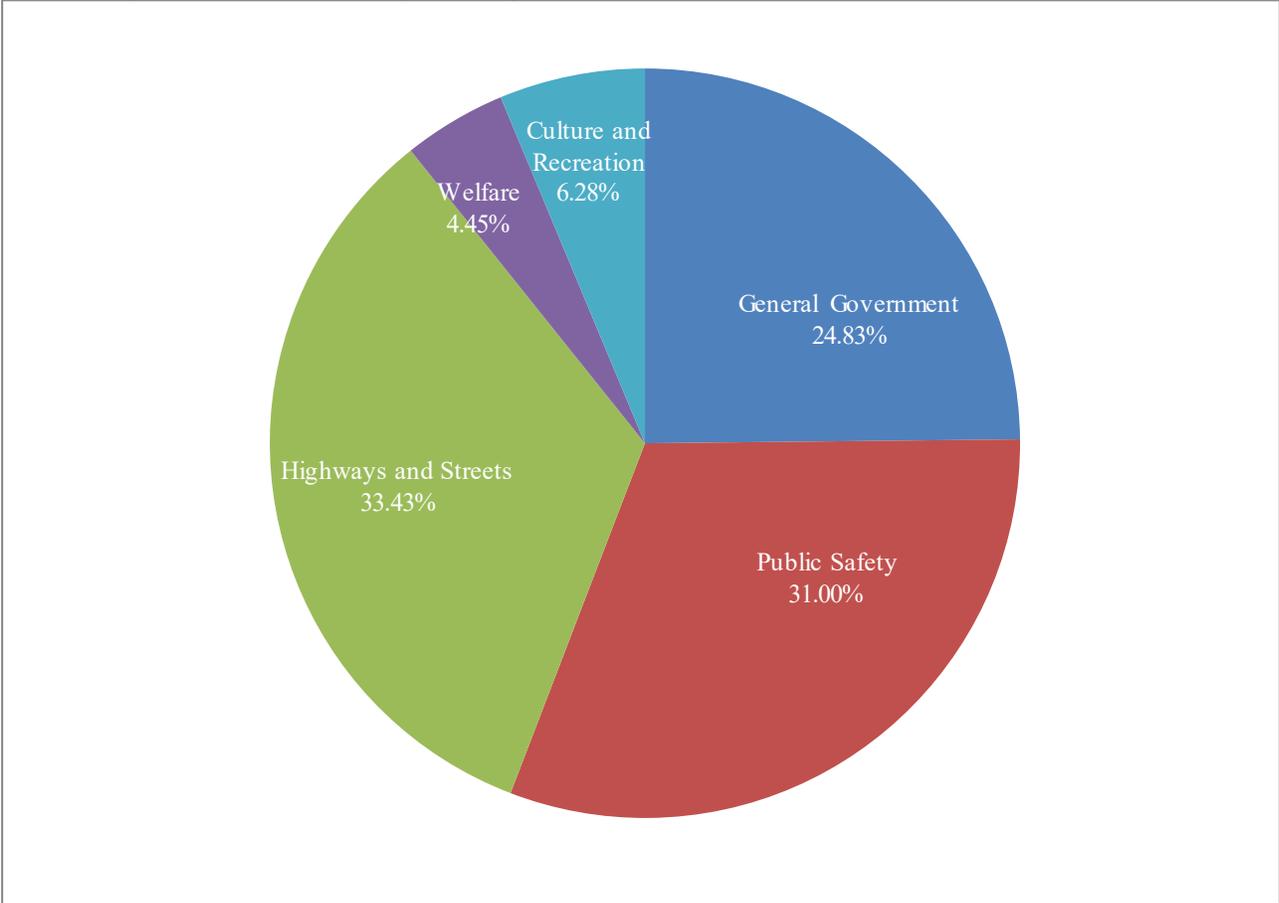
Tax
Distributions



TOWN OF SUPERIOR, ARIZONA
Management’s Discussion and Analysis
June 30, 2020

Government Activity Expense

Expenditures for the Town’s governmental activities (excluding interest of \$5,662) total \$3,881,712. Public safety activities account for 31.00%, highway and streets spent 33.43% of the expenditures, culture and recreation 6.28%, and general government services accounted for 24.83% of total expenditures for 2020. General government services include administration, community services, community development and finance.



Net Cost of Town of Superior Activities

Governmental Activities

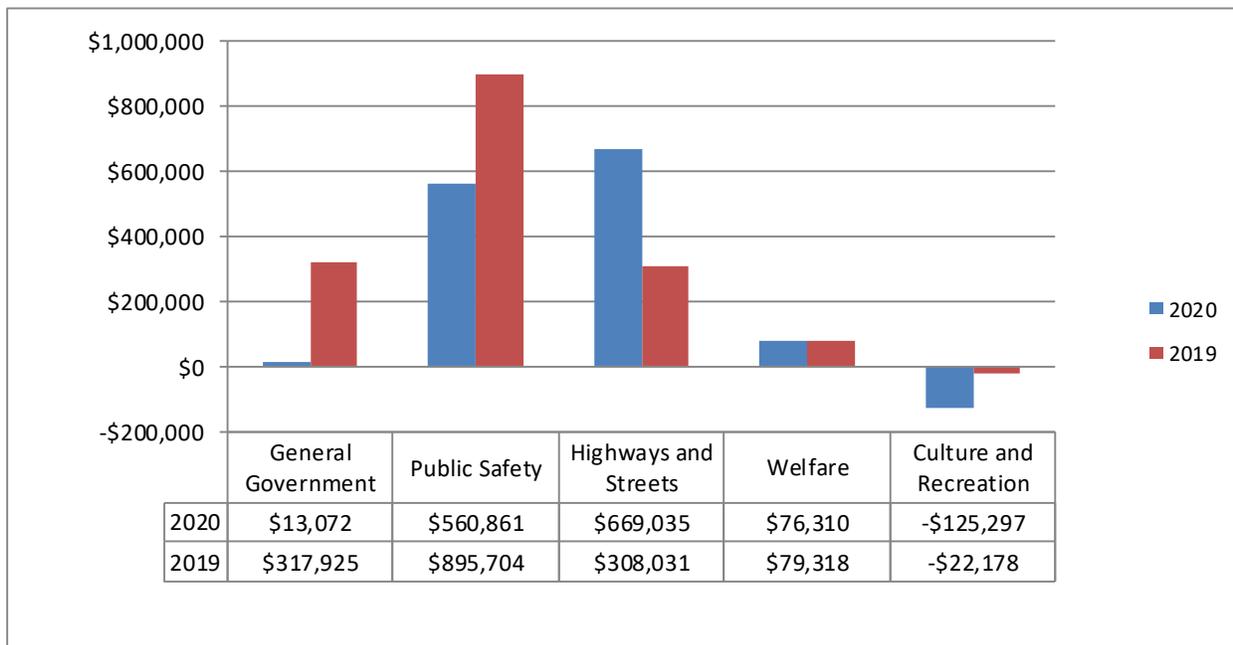
The following table presents the total cost of each of the Town’s activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The actual net cost of services in 2020 was \$1,193,981 which is 24.37% less than in 2019 which was a result of the 65.03% increase of direct revenues and only 21.02% increase in direct costs.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2020	2019	2020	2019	2020	2019
General government	\$ 963,896	\$ 794,041	\$ 950,824	\$ 476,116	\$ 13,072	\$ 317,925
Public safety	1,203,454	1,169,617	642,593	273,913	560,861	895,704
Highways and streets	1,297,798	833,718	628,763	525,687	669,035	308,031
Welfare	172,619	149,547	96,309	70,229	76,310	79,318
Culture and recreation	243,945	260,483	369,242	282,661	(125,297)	(22,178)
Total revenues	\$ 3,881,712	\$ 3,207,406	\$ 2,687,731	\$ 1,628,606	1,193,981	1,578,800

Net Cost of Services – Governmental Activities



TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

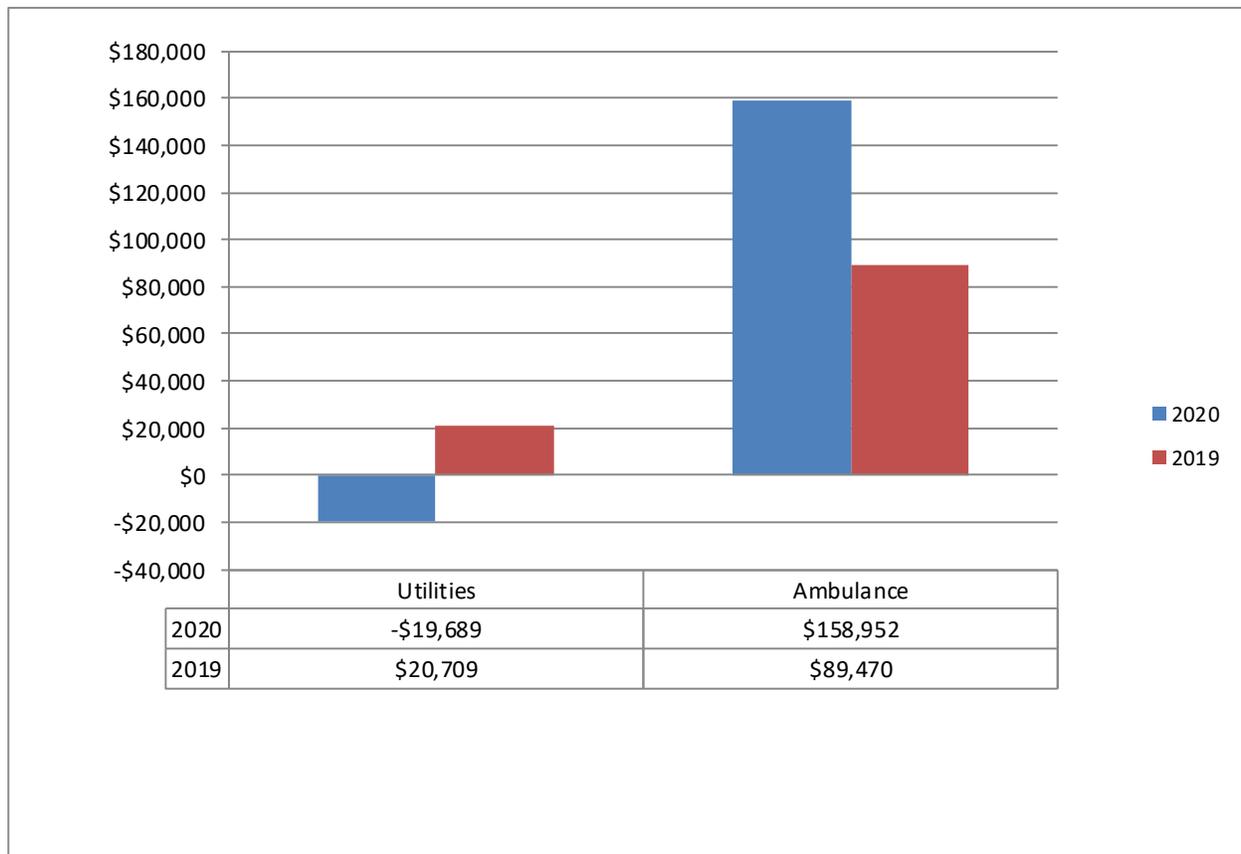
Net Cost of Service – Business-Type Activities

Business-type Activities

The utility program net income from utility services increased from a net loss of \$20,709 in 2019 to a net income of \$19,689 in 2020. This increase is due to the increase in the rates adopted in 2018 and increasing until 2023. The net loss from ambulance services increased from \$89,470 in 2019 to a net loss of \$158,952 in 2020. This is a continuing trend in charges for this fund affected by federal health care policies.

	<u>Cost of Services</u>		<u>Direct Revenues</u>		<u>Net Cost of Services</u>	
	2020	2019	2020	2019	2020	2019
Utilities	\$ 382,560	\$ 399,497	\$ 402,249	\$ 378,788	\$ (19,689)	\$ 20,709
Ambulance	511,216	408,354	352,264	318,884	158,952	89,470
Total revenues	\$ 893,776	\$ 807,851	\$ 754,513	\$ 697,672	\$ 139,263	\$ 110,179

Net Cost of Service – Business-Type Activities



TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Town of Superior's Capital Assets

In the governmental-wide financial statements, capital assets are defined as assets with an initial cost of more than \$5,000 and a useful life greater than one-year.

The Town had net capital assets of \$4,025,077 in the governmental activities and \$1,124,242 in the business-type activities for a total of \$5,149,319 at the end of 2020. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital Assets Not Depreciated						
Land	\$ 152,776	\$ 152,776	\$ -	\$ -	\$ 152,776	\$ 152,776
Construction in Progress	150,073	-	99,985	-	250,058	-
Total Capital Assets Not Depreciated	<u>302,849</u>	<u>152,776</u>	<u>99,985</u>	<u>-</u>	<u>402,834</u>	<u>152,776</u>
Capital Assets Depreciated						
Buildings	4,052,281	3,509,613	272,111	272,111	4,324,392	3,781,724
Equipment	1,809,427	1,731,969	448,420	447,506	2,257,847	2,179,475
Infrastructure	3,853,115	3,853,115	-	-	3,853,115	3,853,115
Utility systems	-	-	4,717,254	4,717,254	4,717,254	4,717,254
Total Capital Assets Depreciated	<u>9,714,823</u>	<u>9,094,697</u>	<u>5,437,785</u>	<u>5,436,871</u>	<u>15,152,608</u>	<u>14,531,568</u>
Accumulated Depreciation						
Buildings	(1,748,200)	(1,646,708)	(74,832)	(68,030)	(1,823,032)	(1,714,738)
Equipment	(1,079,751)	(970,761)	(210,420)	(189,073)	(1,290,171)	(1,159,834)
Infrastructure	(3,164,644)	(3,111,507)	-	-	(3,164,644)	(3,111,507)
Utility systems	-	-	(4,128,276)	(4,099,138)	(4,128,276)	(4,099,138)
Total Accumulated Depreciation	<u>(5,992,595)</u>	<u>(5,728,976)</u>	<u>(4,413,528)</u>	<u>(4,356,241)</u>	<u>(10,406,123)</u>	<u>(10,085,217)</u>
Net Total Capital Assets Depreciated	<u>3,722,228</u>	<u>3,365,721</u>	<u>1,024,257</u>	<u>1,080,630</u>	<u>4,746,485</u>	<u>4,446,351</u>
Net Total Capital Assets	<u>\$ 4,025,077</u>	<u>\$ 3,518,497</u>	<u>\$ 1,124,242</u>	<u>\$ 1,080,630</u>	<u>\$ 5,149,319</u>	<u>\$ 4,599,127</u>

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Long-Term Liabilities

The Town of Superior had total long-term obligations outstanding of \$1,362,870 in 2020, an increase of \$118,341. This is primarily due to the change in the net pension/OPEB liability and additional borrowings for sewer improvements. The largest debt is the pension/OPEB liabilities, accounting for \$1,127,054, or 82.70% of long-term liability. The remainder of the debt is divided between paid time off at \$92,585 and equipment leases and notes at \$143,231.

Long-Term Liabilities

	2020	2019	Change
Governmental Activities			
Notes from direct borrowings and direct placements	\$ 57,055	\$ 58,598	\$ (1,543)
Capital leases payable	27,414	36,445	(9,031)
Net pension/OPEB liability	1,013,185	963,555	49,630
Compensated absences	70,077	59,262	10,815
Total Long-Term Liabilities, Governmental Activities	1,167,731	1,117,860	49,871
Business-type Activities			
Notes from direct borrowings and direct placements	58,762	-	58,762
Net pension/OPEB liability	113,869	109,172	4,697
Compensated absences	22,508	17,497	5,011
Total Long-Term Liabilities, Business-type Activities	195,139	126,669	68,470
Total Long-Term Liabilities	\$ 1,362,870	\$ 1,244,529	\$ 118,341

Pension Liabilities

The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension/OPEB liability at the end of 2020 of \$774,554, an increase of 3.23%. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police and fire), had a net pension/OPEB liability at the end of 2020 of \$352,500, an increase of 9.34%. The total net pension liability for the Town at the end of 2020 was \$1,127,054, an increase of 5.06%.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Arizona State Retirement System (ASRS)						
Net Pension/OPEB Assets	\$ 1,194	\$ 1,594	\$ 203	\$ 271	\$ 1,397	\$ 1,865
Arizona State Retirement System (ASRS)						
Net Pension/OPEB Liabilities	661,846	641,154	112,708	109,172	774,554	750,326
Deferred Outflows of Resources	107,599	162,964	18,323	27,722	125,922	190,686
Deferred Inflows of Resources	49,353	80,405	8,404	13,691	57,757	94,096
Pension Expense	109,557	63,989	18,657	10,897	128,214	74,886
Public Safety Personnel Retirement (PSPRS)						
Net Pension/OPEB Assets	114,079	105,253	93,891	81,222	207,970	186,475
Public Safety Personnel Retirement (PSPRS)						
Net Pension/OPEB Liabilities	351,339	322,401	1,161	-	352,500	322,401
Deferred Outflows of Resources	230,824	233,950	78,567	66,526	309,391	300,476
Deferred Inflows of Resources	329,251	394,056	76,492	65,498	405,743	459,554
Pension Expense	61,854	124,362	15,051	24,645	76,905	149,007
Combined Pension/OPEB Assets						
Total Net Pension/OPEB Assets	115,273	106,847	94,094	81,493	209,367	188,340
Combined Pension/OPEB Liabilities						
Total Net Pension/OPEB Liabilities	1,013,185	963,555	113,869	109,172	1,127,054	1,072,727
Total Deferred Outflows of Resources	338,423	396,914	96,890	94,248	435,313	491,162
Total Deferred Inflows of Resources	378,604	474,461	84,896	79,189	463,500	553,650
Total Pension Expense	171,411	188,351	33,708	35,542	205,119	223,893

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$3,096,183, an increase of \$500,660 in comparison with the prior year. The major change in fund balance was due to accumulating funds for major capital projects and additional funding due to AZCARES. The business-type activities' total net position was \$32,752, a decrease of \$1,482 from 2019.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

Change in Fund Balances/Net Position

	2020	2019	Change
Governmental			
General Fund	\$ (481,632)	\$ (857,468)	\$ 375,836
Highways and Streets Fund	2,570,102	2,805,555	(235,453)
Grants Fund	1,007,713	647,436	360,277
SMPC Fund	-	-	-
Total Governmental Fund Balances	3,096,183	2,595,523	500,660
Business-type			
Utilities Fund	779,877	759,704	20,173
Ambulance Fund	(747,125)	(725,470)	(21,655)
Total Business-type Net Position	32,752	34,234	(1,482)
Total Fund Balances/Net Position	\$ 3,128,935	\$ 2,629,757	\$ 499,178

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 65 to 68. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures.

General Fund revenues of \$2,578,715 were less than budgeted revenues of \$2,702,030 by \$123,315, or 4.56% while General Fund expenditures of \$2,470,194 were less than budgeted expenditures of \$2,502,935 by \$32,741 or 1.31%. General Fund expenditures during the year are monitored with actual revenues.

ECONOMIC FACTORS FOR NEXT YEAR

- ❖ The USDA grant for the Upgrade of the Wastewater
- ❖ Implementing a Sustainable Road Repair and Street Safety Plan for Superior's public roads based on the Pavement Assessment Study will continue to use much of the town's available funding. This is a priority in order to continue paying down the inter-fund borrowing of the Highways and Streets Fund.
- ❖ The Multi-Generational Center is the Town Council's highest strategic planning objective in 2020, including sustainable financing options to address the capital and on-going maintenance needs of the facility.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2020

- ❖ New construction projects throughout the Superior include:
 - The Wastewater Treatment Plant Update Project.
 - The remodel of the old police department building.
 - The Multi-Generational Center.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Superior
P.O. Box 591
Superior, AZ 85173
(520) 689-5752

Or visit our website at: <http://www.Superioraz.gov>

TOWN OF SUPERIOR, ARIZONA
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,999,072	\$ -	\$ 1,999,072
Accounts receivable - net	1,959	91,241	93,200
Taxes receivable	113,151	-	113,151
Due from other governments	228,138	-	228,138
Interactivity balances	996,973	(996,973)	-
Net pension/OPEB asset	115,273	94,094	209,367
Capital assets, not being depreciated	302,849	99,985	402,834
Capital assets, being depreciated, net	3,722,228	1,024,257	4,746,485
Total assets	7,479,643	312,604	7,792,247
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	338,423	96,890	435,313
LIABILITIES			
Accounts payable	147,455	78,393	225,848
Accrued expenses	53,085	17,610	70,695
Interest payable	-	704	704
Noncurrent liabilities			
Due within one year	70,671	75,643	146,314
Due in more than one year	1,097,060	119,496	1,216,556
Total liabilities	1,368,271	291,846	1,660,117
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	378,604	84,896	463,500
NET POSITION			
Net investment in capital assets	3,900,608	1,065,480	4,966,088
Restricted for:			
Highways and streets	2,570,102	-	2,570,102
Multi-generational center	649,652	-	649,652
Economic development	313,333	-	313,333
Airport	18,823	-	18,823
Public safety	25,905	-	25,905
Unrestricted (deficit)	(1,407,232)	(1,032,728)	(2,439,960)
Total net position	\$ 6,071,191	\$ 32,752	\$ 6,103,943

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Activities
Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 963,896	\$ 70,992	\$ 366,802	\$ 513,030	\$ (13,072)	\$ -	\$ (13,072)
Public safety	1,203,454	240,221	366,530	35,842	(560,861)	-	(560,861)
Highways and streets	1,297,798	5,428	599,254	24,081	(669,035)	-	(669,035)
Welfare	172,619	-	96,309	-	(76,310)	-	(76,310)
Culture and recreation	243,945	4,065	52	365,125	125,297	-	125,297
Interest	5,662	-	-	-	(5,662)	-	(5,662)
Total governmental activities	3,887,374	320,706	1,428,947	938,078	(1,199,643)	-	(1,199,643)
Business-type activities							
Utilities	382,560	402,249	-	-	-	19,689	19,689
Ambulance	511,216	352,264	-	-	-	(158,952)	(158,952)
Total business-type activities	893,776	754,513	-	-	-	(139,263)	(139,263)
Total primary government	\$ 4,781,150	\$ 1,075,219	\$ 1,428,947	\$ 938,078	(1,199,643)	(139,263)	(1,338,906)
General revenue:							
Taxes:							
Property taxes, levied for general purposes					577,027	-	577,027
Local sales taxes					728,320	-	728,320
Franchise tax					118,552	-	118,552
State urban revenue sharing					406,177	-	406,177
Share of state sales taxes					324,755	-	324,755
Share of state auto lieu taxes					196,130	-	196,130
Investment earnings					705	-	705
Transfers					(137,781)	137,781	-
Total general revenue and transfers					2,213,885	137,781	2,351,666
Change in net position					1,014,242	(1,482)	1,012,760
Net position, beginning of year					5,056,949	34,234	5,091,183
Net position, end of year					\$ 6,071,191	\$ 32,752	\$ 6,103,943

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Highways and Streets Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 973,689	\$ 1,025,383	\$ 1,999,072
Taxes receivable	113,151	-	-	113,151
Due from other governments	158,395	33,879	35,864	228,138
Other receivables	1,959	-	-	1,959
Due from other funds	-	1,576,071	-	1,576,071
Total assets	<u>273,505</u>	<u>2,583,639</u>	<u>1,061,247</u>	<u>3,918,391</u>
LIABILITIES				
Accounts payable	86,905	7,016	53,534	147,455
Accrued expenses	46,564	6,521	-	53,085
Due to other funds	579,098	-	-	579,098
Total liabilities	<u>712,567</u>	<u>13,537</u>	<u>53,534</u>	<u>779,638</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	42,570	-	-	42,570
FUND BALANCES				
Restricted for:				
Highways and streets	-	2,570,102	-	2,570,102
Multi-generational center	-	-	649,652	649,652
Economic development	-	-	313,333	313,333
Airport	-	-	18,823	18,823
Public safety	-	-	25,905	25,905
Unassigned	(481,632)	-	-	(481,632)
Total fund balances	<u>(481,632)</u>	<u>2,570,102</u>	<u>1,007,713</u>	<u>3,096,183</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 273,505</u>	<u>\$ 2,583,639</u>	<u>\$ 1,061,247</u>	<u>\$ 3,918,391</u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2020

Fund balances-total governmental funds		\$ 3,096,183
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		4,025,077
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		42,570
<p>Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.</p>		115,273
<p>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.</p>		
<p style="padding-left: 20px;">Capital lease payable</p>	(27,414)	
<p style="padding-left: 20px;">Compensated absences</p>	(70,077)	
<p style="padding-left: 20px;">Notes payable</p>	(57,055)	
<p style="padding-left: 20px;">Net pension/OPEB liability</p>	<u>(1,013,185)</u>	
		(1,167,731)
<p>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.</p>		<u>(40,181)</u>
Net position of governmental activities		<u><u>\$ 6,071,191</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	General Fund	Highways and Streets Fund	Grants Fund	Total Governmental Funds
Revenue				
Intergovernmental	\$ 1,044,434	\$ 599,254	\$ 760,347	\$ 2,404,035
Taxes	1,412,819	-	-	1,412,819
Contributions	252	-	850,000	850,252
Charges for services	48,021	-	200,000	248,021
Licenses and permits	44,863	-	-	44,863
Fines and forfeitures	20,841	-	-	20,841
Rental income	5,298	-	-	5,298
Other revenue	1,255	-	-	1,255
Investment income	932	-	-	932
Total revenue	2,578,715	599,254	1,810,347	4,988,316
Expenditures				
Current				
General government	763,959	-	154,755	918,714
Public safety	992,410	-	161,990	1,154,400
Public works	343,271	824,478	-	1,167,749
Welfare	165,350	-	-	165,350
Culture and recreation	174,938	-	22,289	197,227
Debt service				
Principal	7,227	11,210	665	19,102
Interest	3,504	2,022	136	5,662
Capital outlay	19,535	11,888	698,776	730,199
Total expenditures	2,470,194	849,598	1,038,611	4,358,403
Excess (deficiency) of revenue over (under) expenditures	108,521	(250,344)	771,736	629,913
Other financing sources (uses)				
Transfers	267,315	14,891	(419,987)	(137,781)
Installment purchase agreement	-	-	8,528	8,528
Total other financing sources (uses)	267,315	14,891	(411,459)	(129,253)
Net change in fund balances	375,836	(235,453)	360,277	500,660
Fund balances, beginning of year	(857,468)	2,805,555	647,436	2,595,523
Fund balances, end of year	\$ (481,632)	\$ 2,570,102	\$ 1,007,713	\$ 3,096,183

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2020

Net change in fund balances-total governmental funds \$ 500,660

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	730,199	
Depreciation expense	(263,619)	
		466,580

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

Inkind labor for capital asset construction	40,000	
Property taxes	11,081	
		51,081

Town 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 Town'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.

Town pension/OPEB contributions	167,573	
Pension/OPEB expense	(171,411)	
		(3,838)

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	19,102	
Capital leases incurred	(8,528)	
		10,574

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.

Increase in compensated absences payable		(10,815)

Change in net position of governmental activities		\$ 1,014,242

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
ASSETS			
Current assets			
Accounts receivable - net	\$ 31,002	\$ 60,239	\$ 91,241
Due from other funds	282,735	-	282,735
Total current assets	313,737	60,239	373,976
Noncurrent assets			
Net pension asset	203	93,891	94,094
Capital assets, net of accumulated depreciation, where applicable:			
Construction in progress	99,985	-	99,985
Buildings, net	-	197,279	197,279
Utilities systems, net	588,979	-	588,979
Equipment, net	15,368	222,631	237,999
Total noncurrent assets	704,535	513,801	1,218,336
Total assets	1,018,272	574,040	1,592,312
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	18,323	78,567	96,890
LIABILITIES			
Current liabilities			
Accounts payable	72,126	6,267	78,393
Accrued expenses	1,230	16,380	17,610
Interest payable	704	-	704
Due to other funds	-	1,279,708	1,279,708
Compensated absences, current portion	2,088	14,793	16,881
Note payable, current portion	58,762	-	58,762
Total current liabilities	134,910	1,317,148	1,452,058
Noncurrent liabilities			
Compensated absences, net of current portion	696	4,931	5,627
Net pension liability	112,708	1,161	113,869
Total noncurrent liabilities	113,404	6,092	119,496
Total liabilities	248,314	1,323,240	1,571,554
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	8,404	76,492	84,896
NET POSITION			
Net investment in capital assets	645,570	419,910	1,065,480
Unrestricted (deficit)	134,307	(1,167,035)	(1,032,728)
Total net position	\$ 779,877	\$ (747,125)	\$ 32,752

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2020

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Operating revenue			
Charges for services			
Sewer (net of bad debts of \$3,315)	\$ 402,249	\$ -	\$ 402,249
Ambulance (net of contractual adjustments and bad debts of \$337,084 and \$82,249, respectively)	-	352,264	352,264
Total operating revenue	<u>402,249</u>	<u>352,264</u>	<u>754,513</u>
Operating expenses			
Personnel	121,792	379,270	501,062
Professional services	98,003	42,550	140,553
Materials and supplies	33,085	39,683	72,768
Utilities	63,742	4,762	68,504
Depreciation	32,060	25,227	57,287
Repairs and maintenance	16,200	12,793	28,993
Insurance	11,552	5,776	17,328
Other	5,422	1,155	6,577
Total operating expenses	<u>381,856</u>	<u>511,216</u>	<u>893,072</u>
Operating income (loss)	20,393	(158,952)	(138,559)
Nonoperating revenue (expenses)			
Interest expense	(704)	-	(704)
Income (loss) before transfers	19,689	(158,952)	(139,263)
Transfers	484	137,297	137,781
Increase (decrease) in net position	20,173	(21,655)	(1,482)
Total net position, beginning of year	<u>759,704</u>	<u>(725,470)</u>	<u>34,234</u>
Total net position, end of year	<u>\$ 779,877</u>	<u>\$ (747,125)</u>	<u>\$ 32,752</u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 403,155	\$ 354,264	\$ 757,419
Payments to suppliers and providers of goods and services	(228,234)	(101,653)	(329,887)
Payments to employees	(115,837)	(380,193)	(496,030)
Net cash provided (used) by operating activities	<u>59,084</u>	<u>(127,582)</u>	<u>(68,498)</u>
Cash flows from noncapital financing activities			
Interfund transfers	484	137,297	137,781
Noncapital grant contributions	30,000	-	30,000
Interfund loans	(104,042)	(9,715)	(113,757)
Net cash provided (used) by noncapital financing activities	<u>(73,558)</u>	<u>127,582</u>	<u>54,024</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	(44,288)	-	(44,288)
Proceeds from notes payable	58,762	-	58,762
Net cash provided (used) by capital and related financing activities	<u>14,474</u>	<u>-</u>	<u>14,474</u>
Net increase (decrease) in cash	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 20,393	\$ (158,952)	\$ (138,559)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	32,060	25,227	57,287
Contractual adjustments	-	337,084	337,084
Bad debts	3,315	82,249	85,564
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(2,409)	(417,333)	(419,742)
Net pension and other postemployment benefits asset	68	(12,669)	(12,601)
Deferred outflows of resources related to pensions and other postemployment benefits	9,591	(12,233)	(2,642)
Accounts payable	(230)	5,066	4,836
Accrued expenses	(888)	5,748	4,860
Compensated absences payable	(1,065)	6,076	5,011
Net pension and other postemployment benefits liability	3,536	1,161	4,697
Deferred inflows of resources related to pensions and other postemployment benefits	(5,287)	10,994	5,707
Net cash provided (used) by operating activities	<u>\$ 59,084</u>	<u>\$ (127,582)</u>	<u>\$ (68,498)</u>
Non-cash investing and financing activities:			
Capital assets purchased on account	<u>\$ 56,611</u>	<u>\$ -</u>	<u>\$ 56,611</u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,583
Investments	<u>90,362</u>
Total assets	<u>92,945</u>
NET POSITION	
Held in trust for pension trust participants	<u><u>\$ 92,945</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2020

	Pension Trust Fund
Additions	
Investment income	\$ 5,409
Deductions	
Investment fees	1,333
Distributions to participants	3,501
Total deductions	4,834
Change in net position	575
Net position, beginning of year	92,370
Net position, end of year	\$ 92,945

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units; however, it does have a blended component unit. The blended component unit discussed below has a June 30 year-end.

The *Town of Superior Municipal Property Corporation* (SMPC) is a nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the SMPC is to assist the Town in acquiring, constructing, financing, operating, improving or modifying public facilities for the benefit of all residents. The SMPC's board of directors is appointed by the Superior Town Council.

B. Basis of Presentation

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

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the Town's governmental and business-type activities. 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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’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 Town 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, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, 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 Town’s funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund’s principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The Town reports the following major governmental funds:

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The ***Highway and Streets Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund, Local Transportation Assistance Fund, and Pinal County Transportation Excise Tax Fund that is legally restricted to expenditures for specified purposes.

The ***Grants Fund*** accounts for specific revenue received that is legally restricted to expenditures for specified purposes.

The Town reports the following major enterprise funds:

The ***Utilities*** and ***Ambulance Funds*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town 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 Town 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 Town reports the following fiduciary fund types:

The ***Pension Trust Fund*** accounts for the Town’s Volunteer Firefighter’s Relief and Pension Fund, a defined contribution plan for which the assets are held by the Town 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.

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

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 they become both measurable and available. The Town considers

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. 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 pollution remediation obligations, 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 Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2020 in the Utilities and Ambulance Funds, respectively, were \$135,000 and \$55,798.

F. Property Tax Calendar

Property taxes are recognized as revenue in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end are reported as unavailable revenue. Property taxes collected in advance of the fiscal year for which they are levied are reported as deferred revenue.

The Town levies real property taxes on or before the third Monday in August that become due and 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 and personal property attaches on the first day of January preceding assessment and levy.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property taxes receivable consist of uncollected property taxes as determined from the records of the Town Treasurer’s Office, and at June 30, 2020, the uncollected property taxes and related allowances for uncollectible amounts (if any) were as follows:

Fiscal Year	General Fund
2019 - 2020	\$ 87,082
Prior	11,254
Total	\$ 98,336

G. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings	5,000	Straight-line	40
Equipment	5,000	Straight-line	15
Infrastructure	5,000	Straight-line	25
Utility systems	5,000	Straight-line	30

H. Investment Income

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

I. Compensated Absences

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Employees may accumulate up to 120 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. However, employees may request in writing to the Town Manager to have excess hours carried forward. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate 240 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

J. 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.

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 Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Assigned fund balances are resources constrained by the Town’s intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town 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 Town’s policy to use (the Town will use) restricted fund balance first. It is the Town’s policy to use (the Town 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town 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 Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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

Deposits—At June 30, 2020, the carrying amount of the Town’s total cash in bank was \$1,995,698, and the bank balances were \$2,129,596. Of the bank balances, \$500,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

Investments—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$3,374. The Standard and Poor’s credit quality rating of the pool is AAA.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

The Town’s Pension Trust Fund had investments in mutual funds of \$90,362 at June 30, 2020, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town 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.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental activities	Business-type activities	Pension trust funds	Total
Cash and cash equivalents:				
Amount of deposits	\$ 1,995,698	\$ -	\$ -	\$ 1,995,698
Money market	-	-	2,583	2,583
State Treasurer's investment pool 5	3,374	-	-	3,374
Total	<u>\$ 1,999,072</u>	<u>\$ -</u>	<u>\$ 2,583</u>	<u>\$ 2,001,655</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2020 consisted of \$17,387 in state-shared revenue from sales taxes, \$9,667 in state-shared revenue from auto lieu taxes, \$95,824 in local sales taxes collected by the State of Arizona, and \$35,517 in revenue for AAA grants.

Amounts due from other governments in the Highway and Streets Fund at June 30, 2020 consisted of \$20,180 in state-shared revenue from highway user revenue fund (HURF) taxes and \$13,699 in county-shared revenue from Pinal County road taxes.

Amounts due from other governments in the Grants Fund at June 30, 2020 consisted of \$35,864 in federal and state grants.

NOTE 4 – HIGHWAY AND STREETS FUND BALANCE

The fund balance for the Highway and Streets Fund consists of the following:

State of Arizona Highway User Revenue Fund	\$ 2,448,371
Pinal County Transportation Excise Tax Fund	44,677
Local Transportation Assistance Fund	77,054
	<hr/>
	\$ 2,570,102
	<hr/> <hr/>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 152,776	\$ -	\$ -	\$ 152,776
Construction in progress	-	150,073	-	150,073
Total capital assets not being depreciated	<u>152,776</u>	<u>150,073</u>	<u>-</u>	<u>302,849</u>
Capital assets being depreciated:				
Buildings	3,509,613	542,668	-	4,052,281
Equipment	1,731,969	77,458	-	1,809,427
Infrastructure	3,853,115	-	-	3,853,115
Total	<u>9,094,697</u>	<u>620,126</u>	<u>-</u>	<u>9,714,823</u>
Less accumulated depreciation for:				
Buildings	1,646,708	101,492	-	1,748,200
Equipment	970,761	108,990	-	1,079,751
Infrastructure	3,111,507	53,137	-	3,164,644
Total	<u>5,728,976</u>	<u>263,619</u>	<u>-</u>	<u>5,992,595</u>
Total capital assets being depreciated, net	<u>3,365,721</u>	<u>356,507</u>	<u>-</u>	<u>3,722,228</u>
Governmental activities capital assets, net	<u>\$ 3,518,497</u>	<u>\$ 506,580</u>	<u>\$ -</u>	<u>\$ 4,025,077</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 5 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 99,985	\$ -	\$ 99,985
Capital assets being depreciated:				
Buildings	\$ 272,111	\$ -	\$ -	\$ 272,111
Utility systems	4,717,254	-	-	4,717,254
Equipment	447,506	914	-	448,420
Total	<u>5,436,871</u>	<u>914</u>	<u>-</u>	<u>5,437,785</u>
Less accumulated depreciation for:				
Buildings	68,030	6,802	-	74,832
Utility systems	4,099,138	29,138	-	4,128,276
Equipment	189,073	21,347	-	210,420
Total	<u>4,356,241</u>	<u>57,287</u>	<u>-</u>	<u>4,413,528</u>
Total capital assets being depreciated, net	<u>1,080,630</u>	<u>(56,373)</u>	<u>-</u>	<u>1,024,257</u>
Business-type activities capital assets, net	<u>\$ 1,080,630</u>	<u>\$ 43,612</u>	<u>\$ -</u>	<u>\$ 1,124,242</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 104,103
Public safety	84,420
Culture and recreation	42,220
General government	28,070
Welfare	4,806
Total governmental activities depreciation expense	<u>\$ 263,619</u>
Business-type activities:	
Utilities	\$ 32,060
Ambulance	25,227
Total business-type activities depreciation expense	<u>\$ 57,287</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 6 – LONG -TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2020.

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within one year
Governmental activities:					
Notes from direct borrowings and direct placements	\$ 88,334	\$ -	\$ 3,667	\$ 84,667	\$ 4,000
Less note discount	(29,736)	-	(2,124)	(27,612)	(2,250)
Capital leases payable	36,445	8,528	17,559	27,414	16,363
Net pension/OPEB liability	963,555	49,630	-	1,013,185	-
Compensated absences	59,262	10,815	-	70,077	52,558
	<u>\$ 1,117,860</u>	<u>\$ 68,973</u>	<u>\$ 19,102</u>	<u>\$ 1,167,731</u>	<u>\$ 70,671</u>
Business-type activities:					
Notes from direct borrowings and direct placements	\$ -	\$ 58,762	\$ -	\$ 58,762	\$ 58,762
Net pension/OPEB liability	109,172	4,697	-	113,869	-
Compensated absences	17,497	5,011	-	22,508	16,881
	<u>\$ 126,669</u>	<u>\$ 68,470</u>	<u>\$ -</u>	<u>\$ 195,139</u>	<u>\$ 75,643</u>

Notes payable—consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Governmental activities				
Notes from direct borrowings and direct placements - Building note payable	\$ 120,000	2042	0.00%	\$ 84,667
Note discount	(50,727)	2042	4.00%	(27,612)
Total	<u>\$ 69,273</u>			<u>\$ 57,055</u>
Business-type activities				
Notes from direct borrowings and direct placements - Sewer improvements note payable	<u>\$ 278,798</u>	2021	5.25%	<u>\$ 58,762</u>

In June 2011, the Town entered into a note agreement for the purchase of the Town Hall. The note agreement is non-interest bearing and requires monthly payment of \$333 due on the 17th of each month. The note will mature in August of 2041. Because the note is non-interest bearing, an interest rate of 4% has been imputed in accordance with GASBS No. 62 and a note discount has been created and netted with the note balance on the statement of net position.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 6 – LONG -TERM LIABILITIES – Continued

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.

In February 2020, the Town entered into a note agreement for construction of sewer improvements. The note bears interest at 5.25 percent. The note will mature in February 2021. The Town is expected to refinance the note with a USDA loan once the predevelopment phase is completed. The USDA funding was approved in September 2019.

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2020.

Year Ending June 30	Notes from Direct Borrowings and Direct Placements					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,750	\$ 2,250	\$ 58,762	\$ 3,085	\$ 60,512	\$ 5,335
2022	1,821	2,179	-	-	1,821	2,179
2023	1,895	2,105	-	-	1,895	2,105
2024	1,972	2,028	-	-	1,972	2,028
2025	2,053	1,947	-	-	2,053	1,947
2026-30	11,587	8,413	-	-	11,587	8,413
2031-35	14,148	5,852	-	-	14,148	5,852
2036-40	17,276	2,724	-	-	17,276	2,724
2041-42	4,553	114	-	-	4,553	114
Total	\$ 57,055	\$ 27,612	\$ 58,762	\$ 3,085	\$ 115,817	\$ 30,697

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 6 – LONG-TERM LIABILITIES – Continued

Capital leases—The Town 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 terms.

The assets acquired through capital leases are as follows:

	Governmental Activities
Skid Steer	\$ 48,471
Copiers	24,615
Less: accumulated depreciation	<u>(23,371)</u>
Carrying value	<u><u>\$ 49,715</u></u>

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2020:

Year Ending June 30	Governmental Activities
2021	\$ 18,134
2022	6,791
2023	1,923
2024	1,923
2025	<u>1,122</u>
Total minimum lease payments	29,893
Less amount representing interest	<u>(2,479)</u>
Present value of net minimum lease payments	<u><u>\$ 27,414</u></u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 7 – RISK MANAGEMENT

The Town 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 Town 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 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2020, were as follows:

Payable from	Payable to		Total
	Highways and Streets Fund	Utilities Fund	
General Fund	\$ 579,098	\$ -	\$ 579,098
Ambulance Fund	996,973	282,735	1,279,708
	\$ 1,576,071	\$ 282,735	\$ 1,858,806

The interfund receivables and payables above were necessary in order to fund the ongoing activities of the General and Ambulance Funds in current and prior periods.

Interfund transfers—The interfund transfer from the Grants Fund to the other funds was to reimburse the other funds for various expenditures incurred and recognized in those other funds.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2020, the Town 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	\$ 115,273	\$ 94,094	\$ 209,367
Net pension/OPEB liabilities	1,013,185	113,869	1,127,054
Deferred outflows of resources related to pension and OPEB	338,423	96,890	435,313
Deferred inflows of resources related to pension and OPEB	378,604	84,896	463,500
Pension and OPEB expense	171,411	33,708	205,119

The Town reported \$167,573 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

A. Arizona State Retirement System

Plan Description – Town 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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020, were \$71,033, \$3,040, and \$1055, respectively.

During fiscal year 2018, the Town paid for ASRS pension and OPEB contributions as follows: 64.03 percent from the General Fund, 21.42 percent from the Highways and Streets Fund, and 14.55 percent from the Utilities Fund.

Liability - At June 30, 2020, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB
	(Asset) Liability
	<hr/>
Pension	\$ 771,212
Health insurance premium benefit	(1,398)
Long-term disability	3,342

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. The Town’s proportion of the net asset or net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2019. The Town’s proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	<u>Proportion June 30, 2019</u>	<u>Increase (decrease) from June 30, 2018</u>
Pension	0.00530%	-0.00006%
Health insurance premium benefit	0.00506%	-0.00012%
Long-term disability	0.00513%	-0.00022%

Expense – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	125,364
Health insurance premium benefit	1,756
Long-term disability	1,094

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2020, the Town 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	\$ 13,932	\$ 145	\$ -	\$ 1,672
Changes of assumptions or other inputs	3,260	30,711	2,750	-
Net difference between projected and actual earnings on pension plan investments	-	17,334	-	1,818
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,790	5,916	12	3
Town contributions subsequent to the measurement date	71,033	-	3,040	-
Total	<u>\$ 118,015</u>	<u>\$ 54,106</u>	<u>\$ 5,802</u>	<u>\$ 3,493</u>
	<u>Long-Term Disability</u>			
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 395	\$ -		
Changes of assumptions or other inputs	500	-		
Net difference between projected and actual earnings on pension plan investments	-	71		
Changes in proportion and differences between Town contributions and proportionate share of contributions	155	87		
Town contributions subsequent to the measurement date	1,055	-		
Total	<u>\$ 2,105</u>	<u>\$ 158</u>		

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town 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, 2021. 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>
2021	\$ 14,907	\$ (602)	94
2022	(23,345)	(602)	94
2023	(3,329)	173	164
2024	4,643	339	176
2025	-	(39)	150
Thereafter	-	-	214

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

ASRS

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
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
Recovery rates	2012 GLDT for long-term disability
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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the Town’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%)
Town's Proportionate share of the			
Net pension liability	\$ 1,097,613	\$ 771,212	\$ 498,424
Net insurance premium benefit liability (asset)	7,083	(1,398)	(8,625)
Net long-term disability liability	3,699	3,342	2,996

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 – Town 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 Town’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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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, 2020, 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	3	3	1	1
Inactive employees entitled to but not yet receiving benefits	3	-	4	-
Active employees	9	9	5	5
Total	<u>15</u>	<u>12</u>	<u>10</u>	<u>6</u>

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, 2020, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	7.65% - 11.65%	20.74%	0.00%
PSPRS Fire	7.65% - 11.65%	13.48%	0.54%
PSPRS Tier 3 Risk Pool	9.94%	9.80%	0.21%

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions to the plans for the year ended June 30, 2020, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 85,940	\$ -
PSPRS Fire	28,955	1,731
PSPRS Tier 3 Risk Pool	10,349	171

During fiscal year 2020, the Town paid for 100 percent of PSPRS-Police pension and OPEB contributions from the General Fund. For PSPRS-Fire, the Town paid 20 percent of pension and OPEB contributions from the General Fund and 80 percent from the Ambulance Fund

Liability – At June 30, 2020, the Town reported the following assets and liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 351,049	\$ (90,606)
PSPRS Fire	(117,364)	1,451

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, 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 7.3 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%	4.01%
Fixed Income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	<u>100%</u>	

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. 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, 2019	\$ 1,577,575	\$ 1,255,174	\$ 322,401
Changes for the year			
Service Cost	90,889	-	90,889
Interest on the total liability	115,500	-	115,500
Differences between expected and actual experience in the measurement of the liability	(36,299)	-	(36,299)
Changes of assumptions or other inputs	59,842	-	59,842
Contributions-employer	-	98,625	(98,625)
Contributions-employee	-	39,273	(39,273)
Net investment income	-	65,525	(65,525)
Benefit payments, including refunds of employee contributions	(215,300)	(215,300)	-
Administrative expense	-	(2,139)	2,139
Net changes	14,632	(14,016)	28,648
Balances at June 30, 2020	\$ 1,592,207	\$ 1,241,158	\$ 351,049

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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, 2019	\$ 17,947	\$ 102,894	\$ (84,947)
Changes for the year			
Service Cost	2,982	-	2,982
Interest on the total liability	1,549	-	1,549
Differences between expected and actual experience in the measurement of the liability	(4,970)	-	(4,970)
Changes of assumptions or other inputs	266	-	266
Net investment income	-	5,582	(5,582)
Administrative expense	-	(96)	96
Net changes	(173)	5,486	(5,659)
Balances at June 30, 2020	\$ 17,774	\$ 108,380	\$ (90,606)

PSPRS-Fire

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 633,621	\$ 729,337	\$ (95,716)
Changes for the year			
Service Cost	41,088	-	41,088
Interest on the total liability	49,264	-	49,264
Differences between expected and actual experience in the measurement of the liability	(36,998)	-	(36,998)
Changes of assumptions or other inputs	4,543	-	4,543
Contributions-employer	-	23,811	(23,811)
Contributions-employee	-	17,599	(17,599)
Net investment income	-	39,852	(39,852)
Benefit payments, including refunds of employee contributions	(17,949)	(17,949)	-
Administrative expense	-	(1,677)	1,677
Other changes	-	(40)	40
Net changes	39,948	61,596	(21,648)
Balances at June 30, 2020	\$ 673,569	\$ 790,933	\$ (117,364)

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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, 2019	\$ 27,607	\$ 33,419	\$ (5,812)
Changes for the year			
Service Cost	1,324	-	1,324
Interest on the total liability	2,096	-	2,096
Differences between expected and actual experience in the measurement of the liability	6,577	-	6,577
Changes of assumptions or other inputs	53	-	53
Contributions-employer	-	979	(979)
Net investment income	-	1,799	(1,799)
Benefit payments, including refunds of employee contributions	(1,200)	(1,200)	-
Administrative expense	-	(31)	31
Other changes	-	40	(40)
Net changes	8,850	1,587	7,263
Balances at June 30, 2020	\$ 36,457	\$ 35,006	\$ 1,451

Sensitivity of the Town’s Net Pension/OPEB Liability to Changes in the Discount Rate – The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Police			
Net pension (asset) liability	\$ 524,482	\$ 351,049	\$ 206,838
Net OPEB (asset) liability	(88,035)	(90,606)	(92,755)
PSPRS Fire			
Net pension (asset) liability	\$ (33,586)	\$ (117,364)	\$ (186,074)
Net OPEB (asset) liability	5,397	1,451	(1,919)

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Expense – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense:

	Pension Expense		OPEB Expense	
PSPRS Police	\$ 66,421	\$	(8,330)	
PSPRS Fire	17,204		1,610	

Deferred Outflows/Inflows of Resources – At June 30, 2020, the Town 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	\$ -	\$ 286,179	\$ 863	\$ 22,003
Changes of assumptions or other inputs	92,159	-	231	1,946
Net difference between projected and actual earnings on pension plan investments	21,027	-	383	-
Town contributions subsequent to the measurement date	96,519	-	-	-
Total	\$ 209,705	\$ 286,179	\$ 1,477	\$ 23,949

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2020

NOTE 9 – 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	\$ 15,892	\$ 95,111	\$ 6,358	\$ 46
Changes of assumptions or other inputs	24,968	-	48	458
Net difference between projected and actual earnings on pension plan investments	12,066	-	119	-
Town contributions subsequent to the measurement date	36,856	-	1,902	-
Total	\$ 89,782	\$ 95,111	\$ 8,427	\$ 504

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town 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, 2021. 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
2021	\$ (52,946)	\$ (5,345)	\$ (6,718)	\$ 626
2022	(72,615)	(5,343)	(14,782)	628
2023	(60,163)	(4,605)	(8,938)	874
2024	8,807	(4,684)	(6,274)	847
2025	3,924	(1,319)	(2,768)	714
Thereafter	-	(1,176)	(2,705)	2,332

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 1,013,662	\$ 1,013,662	\$ 1,044,434	\$ 30,772
Taxes	1,530,273	1,530,273	1,412,819	(117,454)
Contributions	-	-	252	252
Charges for services	45,000	45,000	48,021	3,021
Licenses and permits	42,000	42,000	44,863	2,863
Fines and forfeitures	19,000	19,000	20,841	1,841
Rental income	20,000	20,000	5,298	(14,702)
Other revenue	32,095	32,095	1,255	(30,840)
Investment income	-	-	932	932
Total revenue	<u>2,702,030</u>	<u>2,702,030</u>	<u>2,578,715</u>	<u>(123,315)</u>
Expenditures				
Contingency	27,985	12,985	12,120	865
Mayor and Council	21,500	136,500	133,738	2,762
Town Manager	105,967	118,967	117,962	1,005
Town Attorney	63,000	54,000	52,190	1,810
Magistrate	25,115	19,115	18,900	215
Administration	341,185	343,185	341,916	1,269
Finance	69,465	44,465	43,236	1,229
Police	816,014	861,014	859,311	1,703
Fire	122,787	115,787	115,570	217
Public Works	215,047	248,047	247,043	1,004
Engineer	79,867	49,867	49,368	499
Swimming Pool	50,146	69,146	67,165	1,981
Parks	29,478	29,478	28,099	1,379
Library	80,525	80,525	79,673	852
Building Rentals	8,000	8,000	5,369	2,631
Senior Center-Congregate Meals	80,775	86,775	86,250	525
Senior Center-Home Delivery	64,713	66,713	66,222	491
Senior Center-Transportation	15,382	15,382	12,878	2,504
Code Enforcement	65,580	25,580	24,585	995
Economic Development	25,000	25,000	22,978	2,022
Transfer Station	32,482	69,482	68,263	1,219
Cemetery	127,922	22,922	17,358	5,564
Total expenditures	<u>2,467,935</u>	<u>2,502,935</u>	<u>2,470,194</u>	<u>32,741</u>
Excess (deficiency) of revenue over (under) expenditures	<u>234,095</u>	<u>199,095</u>	<u>108,521</u>	<u>(90,574)</u>
Other financing sources (uses)				
Transfers	(311,575)	(311,575)	267,315	578,890
Sale of capital assets	50,000	50,000	-	(50,000)
Total other financing sources (uses)	<u>(261,575)</u>	<u>(261,575)</u>	<u>267,315</u>	<u>528,890</u>
Net change in fund balance	(27,480)	(62,480)	375,836	438,316
Fund balances, beginning of year	<u>(857,468)</u>	<u>(857,468)</u>	<u>(857,468)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (884,948)</u>	<u>\$ (919,948)</u>	<u>\$ (481,632)</u>	<u>\$ 438,316</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Highways and Streets Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ 957,521	\$ 957,521	\$ 599,254	\$ (358,267)
Expenditures				
Public works	1,085,219	1,085,219	849,598	235,621
Excess (deficiency) of revenue over (under) expenditures	<u>(127,698)</u>	<u>(127,698)</u>	<u>(250,344)</u>	<u>(122,646)</u>
Other financing sources (uses)				
Transfers	<u>127,698</u>	<u>127,698</u>	<u>14,891</u>	<u>(112,807)</u>
Net change in fund balance	-	-	(235,453)	(235,453)
Fund balances, beginning of year	<u>2,805,555</u>	<u>2,805,555</u>	<u>2,805,555</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 2,805,555</u></u>	<u><u>\$ 2,805,555</u></u>	<u><u>\$ 2,570,102</u></u>	<u><u>\$ (235,453)</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 2,145,354	\$ 2,145,354	\$ 760,347	\$ (1,385,007)
Contributions	600,000	600,000	850,000	250,000
Charges for services	200,000	200,000	200,000	-
Total revenue	<u>2,945,354</u>	<u>2,945,354</u>	<u>1,810,347</u>	<u>(1,135,007)</u>
Expenditures				
General government	2,545,354	2,510,354	290,778	2,219,576
Public safety	200,000	200,000	222,876	(22,876)
Culture and recreation	200,000	200,000	524,957	(324,957)
Total expenditures	<u>2,945,354</u>	<u>2,910,354</u>	<u>1,038,611</u>	<u>1,871,743</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>35,000</u>	<u>771,736</u>	<u>736,736</u>
Other financing sources (uses)				
Transfers	-	-	(419,987)	(419,987)
Installment purchase agreement	-	-	8,528	8,528
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(411,459)</u>	<u>(411,459)</u>
Net change in fund balance	-	35,000	360,277	325,277
Fund balances, beginning of year	<u>647,436</u>	<u>647,436</u>	<u>647,436</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 647,436</u></u>	<u><u>\$ 682,436</u></u>	<u><u>\$ 1,007,713</u></u>	<u><u>\$ 325,277</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2020

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town 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. prohibits 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 Town Council's approval. With the exception of the General Fund, each fund includes only one department.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2020

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
Town's proportion of the net pension liability	0.005300%	0.005360%	0.004880%	0.004420%	0.004240%	0.003916%	Information
Town's proportionate share of the net pension liability	\$ 771,212	\$ 747,531	\$ 760,209	\$ 713,432	\$ 660,744	\$ 579,469	not available
Town's covered payroll	\$ 620,374	\$ 513,854	\$ 476,076	\$ 414,276	\$ 390,707	\$ 353,019	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.31%	145.48%	159.68%	172.21%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Town's proportion of the net OPEB (asset)	0.005060%	0.005180%	0.004850%	Information
Town's proportionate share of the net OPEB (asset)	\$ (1,398)	\$ (1,865)	\$ (2,640)	not available
Town's covered payroll	\$ 620,374	\$ 513,854	\$ 476,076	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.23%	-0.36%	-0.55%	
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2020

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Town's proportion of the net OPEB (asset)	0.005130%	0.005350%	0.004850%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 3,342	\$ 2,795	\$ 1,758	Information not available
Town's covered payroll	\$ 620,374	\$ 513,854	\$ 476,076	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.54%	0.54%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	84.44%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2020

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability							Information not available
Service cost	\$ 90,889	\$ 73,946	\$ 94,364	\$ 77,368	\$ 68,017	\$ 41,275	
Interest on the total pension liability	115,500	134,900	125,652	118,424	90,186	89,927	
Changes of benefit terms	-	-	20,056	19,855	-	27,961	
Differences between expected and actual experience in the measurement of the pension liability	(36,299)	(371,516)	(71,574)	(30,574)	282,746	(234,565)	
Changes of assumptions or other inputs	59,842	-	78,030	59,107	-	138,052	
Benefit payments, including refunds of employee contributions	(215,300)	(91,515)	(85,900)	(85,900)	(85,900)	(59,563)	
Net change in total pension liability	14,632	(254,185)	160,628	158,280	355,049	3,087	
Total pension liability - beginning	1,577,575	1,831,760	1,671,132	1,512,852	1,157,803	1,154,716	
Total pension liability - ending (a)	<u>\$ 1,592,207</u>	<u>\$ 1,577,575</u>	<u>\$ 1,831,760</u>	<u>\$ 1,671,132</u>	<u>\$ 1,512,852</u>	<u>\$ 1,157,803</u>	
Plan fiduciary net position							
Contributions - employer	\$ 98,625	\$ 112,901	\$ 78,974	\$ 68,133	\$ 67,338	\$ 45,890	
Contributions - employee	39,273	39,147	41,925	42,490	40,615	25,911	
Net investment income	65,525	80,066	119,790	5,919	36,594	113,188	
Benefit payments, including refunds of employee contributions	(215,300)	(91,515)	(85,900)	(85,900)	(85,900)	(59,563)	
Hall/Parker Settlement	-	(40,555)	-	-	-	-	
Administrative expense	(2,139)	(1,919)	(1,460)	(1,252)	(1,263)	-	
Other changes	-	15	(950)	(93,979)	90,697	(91,421)	
Net change in plan fiduciary net position	(14,016)	98,140	152,379	(64,589)	148,081	34,005	
Plan fiduciary net position - beginning	1,255,174	1,157,034	1,004,655	1,069,244	921,163	887,158	
Plan fiduciary net position - ending (b)	<u>\$ 1,241,158</u>	<u>\$ 1,255,174</u>	<u>\$ 1,157,034</u>	<u>\$ 1,004,655</u>	<u>\$ 1,069,244</u>	<u>\$ 921,163</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 351,049</u>	<u>\$ 322,401</u>	<u>\$ 674,726</u>	<u>\$ 666,477</u>	<u>\$ 443,608</u>	<u>\$ 236,640</u>	
Plan fiduciary net position as a percentage of the total pension liability	77.95%	79.56%	63.17%	60.12%	70.68%	79.56%	
Covered payroll	\$ 461,128	\$ 354,999	\$ 392,855	\$ 370,891	\$ 373,585	\$ 323,968	
Town's net pension (asset) liability as a percentage of covered payroll	76.13%	90.82%	171.75%	179.70%	118.74%	73.04%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2020

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability							Information not available
Service cost	\$ 41,088	\$ 36,525	\$ 59,650	\$ 22,708	\$ 38,649	\$ 38,842	
Interest on the total pension liability	49,264	43,068	40,345	40,052	33,972	29,163	
Changes of benefit terms	-	-	(2,374)	24,226	-	(942)	
Differences between expected and actual experience in the measurement of the pension liability	(36,998)	(915)	(40,977)	(76,116)	30,392	(873)	
Changes of assumptions or other inputs	4,543	-	16,581	15,980	-	8,369	
Benefit payments, including refunds of employee contributions	(17,949)	(17,597)	(17,597)	(17,597)	(17,597)	(8,799)	
Net change in total pension liability	39,948	61,081	55,628	9,253	85,416	65,760	
Total pension liability - beginning	633,621	572,540	516,912	507,659	422,243	356,483	
Total pension liability - ending (a)	<u>\$ 673,569</u>	<u>\$ 633,621</u>	<u>\$ 572,540</u>	<u>\$ 516,912</u>	<u>\$ 507,659</u>	<u>\$ 422,243</u>	
Plan fiduciary net position							
Contributions - employer	\$ 23,811	\$ 34,081	\$ 24,966	\$ 23,064	\$ 23,591	\$ 24,120	
Contributions - employee	17,599	21,645	24,597	24,054	24,522	21,221	
Net investment income	39,852	46,841	68,639	3,212	18,586	57,337	
Benefit payments, including refunds of employee contributions	(17,949)	(17,597)	(17,597)	(17,597)	(17,597)	(8,799)	
Hall/Parker Settlement	-	(24,569)	-	-	-	-	
Administrative expense	(1,677)	(1,413)	(1,007)	(862)	(833)	-	
Other changes	(40)	8	8	(2,974)	(416)	(21,932)	
Net change in plan fiduciary net position	61,596	58,996	99,606	28,897	47,853	71,947	
Plan fiduciary net position - beginning	729,337	670,341	570,735	541,838	493,985	422,038	
Plan fiduciary net position - ending (b)	<u>\$ 790,933</u>	<u>\$ 729,337</u>	<u>\$ 670,341</u>	<u>\$ 570,735</u>	<u>\$ 541,838</u>	<u>\$ 493,985</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ (117,364)</u>	<u>\$ (95,716)</u>	<u>\$ (97,801)</u>	<u>\$ (53,823)</u>	<u>\$ (34,179)</u>	<u>\$ (71,742)</u>	
Plan fiduciary net position as a percentage of the total pension liability	117.42%	115.11%	117.08%	110.41%	106.73%	116.99%	
Covered payroll	\$ 333,431	\$ 174,260	\$ 255,022	\$ 122,547	\$ 223,513	\$ 207,206	
Town's net pension (asset) liability as a percentage of covered payroll	-35.20%	-54.93%	-38.35%	-43.92%	-15.29%	-34.62%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2020

PSPRS OPEB - Police

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total OPEB liability				
Service cost	\$ 2,982	\$ 2,733	\$ 2,789	Information not available
Interest on the total OPEB liability	1,549	2,942	2,641	
Changes of benefit terms	-	-	1,035	
Differences between expected and actual experience in the measurement of the OPEB liability	(4,970)	(26,124)	1,502	
Changes of assumptions or other inputs	266	-	(3,389)	
Net change in total OPEB liability	(173)	(20,449)	4,578	
Total OPEB liability - beginning	17,947	38,396	33,818	
Total OPEB liability - ending (a)	<u>\$ 17,774</u>	<u>\$ 17,947</u>	<u>\$ 38,396</u>	
Plan fiduciary net position				
Net investment income	\$ 5,582	\$ 6,729	\$ 10,155	
Administrative expense	(96)	(102)	(91)	
Net change in plan fiduciary net position	5,486	6,627	10,064	
Plan fiduciary net position - beginning	102,894	96,267	86,203	
Plan fiduciary net position - ending (b)	<u>\$ 108,380</u>	<u>\$ 102,894</u>	<u>\$ 96,267</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (90,606)</u>	<u>\$ (84,947)</u>	<u>\$ (57,871)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	609.77%	573.32%	250.72%	
Covered payroll	\$ 461,128	\$ 354,999	\$ 392,855	
Town's net OPEB (asset) liability as a percentage of covered payroll	-19.65%	-23.93%	-14.73%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2020

PSPRS OPEB - Fire

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total OPEB liability				
Service cost	\$ 1,324	\$ 1,307	\$ 1,811	Information not available
Interest on the total OPEB liability	2,096	1,854	1,688	
Changes of benefit terms	-	-	1,276	
Differences between expected and actual experience in the measurement of the OPEB liability	6,577	640	(70)	
Changes of assumptions or other inputs	53	-	(698)	
Benefit payments	(1,200)	(1,200)	(1,200)	
Net change in total OPEB liability	8,850	2,601	2,807	
Total OPEB liability - beginning	27,607	25,006	22,199	
Total OPEB liability - ending (a)	<u>\$ 36,457</u>	<u>\$ 27,607</u>	<u>\$ 25,006</u>	
Plan fiduciary net position				
Contributions - employer	\$ 979	\$ 384	\$ 843	
Net investment income	1,799	2,210	3,397	
Benefit payments	(1,200)	(1,200)	(1,200)	
Administrative expense	(33)	(33)	(30)	
Other changes	40	-	-	
Net change in plan fiduciary net position	1,585	1,361	3,010	
Plan fiduciary net position - beginning	33,419	32,058	29,048	
Plan fiduciary net position - ending (b)	<u>\$ 35,004</u>	<u>\$ 33,419</u>	<u>\$ 32,058</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 1,453</u>	<u>\$ (5,812)</u>	<u>\$ (7,052)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	96.01%	121.05%	128.20%	
Covered payroll	\$ 333,431	\$ 174,260	\$ 255,022	
Town's net OPEB (asset) liability as a percentage of covered payroll	0.44%	-3.34%	-2.77%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2020

ASRS-Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 71,033	\$ 62,465	\$ 58,056	\$ 51,321	\$ 44,949	\$ 42,548	\$ 37,773	Information not available
Town's contributions in relation to the statutorily required contribution	(71,033)	(62,465)	(58,056)	(51,321)	(44,949)	(42,548)	(37,773)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 620,374</u>	<u>\$ 513,854</u>	<u>\$ 494,385</u>	<u>\$ 476,076</u>	<u>\$ 414,276</u>	<u>\$ 390,707</u>	<u>\$ 353,019</u>	
Town's contributions as a percentage of covered payroll	11.45%	12.16%	11.74%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily required contribution	\$ 3,040	\$ 2,394	\$ 2,223	\$ 2,611	Information not available
Town's contributions in relation to the statutorily required contribution	(3,040)	(2,394)	(2,223)	(2,611)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 620,374</u>	<u>\$ 513,854</u>	<u>\$ 494,385</u>	<u>\$ 476,076</u>	
Town's contributions as a percentage of covered payroll	0.49%	0.47%	0.45%	0.55%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2020

ASRS-Long-Term Disability

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily required contribution	\$ 1,055	\$ 853	\$ 849	\$ 660	Information not available
Town's contributions in relation to the statutorily required contribution	(1,055)	(853)	(849)	(660)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 620,374</u>	<u>\$ 513,854</u>	<u>\$ 494,385</u>	<u>\$ 476,076</u>	
Town's contributions as a percentage of covered payroll	0.17%	0.17%	0.17%	0.14%	

PSPRS - Police

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 96,519	\$ 98,625	\$ 112,901	\$ 78,974	\$ 68,133	\$ 67,338	\$ 45,890	Information not available
Town's contributions in relation to the actuarially determined contribution	(96,519)	(98,625)	(112,901)	(78,974)	(68,133)	(67,338)	(45,890)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 387,078</u>	<u>\$ 461,128</u>	<u>\$ 354,999</u>	<u>\$ 392,855</u>	<u>\$ 370,891</u>	<u>\$ 373,585</u>	<u>\$ 323,968</u>	
Town's contributions as a percentage of covered payroll	24.94%	21.39%	31.80%	20.10%	18.37%	18.02%	14.16%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2020

PSPRS OPEB - Police

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	-	-	-	-	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 387,078</u>	<u>\$ 461,128</u>	<u>\$ 354,999</u>	<u>\$ 392,855</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

PSPRS - Fire

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 36,856	\$ 23,811	\$ 34,081	\$ 24,966	\$ 23,064	\$ 23,591	\$ 24,120	Information not available
Town's contributions in relation to the actuarially determined contribution	(36,856)	(23,811)	(34,081)	(24,966)	(23,064)	(23,591)	(24,120)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 401,829</u>	<u>\$ 333,431</u>	<u>\$ 174,260</u>	<u>\$ 255,022</u>	<u>\$ 122,547</u>	<u>\$ 223,513</u>	<u>\$ 207,207</u>	
Town's contributions as a percentage of covered payroll	9.17%	7.14%	19.56%	9.79%	18.82%	10.55%	11.64%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2020

PSPRS OPEB - Fire

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Actuarially determined contribution	\$ 1,902	\$ 979	\$ 384	\$ 843	Information not available
Town's contributions in relation to the actuarially determined contribution	(1,902)	(979)	(384)	(843)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 401,829</u>	<u>\$ 333,431</u>	<u>\$ 174,260</u>	<u>\$ 255,022</u>	
Town's contributions as a percentage of covered payroll	0.47%	0.29%	0.22%	0.33%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2020

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 2018 actuarial valuation	18 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 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2020

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 Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



**Independent Auditor's 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 Town Council
Town of Superior, 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 Town of Superior, Arizona as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Superior, Arizona's basic financial statements and have issued our report thereon dated October 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Superior, 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 Town of Superior, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Superior, Arizona's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Superior Arizona's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the schedule of findings and recommendations as items:

2020-001 Grant Disallowed Expenditures
2012-001 Highway User Revenue Funds

Town of Superior, Arizona's Response to Findings

The Town of Superior, Arizona's responses to the findings identified in our audit are described in a separate schedule of responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the Town's responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC

Gilbert, Arizona

October 20, 2020





**Independent Auditors' Report on Compliance for Each Major Federal Program
And Report on Internal Control over Compliance Required by
the Uniform Guidance**

To the Town Council
Town of Superior, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Town of Superior, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Superior, Arizona's major federal programs for the year ended June 30, 2020. The Town of Superior, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, The Town of Superior, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Superior, Arizona's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Superior, Arizona's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-00 that we consider to be a significant deficiency. Material weaknesses or significant deficiencies may exist that have not been identified.

The Town of Superior, Arizona's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned. The Town of Superior, Arizona's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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

HintonBurdick, PLLC

HintonBurdick, PLLC
Gilbert, Arizona
October 20, 2020

TOWN OF SUPERIOR, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Pinal-Gila Council for Senior Citizens			
Aging Cluster			
Special Programs for the Aging-Title III, Part B	93.044	019-6655	1,036
Special Programs for the Aging-Title III, Part C	93.045	019-6655	54,588
Nutrition Services Incentive Program	93.053	019-6655	10,576
Total Aging Cluster			<u>66,200</u>
Social Services Block Grant	93.667	019-6655	16,763
Total U.S. Department of Health and Human Services			<u><u>82,963</u></u>
<u>U.S. Environmental Protection Agency</u>			
Passed through the Arizona Department of Environmental Quality			
State and Tribal Response Program Grants	66.817	ADEQ20-BF2015	13,030
<u>U.S. Department of the Treasury</u>			
Passed through the Arizona Office of the Governor			
Coronavirus Relief Fund	21.019		364,855
<u>U.S. Department of Agriculture</u>			
Passed through the Arizona Department of Forestry and Fire Management			
Cooperative Forestry Assistance	10.664	19DG-11031600-061	15,000
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Arizona Department of Housing			
Community Development Block Grants/Entitlement Grants	14.228	130-18	325,125
<u>U.S. Department of Homeland Security</u>			
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	190308-01	22,834
Homeland Security Grant Program	97.067	180310-01	7,181
Total U.S. Department of Homeland Security			<u>30,015</u>
Total Federal Awards			<u><u>\$ 830,988</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF SUPERIOR, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Town of Superior, Arizona under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Superior, Arizona, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Superior, Arizona.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:

- Material weakness (es) identified? ___ yes X no
- Significant deficiency (ies) identified that are not
 considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? X yes ___ no

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified? ___ yes X no
- Significant deficiency (ies) identified that are not
 considered to be material weaknesses? X yes ___ none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? X yes ___ no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/Entitlement Grants
97.067	Homeland Security Grant Program

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

Auditee qualified as low-risk auditee? ___ yes X no

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

COMPLIANCE AND OTHER MATTERS:

Compliance:

2020-001 Grant Disallowed Expenditures

Criteria: The Office of Management and Budget issued a Compliance Supplement based on requirements in the Uniform Guidance, or 2 CFR part 200, subpart F. This compliance supplement gives general and specific compliance requirements to non-federal entities receiving federal grants. One of the general requirements relates to allowable costs and cost principles. Specifically it states that allowable costs should not be included as a cost or be used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.

Condition: It was noted that \$32,001 of costs related to the Community Development Block Grant during the year ended June 30, 2020 was submitted twice to the federal agency for reimbursement.

Cause: The Town's design and implementation of internal controls over grant monitoring and reporting did not function properly.

Effect: The Town did not comply with federal regulations over federal grants.

Recommendation: We recommend the Town design and implement controls over grant monitoring and reporting which ensures the federal requirements are adhered to in relation to each federal grant received.

2012-001 Highway User Revenue Funds, Prior Year Reworded, Reissued

Criteria: Arizona Revised Statutes restricts HURF funds for the construction and maintenance of roads and disallows the borrowing of these monies by other Funds and departments. If borrowed, the misused funds are required to be paid back based on the agreed upon terms

Condition: There is a large inter-fund receivable balance in the Highway User Revenue Fund (HURF). As of June 30, 2019 the inter-fund balance did not decrease as expected. As of June 30, 2020 the inter-fund balance decreased.

Cause: Funds and departments incurred expenses in excess of their available resources.

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

Effect: Other Funds and departments of the Town have borrowed monies from the HURF to meet their operating needs. This resulted in the State withholding Highway Revenue Funds from the Town for a period of time. As of May 2018 the Town began receiving their Highway Revenue Funds again. As a result of the inter-fund balance in fiscal 2019 not decreasing, the Auditor General is closely monitoring and threatening to withhold Highway Revenue Funds from the Town.

Recommendation: The Town should continue to make every effort to have the Funds and departments that have borrowed monies from the Highway User Revenue Fund repay those amounts as in accordance with agreed terms with the Auditor General.

Other Matters:

No matters noted.

Section III - Federal Award Findings and Questioned Costs

MATERIAL WEAKNESSES

No matters noted.

SIGNIFICANT DEFICIENCIES

2020-001 Grant Disallowed Expenditures – CFDA 14.228

Criteria: The Office of Management and Budget issued a Compliance Supplement based on requirements in the Uniform Guidance, or 2 CFR part 200, subpart F. This compliance supplement gives general and specific compliance requirements to non-federal entities receiving federal grants. One of the general requirements relates to allowable costs and cost principles. Specifically it states that allowable costs should not be included as a cost or used to meet cost-sharing or matching requirement of any other federally financed program in either the current or a prior period.

Condition: It was noted that \$32,001 of costs related to the U.S Department of Housing and Urban Development’s Community Development Block Grant program were submitted for reimbursement twice. As such these costs are considered to be unallowable costs.

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section III - Federal Award Findings and Questioned Costs, Continued

Cause: The Town's design and implementation of internal controls over grant monitoring and reporting did not function properly.

Effect: The Town did not comply with federal regulations over federal grants. This could potentially result in the Town refunding disallowed grant reimbursements to the Federal agency partially or in whole.

Recommendation: We recommend the Town design and implement controls over grant monitoring and reporting which ensures the federal requirements are adhered to in relation to each federal grant received. Requests for reimbursements with supporting grant expenditures should be reviewed by a second individual in the finance department prior to submission to the granting agent along with reconciling the expenses with previously submitted expenses for reimbursement.

Town of Superior Arizona's Response from Management:

2020-001 Grant Disallowed Expenditures

Response: To prevent the potential for duplication of reimbursements in the future, the Town will use the General Ledger to prepare reimbursement forms.

Prior to the start of the audit, the Town had identified the duplication of reimbursements and contacted Arizona Department of Housing (ADOH) to notify them. The Town refunded ADOH for the duplicate expenditures and has since submitted reimbursement requests to ADOH for additional, non-duplicate expenditures that were incurred under the grant agreement that we never reimbursed

2012-001 Highway User Revenue Funds

Response: For fiscal year 2020, the Town has completely repaid any borrowings related to the Pinal County Excise Tax. As of June 30, 2020, the borrowing amount of \$1,576,071 solely consists of Highway User Revenue Funds. The total borrowing has decreased \$436,407 from the prior year due to prudent budgeting and stricter fiscal management. The Town will continue its diligence in monitoring actual spending and will look to increase unrestricted revenues and reduce General Fund expenditures wherever possible in an effort to payback the borrowing as quickly as is feasible.



HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Town Council
Superior, Arizona

We have audited the basic financial statements of the Town of Superior, Arizona for the year ended June 30, 2020, and have issued our report thereon dated October 20, 2020. Our audit also included test work on the Town of Superior's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town of Superior is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The Town of Superior has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the Town of Superior pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes but in years past have not. The expenditures recorded in the Highway User Special Revenue Fund appear to have been made for allowable purposes; however, the Fund reports a large interfund receivable balance. This indicates that other Funds of the Town have borrowed cash from the Highway User Revenue Fund to meet their operating needs. The amount due from other funds decreased from \$2,012,478 in fiscal year 2019 to \$1,576,071 in fiscal year 2020. The Town is expected to pay down this balance each year under agreement with the State Auditor General.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except as noted above, the Town of Superior complied in all material respects, with the requirements identified above for the year ended June 30, 2020.

The results of our auditing procedures disclosed two instances of noncompliance which is described in a separate schedule of findings and recommendations letter dated October 20, 2020 as item 2020-001 and 2019-001. Our opinion on compliance is not modified with respect to this matter.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Hinton Burdick, PLLC

HintonBurdick, PLLC
Gilbert, Arizona
October 20, 2020