

TOWN OF SUPERIOR, ARIZONA

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

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
Schedule of Findings and Responses	83
Independent Auditors' Report on State Legal Compliance	84



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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019, 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 1, 2019

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

We, the Town of Superior, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2019. 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 12.82%, between fiscal years 2018 and 2019. The 2019 Governmental Activities' net position increased 14.11% and the Business-type Activities' decreased 57.72%.
- ❖ The Town's total 2019 revenues were \$4,600,994 and expenses totaled \$4,022,390, resulting in an increase in net position of \$578,604 or 12.82%.
- ❖ The revenue sources of local taxes and state-shared revenues with \$2,269,685 representing 58.15% 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 35.92% 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 22.23% of the total governmental activities' revenue.
- ❖ Expenditures for the Town's governmental activities (excluding interest of \$7,133) total \$3,207,406. Public safety activities account for 36.47%, highway and streets spent 25.99% of the expenditures, culture and recreation 8.12%, and general government services accounted for 24.76% of total expenditures for 2019. General government services include administration, community services, community development and finance.
- ❖ General Fund revenues of \$2,479,003 were less than budgeted revenues of \$2,529,605 by \$50,602, or 2.00% while General Fund expenditures of \$2,394,997 were greater than budgeted expenditures of \$2,274,919 by \$120,078 or 5.28%. 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 \$2,595,523, an increase of \$486,216 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, 2019

additional sales tax collection in June and a large dividend distribution from our health insurance provider. The business-type activities' total net position was \$34,234, a decrease of \$46,736 from 2018.

- ❖ The Town of Superior had total long-term obligations outstanding of \$1,244,529 in 2019, a decrease of \$365,620. This is primarily due to the decrease in the PSPRS net pension liability for the police. The largest item of debt is pension liability, accounting for \$1,072,727, or 86% of long-term liability. The remainder of the debt is divided between paid time off at \$76,759 and equipment leases and notes at \$95,043.
- ❖ 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 2019 of \$750,326, a decrease of 1.53%. 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 2019 of \$322,401, a decrease of 52.22%. The total net pension/OPEB liability for the Town at the end of 2019 was \$1,072,727, a decrease of 25.33%.

ECONOMIC HIGHLIGHTS

Transfer Station Cleanup. The Town completed the cleanup of the asbestos contaminated waste at the transfer station this year, ahead of schedule and under budget. This did require a one-time expenditure in the refuse department in the General Fund.

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 should lead to saving in following years.

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 2019 fiscal year, and will be spent in the following years.

Wastewater Preliminary Engineering Report. The Town completed an update of the previous PER and through a grant from USDA. This \$60,000 was spent in the 2019 fiscal year, and the \$30,000 grant reimbursement was received in the following fiscal year. The full plant refurbishment has been underwritten with \$1,100,000 as loan and \$1,570,000 as a grant. Work will begin in FY 2020. 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 the billing. This shortfall will continue until federal a state programs adjust their rates.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

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, 2019

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, 2019

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, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 2,892,170	\$ 2,440,502	\$ (905,090)	\$ (899,617)	\$ 1,987,080	\$ 1,540,885
Capital assets						
Non-depreciable	152,776	152,776	-	-	152,776	152,776
Depreciable (net)	3,365,721	3,286,237	1,080,630	1,133,338	4,446,351	4,419,575
Total assets	6,410,667	5,879,515	175,540	233,721	6,586,207	6,113,236
Deferred Outflows of Resources						
Related to Pensions	\$ 396,914	\$ 478,291	\$ 94,248	\$ 99,748	491,162	578,039
LIABILITIES						
Other liabilities	158,311	295,651	29,696	39,863	188,007	335,514
Noncurrent liabilities						
Due within one year	63,887	54,594	13,122	13,078	77,009	67,672
Due in more than one year	1,053,973	1,427,625	113,547	115,236	1,167,520	1,542,861
Total liabilities	1,276,171	1,777,870	156,365	168,177	1,432,536	1,946,047
Deferred Inflows of Resources						
Related to Pensions	\$ 474,461	\$ 148,327	\$ 79,189	\$ 84,322	\$ 553,650	232,649
NET POSITION						
Net investment in capital assets	3,423,454	3,338,041	1,080,630	1,133,338	4,504,084	4,471,379
Restricted	3,451,334	2,978,262	-	-	3,451,334	2,978,262
Unrestricted	(1,817,839)	(1,884,694)	(1,046,396)	(1,052,368)	(2,864,235)	(2,937,062)
Total net position	\$ 5,056,949	\$ 4,431,609	\$ 34,234	\$ 80,970	\$ 5,091,183	\$ 4,512,579
CHANGE IN NET POSITION	\$ 625,340	\$ 239,905	\$ (46,736)	\$ 17,285	\$ 578,604	\$ 257,190
PERCENTAGE CHANGE IN NET POSITIONS	14.11%	5.72%	-57.72%	27.14%	12.82%	6.04%

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 12.82%, between fiscal years 2018 and 2019. The 2019 Governmental Activities' net position increased 14.11% and the Business-type Activities' decreased 57.72%.

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, 2019

Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 324,084	\$ 627,387	\$ 667,672	\$ 616,093	\$ 991,756	\$ 1,243,480
Operating grants and contributions	569,823	897,818	30,000	-	599,823	897,818
Capital grants and contributions	734,699	59,519	-	-	734,699	59,519
General revenues						
Local taxes	1,402,194	1,406,808	-	-	1,402,194	1,406,808
State-shared revenues	867,491	834,641	-	-	867,491	834,641
Investment earnings	1,177	1,192	-	-	1,177	1,192
Gain on disposal of capital assets	3,717	-	-	-	3,717	-
Miscellaneous	137	123,434	-	(33,263)	137	90,171
Total revenues	3,903,322	3,950,799	697,672	582,830	4,600,994	4,533,629
Expenses						
General government	794,041	872,863	-	-	794,041	872,863
Public safety	1,169,617	1,436,001	-	-	1,169,617	1,436,001
Highways and streets	833,718	783,684	-	-	833,718	783,684
Welfare	149,547	129,527	-	-	149,547	129,527
Culture and recreation	260,483	205,599	-	-	260,483	205,599
Interest	7,133	6,851	-	-	7,133	6,851
Utilities	-	-	399,497	461,159	399,497	461,159
Ambulance	-	-	408,354	380,755	408,354	380,755
Total expenses	3,214,539	3,434,525	807,851	841,914	4,022,390	4,276,439
Change in net position before transfers	688,783	516,274	(110,179)	(259,084)	578,604	257,190
Transfers	(63,443)	(276,369)	63,443	276,369	-	-
Change in net position	625,340	239,905	(46,736)	17,285	578,604	257,190
Net position, beginning of year	4,431,609	4,191,704	80,970	63,685	4,512,579	4,255,389
Net position, end of year	\$ 5,056,949	\$ 4,431,609	\$ 34,234	\$ 80,970	\$ 5,091,183	\$ 4,512,579

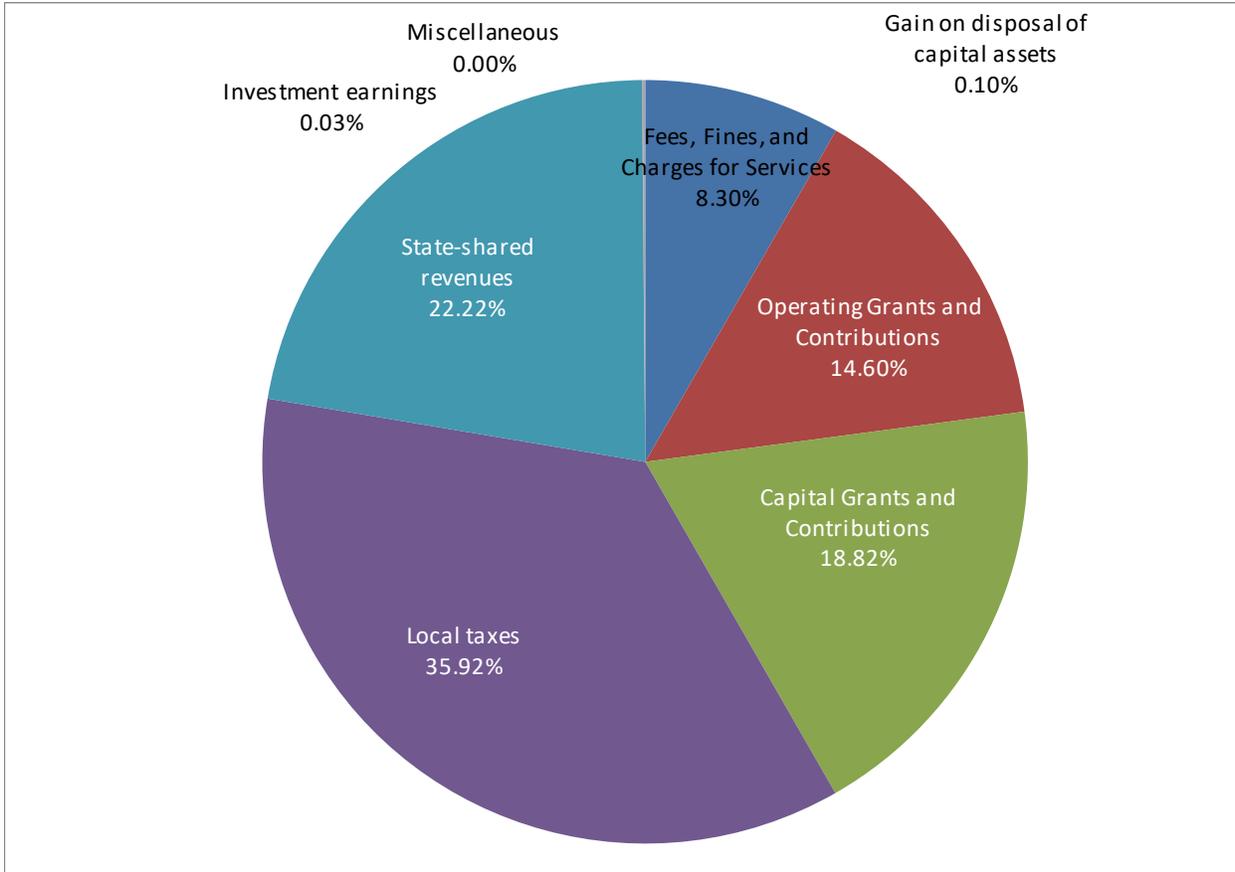
Change in Net Position: The Town's total 2019 revenues were \$4,600,994 and expenses totaled \$4,022,390, resulting in an increase in net position of \$578,604 or 12.82%.

Revenues for the Town's governmental activities totaled \$3,903,322, a 1.20% decrease from 2018. Local taxes are the largest revenue source for the governmental activities, accounting for 35.92% of total revenues. State-shared revenues account for 22.23% of the total revenues. Operating and capital grants together contribute 33.42% of the revenues.

Charges for services contribute 8.30% of the total revenues while miscellaneous revenues and investment earnings make up 0.13%.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

Governmental Activity Revenue

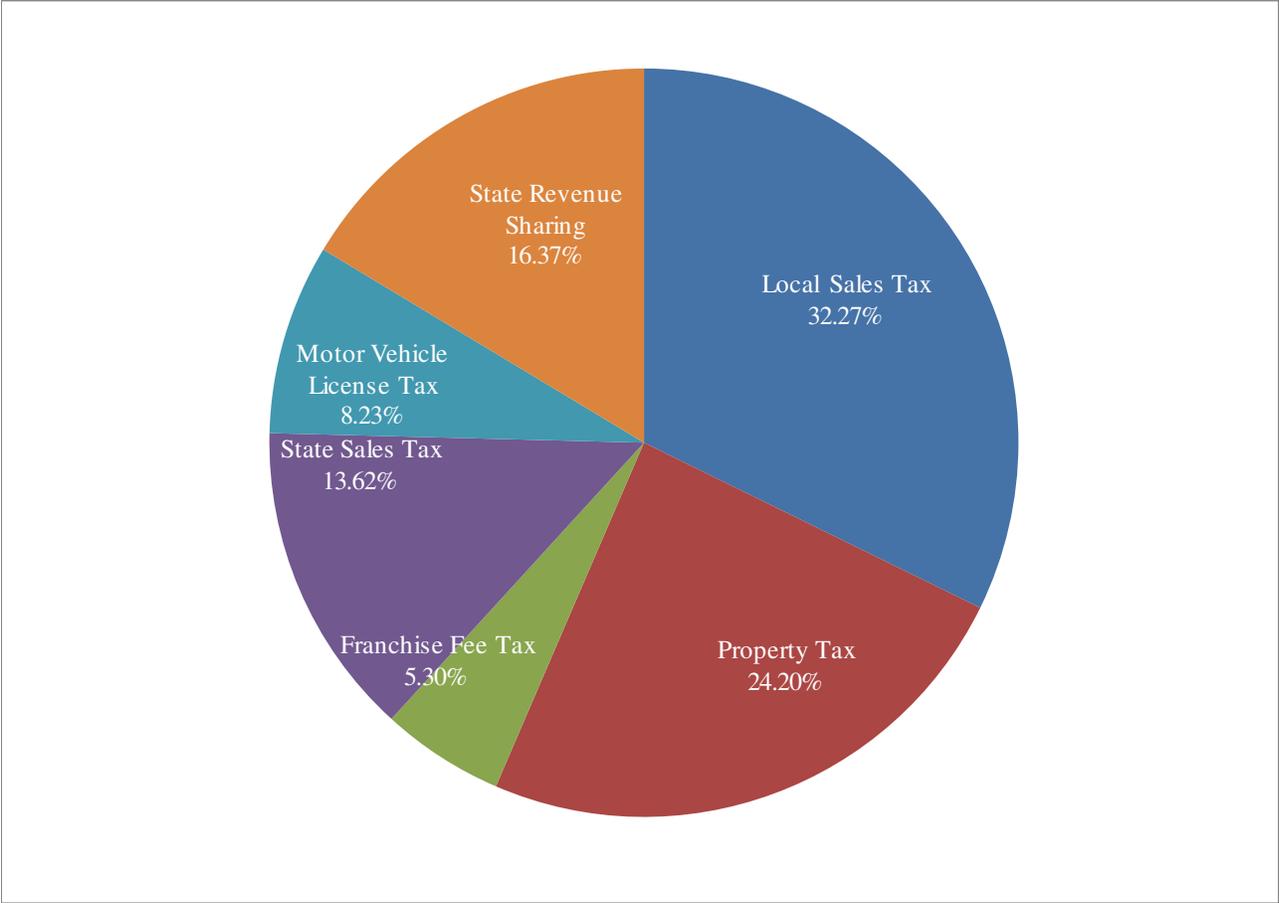


The revenue sources of local taxes and state-shared revenues with \$2,269,685 representing 58.15% of all revenues in the governmental activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the governmental activities, accounting for 35.92% 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 22.23% of the total governmental activities revenue.

Revenues for the Town's business-type activities totaled \$697,672, an increase of 19.70% from 2018. The increase was mainly due to an increase in rates for wastewater. The business-type activities' total net position was \$34,234, a decrease of \$46,736 from 2018.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

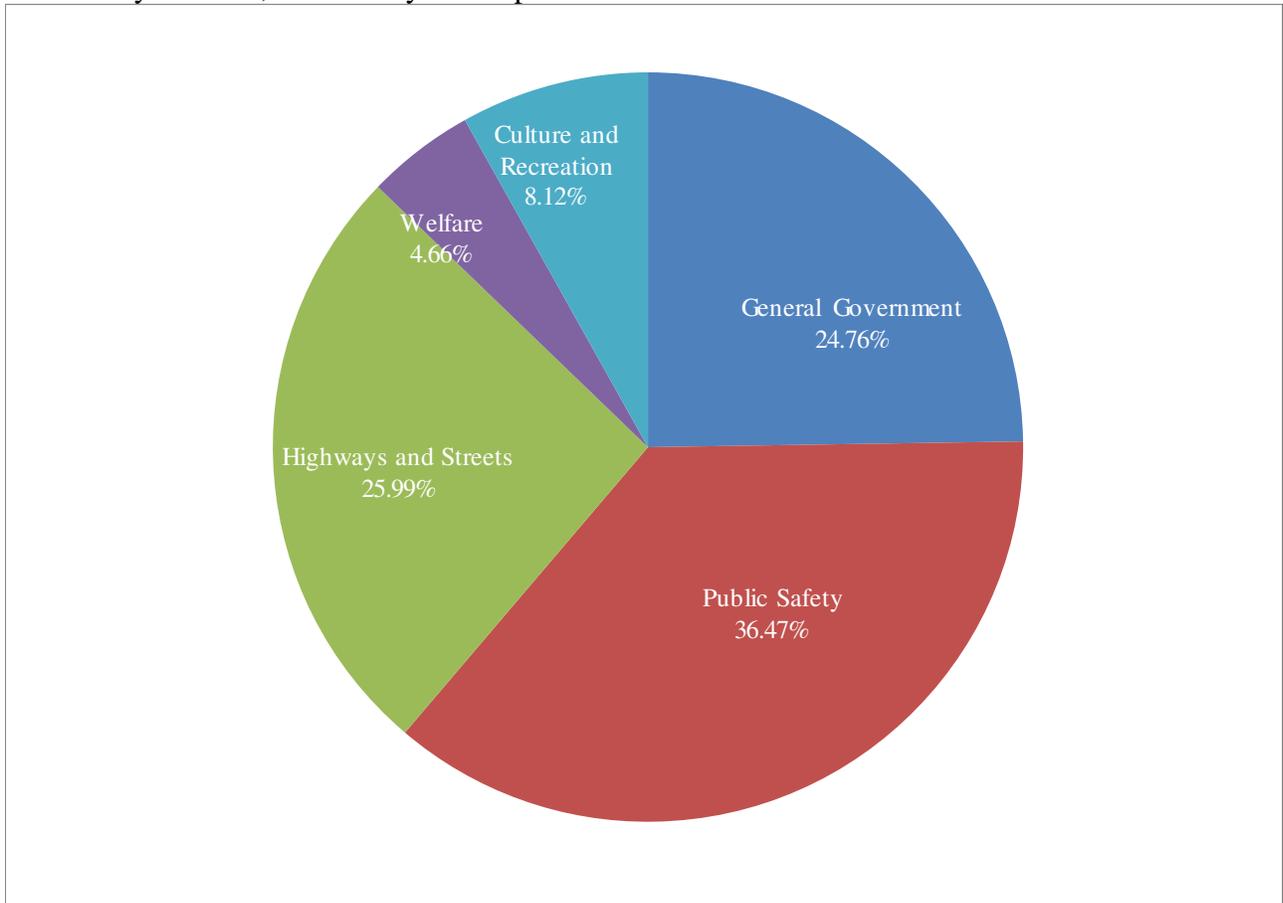
Tax
Distributions



TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

Government Activity Expense

Expenditures for the Town's governmental activities (excluding interest of \$7,133) total \$3,207,406. Public safety activities account for 36.47%, highway and streets spent 25.99% of the expenditures, culture and recreation 8.12%, and general government services accounted for 24.76% of total expenditures for 2019. General government services include administration, community services, community development and finance.



Net Cost of Town of Superior Activities

Governmental Activities

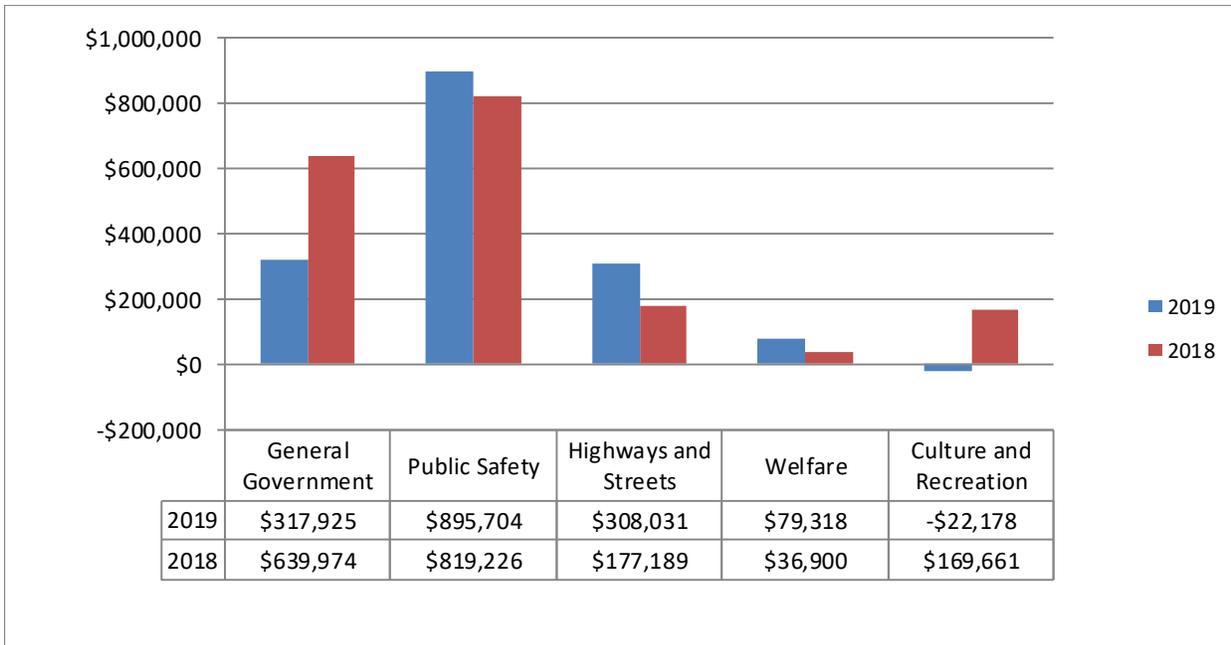
The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The actual net cost of services in 2019 was \$1,578,800 which is 14.33% less than in 2018 which was a result of the 2.77% increase of direct revenues and 6.43% decrease in direct costs.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2019	2018	2019	2018	2019	2018
General government	\$ 794,041	\$ 872,863	\$ 476,116	\$ 232,889	\$ 317,925	\$ 639,974
Public safety	1,169,617	1,436,001	273,913	616,775	895,704	819,226
Highways and streets	833,718	783,684	525,687	606,495	308,031	177,189
Welfare	149,547	129,527	70,229	92,627	79,318	36,900
Culture and recreation	260,483	205,599	282,661	35,938	(22,178)	169,661
Total revenues	\$ 3,207,406	\$ 3,427,674	\$ 1,628,606	\$ 1,584,724	1,578,800	1,842,950

Net Cost of Services – Governmental Activities



TOWN OF SUPERIOR, ARIZONA
Management’s Discussion and Analysis
June 30, 2019

Net Cost of Service – Business-Type Activities

Business-type Activities

The utility program net income from utility services increased from a net loss of \$135,127 in 2018 to a net loss of \$20,709 in 2019. This increase is due to the increase in the rates adopted in 2018 and increasing until 2023. The net loss from ambulance services decreased from \$90,694 in 2018 to a net loss of \$89,470 in 2019. 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>	
	2019	2018	2019	2018	2019	2018
Utilities	\$ 399,497	\$ 461,159	\$ 378,788	\$ 326,032	\$ 20,709	\$ 135,127
Ambulance	408,354	380,755	318,884	290,061	89,470	90,694
Total revenues	\$ 807,851	\$ 841,914	\$ 697,672	\$ 616,093	\$ 110,179	\$ 225,821

Net Cost of Service – Business-Type Activities



TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

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 \$3,518,497 in the governmental activities and \$1,080,630 in the business-type activities for a total of \$4,599,127 at the end of 2019. 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	
	2019	2018	2019	2018	2019	2018
Capital Assets Not Depreciated						
Land	\$ 152,776	\$ 152,776	\$ -	\$ -	\$ 152,776	\$ 152,776
Capital Assets Depreciated						
Buildings	3,509,613	3,363,599	272,111	272,111	3,781,724	3,635,710
Equipment	1,731,969	1,600,645	447,506	442,084	2,179,475	2,042,729
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	9,094,697	8,817,359	5,436,871	5,431,449	14,531,568	14,248,808
Accumulated Depreciation						
Buildings	(1,646,708)	(1,554,311)	(68,030)	(61,227)	(1,714,738)	(1,615,538)
Equipment	(970,761)	(918,441)	(189,073)	(166,884)	(1,159,834)	(1,085,325)
Infrastructure	(3,111,507)	(3,058,370)	-	-	(3,111,507)	(3,058,370)
Utility systems	-	-	(4,099,138)	(4,070,000)	(4,099,138)	(4,070,000)
Total Accumulated Depreciation	(5,728,976)	(5,531,122)	(4,356,241)	(4,298,111)	(10,085,217)	(9,829,233)
Net Total Capital Assets Depreciated	3,365,721	3,286,237	1,080,630	1,133,338	4,446,351	4,419,575
Net Total Capital Assets	\$ 3,518,497	\$ 3,439,013	\$ 1,080,630	\$ 1,133,338	\$ 4,599,127	\$ 4,572,351

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

Long-Term Liabilities

The Town of Superior had total long-term obligations outstanding of \$1,244,529 in 2019, a decrease of \$365,620. This is primarily due to the change in the net pension/OPEB liability. The largest debt is the pension/OPEB liabilities, accounting for \$1,072,727, or 86% of long-term liability. The remainder of the debt is divided between paid time off at \$76,759 and equipment leases and notes at \$95,043.

Long-Term Liabilities

	2019	2018	Change
Governmental Activities			
Notes from direct borrowings and direct placements	\$ 58,598	\$ 60,351	\$ (1,753)
Capital leases payable	36,445	40,621	(4,176)
Net pension/OPEB liability	963,555	1,325,817	(362,262)
Compensated absences	59,262	55,430	3,832
Total Long-Term Liabilities, Governmental Activities	1,117,860	1,482,219	(364,359)
Business-type Activities			
Net pension/OPEB liability	109,172	110,492	(1,320)
Compensated absences	17,497	17,438	59
Total Long-Term Liabilities, Business-type Activities	126,669	127,930	(1,261)
Total Long-Term Liabilities	\$ 1,244,529	\$ 1,610,149	\$ (365,620)

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 2019 of \$750,326, a decrease of 1.53%. 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 2019 of \$322,401, a decrease of 52.22%. The total net pension liability for the Town at the end of 2019 was \$1,072,727, a decrease of 25.33%.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Arizona State Retirement System (ASRS)						
Net Pension/OPEB Assets	\$ 1,594	\$ 2,256	\$ 271	\$ 384	\$ 1,865	\$ 2,640
Arizona State Retirement System (ASRS)						
Net Pension/OPEB Liabilities	\$ 641,154	\$ 651,091	\$ 109,172	\$ 110,876	\$ 750,326	\$ 761,967
Deferred Outflows of Resources	162,964	137,647	27,722	23,440	190,686	161,087
Deferred Inflows of Resources	80,405	41,669	13,691	7,096	94,096	48,765
Pension Expense	63,989	68,003	10,897	11,581	74,886	79,584
Public Safety Personnel Retirement (PSPRS)						
Net Pension/OPEB Assets	105,253	78,841	81,222	83,883	186,475	162,724
Public Safety Personnel Retirement (PSPRS)						
Net Pension/OPEB Liabilities	322,401	674,726	-	-	322,401	674,726
Deferred Outflows of Resources	233,950	340,644	66,526	76,308	300,476	416,952
Deferred Inflows of Resources	394,056	106,658	65,498	77,226	459,554	183,884
Pension Expense	124,362	180,535	24,645	22,535	149,007	203,070
Combined Pension/OPEB Assets						
Total Net Pension/OPEB Assets	106,847	81,097	81,493	84,267	188,340	165,364
Combined Pension/OPEB Liabilities						
Total Net Pension/OPEB Liabilities	963,555	1,325,817	109,172	110,876	1,072,727	1,436,693
Total Deferred Outflows of Resources	396,914	478,291	94,248	99,748	491,162	578,039
Total Deferred Inflows of Resources	474,461	148,327	79,189	84,322	553,650	232,649
Total Pension Expense	188,351	248,538	35,542	34,116	223,893	282,654

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 \$2,595,523, an increase of \$486,216 in comparison with the prior year. The major change in fund balance was due to accumulating funds for major capital projects next year and a large dividend distribution from our health insurance provider. The business-type activities' total net position was \$34,234, a decrease of \$46,736 from 2018.

TOWN OF SUPERIOR, ARIZONA
Management's Discussion and Analysis
June 30, 2019

Change in Fund Balances/Net Position

	2018	2018	Change
Governmental			
General Fund	\$ (857,468)	\$ (862,002)	\$ 4,534
Highways and Streets Fund	2,805,555	2,883,804	(78,249)
Grants Fund	647,436	87,505	559,931
SMPC Fund	-	-	-
Total Governmental Fund Balances	<u>2,595,523</u>	<u>2,109,307</u>	<u>486,216</u>
Business-type			
Utilities Fund	759,704	716,970	42,734
Ambulance Fund	(725,470)	(636,000)	(89,470)
Total Business-type Net Position	<u>34,234</u>	<u>80,970</u>	<u>(46,736)</u>
Total Fund Balances/Net Position	<u>\$ 2,629,757</u>	<u>\$ 2,190,277</u>	<u>\$ 439,480</u>

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 \$2,479,003 were less than budgeted revenues of \$2,529,605 by \$50,602, or 2.00% while General Fund expenditures of \$2,394,997 were higher than budgeted expenditures of \$2,274,919 by \$120,078 or 5.28%. 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 HURF Fund.
- ❖ The Multi-Generational Center is the Town Council's highest strategic planning objective in 2019, 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, 2019

❖ New construction projects throughout the Superior include:

- The Wastewater Treatment Plant Update Project.
- The US 60, Pool and Skate, and Besich Park Improvements.
- The Roosevelt 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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,443,064	\$ -	\$ 1,443,064
Accounts receivable - net	5,376	94,147	99,523
Taxes receivable	60,541	-	60,541
Due from other governments	165,612	30,000	195,612
Interactivity balances	1,110,730	(1,110,730)	-
Net pension/OPEB asset	106,847	81,493	188,340
Capital assets, not being depreciated	152,776	-	152,776
Capital assets, being depreciated, net	3,365,721	1,080,630	4,446,351
Total assets	6,410,667	175,540	6,586,207
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	396,914	94,248	491,162
LIABILITIES			
Accounts payable	117,744	16,946	134,690
Accrued expenses	40,567	12,750	53,317
Noncurrent liabilities			
Due within one year	63,887	13,122	77,009
Due in more than one year	1,053,973	113,547	1,167,520
Total liabilities	1,276,171	156,365	1,432,536
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	474,461	79,189	553,650
NET POSITION			
Net investment in capital assets	3,423,454	1,080,630	4,504,084
Restricted for:			
Highways and streets	2,805,555	-	2,805,555
Multi-generational center	290,733	-	290,733
Parks	200,000	-	200,000
Economic development	100,000	-	100,000
Airport	32,872	-	32,872
Public safety	22,174	-	22,174
Unrestricted (deficit)	(1,817,839)	(1,046,396)	(2,864,235)
Total net position	\$ 5,056,949	\$ 34,234	\$ 5,091,183

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Activities
Year Ended June 30, 2019

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	\$ 794,041	\$ 72,472	\$ 103,644	\$ 300,000	\$ (317,925)	\$ -	\$ (317,925)
Public safety	1,169,617	241,089	4,409	28,415	(895,704)	-	(895,704)
Highways and streets	833,718	4,000	391,361	130,326	(308,031)	-	(308,031)
Welfare	149,547	-	70,229	-	(79,318)	-	(79,318)
Culture and recreation	260,483	6,523	180	275,958	22,178	-	22,178
Interest	7,133	-	-	-	(7,133)	-	(7,133)
Total governmental activities	3,214,539	324,084	569,823	734,699	(1,585,933)	-	(1,585,933)
Business-type activities							
Utilities	399,497	348,788	-	30,000	-	(20,709)	(20,709)
Ambulance	408,354	318,884	-	-	-	(89,470)	(89,470)
Total business-type activities	807,851	667,672	-	30,000	-	(110,179)	(110,179)
Total primary government	\$ 4,022,390	\$ 991,756	\$ 569,823	\$ 764,699	(1,585,933)	(110,179)	(1,696,112)
General revenue:							
Taxes:							
Property taxes, levied for general purposes					549,434	-	549,434
Local sales taxes					732,374	-	732,374
Franchise tax					120,386	-	120,386
State urban revenue sharing					371,534	-	371,534
Share of state sales taxes					309,216	-	309,216
Share of state auto lieu taxes					186,741	-	186,741
Miscellaneous					137	-	137
Investment earnings					1,177	-	1,177
Gain on disposal of capital assets					3,717	-	3,717
Transfers					(63,443)	63,443	-
Total general revenue and transfers					2,211,273	63,443	2,274,716
Change in net position					625,340	(46,736)	578,604
Net position, beginning of year, as restated					4,431,609	80,970	4,512,579
Net position, end of year					\$ 5,056,949	\$ 34,234	\$ 5,091,183

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Highways and Streets Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 786,458	\$ 656,606	\$ 1,443,064
Taxes receivable	60,541	-	-	60,541
Due from other governments	121,537	34,837	9,238	165,612
Other receivables	5,376	-	-	5,376
Due from other funds	-	2,012,478	-	2,012,478
Total assets	<u>187,454</u>	<u>2,833,773</u>	<u>665,844</u>	<u>3,687,071</u>
LIABILITIES				
Accounts payable	75,028	24,308	18,408	117,744
Accrued expenses	36,657	3,910	-	40,567
Due to other funds	901,748	-	-	901,748
Total liabilities	<u>1,013,433</u>	<u>28,218</u>	<u>18,408</u>	<u>1,060,059</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	31,489	-	-	31,489
FUND BALANCES				
Restricted for:				
Highways and streets	-	2,805,555	-	2,805,555
Multi-generational center	-	-	290,733	290,733
Parks	-	-	200,000	200,000
Economic development	-	-	100,000	100,000
Airport	-	-	32,872	32,872
Public safety	-	-	22,174	22,174
Unassigned	(857,468)	-	1,657	(855,811)
Total fund balances	<u>(857,468)</u>	<u>2,805,555</u>	<u>647,436</u>	<u>2,595,523</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 187,454</u>	<u>\$ 2,833,773</u>	<u>\$ 665,844</u>	<u>\$ 3,687,071</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, 2019

Fund balances-total governmental funds		\$ 2,595,523
<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>		3,518,497
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue</p>		31,489
<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>		106,847
<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> Capital lease payable</p>	(36,445)	
<p> Compensated absences</p>	(59,262)	
<p> Notes payable</p>	(58,598)	
<p> Net pension/OPEB liability</p>	<u>(963,555)</u>	
		(1,117,860)
<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>(77,547)</u>
Net position of governmental activities		<u><u>\$ 5,056,949</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, 2019

	General Fund	Highways and Streets Fund	Grants Fund	Total Governmental Funds
Revenue				
Intergovernmental	\$ 950,960	\$ 391,361	\$ 203,278	\$ 1,545,599
Taxes	1,402,105	-	-	1,402,105
Contributions	180	-	625,874	626,054
Charges for services	50,025	-	200,000	250,025
Licenses and permits	40,394	-	-	40,394
Fines and forfeitures	22,393	-	-	22,393
Rental income	11,221	-	-	11,221
Investment income	1,177	-	-	1,177
Other revenue	548	-	-	548
Total revenue	2,479,003	391,361	1,029,152	3,899,516
Expenditures				
Current				
General government	723,105	-	32,621	755,726
Public safety	938,774	-	137,918	1,076,692
Public works	342,626	410,631	59,711	812,968
Welfare	143,746	-	-	143,746
Culture and recreation	148,692	-	69,720	218,412
Debt service				
Principal	6,414	8,354	-	14,768
Interest	4,437	2,696	-	7,133
Capital outlay	87,203	56,768	191,847	335,818
Total expenditures	2,394,997	478,449	491,817	3,365,263
Excess (deficiency) of revenue over (under) expenditures	84,006	(87,088)	537,335	534,253
Other financing sources (uses)				
Transfers	(86,039)	-	22,596	(63,443)
Sale of capital assets	6,567	-	-	6,567
Installment purchase agreement	-	8,839	-	8,839
Total other financing sources (uses)	(79,472)	8,839	22,596	(48,037)
Net change in fund balances	4,534	(78,249)	559,931	486,216
Fund balances, beginning of year	(862,002)	2,883,804	87,505	2,109,307
Fund balances, end of year	\$ (857,468)	\$ 2,805,555	\$ 647,436	\$ 2,595,523

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, 2019

Net change in fund balances-total governmental funds		\$ 486,216
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	335,818	
Depreciation expense	<u>(253,484)</u>	82,334
In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		
		(2,850)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		89
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	168,852	
Pension/OPEB expense	<u>(188,351)</u>	(19,499)
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		
Debt principal repaid	14,768	
Capital leases incurred	<u>(8,839)</u>	5,929
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.		
Asbestos remediation liability	76,953	
Increase in compensated absences payable	<u>(3,832)</u>	73,121
Change in net position of governmental activities		<u><u>\$ 625,340</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
ASSETS			
Current assets			
Accounts receivable - net	\$ 31,908	\$ 62,239	\$ 94,147
Due from other governments	30,000	-	30,000
Due from other funds	178,693	-	178,693
Total current assets	240,601	62,239	302,840
Noncurrent assets			
Net pension asset	271	81,222	81,493
Capital assets, net of accumulated depreciation, where applicable:			
Buildings, net	-	204,081	204,081
Utilities systems, net	618,116	-	618,116
Equipment, net	17,377	241,056	258,433
Total noncurrent assets	635,764	526,359	1,162,123
Total assets	876,365	588,598	1,464,963
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	27,914	66,334	94,248
LIABILITIES			
Current liabilities			
Accounts payable	15,745	1,201	16,946
Accrued expenses	2,118	10,632	12,750
Due to other funds	-	1,289,423	1,289,423
Compensated absences, current portion	2,887	10,235	13,122
Total current liabilities	20,750	1,311,491	1,332,241
Noncurrent liabilities			
Compensated absences, net of current portion	962	3,413	4,375
Net pension liability	109,172	-	109,172
Total noncurrent liabilities	110,134	3,413	113,547
Total liabilities	130,884	1,314,904	1,445,788
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	13,691	65,498	79,189
NET POSITION			
Net investment in capital assets	635,493	445,137	1,080,630
Unrestricted (deficit)	124,211	(1,170,607)	(1,046,396)
Total net position	\$ 759,704	\$ (725,470)	\$ 34,234

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, 2019

	Business-type Activities--Enterprise Funds		
	Utilities	Ambulance	Total
	Fund	Fund	
Operating revenue			
Charges for services			
Sewer (net of bad debts of \$15,000)	\$ 348,788	\$ -	\$ 348,788
Ambulance (net of bad debts of \$439,164)	-	318,884	318,884
Total operating revenue	348,788	318,884	667,672
Operating expenses			
Personnel	108,029	326,832	434,861
Professional services	144,122	19,823	163,945
Utilities	65,826	4,826	70,652
Depreciation	31,635	26,495	58,130
Materials and supplies	26,176	24,787	50,963
Insurance	10,252	5,126	15,378
Other	9,137	465	9,602
Repairs and maintenance	4,320	-	4,320
Total operating expenses	399,497	408,354	807,851
Operating income (loss)	(50,709)	(89,470)	(140,179)
Nonoperating revenue (expenses)			
Noncapital grant	30,000	-	30,000
Income (loss) before transfers	(20,709)	(89,470)	(110,179)
Transfers	63,443	-	63,443
Increase (decrease) in net position	42,734	(89,470)	(46,736)
Total net position, beginning of year	716,970	(636,000)	80,970
Total net position, end of year	\$ 759,704	\$ (725,470)	\$ 34,234

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 331,443	\$ 289,458	\$ 620,901
Payments to suppliers and providers of goods and services	(267,709)	(57,488)	(325,197)
Payments to employees	(107,292)	(325,904)	(433,196)
Net cash provided (used) by operating activities	<u>(43,558)</u>	<u>(93,934)</u>	<u>(137,492)</u>
Cash flows from noncapital financing activities			
Interfund transfers	63,443	-	63,443
Interfund loans	(14,463)	93,934	79,471
Net cash provided (used) by noncapital financing activities	<u>48,980</u>	<u>93,934</u>	<u>142,914</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	(5,422)	-	(5,422)
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, 2019

	Business-type Activities--Enterprise Funds		
	Utilities	Ambulance	Total
	Fund	Fund	
Reconciliation of operating income (loss)			
to net cash provided (used) by			
operating activities			
Operating income (loss)	\$ (50,709)	\$ (89,470)	\$ (140,179)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	31,635	26,495	58,130
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(17,345)	(29,426)	(46,771)
Net pension and other postemployment benefits asset	113	2,660	2,773
Deferred outflows of resources related to pensions and other postemployment benefits	(4,474)	9,974	5,500
Accounts payable	(8,406)	(3,367)	(11,773)
Accrued expenses	(721)	2,327	1,606
Compensated absences payable	1,458	(1,399)	59
Net pension and other postemployment benefits liability	(1,704)	-	(1,704)
Deferred inflows of resources related to pensions and other postemployment benefits	6,595	(11,728)	(5,133)
Net cash provided (used) by operating activities	\$ (43,558)	\$ (93,934)	\$ (137,492)

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 7,413
Investments	<u>84,957</u>
Total assets	<u>92,370</u>
NET POSITION	
Held in trust for pension trust participants	<u><u>\$ 92,370</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, 2019

	<u>Pension Trust Fund</u>
Additions	
Investment income	<u>\$ 4,456</u>
Deductions	
Investment fees	<u>1,321</u>
Change in net position	3,135
Net position, beginning of year	<u>89,235</u>
Net position, end of year	<u><u>\$ 92,370</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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. To accomplish this purpose, the SMPC issued \$1,200,000 of excise tax revenue bonds in December 1997 (see Note 6). 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, 2019

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, 2019

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, 2019

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, landfill closure and postclosure care costs, 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, 2019 in the Utilities and Ambulance Funds, respectively, were \$135,000 and \$55,000.

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, 2019

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, 2019, the uncollected property taxes and related allowances for uncollectible amounts (if any) were as follows:

Fiscal Year	General Fund
2018 - 2019	\$ 30,975
Prior	11,143
Total	\$ 42,118

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, 2019

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, 2019

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, 2019

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, 2019, the carrying amount of the Town’s total cash in bank was \$1,439,773, and the bank balances were \$1,507,242. 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 \$3,291. The Standard and Poor’s credit quality rating of the pool is AAA.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

The Town’s Pension Trust Fund had investments in mutual funds of \$84,957 at June 30, 2019, 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:

	<u>Governmental activities</u>	<u>Pension trust funds</u>	<u>Total</u>
Cash and cash equivalents:			
Amount of deposits	\$ 1,439,773	\$ -	\$ 1,439,773
Money market	-	7,413	7,413
State Treasurer's investment pool 5	3,291	-	3,291
Total	<u>\$ 1,443,064</u>	<u>\$ 7,413</u>	<u>\$ 1,450,477</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2019 consisted of \$10,523 in state-shared revenue from sales taxes, \$7,455 in state-shared revenue from auto lieu taxes, \$92,150 in local sales taxes collected by the State of Arizona, and \$11,409 in revenue for AAA grants.

Amounts due from other governments in the Highway and Streets Fund at June 30, 2019 consisted of \$22,426 in state-shared revenue from highway user revenue fund (HURF) taxes and \$12,411 in county-shared revenue from Pinal County road taxes.

Amounts due from other governments in the Grants Fund at June 30, 2019 consisted of \$9,238 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	\$ 2,546,124
Pinal County Transportation Excise Tax Fund	182,377
Local Transportation Assistance Fund	<u>77,054</u>
	<u><u>\$ 2,805,555</u></u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 152,776	\$ -	\$ -	\$ 152,776
Capital assets being depreciated:				
Buildings	3,363,599	146,014	-	3,509,613
Equipment	1,600,645	189,804	58,480	1,731,969
Infrastructure	3,853,115	-	-	3,853,115
Total	<u>8,817,359</u>	<u>335,818</u>	<u>58,480</u>	<u>9,094,697</u>
Less accumulated depreciation for:				
Buildings	1,554,311	92,397	-	1,646,708
Equipment	918,441	107,950	55,630	970,761
Infrastructure	3,058,370	53,137	-	3,111,507
Total	<u>5,531,122</u>	<u>253,484</u>	<u>55,630</u>	<u>5,728,976</u>
Total capital assets being depreciated, net	<u>3,286,237</u>	<u>82,334</u>	<u>2,850</u>	<u>3,365,721</u>
Governmental activities capital assets, net	<u>\$ 3,439,013</u>	<u>\$ 82,334</u>	<u>\$ 2,850</u>	<u>\$ 3,518,497</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 272,111	\$ -	\$ -	\$ 272,111
Utility systems	4,717,254	-	-	4,717,254
Equipment	442,084	5,422	-	447,506
Total	<u>5,431,449</u>	<u>5,422</u>	<u>-</u>	<u>5,436,871</u>
Less accumulated depreciation for:				
Buildings	61,227	6,803	-	68,030
Utility systems	4,070,000	29,138	-	4,099,138
Equipment	166,884	22,189	-	189,073
Total	<u>4,298,111</u>	<u>58,130</u>	<u>-</u>	<u>4,356,241</u>
Total capital assets being depreciated, net	<u>1,133,338</u>	<u>(52,708)</u>	<u>-</u>	<u>1,080,630</u>
Business-type activities capital assets, net	<u>\$ 1,133,338</u>	<u>\$ (52,708)</u>	<u>\$ -</u>	<u>\$ 1,080,630</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 92,309
Public safety	77,858
Culture and recreation	40,317
General government	37,449
Welfare	<u>5,551</u>
Total governmental activities depreciation expense	<u>\$ 253,484</u>
Business-type activities:	
Utilities	\$ 31,635
Ambulance	<u>26,495</u>
Total business-type activities depreciation expense	<u>\$ 58,130</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG -TERM LIABILITIES

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

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Governmental activities:					
Notes from direct borrowings and direct placements	\$ 92,667	\$ -	\$ 4,333	\$ 88,334	\$ 3,667
Less note discount	(32,316)	-	(2,580)	(29,736)	(2,124)
Capital leases payable	40,621	8,839	13,015	36,445	17,897
Net pension/OPEB liability	1,325,817	-	362,262	963,555	-
Compensated absences	55,430	3,832	-	59,262	44,447
	<u>\$ 1,482,219</u>	<u>\$ 12,671</u>	<u>\$ 377,030</u>	<u>\$ 1,117,860</u>	<u>\$ 63,887</u>
Business-type activities:					
Net pension/OPEB liability	\$ 110,492	\$ -	\$ 1,320	\$ 109,172	\$ -
Compensated absences	17,438	59	-	17,497	13,122
	<u>\$ 127,930</u>	<u>\$ 59</u>	<u>\$ 1,320</u>	<u>\$ 126,669</u>	<u>\$ 13,122</u>

Notes payable—consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Notes from direct borrowings and direct placements - Building note payable	\$ 120,000	2042	0.00%	\$ 88,334
Note discount	<u>(50,727)</u>	2042	4.00%	<u>(29,736)</u>
Total	<u>\$ 69,273</u>			<u>\$ 58,598</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.

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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG -TERM LIABILITIES – Continued

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

Year Ending June 30	Business-type Activities	
	Notes from Direct Borrowings and Direct Placements	
	Principal	Interest
2020	\$ 1,543	\$ 2,124
2021	1,750	2,250
2022	1,821	2,179
2023	1,895	2,105
2024	1,972	2,028
2025-29	11,134	8,866
2030-34	13,594	6,406
2035-39	16,600	3,400
2040-42	8,289	378
Total	\$ 58,598	\$ 29,736

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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:

	<u>Governmental Activities</u>
Skid Steer	\$ 48,471
Copiers	16,087
Less: accumulated depreciation	<u>(15,968)</u>
Carrying value	<u><u>\$ 48,590</u></u>

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2019:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2020	\$ 21,408
2021	15,808
2022	<u>4,157</u>
Total minimum lease payments	41,373
Less amount representing interest	<u>(4,928)</u>
Present value of net minimum lease payments	<u><u>\$ 36,445</u></u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2019, were as follows:

Payable from	Payable to		Total
	Highways and Streets Fund	Utilities Fund	
General Fund	\$ 901,748	\$ -	\$ 901,748
Ambulance Fund	1,110,730	178,693	1,289,423
	\$ 2,012,478	\$ 178,693	\$ 2,191,171

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 General Fund to the Utilities Fund was to transfer the Transfer Station activities from the Utilities Fund to the General Fund. The interfund transfer from the General Fund to the Grants Fund was to reimburse the Grants Fund for expenditures incurred and reported there that were not reimbursable under grant contracts/agreements.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2019, 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	\$ 106,847	\$ 81,493	\$ 188,340
Net pension/OPEB liabilities	963,555	109,172	1,072,727
Deferred outflows of resources related to pension and OPEB	396,914	94,248	491,162
Deferred inflows of resources related to pension and OPEB	474,461	79,189	553,650
Pension and OPEB expense	188,351	35,542	223,893

The Town reported \$168,852 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, 2019

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, 2019

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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the 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, 2019, were \$62,662, \$2,261, and \$822, 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, 2019, 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	\$ 747,531
Health insurance premium benefit	(1,865)
Long-term disability	2,795

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

The 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, 2018. The Town’s proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.00536%	0.00048%
Health insurance premium benefit	0.00518%	0.00033%
Long-term disability	0.00535%	0.00050%

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

	Pension/OPEB Expense
Pension	71,990
Health insurance premium benefit	1,859
Long-term disability	1,037

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	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	\$ 20,594	\$ 4,121	\$ -	\$ 1,722
Changes of assumptions or other inputs	19,781	66,279	3,597	-
Net difference between projected and actual earnings on pension plan investments	-	17,976	-	3,726
Changes in proportion and differences between Town contributions and proportionate share of contributions	80,095	-	16	1
Town contributions subsequent to the measurement date	62,662	-	2,261	-
Total	\$ 183,132	\$ 88,376	\$ 5,874	\$ 5,449
	Long-Term Disability			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 71	\$ -		
Changes of assumptions or other inputs	605	-		
Net difference between projected and actual earnings on pension plan investments	-	271		
Changes in proportion and differences between Town contributions and proportionate share of contributions	181	-		
Town contributions subsequent to the measurement date	822	-		
Total	\$ 1,679	\$ 271		

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2020	\$ 56,227	\$ (720)	33
2021	11,189	(719)	34
2022	(27,269)	(718)	34
2023	(8,062)	76	107
2024	-	245	120
Thereafter	-	-	258

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

ASRS

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

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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	\$ 1,065,623	\$ 747,531	\$ 481,771
Net insurance premium benefit liability (asset)	6,609	(1,865)	(9,084)
Net long-term disability liability	3,168	2,795	2,434

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 County’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, 2019

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, 2019

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, 2019, the following employees were covered by the agent plans’ benefit terms:

	<u>PSPRS Police</u>		<u>PSPRS Fire</u>	
	<u>Pension</u>	<u>Health</u>	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	3	3	1	1
Inactive employees entitled to but not yet receiving benefits	6	-	4	-
Active employees	<u>8</u>	<u>8</u>	<u>4</u>	<u>4</u>
Total	<u>17</u>	<u>11</u>	<u>9</u>	<u>5</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, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>Active Member- Pension</u>	<u>Town-Pension</u>	<u>Town-Health Insurance Premium Benefit</u>
PSPRS Police	7.65% - 11.65%	25.67%	0.00%
PSPRS Fire	7.65% - 11.65%	12.77%	0.55%
PSPRS Tier 3 Risk Pool	9.94%	9.68%	0.26%

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 98,625	\$ -
PSPRS Fire	33,390	1,575
PSPRS Tier 3 Risk Pool	4,553	122

During fiscal year 2019, 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, 2019, the Town reported the following assets and liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 322,401	\$ (84,947)
PSPRS Fire	(95,716)	(5,812)

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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

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

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

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

PSPRS-Police

	Pension		Net Pension
	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Liability (Asset) (a) -
	Liability (a)	Position (b)	(b)
Balances at June 30, 2018	\$ 1,831,760	\$ 1,157,034	\$ 674,726
Changes for the year			
Service Cost	73,946	-	73,946
Interest on the total liability	134,900	-	134,900
Differences between expected and actual experience in the measurement of the liability	(371,516)	-	(371,516)
Contributions-employer	-	112,901	(112,901)
Contributions-employee	-	39,147	(39,147)
Net investment income	-	80,066	(80,066)
Benefit payments, including refunds of employee	(91,515)	(91,515)	-
Hall/Parker Settlement	-	(40,555)	40,555
Administrative expense	-	(1,919)	1,919
Other changes	-	15	(15)
Net changes	(254,185)	98,140	(352,325)
Balances at June 30, 2019	\$ 1,577,575	\$ 1,255,174	\$ 322,401

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2018	\$ 38,396	\$ 96,267	\$ (57,871)
Changes for the year			
Service Cost	2,733	-	2,733
Interest on the total liability	2,942	-	2,942
Differences between expected and actual experience in the measurement of the liability	(26,124)	-	(26,124)
Net investment income	-	6,729	(6,729)
Administrative expense	-	(102)	102
Net changes	(20,449)	6,627	(27,076)
Balances at June 30, 2019	\$ 17,947	\$ 102,894	\$ (84,947)

PSPRS-Fire

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 572,540	\$ 670,341	\$ (97,801)
Changes for the year			
Service Cost	36,525	-	36,525
Interest on the total liability	43,068	-	43,068
Differences between expected and actual experience in the measurement of the liability	(915)	-	(915)
Contributions-employer	-	34,081	(34,081)
Contributions-employee	-	21,645	(21,645)
Net investment income	-	46,841	(46,841)
Benefit payments, including refunds of employee contributions	(17,597)	(17,597)	-
Hall/Parker Settlement	-	(24,569)	24,569
Administrative expense	-	(1,413)	1,413
Other changes	-	8	(8)
Net changes	61,081	58,996	2,085
Balances at June 30, 2019	\$ 633,621	\$ 729,337	\$ (95,716)

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2018	\$ 25,006	\$ 32,058	\$ (7,052)
Changes for the year			
Service Cost	1,307	-	1,307
Interest on the total liability	1,854	-	1,854
Differences between expected and actual experience in the measurement of the liability	640	-	640
Contributions-employer	-	384	(384)
Net investment income	-	2,210	(2,210)
Benefit payments, including refunds of employee contributions	(1,200)	(1,200)	-
Administrative expense	-	(33)	33
Net changes	<u>2,601</u>	<u>1,361</u>	<u>1,240</u>
Balances at June 30, 2019	<u>\$ 27,607</u>	<u>\$ 33,419</u>	<u>\$ (5,812)</u>

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 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PSPRS Police			
Net pension (asset) liability	\$ 467,844	\$ 322,401	\$ 200,084
Net OPEB (asset) liability	(82,283)	(84,947)	(87,178)
PSPRS Fire			
Net pension (asset) liability	\$ (15,425)	\$ (95,716)	\$ (161,422)
Net OPEB (asset) liability	(2,146)	(5,812)	(8,851)

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, 2019

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension Expense		OPEB Expense	
PSPRS Police	\$ 124,707	\$	(6,506)	
PSPRS Fire	30,197		609	

Deferred Outflows/Inflows of Resources – At June 30, 2019, 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	\$ 30,678	\$ 351,463	\$ 1,076	\$ 21,890
Changes of assumptions or other inputs	69,777	-	-	2,427
Net difference between projected and actual earnings on pension plan investments	17,163	-	-	1,902
Town contributions subsequent to the measurement date	98,625	-	-	-
Total	\$ 216,243	\$ 351,463	\$ 1,076	\$ 26,219

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2019

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	\$ 18,792	\$ 80,646	\$ 575	\$ 54
Changes of assumptions or other inputs	26,581	-	-	538
Net difference between projected and actual earnings on pension plan investments	8,169	-	-	634
Town contributions subsequent to the measurement date	27,974	-	1,067	-
Total	\$ 81,516	\$ 80,646	\$ 1,642	\$ 1,226

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
2020	\$ (21,700)	\$ (5,163)	\$ 1,057	\$ (244)
2021	(61,753)	(5,163)	(3,212)	(244)
2022	(81,422)	(5,161)	(11,276)	(242)
2023	(68,970)	(4,423)	(5,432)	4
2024	-	(4,502)	(2,768)	(23)
Thereafter	-	(731)	(5,473)	98

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 938,071	\$ 938,071	\$ 950,960	\$ 12,889
Taxes	1,464,439	1,464,439	1,402,105	(62,334)
Contributions	-	-	180	180
Charges for services	41,000	41,000	50,025	9,025
Licenses and permits	17,000	17,000	40,394	23,394
Fines and forfeitures	26,000	26,000	22,393	(3,607)
Rental income	11,000	11,000	11,221	221
Investment income	-	-	1,177	1,177
Other revenue	32,095	32,095	548	(31,547)
Total revenue	<u>2,529,605</u>	<u>2,529,605</u>	<u>2,479,003</u>	<u>(50,602)</u>
Expenditures				
Contingency	107,559	7,559	7,276	283
Mayor and Council	28,000	40,500	40,379	121
Town Manager	102,102	102,102	94,758	7,344
Town Attorney	63,000	69,500	69,160	340
Magistrate	23,840	23,840	17,408	6,432
Administration	358,919	418,919	418,526	393
Finance	60,365	60,365	55,526	4,839
Police	794,061	807,561	807,452	109
Fire	108,999	115,249	115,024	225
Public Works	161,208	241,708	241,473	235
Engineer	-	29,750	29,450	300
Swimming Pool	53,234	63,734	63,450	284
Parks	12,500	12,500	4,003	8,497
Library	82,234	82,234	81,240	994
Building Rentals	8,000	8,000	6,522	1,478
Senior Center-Congregate Meals	52,282	71,782	71,508	274
Senior Center-Home Delivery	62,115	63,615	63,113	502
Senior Center-Transportation	15,382	15,382	13,858	1,524
Code Enforcement	49,576	49,576	44,794	4,782
Transfer Station	111,696	125,196	124,900	296
Cemetery	19,847	25,347	25,177	170
Total expenditures	<u>2,274,919</u>	<u>2,434,419</u>	<u>2,394,997</u>	<u>39,422</u>
Excess (deficiency) of revenue over (under) expenditures	<u>254,686</u>	<u>95,186</u>	<u>84,006</u>	<u>(11,180)</u>
Other financing sources (uses)				
Transfers	(357,228)	(357,228)	(86,039)	271,189
Sale of capital assets	-	-	6,567	6,567
Total other financing sources (uses)	<u>(357,228)</u>	<u>(357,228)</u>	<u>(79,472)</u>	<u>277,756</u>
Net change in fund balance	(102,542)	(262,042)	4,534	266,576
Fund balances, beginning of year	<u>(862,002)</u>	<u>(862,002)</u>	<u>(862,002)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (964,544)</u>	<u>\$ (1,124,044)</u>	<u>\$ (857,468)</u>	<u>\$ 266,576</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 823,788	\$ 823,788	\$ 391,361	\$ (432,427)
Expenditures				
Public works	883,950	883,950	478,449	405,501
Excess (deficiency) of revenue over (under) expenditures	(60,162)	(60,162)	(87,088)	(26,926)
Other financing sources (uses)				
Transfers	60,162	60,162	-	(60,162)
Installment purchase agreement	-	-	8,839	8,839
Total other financing sources (uses)	60,162	60,162	8,839	(51,323)
Net change in fund balance	-	-	(78,249)	(78,249)
Fund balances, beginning of year	2,883,804	2,883,804	2,883,804	-
Fund balances, end of year	<u>\$ 2,883,804</u>	<u>\$ 2,883,804</u>	<u>\$ 2,805,555</u>	<u>\$ (78,249)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 2,495,940	\$ 2,495,940	\$ 203,278	\$ (2,292,662)
Contributions	-	-	625,874	625,874
Charges for services	200,000	200,000	200,000	-
Total revenue	<u>2,695,940</u>	<u>2,695,940</u>	<u>1,029,152</u>	<u>(1,666,788)</u>
Expenditures				
General government	2,488,440	2,328,940	41,888	2,287,052
Public safety	200,000	200,000	244,751	(44,751)
Public works	-	-	126,525	(126,525)
Culture and recreation	7,500	7,500	78,653	(71,153)
Total expenditures	<u>2,695,940</u>	<u>2,536,440</u>	<u>491,817</u>	<u>2,044,623</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>159,500</u>	<u>537,335</u>	<u>377,835</u>
Other financing sources (uses)				
Transfers	<u>-</u>	<u>-</u>	<u>22,596</u>	<u>22,596</u>
Net change in fund balance	-	159,500	559,931	400,431
Fund balances, beginning of year	<u>87,505</u>	<u>87,505</u>	<u>87,505</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 87,505</u></u>	<u><u>\$ 247,005</u></u>	<u><u>\$ 647,436</u></u>	<u><u>\$ 400,431</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2019

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, 2019

ASRS-Pension

	Reporting Fiscal Year					2014 through 2010
	(Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.005360%	0.004880%	0.004420%	0.004240%	0.003916%	Information not available
Town's proportionate share of the net pension liability	\$ 747,531	\$ 760,209	\$ 713,432	\$ 660,744	\$ 579,469	
Town's covered payroll	\$ 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	145.48%	159.68%	172.21%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year		
	(Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB (asset)	0.005180%	0.004850%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (1,865)	\$ (2,640)	
Town's covered payroll	\$ 513,854	\$ 476,076	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.36%	-0.55%	
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2019

ASRS-Long-Term Disability

	Reporting Fiscal Year		
	(Measurement Date)		
	2019	2018	2017
	(2018)	(2017)	through
			2010
Town's proportion of the net OPEB (asset)	0.005350%	0.004850%	Information
Town's proportionate share of the net OPEB (asset)	\$ 2,795	\$ 1,758	not available
Town's covered payroll	\$ 513,854	\$ 476,076	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.54%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%	

See accompanying notes to pension plan schedules.

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, 2019

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 73,946	\$ 94,364	\$ 77,368	\$ 68,017	\$ 41,275	
Interest on the total pension liability	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	(371,516)	(71,574)	(30,574)	282,746	(234,565)	
Changes of assumptions or other inputs	-	78,030	59,107	-	138,052	
Benefit payments, including refunds of employee contributions	(91,515)	(85,900)	(85,900)	(85,900)	(59,563)	
Net change in total pension liability	(254,185)	160,628	158,280	355,049	3,087	
Total pension liability - beginning	1,831,760	1,671,132	1,512,852	1,157,803	1,154,716	
Total pension liability - ending (a)	<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	\$ 112,901	\$ 78,974	\$ 68,133	\$ 67,338	\$ 45,890	
Contributions - employee	39,147	41,925	42,490	40,615	25,911	
Net investment income	80,066	119,790	5,919	36,594	113,188	
Benefit payments, including refunds of employee contributions	(91,515)	(85,900)	(85,900)	(85,900)	(59,563)	
Hall/Parker Settlement	(40,555)	-	-	-	-	
Administrative expense	(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	98,140	152,379	(64,589)	148,081	34,005	
Plan fiduciary net position - beginning	1,157,034	1,004,655	1,069,244	921,163	887,158	
Plan fiduciary net position - ending (b)	<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>\$ 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	79.56%	63.17%	60.12%	70.68%	79.56%	
Covered payroll	\$ 354,999	\$ 392,855	\$ 370,891	\$ 373,585	\$ 323,968	
Town's net pension (asset) liability as a percentage of covered payroll	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, 2019

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 36,525	\$ 59,650	\$ 22,708	\$ 38,649	\$ 38,842	
Interest on the total pension liability	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	(915)	(40,977)	(76,116)	30,392	(873)	
Changes of assumptions or other inputs	-	16,581	15,980	-	8,369	
Benefit payments, including refunds of employee contributions	(17,597)	(17,597)	(17,597)	(17,597)	(8,799)	
Net change in total pension liability	61,081	55,628	9,253	85,416	65,760	
Total pension liability - beginning	572,540	516,912	507,659	422,243	356,483	
Total pension liability - ending (a)	<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	\$ 34,081	\$ 24,966	\$ 23,064	\$ 23,591	\$ 24,120	
Contributions - employee	21,645	24,597	24,054	24,522	21,221	
Net investment income	46,841	68,639	3,212	18,586	57,337	
Benefit payments, including refunds of employee contributions	(17,597)	(17,597)	(17,597)	(17,597)	(8,799)	
Hall/Parker Settlement	(24,569)	-	-	-	-	
Administrative expense	(1,413)	(1,007)	(862)	(833)	-	
Other changes	8	8	(2,974)	(416)	(21,932)	
Net change in plan fiduciary net position	58,996	99,606	28,897	47,853	71,947	
Plan fiduciary net position - beginning	670,341	570,735	541,838	493,985	422,038	
Plan fiduciary net position - ending (b)	<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>\$ (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	115.11%	117.08%	110.41%	106.73%	116.99%	
Covered payroll	\$ 174,260	\$ 255,022	\$ 122,547	\$ 223,513	\$ 207,206	
Town's net pension (asset) liability as a percentage of covered payroll	-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, 2019

PSPRS OPEB - Police

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 2,733	\$ 2,789	Information
Interest on the total OPEB liability	2,942	2,641	not available
Changes of benefit terms	-	1,035	
Differences between expected and actual experience in the measurement of the OPEB liability	(26,124)	1,502	
Changes of assumptions or other inputs	-	(3,389)	
Net change in total OPEB liability	(20,449)	4,578	
Total OPEB liability - beginning	38,396	33,818	
Total OPEB liability - ending (a)	<u>\$ 17,947</u>	<u>\$ 38,396</u>	
Plan fiduciary net position			
Net investment income	\$ 6,729	\$ 10,155	
Administrative expense	(102)	(91)	
Net change in plan fiduciary net position	6,627	10,064	
Plan fiduciary net position - beginning	96,267	86,203	
Plan fiduciary net position - ending (b)	<u>\$ 102,894</u>	<u>\$ 96,267</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (84,947)</u>	<u>\$ (57,871)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	573.32%	250.72%	
Covered payroll	\$ 354,999	\$ 392,855	
Town's net OPEB (asset) liability as a percentage of covered payroll	-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, 2019

PSPRS OPEB - Fire

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 1,307	\$ 1,811	Information not available
Interest on the total OPEB liability	1,854	1,688	
Changes of benefit terms	-	1,276	
Differences between expected and actual experience in the measurement of the OPEB liability	640	(70)	
Changes of assumptions or other inputs	-	(698)	
Benefit payments	<u>(1,200)</u>	<u>(1,200)</u>	
Net change in total OPEB liability	2,601	2,807	
Total OPEB liability - beginning	<u>25,006</u>	<u>22,199</u>	
Total OPEB liability - ending (a)	<u>\$ 27,607</u>	<u>\$ 25,006</u>	
Plan fiduciary net position			
Contributions - employer	\$ 384	\$ 843	
Net investment income	2,210	3,397	
Benefit payments	(1,200)	(1,200)	
Administrative expense	<u>(33)</u>	<u>(30)</u>	
Net change in plan fiduciary net position	1,361	3,010	
Plan fiduciary net position - beginning	<u>32,058</u>	<u>29,048</u>	
Plan fiduciary net position - ending (b)	<u>\$ 33,419</u>	<u>\$ 32,058</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (5,812)</u>	<u>\$ (7,052)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	121.05%	128.20%	
Covered payroll	\$ 174,260	\$ 255,022	
Town's net OPEB (asset) liability as a percentage of covered payroll	-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, 2019

ASRS-Pension

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 62,662	\$ 58,056	\$ 51,321	\$ 44,949	\$ 42,548	\$ 37,773	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(62,662)</u>	<u>(58,056)</u>	<u>(51,321)</u>	<u>(44,949)</u>	<u>(42,548)</u>	<u>(37,773)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<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	12.19%	11.74%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 2,261	\$ 2,223	\$ 2,611	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(2,261)</u>	<u>(2,223)</u>	<u>(2,611)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 513,854</u>	<u>\$ 494,385</u>	<u>\$ 476,076</u>	
Town's contributions as a percentage of covered payroll	0.44%	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, 2019

ASRS-Long-Term Disability

	<u>Reporting Fiscal Year</u>			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 822	\$ 849	\$ 660	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(822)</u>	<u>(849)</u>	<u>(660)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 513,854</u>	<u>\$ 494,385</u>	<u>\$ 476,076</u>	
Town's contributions as a percentage of covered payroll	0.16%	0.17%	0.14%	

PSPRS - Police

	<u>Reporting Fiscal Year</u>						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 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	<u>(98,625)</u>	<u>(112,901)</u>	<u>(78,974)</u>	<u>(68,133)</u>	<u>(67,338)</u>	<u>(45,890)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 375,084</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	26.29%	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, 2019

PSPRS OPEB - Police

	<u>Reporting Fiscal Year</u>			2016 through 2010
	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>	
Town's covered payroll	<u>\$ 375,084</u>	<u>\$ 354,999</u>	<u>\$ 392,855</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	

PSPRS - Fire

	<u>Reporting Fiscal Year</u>						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 27,974	\$ 34,081	\$ 24,966	\$ 23,064	\$ 23,591	\$ 24,120	Information not available
Town's contributions in relation to the actuarially determined contribution	(27,974)	(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>	
Town's covered-employee payroll	<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	8.39%	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, 2019

PSPRS OPEB - Fire

	<u>Reporting Fiscal Year</u>			2016 through 2010
	2019	2018	2017	
Actuarially determined contribution	\$ 1,067	\$ 384	\$ 843	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(1,067)</u>	<u>(384)</u>	<u>(843)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 333,431</u>	<u>\$ 174,260</u>	<u>\$ 255,022</u>	
Town's contributions as a percentage of covered payroll	0.32%	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, 2019

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2017 actuarial	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

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

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

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the 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.



HINTONBURDICK
CPAs & ADVISORS

**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, 2019, 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 1, 2019.

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:

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 1, 2019

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Responses
June 30, 2019

Item: 2012-001 (reissued)

Highway User Revenue Funds

- *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.
- *Statement of Condition:* There is a large interfund receivable balance in the Highway User Revenue Fund (HURF).
- *Cause of Condition:* Funds and departments incurred expenses in excess of their available resources.
- *Effect of Condition:* 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.
- *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 soon as possible.
- *Response:* The Town agrees with this issue. The Town Council has adopted a repayment plan to pay these funds back.



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, 2019, and have issued our report thereon dated October 1, 2019. 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 do not appear to have been used solely for authorized purposes. 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 increased from \$1,961,421 in fiscal year 2018 to \$2,012,478 in fiscal year 2019. This is not an appropriate use of Highway User Funds.

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, 2019.

The results of our auditing procedures disclosed an instance of noncompliance which is described in a separate schedule of findings and recommendations letter dated October 1, 2019 as item 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 1, 2019