

TOWN OF SUPERIOR, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2015**

TABLE OF CONTENTS

Independent Auditors' Report	1
Government-wide Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Statements	
Governmental Funds	
Balance Sheet	5
Reconciliation of the Balance Sheet to the Statement of Net Position	6
Statement of Revenue, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	8
Proprietary Funds	
Statement of Net Position	9
Statement of Revenue, Expenses, and Changes in Fund Net Position	10
Statement of Cash Flows	11
Fiduciary Funds	
Statement of Fiduciary Net Position	13
Statement of Changes in Fiduciary Net Position	14
Notes to Financial Statements	15
Other Required Supplementary Information	
Budgetary Comparison Schedules	47
Notes to Budgetary Comparison Schedules	50
Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans	51
Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans	52
Schedule of Town Pension Contributions	54
Schedule of Agent OPEB Plans' Funding Progress	56

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>	58
Schedule of Findings and Responses.....	60
Independent Auditors' Report on State Legal Compliance.....	63

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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 8 to the financial statements, in fiscal year 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by the missing information.

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 November 21, 2016, 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
Flagstaff, Arizona
November 21, 2016

TOWN OF SUPERIOR, ARIZONA
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 737,450	\$ -	\$ 737,450
Cash with fiscal agent	224,917	-	224,917
Accounts receivable - net	806	76,553	77,359
Taxes receivable	44,870	26,940	71,810
Due from other governments	96,001	-	96,001
Interactivity balances	(659,396)	659,396	-
Net pension asset	-	71,742	71,742
Capital assets, not being depreciated	152,776	-	152,776
Capital assets, being depreciated, net	3,504,587	664,008	4,168,595
Total assets	4,102,011	1,498,639	5,600,650
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	253,427	40,059	293,486
LIABILITIES			
Accounts payable	131,042	38,907	169,949
Accrued expenses	70,438	29,647	100,085
Accrued interest	14,685	-	14,685
Noncurrent liabilities			
Due within one year	126,484	16,891	143,375
Due in more than one year	1,169,630	62,187	1,231,817
Total liabilities	1,512,279	147,632	1,659,911
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	306,925	29,965	336,890
NET POSITION			
Net investment in capital assets	3,147,536	664,008	3,811,544
Restricted for:			
Debt service	224,917	-	224,917
Highways and streets	3,392,410	-	3,392,410
Airport	75,199	-	75,199
Unrestricted (deficit)	(4,303,828)	697,093	(3,606,735)
Total net position	\$ 2,536,234	\$ 1,361,101	\$ 3,897,335

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Activities
Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 574,733	\$ 57,581	\$ 507	\$ -	\$ (516,645)	\$ -	\$ (516,645)
Public safety	1,123,657	121,056	18,201	-	(984,400)	-	(984,400)
Highways and streets	437,252	-	303,856	-	(133,396)	-	(133,396)
Welfare	95,939	-	62,491	-	(33,448)	-	(33,448)
Culture and recreation	179,012	6,295	10,000	-	(162,717)	-	(162,717)
Interest	42,716	-	-	-	(42,716)	-	(42,716)
Total governmental activities	2,453,309	184,932	395,055	-	(1,873,322)	-	(1,873,322)
Business-type activities							
Utilities	329,928	276,348	6,946	25,000	-	(21,634)	(21,634)
Ambulance	357,602	317,269	-	-	-	(40,333)	(40,333)
Total business-type activities	687,530	593,617	6,946	25,000	-	(61,967)	(61,967)
Total primary government	\$ 3,140,839	\$ 778,549	\$ 402,001	\$ 25,000	(1,873,322)	(61,967)	(1,935,289)
General revenue:							
Taxes:							
Property taxes, levied for general purposes					221,579	282,053	503,632
Local sales taxes					566,168	-	566,168
Franchise tax					121,126	-	121,126
State urban revenue sharing					343,436	-	343,436
Share of state sales taxes					259,270	-	259,270
Share of state auto lieu taxes					141,769	-	141,769
Gain on sale of disposal of capital assets					75,199	-	75,199
Miscellaneous					1,892	-	1,892
Investment earnings					1,122	-	1,122
Total general revenue					<u>1,731,561</u>	<u>282,053</u>	<u>2,013,614</u>
Change in net position					(141,761)	220,086	78,325
Net position, beginning of year, restated					<u>2,677,995</u>	<u>1,141,015</u>	<u>3,819,010</u>
Net position, end of year					<u>\$ 2,536,234</u>	<u>\$ 1,361,101</u>	<u>\$ 3,897,335</u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	HURF/LTAF Fund	Grants Fund	SMPC Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 737,450	\$ -	\$ -	\$ 737,450
Cash with fiscal agent	-	-	-	224,917	224,917
Taxes receivable	44,870	-	-	-	44,870
Due from other governments	77,309	18,692	-	-	96,001
Other receivables	806	-	-	-	806
Due from other funds	-	2,646,211	106,941	-	2,753,152
Total assets	<u>122,985</u>	<u>3,402,353</u>	<u>106,941</u>	<u>224,917</u>	<u>3,857,196</u>
LIABILITIES					
Accounts payable	106,714	9,565	14,763	-	131,042
Accrued expenses	70,060	378	-	-	70,438
Due to other funds	3,412,548	-	-	-	3,412,548
Total liabilities	<u>3,589,322</u>	<u>9,943</u>	<u>14,763</u>	<u>-</u>	<u>3,614,028</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	17,481	-	-	-	17,481
FUND BALANCES					
Nonspendable	-	2,650,908	-	-	2,650,908
Restricted for:					
Highways and streets	-	741,502	-	-	741,502
Airport	-	-	75,199	-	75,199
Debt service	-	-	-	224,917	224,917
Unassigned	(3,483,818)	-	16,979	-	(3,466,839)
Total fund balances	<u>(3,483,818)</u>	<u>3,392,410</u>	<u>92,178</u>	<u>224,917</u>	<u>225,687</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 122,985</u>	<u>\$ 3,402,353</u>	<u>\$ 106,941</u>	<u>\$ 224,917</u>	<u>\$ 3,857,196</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, 2015

Fund balances-total governmental funds	\$ 225,687
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	3,657,363
Some receivables are not available to pay for current-period expenditures and therefore, are unavailable in the funds.	17,481
Long-term liabilities, such as net pension liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(1,310,799)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>(53,498)</u>
Net position of governmental activities	<u><u>\$ 2,536,234</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, 2015

	General Fund	HURF/LTAF Fund	Grants Fund	SMPC Fund	Total Governmental Funds
Revenue					
Intergovernmental	\$ 806,965	\$ 303,856	\$ 28,708	\$ -	\$ 1,139,529
Taxes	912,041	-	-	-	912,041
Charges for services	135,886	-	-	-	135,886
Rental income	29,459	-	-	-	29,459
Fines and forfeitures	10,767	-	-	-	10,767
Licenses and permits	8,820	-	-	-	8,820
Other revenue	1,893	-	-	-	1,893
Investment income	1,120	-	-	2	1,122
Total revenue	<u>1,906,951</u>	<u>303,856</u>	<u>28,708</u>	<u>2</u>	<u>2,239,517</u>
Expenditures					
Current					
General government	537,915	-	-	1,390	539,305
Public safety	1,036,628	-	1,201	-	1,037,829
Public works	197,042	116,440	-	-	313,482
Welfare	89,345	-	-	-	89,345
Culture and recreation	94,262	-	4,773	-	99,035
Debt service					
Principal	52,210	-	-	100,000	152,210
Interest	9,109	-	-	32,670	41,779
Capital outlay	12,470	-	-	-	12,470
Total expenditures	<u>2,028,981</u>	<u>116,440</u>	<u>5,974</u>	<u>134,060</u>	<u>2,285,455</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(122,030)</u>	<u>187,416</u>	<u>22,734</u>	<u>(134,058)</u>	<u>(45,938)</u>
Other financing sources (uses)					
Sale of capital assets	-	-	75,199	-	75,199
Transfers	(134,503)	-	-	134,503	-
Total other financing sources (uses)	<u>(134,503)</u>	<u>-</u>	<u>75,199</u>	<u>134,503</u>	<u>75,199</u>
Net change in fund balances	<u>(256,533)</u>	<u>187,416</u>	<u>97,933</u>	<u>445</u>	<u>29,261</u>
Fund balances, beginning of year	<u>(3,227,285)</u>	<u>3,204,994</u>	<u>(5,755)</u>	<u>224,472</u>	<u>196,426</u>
Fund balances, end of year	<u>\$ (3,483,818)</u>	<u>\$ 3,392,410</u>	<u>\$ 92,178</u>	<u>\$ 224,917</u>	<u>\$ 225,687</u>

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, 2015

Net change in fund balances-total governmental funds		\$ 29,261
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Current year capital acquisitions	12,470	
Current year depreciation expense	<u>(330,074)</u>	(317,604)
<p>Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Property taxes		(3,168)
<p>Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Town pension contributions	105,733	
Pension expense	<u>(102,649)</u>	3,084
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Debt principal repaid		152,210
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>		
Increase in compensated absences payable	(4,607)	
Increase in accrued interest	<u>(937)</u>	(5,544)
Change in net position of governmental activities		<u><u>\$ (141,761)</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities--Enterprise Funds		
	Utilities	Ambulance	Total
	Fund	Fund	
ASSETS			
Current assets			
Accounts receivable - net	\$ 31,271	\$ 45,282	\$ 76,553
Taxes receivable	26,940	-	26,940
Due from other funds	1,756,390	-	1,756,390
Total current assets	1,814,601	45,282	1,859,883
Noncurrent assets			
Net pension asset	-	71,742	71,742
Capital assets, net of accumulated depreciation, where applicable:			
Utilities systems, net	362,656	-	362,656
Buildings, net	-	231,293	231,293
Equipment, net	14,255	55,804	70,059
Total noncurrent assets	376,911	358,839	735,750
Total assets	2,191,512	404,121	2,595,633
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	6,208	33,851	40,059
LIABILITIES			
Current liabilities			
Accounts payable	30,364	8,543	38,907
Accrued expenses	6,505	23,142	29,647
Due to other funds	-	1,096,994	1,096,994
Compensated absences, current portion	1,286	15,605	16,891
Total current liabilities	38,155	1,144,284	1,182,439
Noncurrent liabilities			
Compensated absences, net of current portion	429	5,202	5,631
Net pension liability	39,752	16,804	56,556
Total noncurrent liabilities	40,181	22,006	62,187
Total liabilities	78,336	1,166,290	1,244,626
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	6,951	23,014	29,965
NET POSITION			
Net investment in capital assets	376,911	287,097	664,008
Unrestricted (deficit)	1,735,522	(1,038,429)	697,093
Total net position	\$ 2,112,433	\$ (751,332)	\$ 1,361,101

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, 2015

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Operating revenue			
Charges for services			
Sewer (net of bad debts of \$30000)	\$ 276,348	\$ -	\$ 276,348
Ambulance (net of bad debts of \$398501)	-	317,269	317,269
Total operating revenue	<u>276,348</u>	<u>317,269</u>	<u>593,617</u>
Operating expenses			
Personnel	95,470	275,545	371,015
Professional services	105,704	30,290	135,994
Utilities	63,802	4,663	68,465
Materials and supplies	17,387	25,631	43,018
Depreciation	24,038	12,126	36,164
Insurance	9,789	9,789	19,578
Repairs and maintenance	10,025	(1,140)	8,885
Other	3,713	698	4,411
Total operating expenses	<u>329,928</u>	<u>357,602</u>	<u>687,530</u>
Operating income (loss)	<u>(53,580)</u>	<u>(40,333)</u>	<u>(93,913)</u>
Nonoperating revenue (expenses)			
Noncapital grant	6,946	-	6,946
Property taxes	282,053	-	282,053
Total nonoperating revenue (expenses)	<u>288,999</u>	<u>-</u>	<u>288,999</u>
Income (loss) before contributions and transfers	235,419	(40,333)	195,086
Capital grant contributions	25,000	-	25,000
Increase (decrease) in net position	260,419	(40,333)	220,086
Total net position, beginning of year, restated	1,852,014	(710,999)	1,141,015
Total net position, end of year	<u>\$ 2,112,433</u>	<u>\$ (751,332)</u>	<u>\$ 1,361,101</u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 258,490	\$ 314,298	\$ 572,788
Payments to suppliers and providers of goods and services	(186,028)	(83,099)	(269,127)
Payments to employees	(91,126)	(264,902)	(356,028)
Net cash provided (used) by operating activities	<u>(18,664)</u>	<u>(33,703)</u>	<u>(52,367)</u>
Cash flows from noncapital financing activities			
Noncapital grant	6,946	-	6,946
Property taxes received	284,526	-	284,526
Interfund loans	(257,174)	33,703	(223,471)
Net cash provided (used) by noncapital financing activities	<u>34,298</u>	<u>33,703</u>	<u>68,001</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	(15,634)	-	(15,634)
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, 2015

	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)	\$ (53,580)	\$ (40,333)	\$ (93,913)
Adjustments to reconcile operating income			
(loss) to net cash provided (used) by			
operating activities:			
Depreciation	24,038	12,126	36,164
Pension expense	3,168	9,780	12,948
Employer pension contributions	(2,919)	(24,825)	(27,744)
Bad debts	30,000	398,501	428,501
(Increase) decrease in:			
Accounts receivable	(47,858)	(401,472)	(449,330)
Increase (decrease) in:			
Accounts payable	24,143	1,877	26,020
Accrued expenses	2,863	4,913	7,776
Compensated absences payable	1,481	5,730	7,211
	<u>\$ (18,664)</u>	<u>\$ (33,703)</u>	<u>\$ (52,367)</u>
Net cash provided (used) by			
operating activities			
	<u>\$ (18,664)</u>	<u>\$ (33,703)</u>	<u>\$ (52,367)</u>
Non-cash investing and financing activities:			
Noncash capital contribution of water tanks	\$ 25,000	\$ -	\$ 25,000
	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Investment Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 78,305</u>
NET POSITION	
Held in trust for investment trust participants	<u>\$ 78,305</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, 2015

	<u>Investment Trust Fund</u>
Additions	
Investment income	<u>\$ 2,627</u>
Deductions	
Distributions to participants	10,437
Investment fees	<u>2,686</u>
Total deductions	<u>13,123</u>
Change in net position	(10,496)
Net position, beginning of year	<u>88,801</u>
Net position, end of year	<u><u>\$ 78,305</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

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 5). 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 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 usefulness of the information.

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 financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. 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, 2015

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.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund 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 statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

The 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.

The ***HURF/LTAF 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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The ***SMPC Fund*** accounts for the SMPC which is a blended component unit.

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 ***Investment Trust Fund*** accounts for pooled assets held and invested by the Town Treasurer on behalf of Town employees and other governmental entities.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2015 in the Utilities and Ambulance Funds, respectively, were \$90,000 and \$37,500.

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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2015, the uncollected property taxes and related allowances for uncollectible amounts (if any) were as follows:

Fiscal Year	General Fund
2014 - 2015	\$ 37,933
Prior	6,937
Net total	\$ 44,870

G. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	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, 2015

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

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Fund Balance Reporting

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

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the town council,
4. *Assigned* fund balances are intended to be used 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 resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process.

The Town’s policy for assigned fund balances is through motions passed by the elected town council. Assigned fund balances do not require a formal resolution.

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town’s policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

L. Impact of Recently Issued Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of this Statement are required

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

to be applied simultaneously with the provisions of Statement 68. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

The Town has not formally adopted deposit and investment policies that limit the Town's allowable deposits or investments and address the specific types of risk to which the Town is exposed.

Deposits—At June 30, 2015, the carrying amount of the Town's total nonpooled cash in bank was \$959,032, and the bank balance was \$962,729. Of the bank balance, \$727,867 was covered by 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 \$2,580. The Standard and Poor's credit quality rating of the pool is AAA. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2015 consisted of \$22,583 in state-shared revenue from sales taxes, \$6,174 in state-shared revenue from auto lieu taxes, \$26,019 in local sales taxes collected by the State of Arizona, and \$22,533 in federal and state grants.

Amounts due from other governments in the HURF/LTAF Fund at June 30, 2015 consisted of \$18,692 in state-shared revenue from highway user revenue fund (HURF) taxes.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 152,776	\$ -	\$ -	\$ 152,776
Capital assets being depreciated:				
Buildings	3,118,623	-	-	3,118,623
Equipment	2,234,329	12,470	-	2,246,799
Infrastructure	3,957,004	-	-	3,957,004
Total	<u>9,309,956</u>	<u>12,470</u>	<u>-</u>	<u>9,322,426</u>
Less accumulated depreciation for:				
Buildings	1,080,601	121,862	-	1,202,463
Equipment	1,732,179	98,218	-	1,830,397
Infrastructure	2,674,985	109,994	-	2,784,979
Total	<u>5,487,765</u>	<u>330,074</u>	<u>-</u>	<u>5,817,839</u>
Total capital assets being depreciated, net	<u>3,822,191</u>	<u>(317,604)</u>	<u>-</u>	<u>3,504,587</u>
Governmental activities capital assets, net	<u>\$ 3,974,967</u>	<u>\$ (317,604)</u>	<u>\$ -</u>	<u>\$ 3,657,363</u>
	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 272,111	\$ -	\$ -	\$ 272,111
Utility systems	4,324,912	37,134	-	4,362,046
Equipment	242,112	3,500	-	245,612
Total	<u>4,839,135</u>	<u>40,634</u>	<u>-</u>	<u>4,879,769</u>
Less accumulated depreciation for:				
Buildings	34,015	6,803	-	40,818
Utility systems	3,979,540	19,850	-	3,999,390
Equipment	166,042	9,511	-	175,553
Total	<u>4,179,597</u>	<u>36,164</u>	<u>-</u>	<u>4,215,761</u>
Total capital assets being depreciated, net	<u>659,538</u>	<u>4,470</u>	<u>-</u>	<u>664,008</u>
Business-type activities capital assets, net	<u>\$ 659,538</u>	<u>\$ 4,470</u>	<u>\$ -</u>	<u>\$ 664,008</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 120,620
Public safety	88,821
Culture and recreation	79,854
General government	34,355
Welfare	<u>6,424</u>
Total governmental activities depreciation expense	<u><u>\$ 330,074</u></u>
Business-type activities:	
Utilities	\$ 24,038
Ambulance	<u>12,126</u>
Total business-type activities depreciation expense	<u><u>\$ 36,164</u></u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
Governmental activities:					
Revenue bonds payable	\$ 545,000	\$ -	\$ 100,000	\$ 445,000	\$ 105,000
Notes payable	117,037	-	52,210	64,827	1,433
Net pension liability	896,111	-	136,558	759,553	-
Compensated absences	22,127	4,607	-	26,734	20,051
	<u>\$ 1,580,275</u>	<u>\$ 4,607</u>	<u>\$ 288,768</u>	<u>\$ 1,296,114</u>	<u>\$ 126,484</u>
Business-type activities:					
Net pension liability	\$ 60,946	\$ -	\$ 4,390	\$ 56,556	\$ -
Compensated absences	15,311	7,211	-	22,522	16,891
	<u>\$ 76,257</u>	<u>\$ 7,211</u>	<u>\$ 4,390</u>	<u>\$ 79,078</u>	<u>\$ 16,891</u>

Bonds—The Town’s bonded debt consists of various issues of revenue bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Revenue bonds are repaid from charges excise taxes. Bonds outstanding at June 30, 2015, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
Revenue bonds payable	<u>\$ 1,200,000</u>	2005-2018	6.40-10.00%	<u>\$ 445,000</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 5 – LONG-TERM LIABILITIES – Continued

Notes payable—consisted of the following:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Building note payable	<u>\$ 69,273</u>	2042	4.00%	<u>\$ 64,827</u>

The following schedule details debt service requirements to maturity for the Town's bonds and notes payable at June 30, 2015.

Year Ending June 30	<u>Business-type Activities</u>			
	Notes Payable		Revenue bonds payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,433	\$ 2,567	\$ 105,000	\$ 22,440
2017	1,491	2,509	115,000	14,850
2018	1,552	2,448	225,000	-
2019	1,615	2,385	-	-
2020	1,681	2,319	-	-
2021-25	9,491	10,509	-	-
2026-30	11,587	8,413	-	-
2031-35	14,148	5,852	-	-
2036-40	17,276	2,724	-	-
2041-42	4,553	114	-	-
Total	<u>\$ 64,827</u>	<u>\$ 39,840</u>	<u>\$ 445,000</u>	<u>\$ 37,290</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 6 – 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 7 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2015, were as follows:

Payable from	Payable to			Total
	HURF/LTAF Fund	Grants Fund	Utilities Fund	
General Fund	\$ 2,646,211	\$ 106,941	\$ 659,396	\$ 3,412,548
Ambulance Fund	-	-	1,096,994	1,096,994
	\$ 2,646,211	\$ 106,941	\$ 1,756,390	\$ 4,509,542

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 SMPC Fund was to pay for debt service expenditures of the current period of the SMPC (see Note 1).

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-type Activities
Net position as previously reported at June 30, 2014	\$ 3,494,130	\$ 1,130,531
Prior period adjustments-implementation of GASB 68:		
Net pension asset (measurement date as of June 30, 2013)	-	43,623
Net pension liability (measurement date as of June 30, 2013)	(896,111)	(60,946)
Deferred outflows-Town contributions made during fiscal year 2014	79,976	27,807
	(816,135)	10,484
Total prior period adjustment	(816,135)	10,484
Net position, as restated, July 1, 2014	\$ 2,677,995	\$ 1,141,015
	Utilities Fund	Ambulance Fund
Net position as previously reported at June 30, 2014	\$ 1,892,260	\$ (761,729)
Prior period adjustments-implementation of GASB 68:		
Net pension asset (measurement date as of June 30, 2013)	-	43,623
Net pension liability (measurement date as of June 30, 2013)	(42,837)	(18,109)
Deferred outflows-Town contributions made during fiscal year 2014	2,591	25,216
	(40,246)	50,730
Total prior period adjustment	(40,246)	50,730
Net position, as restated, July 1, 2014	\$ 1,852,014	\$ (710,999)

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

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, 2015, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension assets	\$ -	\$ 71,742	\$ 71,742
Net pension liabilities	759,553	56,556	816,109
Deferred outflows of resources	253,427	40,059	293,486
Deferred inflows of resources	306,925	29,965	336,890
Pension expense	102,649	12,948	115,597

The Town reported \$105,733 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

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 Web site at www.azasrs.gov.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	<u>Initial membership date:</u>	
	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 survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2015,

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

were \$42,548. The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	<u>Health Benefit Supplement Fund</u>	<u>Long-term Disability Fund</u>
Year ended June 30,		
2015	\$ 2,305	\$ 469
2014	2,118	847
2013	2,167	800

During fiscal year 2015, the Town paid for ASRS pension and OPEB contributions as follows: 86.06 percent from the General Fund, 4.18 percent from the HURF/LTAF Fund, 6.86 percent from the Utilities Fund, and 2.90 percent from the Ambulance Fund.

Pension Liability – At June 30, 2015, the Town reported a liability of \$579,469 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town’s proportion of the net pension 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, 2014. The Town’s proportion measured as of June 30, 2014, was .003916 percent, which was an increase of .000160 from its proportion measured as of June 30, 2013.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$46,176. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,450	\$ -
Net difference between projected and actual earnings on pension plan investments	-	101,331
Changes in proportion and differences between Town contributions and proportionate share of Town contributions subsequent to the	18,501	-
	42,548	-
	<u>90,499</u>	<u>101,331</u>
Total	<u>\$ 90,499</u>	<u>\$ 101,331</u>

The \$42,548 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ (4,484)
2017	(4,484)
2018	(19,078)
2019	(25,334)
2020	-
Thereafter	-

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.50%
Commodities	4%	4.75%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 732,419	\$ 579,469	\$ 496,486

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan Descriptions – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

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:

PSPRS

	<u>Initial membership date:</u>	
	Before January 1, 2012	On or after January 1, 2012
<u>Retirement and Disability</u>		
Years of service and age required to receive benefit	20 years any age, 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80% of retired member's pension benefit	
Active Members	80% if accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

	<u>PSPRS Police</u>	<u>PSPRS Attorney Investigators</u>
Inactive employees or beneficiaries currently receiving	2	1
Inactive employees entitled to but not yet receiving benefits	4	-
Active employees	6	5
Total	<u>12</u>	<u>6</u>

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Active Members - Pension	11.05%	11.05%
Town		
Pension	18.32%	10.63%
Health insurance premium benefit	1.62%	1.40%

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Pension		
Contributions Made	\$ 67,338	\$ 23,591
Health Insurance Premium Benefit		
Annual OPEB cost	3,772	3,163
Contributions made	-	1,200

During fiscal year 2015, the Town paid for 100 percent of PSPRS-Police pension and OPEB contributions from the General Fund. For PSPRS-Fire, the Town paid 100 percent of the pension and OPEB contributions from the Ambulance Fund.

Net Pension Liability (Asset) – At June 30, 2015, the Town reported the following net pension liability:

	<u>Net Pension Liability</u> <u>(Asset)</u>
PSPRS Police	\$ 236,640
PSPRS Fire	(71,742)

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-80%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Discount rates	7.85%	7.85%

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

PSPRS Police	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 1,154,716	\$ 822,105	\$ 332,611
Changes for the year			
Service Cost	41,275	-	41,275
Interest on the total pension liability	89,927	-	89,927
Changes of benefit terms	27,961	-	27,961
Differences between expected and actual experience in the measurement of the pension liability	(234,565)	-	(234,565)
Changes of assumptions or other inputs	138,052	-	138,052
Contributions-employer	-	45,890	(45,890)
Contributions-employee	-	25,911	(25,911)
Net investment income	-	113,188	(113,188)
Benefit payments, including refunds of employee	(59,563)	(59,563)	-
Other changes	-	(26,368)	26,368
Net changes	3,087	99,058	(95,971)
Balances at June 30, 2015	\$ 1,157,803	\$ 921,163	\$ 236,640

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS Fire	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 356,483	\$ 400,106	\$ (43,623)
Changes for the year			
Service Cost	38,842	-	38,842
Interest on the total pension liability	29,163	-	29,163
Changes of benefit terms	(942)	-	(942)
Differences between expected and actual experience in the measurement of the pension liability	(873)	-	(873)
Changes of assumptions or other inputs	8,369	-	8,369
Contributions-employer	-	24,120	(24,120)
Contributions-employee	-	21,221	(21,221)
Net investment income	-	57,337	(57,337)
Benefit payments, including refunds of employee	(8,799)	(8,799)	-
Net changes	65,760	93,879	(28,119)
Balances at June 30, 2015	\$ 422,243	\$ 493,985	\$ (71,742)

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities calculated using the discount rates noted above, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

PSPRS	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 330,622	\$ 236,640	\$ 155,191
PSPRS Fire			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ (11,676)	\$ (71,742)	\$ (121,670)

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2015, the Town recognized the following pension expense:

PSPRS

	Pension Expense	
PSPRS Police	\$	60,980
PSPRS Fire		8,441

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 177,426
Changes of assumptions or other inputs	104,423	-
Net difference between projected and actual earnings on pension plan investments	-	38,058
Town contributions subsequent to the measurement date	67,338	-
	\$ 171,761	\$ 215,484
Total	\$ 171,761	\$ 215,484

PSPRS Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 796
Changes of assumptions or other inputs	7,635	-
Net difference between projected and actual earnings on pension plan investments	-	19,279
Town contributions subsequent to the measurement date	23,591	-
	\$ 31,226	\$ 20,075
Total	\$ 31,226	\$ 20,075

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	PSPRS Police	PSPRS Fire
2016	\$ (33,024)	\$ (4,163)
2017	(33,025)	(4,163)
2018	(33,025)	(4,163)
2019	(11,987)	(4,163)
2020	-	657
Thereafter	-	3,555

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Projections of benefits are based on (1) the plans as understood by the Town and plans’ members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent Plan OPEB Trend Information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 3,772	0%	\$ (66,414)
2014	3,786	100%	(61,053)
2013	4,207	0%	30,171
PSPRS Fire			
2015	\$ 3,163	38%	\$ (3,987)
2014	3,161	100%	(2,918)
2013	3,136	0%	23,598

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	PSPRS Police		PSPRS Fire	
Actuarial value of assets (a)	\$	87,631	\$	29,911
Actuarial accrued liability (b)	\$	21,217	\$	25,924
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	(66,414)	\$	(3,987)
Funded ratio (a)/(b)		413.02%		115.38%
Annual covered payroll (c)	\$	373,585	\$	223,513
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		0.00%		0.00%

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

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open 22 years for unfunded actuarial accrued liability, 20 years for
Remaining amortization period	7-year smoothed market value; 20% corridor
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 830,498	\$ 830,498	\$ 806,965	\$ (23,533)
Taxes	1,092,631	1,092,631	912,041	(180,590)
Charges for services	196,090	196,090	135,886	(60,204)
Rental income	30,000	30,000	29,459	(541)
Fines and forfeitures	15,000	15,000	10,767	(4,233)
Licenses and permits	10,000	10,000	8,820	(1,180)
Other revenue	115,000	115,000	1,893	(113,107)
Investment income	1,042	1,042	1,120	78
Total revenue	<u>2,290,261</u>	<u>2,290,261</u>	<u>1,906,951</u>	<u>(383,310)</u>
Expenditures				
Current				
General government	921,279	921,279	537,915	383,364
Public safety	806,501	806,501	1,036,628	(230,127)
Public works	136,055	136,055	197,042	(60,987)
Welfare	109,222	109,222	89,345	19,877
Culture and recreation	92,302	92,302	94,262	(1,960)
Debt service				
Principal	56,781	56,781	52,210	4,571
Interest	9,109	9,109	9,109	-
Capital outlay	12,470	12,470	12,470	-
Total expenditures	<u>2,143,719</u>	<u>2,143,719</u>	<u>2,028,981</u>	<u>114,738</u>
Excess (deficiency) of revenue over (under) expenditures	<u>146,542</u>	<u>146,542</u>	<u>(122,030)</u>	<u>(268,572)</u>
Other financing sources (uses)				
Transfers	<u>(507,788)</u>	<u>(507,788)</u>	<u>(134,503)</u>	<u>373,285</u>
Net change in fund balance	(361,246)	(361,246)	(256,533)	104,713
Fund balances, beginning of year	<u>(3,227,285)</u>	<u>(3,227,285)</u>	<u>(3,227,285)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (3,588,531)</u>	<u>\$ (3,588,531)</u>	<u>\$ (3,483,818)</u>	<u>\$ 104,713</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 298,234	\$ 298,234	\$ 303,856	\$ 5,622
Expenditures				
Current				
Public works	675,628	675,628	116,440	559,188
Excess (deficiency) of revenue over (under) expenditures	(377,394)	(377,394)	187,416	564,810
Other financing sources (uses)				
Transfers	334,664	334,664	-	(334,664)
Net change in fund balance	(42,730)	(42,730)	187,416	230,146
Fund balances, beginning of year	3,204,994	3,204,994	3,204,994	-
Fund balances, end of year	<u>\$ 3,162,264</u>	<u>\$ 3,162,264</u>	<u>\$ 3,392,410</u>	<u>\$ 230,146</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 2,500,000	\$ 2,500,000	\$ 28,708	\$ (2,471,292)
Expenditures				
Current				
Public safety	2,495,227	2,495,227	1,201	2,494,026
Culture and recreation	4,773	4,773	4,773	-
Total expenditures	<u>2,500,000</u>	<u>2,500,000</u>	<u>5,974</u>	<u>2,494,026</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>22,734</u>	<u>22,734</u>
Other financing sources (uses)				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>75,199</u>	<u>75,199</u>
Net change in fund balance	-	-	97,933	97,933
Fund balances, beginning of year	<u>(5,755)</u>	<u>(5,755)</u>	<u>(5,755)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (5,755)</u></u>	<u><u>\$ (5,755)</u></u>	<u><u>\$ 92,178</u></u>	<u><u>\$ 97,933</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

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. For the year ending June 30, 2015, the Town exceeded its budgets for the mayor and council, magistrate, administrative town clerk, police, fire, public works-buildings, pw-building regs and zoning, recreation, senior transportation, and library departments.

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 Liability
Cost-Sharing Pension Plans
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year	
	(Measurement Date)	
	2015	2014
	(2014)	through
Town's proportion of the net pension liability	0.003916%	Information
Town's proportionate share of the net pension liability	\$ 579,469	not available
Town's covered-employee payroll	\$ 390,707	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	148.31%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2015

PSPRS Police

	Reporting Fiscal Year		
	(Measurement Date)		
	2015	2014	
	(2014)	through	
	_____	_____	
Total pension liability			Information
Service cost	\$ 41,275		not available
Interest on the total pension liability	89,927		
Changes of benefit terms	27,961		
Differences between expected and actual experience in the measurement of the pension liability	(234,565)		
Changes of assumptions or other inputs	138,052		
Benefit payments, including refunds of employee contributions	(59,563)		
	<u>3,087</u>		
Net change in total pension liability		3,087	
Total pension liability - beginning		<u>1,154,716</u>	
Total pension liability - ending (a)		<u>\$ 1,157,803</u>	
Plan fiduciary net position			
Contributions - employer	\$ 45,890		
Contributions - employee	25,911		
Net investment income	113,188		
Benefit payments, including refunds of employee contributions	(59,563)		
Other changes	(26,368)		
		<u>99,058</u>	
Net change in plan fiduciary net position		99,058	
Plan fiduciary net position - beginning		<u>822,105</u>	
Plan fiduciary net position - ending (b)		<u>\$ 921,163</u>	
Town's net pension liability (asset) - ending (a) - (b)		<u>\$ 236,640</u>	
Plan fiduciary net position as a percentage of the total pension liability		79.56%	
Covered-employee payroll	\$ 323,968		
Town's net pension liability (asset) as a percentage of covered-employee payroll		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 Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2015

PSPRS Fire

	Reporting Fiscal Year		
	(Measurement Date)		
	2015	2014	
	(2014)	through	
	<hr/>	<hr/>	
Total pension liability			Information
Service cost	\$ 38,842		not available
Interest on the total pension liability	29,163		
Changes of benefit terms	(942)		
Differences between expected and actual experience in the measurement of the pension liability	(873)		
Changes of assumptions or other inputs	8,369		
Benefit payments, including refunds of employee contributions	(8,799)		
	<hr/>		
Net change in total pension liability	65,760		
Total pension liability - beginning	<hr/>	356,483	
Total pension liability - ending (a)	<hr/>	<hr/>	
	\$ 422,243		
Plan fiduciary net position			
Contributions - employer	\$ 24,120		
Contributions - employee	21,221		
Net investment income	57,337		
Benefit payments, including refunds of employee contributions	(8,799)		
	<hr/>		
Net change in plan fiduciary net position	93,879		
Plan fiduciary net position - beginning	<hr/>	400,106	
Plan fiduciary net position - ending (b)	<hr/>	<hr/>	
	\$ 493,985		
Town's net pension liability (asset) - ending (a) - (b)	<hr/>	<hr/>	
	\$ (71,742)		
Plan fiduciary net position as a percentage of the total pension liability	116.99%		
Covered-employee payroll	\$ 207,206		
Town's net pension liability (asset) as a percentage of covered-employee payroll	-34.62%		

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year		
	2015	2014	2013 through
Statutorily required contribution	\$ 42,548	\$ 37,773	Information not available
Town's contributions in relation to the statutorily required contribution	(42,548)	(37,773)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 390,707	\$ 353,019	
Town's contributions as a percentage of covered-employee payroll	10.89%	10.70%	

PSPRS Police

	Reporting Fiscal Year		
	2015	2014	2013 through
Actuarially determined contribution	\$ 67,338	\$ 45,890	Information not available
Town's contributions in relation to the actuarially determined contribution	(67,338)	(45,890)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 373,585	\$ 323,968	
Town's contributions as a percentage of covered-employee payroll	18.02%	14.16%	

PSPRS Fire

	Reporting Fiscal Year		
	2015	2014	2013 through
Actuarially determined contribution	\$ 23,591	\$ 24,120	Information not available
Town's contributions in relation to the actuarially determined contribution	(23,591)	(24,120)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 223,513	\$ 207,206	
Town's contributions as a percentage of covered-employee payroll	10.55%	11.64%	

See accompanying notes to pension plan schedules.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%
Wage growth	In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Health Insurance - Police

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2015	\$ 87,631	\$ 21,217	\$ 66,414	413.0 %	\$ 373,585	0.0 %
6/30/2014	77,938	16,885	61,053	461.6	323,968	0.0
6/30/2013	-	30,171	(30,171)	0.0	213,242	14.1

Health Insurance - Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2015	\$ 29,911	\$ 25,924	\$ 3,987	115.4 %	\$ 223,513	0.0 %
6/30/2014	26,738	23,820	2,918	112.3	207,207	0.0
6/30/2013	-	23,598	(23,598)	0.0	206,858	11.4

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

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Schedule of Funding Progress
June 30, 2015

NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.

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

**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, 2015, 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 November 21, 2016.

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.

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

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

2014-001 – Unsupported Activity

2014-002 – Accounting for Donated Assets

2011-001 – Lack of Documentation

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the schedule of findings and recommendations that we consider to be significant deficiencies.

2015-001 – Delay in Cash Receipting

2011-004 – Timeliness of Reports and Reconciliations

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
Flagstaff, Arizona
November 21, 2016

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Responses
June 30, 2015

Financial Statement Findings

Audit findings and responses are as follows:

Item: 2011-001 (reissued)

Lack of Documentation

- *Statement of Condition:* Primary supporting documentation which quickly and easily supports the legitimacy of financial activity is missing for some of the Town's financial transactions.
- *Criteria:* Documentation was misplaced during personnel and Town office transitions.
- *Effect of Condition:* Some of the transactions tested in the course of the audit had no primary supporting documentation to verify the legitimacy of the activity.
- *Cause of Condition:* Arizona Revised Statutes require appropriate support of Town financial activity to be maintained.
- *Recommendation:* The Town should establish and follow a documentation retention policy.
- *Response:* The Town has begun implementing a digital document retention system to verify the files will be retained and accessible. The current file system will be reviewed to determine compliance with the document retention policy. This will be implemented by the next fiscal year.

Item: 2011-004 (reissued)

Timeliness of Reports and Reconciliations

- *Statement of Condition:* The Town did not reconcile their bank accounts in a timely manner and the Town's audited financial statements and the Annual Expenditure Limitation Report were not filed with the State of Arizona in a timely manner.
- *Criteria:* Town policies and procedures utilize bank statement reconciliations as an internal control and Arizona Revised Statutes require filing of the Town's audited financial statements and Annual Expenditure Limitation Report within a specified time limit.
- *Effect of Condition:* Internal controls relying upon the bank statement reconciliations were ineffective and the Town has been out of compliance with state filing requirements.
- *Cause of Condition:* Management decisions in earlier years and personnel changes have caused the Town to fall behind in its reconciliations, audits, and filing of required reports with the state.
- *Recommendation:* We recognize the Town has been working to catch up on reconciliations and filings. We recommend the Town continue its efforts to become current on its bank reconciliations and accounting records and to complete the financial reporting requirements for fiscal year 2016 as soon as possible.

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Responses
June 30, 2015

- *Response:* The Town has hired the firm of Colby and Powell to operate as our financial direction. They have completed the reconciliations for the 2016 fiscal year, and will be sending them to audit within the next two months.

Item: 2012-001 (reissued)

Highway User Revenue Funds

- *Statement of Condition:* There is a large interfund receivable balance in the Highway User Revenue Fund (HURF).
- *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.
- *Effect of Condition:* Other Funds and departments of the Town have borrowed monies from the HURF to meet their operating needs. This may result in the State withholding future Highway Revenue Funds from the Town
- *Cause of Condition:* Funds and departments incurred expenses in excess of their available resources.
- *Recommendation:* The Town should 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 Council has adopted a HURF policy stating how these funds will be used. In addition, the Council has adopted a repayment plan.

Item: 2014-001 (reissued)

Unsupported Activity

- *Statement of Condition:* Lack of supporting documentation for debit card activity.
- *Criteria:* Arizona Revised Statutes requires appropriate support of Town financial activity. Town policies, specifically Section 3-5-7 Purchases in General; Bids, have been established to prevent unauthorized and/or inappropriate uses of Town funds.
- *Effect of Condition:* An ATM withdrawal of \$403 and forty-two debit card transactions totaling \$9,133 could not be supported as legitimate Town expenditures.
- *Cause of Condition:* Documentation was not gathered, reviewed, and approved according to Town purchasing policies.
- *Recommendation:* The Town should ensure purchasing policies are followed and supporting documentation for all purchases is obtained and reviewed for appropriateness.
- *Response:* The Town has adopted a strict credit card policy, and we have been enforcing Town Code Article 3-5, *Purchasing*. This lays out strict procurement guidelines that will mitigate or eliminate this deficiency.

TOWN OF SUPERIOR, ARIZONA
Schedule of Findings and Responses
June 30, 2015

Item: 2014-002 (reissued)

Accounting for Donated Assets

- *Statement of Condition:* The Town has no process in place for informing the finance department of donated assets and the acquisition value of those assets.
- *Criteria:* Generally Accepted Accounting principles require donated assets be recorded at fair value.
- *Effect of Condition:* In fiscal year 2015 the town received two water tanks valued at \$25,000 that were not recorded in the financial records.
- *Cause of Condition:* Without a process in place to ensure the finance department is aware of donated assets, the donor, the date of receipt of the donation, and the associated acquisition value, there have be significant amounts of donated assets the Town has not properly recorded.
- *Recommendation:* The Town should establish a formal policy to process, gather, and send donation information to the finance department whenever the Town receives a donated asset. The Town should also regularly take an inventory of its capital assets to verify all are properly accounted for.
- *Response:* The Town will document each acquisition in a permanent file, documenting the date of the donation, the donating entity, and the purchase price or estimated value of the item.

Item: 2015-001

Delay in Cash Receipting

- *Statement of Condition:* Receipts are not always deposited in a timely manner.
- *Criteria:* Town procedures call for deposit of receipts on the next business day.
- *Effect of Condition:* One payment from Pinal County in the amount of \$2,500 had a 4 month delay between the time it was receipted and the time it was deposited and recorded in the accounting system.
- *Cause of Condition:* Town policies and procedures were not followed to prevent the delay in deposit after receipt of the funds.
- *Recommendation:* The Town should review its cash receipting policies and procedures and implement those policies to ensure all cash receipts are recorded and deposited in a timely manner.
- *Response:* The Town has implemented a policy that a police officer or the Town Manager will deposit the receipts on the next business day after they are received.

**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, 2015, and have issued our report thereon dated November 21, 2016. 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 decreased from \$2,840,735 in fiscal year 2014 to \$2,646,211 in fiscal year 2015. 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, 2015.

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.


HintonBurdick, PLLC
Flagstaff, Arizona
November 21, 2016