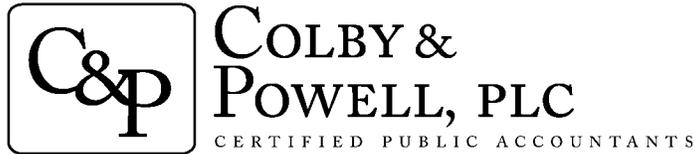


TOWN OF SUPERIOR, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2010

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
Government-wide Statements	
Statement of Net Assets	3
Statement of Activities.....	4
Fund Statements	
Governmental Funds	
Balance Sheet.....	5
Reconciliation of the Balance Sheet to the Statement of Net Assets.....	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 Assets	9
Statement of Revenue, Expenses, and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Fiduciary Funds	
Statement of Fiduciary Net Assets	13
Statement of Changes in Fiduciary Net Assets	14
Notes to Financial Statements	15
Other Required Supplementary Information	
Budgetary Comparison Schedules	31
Notes to Budgetary Comparison Schedules	35
Schedule of Agent Retirement Plans' Funding Progress	36
Independent Auditors' Report on Compliance with Requirements	
Applicable to the Uses of Highway User Revenue Fund Monies	
in Accordance with ARS Title 28, Chapter 18, Article 2	37



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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Superior, Arizona

We have audited the accompanying financial statements of the governmental activities, the major governmental funds, and the Utilities Fund (a major proprietary fund) of the Town of Superior, Arizona as of and for the year ended June 30, 2010. In addition, we were engaged to audit and the business-type activities and the Ambulance Fund (a major proprietary fund) of the Town of Superior, Arizona as of and for the year ended June 30, 2010. All of the aforementioned activities and funds collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Superior's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The business-type activities and the Ambulance Fund have not been audited because management was unable to provide supporting detail for receivables and revenues, therefore, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the business-type activities and the Ambulance Fund of the Town of Superior, Arizona as of and for the year ended June 30, 2010.

In our opinion, the financial statements of the governmental activities, the major governmental funds, and the Utilities Fund present fairly, in all material respects, the respective financial position of the governmental activities, the major governmental funds, and the Utilities Fund of the Town of Superior, Arizona as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 31 through 35 and Schedule of Agent Retirement Plan Funding Progress on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2012, 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* and should be considered in assessing the results of our audit.

Colby & Powell, PLLC

July 18, 2012

TOWN OF SUPERIOR, ARIZONA
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents, restricted	\$ 217,315	\$ -	\$ 217,315
Accounts receivable, net	-	58,342	58,342
Taxes receivable	60,692	22,789	83,481
Due from other governments	136,051	-	136,051
Interactivity balances	66,390	(66,290)	100
Capital assets, not being depreciated	152,776	-	152,776
Capital assets, being depreciated, net	4,476,336	754,127	5,230,463
Total assets	5,109,560	768,968	5,878,528
LIABILITIES			
Cash deficit	25,243	-	25,243
Accounts payable	139,040	89,789	228,829
Accrued interest	33,709	-	33,709
Accrued expenses	219,816	11,235	231,051
Deferred revenue	100,884	-	100,884
Noncurrent liabilities			
Due within one year	194,207	6,735	200,942
Due in more than one year	1,168,518	2,245	1,170,763
Total liabilities	1,881,417	110,004	1,991,421
NET ASSETS			
Invested in capital assets, net of related debt	3,322,838	754,127	4,076,965
Restricted for:			
Highway and streets	2,631,923	-	2,631,923
Debt service	214,315	-	214,315
Unrestricted (deficit)	(2,940,933)	(95,263)	(3,036,196)
Total net assets	\$ 3,228,143	\$ 658,864	\$ 3,887,007

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Activities
Year Ended June 30, 2010

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		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	\$ 709,913	\$ 73,937	\$ 105,308	\$ -	\$ (530,668)	\$ -	\$ (530,668)
Public safety	1,040,031	27,952	15,747	-	(996,332)	-	(996,332)
Public works	589,339	19,625	512,120	-	(57,594)	-	(57,594)
Welfare	130,976	-	80,627	47,463	(2,886)	-	(2,886)
Culture and recreation	247,614	11,319	29,991	68,038	(138,266)	-	(138,266)
Total governmental activities	<u>2,717,873</u>	<u>132,833</u>	<u>743,793</u>	<u>115,501</u>	<u>(1,725,746)</u>	<u>-</u>	<u>(1,725,746)</u>
Business-type activities							
Utilities	772,903	480,765	-	-	-	(292,138)	(292,138)
Ambulance	443,178	205,137	-	-	-	(238,041)	(238,041)
Total business-type activities	<u>1,216,081</u>	<u>685,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(530,179)</u>	<u>(530,179)</u>
Total primary government	<u>\$ 3,933,954</u>	<u>\$ 818,735</u>	<u>\$ 743,793</u>	<u>\$ 115,501</u>	<u>(1,725,746)</u>	<u>(530,179)</u>	<u>(2,255,925)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					207,597	261,770	469,367
Local sales taxes					279,406	-	279,406
Franchise tax					77,180	-	77,180
State urban revenue sharing					420,126	-	420,126
Share of state sales taxes					238,796	-	238,796
Share of state auto lieu taxes					203,865	-	203,865
Investment earnings					50	-	50
Miscellaneous					151,888	-	151,888
Total general revenues					<u>1,578,908</u>	<u>261,770</u>	<u>1,840,678</u>
Change in net assets					(146,838)	(268,409)	(415,247)
Net assets, July 1, 2009					3,374,981	927,273	4,302,254
Net assets, June 30, 2010					<u>\$ 3,228,143</u>	<u>\$ 658,864</u>	<u>\$ 3,887,007</u>

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	HURF/LTAF Fund	SMPC Fund	Grants Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 217,315	\$ -	\$ 217,315
Taxes receivable	60,692	-	-	-	60,692
Due from other governments	38,836	42,787	-	54,428	136,051
Due from other funds	-	2,609,840	-	-	2,609,840
Total assets	\$ 99,528	\$ 2,652,627	\$ 217,315	\$ 54,428	\$ 3,023,898
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash deficit	\$ 25,243	\$ -	\$ -	\$ -	\$ 25,243
Accounts payable	97,270	18,260	-	23,510	139,040
Accrued expenses	215,014	2,444	-	2,358	219,816
Deferred revenue	114,189	-	-	-	114,189
Due to other funds	2,511,546	-	3,000	28,904	2,543,450
Total liabilities	2,963,262	20,704	3,000	54,772	3,041,738
Fund balances					
Unreserved, reported in:					
General fund	(2,863,734)	-	-	-	(2,863,734)
Special revenue funds	-	2,631,923	214,315	(344)	2,845,894
Total fund balances (deficit)	(2,863,734)	2,631,923	214,315	(344)	(17,840)
Total liabilities and fund balances	\$ 99,528	\$ 2,652,627	\$ 217,315	\$ 54,428	\$ 3,023,898

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2010

Fund balances--total governmental funds		\$ (17,840)
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		4,629,112
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.		13,305
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Interest payable	(33,709)	
Compensated absences payable	(56,451)	
Capital lease payable	(91,274)	
GADA note payable	(320,000)	
Revenue bonds payable	(895,000)	
		(1,396,434)
Net assets of governmental activities		\$ 3,228,143

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	General Fund	HURF/LTAF Fund	SMPC Fund	Grants Fund	Total Governmental Funds
Revenue					
Intergovernmental	\$ 862,787	\$ 512,120	\$ -	\$ 264,000	\$ 1,638,907
Taxes	572,757	-	-	-	572,757
Charges for services	171,268	-	-	-	171,268
Other revenue	151,888	-	-	15,747	167,635
Licenses and permits	38,125	-	-	-	38,125
Fines and forfeitures	28,747	-	-	-	28,747
Investment income	2	-	48	-	50
Total revenue	<u>1,825,574</u>	<u>512,120</u>	<u>48</u>	<u>279,747</u>	<u>2,617,489</u>
Expenditures					
Current					
General government	604,959	-	3,000	760	608,719
Public safety	882,838	-	-	2,884	885,722
Public works	223,094	247,280	-	-	470,374
Welfare	-	-	-	129,047	129,047
Culture and recreation	143,939	-	-	30,160	174,099
Capital outlay	176,774	-	-	90,479	267,253
Debt service					
Principal	70,277	-	75,000	-	145,277
Interest	21,648	-	60,961	-	82,609
Total expenditures	<u>2,123,529</u>	<u>247,280</u>	<u>138,961</u>	<u>253,330</u>	<u>2,763,100</u>
Other financing sources (uses)					
Capital lease agreement	111,551	-	-	-	111,551
Transfers in (out)	(108,668)	-	132,434	(23,766)	-
Total other financing sources (uses)	<u>2,883</u>	<u>-</u>	<u>132,434</u>	<u>(23,766)</u>	<u>111,551</u>
Net change in fund balances	(295,072)	264,840	(6,479)	2,651	(34,060)
Fund balances (deficit), July 1, 2009	(2,568,662)	2,367,083	220,794	(2,995)	16,220
Fund balances (deficit), June 30, 2010	<u>\$ (2,863,734)</u>	<u>\$ 2,631,923</u>	<u>\$ 214,315</u>	<u>\$ (344)</u>	<u>\$ (17,840)</u>

See accompanying notes to 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, 2010

Net change in fund balances--total governmental funds		\$ (34,060)
<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>		
Capital outlay	262,122	
Depreciation expense	<u>(365,114)</u>	(102,992)
<p>Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.</p>		
Property tax revenue	(8,574)	
Grant revenue	<u>(37,880)</u>	(46,454)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Capital lease incurred	(111,551)	
Principal repaid	<u>145,277</u>	33,726
<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>		
Decrease in accrued interest expense		<u>2,942</u>
Change in net assets of governmental activities		<u><u>\$ (146,838)</u></u>

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities		
	Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
ASSETS			
Current assets			
Accounts receivable, net	\$ 6,003	\$ 52,339	\$ 58,342
Property taxes receivable	22,789	-	22,789
Due from other funds	483,260	-	483,260
Total current assets	512,052	52,339	564,391
Noncurrent assets			
Capital assets, net of accumulated depreciation, where applicable:			
Utilities systems, net	406,402	-	406,402
Building, net	-	265,306	265,306
Equipment, net	-	82,419	82,419
Capital assets, net	406,402	347,725	754,127
Total noncurrent assets	406,402	347,725	754,127
Total assets	\$ 918,454	\$ 400,064	\$ 1,318,518
LIABILITIES			
Current liabilities			
Accounts payable	\$ 81,252	\$ 8,537	\$ 89,789
Accrued expenses	3,427	7,808	11,235
Due to other funds	-	549,650	549,650
Compensated absences, current portion	1,301	5,434	6,735
Total current liabilities	85,980	571,429	657,409
Noncurrent liabilities			
Compensated absences, net of current portion	434	1,811	2,245
Total noncurrent liabilities	434	1,811	2,245
Total liabilities	\$ 86,414	\$ 573,240	\$ 659,654
NET ASSETS			
Invested in capital assets, net of related debt	\$ 406,402	\$ 347,725	\$ 754,127
Unrestricted	425,638	(520,901)	(95,263)
Total net assets	\$ 832,040	\$ (173,176)	\$ 658,864

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010

	Business-type Activities		
	Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Operating revenue			
Sewer and sanitation	\$ 479,018	\$ -	\$ 479,018
Ambulance	-	205,137	205,137
Other revenue	1,747	-	1,747
Total operating revenue	<u>480,765</u>	<u>205,137</u>	<u>685,902</u>
Operating expenses			
Personnel	127,117	370,498	497,615
Landfill fees	352,027	-	352,027
Depreciation	120,773	12,126	132,899
Professional services	77,655	6,580	84,235
Utilities	58,401	375	58,776
Materials and supplies	12,051	11,981	24,032
Miscellaneous	22,216	30,076	52,292
Repairs and maintenance	2,663	11,542	14,205
Total operating expenses	<u>772,903</u>	<u>443,178</u>	<u>1,216,081</u>
Operating income (loss)	(292,138)	(238,041)	(530,179)
Nonoperating revenue			
Property taxes	<u>261,770</u>	<u>-</u>	<u>261,770</u>
Increase (Decrease) in net assets	(30,368)	(238,041)	(268,409)
Total net assets, July 1, 2009	<u>862,408</u>	<u>64,865</u>	<u>927,273</u>
Total net assets, June 30, 2010	<u>\$ 832,040</u>	<u>\$ (173,176)</u>	<u>\$ 658,864</u>

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Business-type Activities		
	Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 561,355	\$ 238,104	\$ 799,459
Payments to suppliers and providers of goods and services	(554,120)	(138,564)	(692,684)
Payments to employees	(88,395)	(280,869)	(369,264)
Net cash provided (used) by operating activities	<u>(81,160)</u>	<u>(181,329)</u>	<u>(262,489)</u>
Cash flows from capital financing activities:			
Capital assets purchased	(9,930)	-	(9,930)
Net cash provided (used) by capital financing activities	<u>(9,930)</u>	<u>-</u>	<u>(9,930)</u>
Cash flows from noncapital financing activities:			
Property taxes received	238,981	-	238,981
Interfund borrowings	(147,891)	181,329	33,438
Net cash provided (used) by noncapital financing activities	<u>91,090</u>	<u>181,329</u>	<u>272,419</u>
Increase (Decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Business-type Activities		
	Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (292,138)	\$ (238,041)	\$ (530,179)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	120,773	12,126	132,899
(Increase) decrease in:			
Accounts receivable, net	80,590	32,967	113,557
Increase (decrease) in:			
Accounts payable	9,872	3,811	13,683
Accrued expenses	(257)	7,808	7,551
Net cash provided (used) by operating activities	\$ (81,160)	\$ (181,329)	\$ (262,489)

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Investment Trust Fund
ASSETS	
Cash and cash equivalents	\$ 7,618
Investments	62,327
Total assets	\$ 69,945
 LIABILITIES	
Total liabilities	\$ -
 NET ASSETS	
Held in trust for investment trust participants	\$ 69,945

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	Investment Trust Fund
Additions:	
Interest and dividends	\$ 840
Unrealized gains	6,796
Total additions	7,636
 Deductions:	
Distributions	1,238
Advisory fees	751
Total deductions	1,989
Change in net assets	5,647
Net assets, July 1, 2009	64,298
Net assets, June 30, 2010	\$ 69,945

See accompanying notes to financial statements.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide statements—provide information about the primary government (the Town) and its component units. The statements include a statement of net assets 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 and between the Town and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

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

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

Fund financial statements—provide information about the Town's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund 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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 and Local Transportation Assistance Fund that is legally restricted to expenditures for specified purposes.

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

The ***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

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

The Town's business-type activities and enterprise funds follow FASB Statements and Interpretations issued after November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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. 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 or 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.

That portion of property taxes receivable in the General Fund not collected within 60 days after June 30, 2010, has been deferred and, consequently, is not included in current-year revenue.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. 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:

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

G. Investment Income

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

H. Compensated Absences

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

Employees may accumulate vacation time depending on years of service. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 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.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

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.

Deposits—At June 30, 2010, the carrying amount of the Town’s total nonpooled cash in bank was \$(25,243), and the bank balance was \$58,420. The entire bank balance was covered by federal depository insurance.

At June 30, 2010, the deposits in the State Treasurer’s investment pool consisted of the following:

	Reported Amount	Fair Value
State Treasurer's investment pool	\$ 413	\$ 413

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.

Investments—Fiduciary investments, which consist of marketable securities in the form of mutual funds, have readily determinable fair values and are reported at their fair value in the statement of fiduciary net assets. The investments are uninsured, unregistered, and held by an agent in the Town’s name.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 3 – DUE FROM OTHER GOVERNMENTS, TAXES RECEIVABLE, AND ACCOUNTS RECEIVABLE

Amounts due from other governments at June 30, 2010 consisted of the following:

	General Fund	HURF/LTAF Fund	Grants Fund
State-shared sales tax	\$ 20,419	\$ -	\$ -
State-shared auto lieu tax	18,417	-	-
State-shared HURF monies	-	24,614	-
County-shared road tax	-	18,173	-
AZ Office of Tourism	-	-	29,992
AZ Department of Housing	-	-	7,127
Pinal-Gila Council for Senior Citizens	-	-	17,309
	<u>\$ 38,836</u>	<u>\$ 42,787</u>	<u>\$ 54,428</u>

Taxes receivable at June 30, 2010 consisted of town sales taxes receivable, property taxes receivable, and franchise taxes receivable of \$24,417, \$18,228, and \$18,047, respectively.

Accounts receivable in the Utilities Fund consisted of sewer and sanitation receivables which had not been collected. At June 30, 2010 the total amount receivable was \$134,546 of which \$128,543 was determined to not be collectible.

Accounts receivable in the Ambulance Fund consisted of ambulance service receivables which had not been collected. At June 30, 2010 the total amount receivable was \$302,339 of which \$250,000 was determined to not be collectible.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 152,776	\$ -	\$ -	\$ 152,776
Total capital assets not being depreciated	<u>152,776</u>	<u>-</u>	<u>-</u>	<u>152,776</u>
Capital assets being depreciated:				
Buildings	2,655,611	71,638	-	2,727,249
Equipment	1,709,239	190,484	-	1,899,723
Infrastructure	3,842,854	-	-	3,842,854
Total	<u>8,207,704</u>	<u>262,122</u>	<u>-</u>	<u>8,469,826</u>
Less accumulated depreciation for:				
Buildings	474,852	110,992	-	585,844
Equipment	1,020,582	147,933	-	1,168,515
Infrastructure	2,132,942	106,189	-	2,239,131
Total	<u>3,628,376</u>	<u>365,114</u>	<u>-</u>	<u>3,993,490</u>
Total capital assets being depreciated, net	<u>4,579,328</u>	<u>(102,992)</u>	<u>-</u>	<u>4,476,336</u>
Governmental activities capital assets, net	<u>\$ 4,732,104</u>	<u>\$ (102,992)</u>	<u>\$ -</u>	<u>\$ 4,629,112</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS – Continued

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Business-type activities:				
Capital assets being depreciated:				
Utility systems	\$ 3,988,939	\$ -	\$ -	\$ 3,988,939
Building	272,109	-	-	272,109
Equipment	219,447	9,930	-	229,377
Total	<u>4,480,495</u>	<u>9,930</u>	<u>-</u>	<u>4,490,425</u>
Less accumulated depreciation for:				
Utility systems	3,481,112	118,025	-	3,599,137
Building	-	6,803	-	6,803
Equipment	122,287	8,071	-	130,358
Total	<u>3,603,399</u>	<u>132,899</u>	<u>-</u>	<u>3,736,298</u>
Total capital assets being depreciated, net	<u>877,096</u>	<u>(122,969)</u>	<u>-</u>	<u>754,127</u>
Business-type activities capital assets, net	<u>\$ 877,096</u>	<u>\$ (122,969)</u>	<u>\$ -</u>	<u>\$ 754,127</u>

Twenty-five percent, or \$272,109, of the new fire station has been recorded in the Ambulance Fund. The remainder has been recorded in the Governmental Activities column of the government-wide financial statements.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 84,649
Public safety	91,187
Highways and streets	118,965
Welfare	1,929
Culture and recreation	<u>68,384</u>
 Total governmental activities depreciation expense	 <u><u>\$ 365,114</u></u>
 Business-type activities:	
Utilities	\$ 120,773
Ambulance	<u>12,126</u>
 Total business-type activities depreciation expense	 <u><u>\$ 132,899</u></u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2010.

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due within one year
Governmental activities:					
Revenue bonds payable	\$ 970,000	\$ -	\$ 75,000	\$ 895,000	\$ 80,000
GADA note payable	370,000	-	50,000	320,000	50,000
Capital lease payable	-	111,551	20,277	91,274	21,869
Compensated absences	56,451	25,000	25,000	56,451	42,338
	<u>1,396,451</u>	<u>136,551</u>	<u>170,277</u>	<u>1,362,725</u>	<u>194,207</u>
Business-type activities:					
Compensated absences	8,980	9,000	9,000	8,980	6,735
	<u>\$ 8,980</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 8,980</u>	<u>\$ 6,735</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 for services in the Utilities Funds. The original amount of revenue bonds issued in prior years was \$1,200,000. Bonds outstanding at June 30, 2010, 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>\$ 895,000</u>

Notes payable—consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
GADA note payable	<u>\$ 500,000</u>	2016	3.00-5.00%	<u>\$ 320,000</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 5 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s bonds and notes payable at June 30, 2010.

Year Ending June 30	Governmental Activities			
	GADA note payable		Revenue bonds payable	
	Principal	Interest	Principal	Interest
2011	50,000	11,528	80,000	53,440
2012	50,000	9,783	85,000	48,000
2013	50,000	7,976	90,000	42,240
2014	55,000	5,304	95,000	35,970
2015	55,000	2,554	100,000	29,370
2016-2018	60,000	194	445,000	37,290
Total	<u>\$ 320,000</u>	<u>\$ 37,339</u>	<u>\$ 895,000</u>	<u>\$ 246,310</u>

Capital leases – The Town has acquired its accounting software under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The carrying value of the software acquired through a capital lease is as follows:

	Governmental Activities
Accounting software	\$ 111,551
Less: accumulated depreciation	<u>(11,155)</u>
Carrying value	<u>\$ 100,396</u>

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 5 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s capital lease payable at June 30, 2011:

Year Ending June 30	Governmental Activities
2011	\$ 28,041
2012	28,041
2013	28,041
2014	21,031
Total minimum lease payments	105,154
Less amount representing interest	(13,880)
Present value of net minimum lease payments	\$ 91,274

Interest expense—In the Statement of Activities on the government-wide financial statements, interest expense from the GADA note payable, revenue bonds payable, and the capital lease payable have been included as a direct functional expense of two functions: \$63,122 has been included as a direct functional expense of public safety and \$16,545 has been included as a direct functional expense of general government.

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 – CONTINGENT LOSS

On March 20, 2012, the Maricopa County Superior Court issued a ruling finding the Town and its former attorney jointly and severally liable for several instances of alleged misconduct. The court imposed \$125,000 in sanctions against the Town and the attorney. The Town timely appealed this ruling and the matter is now before the Arizona Court of Appeals. The Town’s attorneys expect that the Court of Appeals will overturn the Superior Court’s ruling.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 8 – RETIREMENT PLANS

Plan Descriptions—The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS
3300 N. Central Ave.
Phoenix, AZ 85012-0250
(602) 240-2000 or (800) 621-3778

PSPRS
3010 E. Camelback Rd., Ste 200
Phoenix, AZ 85016
(602) 255-5575

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates.

Cost-sharing plans—For the year ended June 30, 2010, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent retirement and 0.40 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2010, 2009, and 2008, were \$69,963, \$81,453, and \$85,555, respectively, which were equal to the required contributions for the year.

Agent plans—For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 10.53 percent for police and 10.73 percent for fire.

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 8 – RETIREMENT PLANS – Continued

Annual Pension Cost—The Town’s pension cost for the agent plan for the year ended June 30, 2010, and related information follows.

	PSPRS	
	Fire Dept	Police Dept
Contribution rates:		
Town	10.73%	10.53%
Plan members	7.65%	7.65%
Annual pension cost	\$ 29,280	\$ 31,028
Contributions made	\$ 29,280	\$ 31,028

The current-year annual required contributions for the PSPRS were determined as part of its June 30, 2010, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 8.50 percent per year. Both (a) and (b) included an inflation component of 5.50 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 26 years closed for the unfunded actuarial accrued liability and 20 years open for the excess.

Trend Information—Annual pension cost information for the current and two preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS- Police Dept	2010	\$ 31,028	100 %	\$ -
	2009	43,466	100	-
	2008	18,269	100	-
PSPRS- Fire Dept	2010	\$ 29,280	100 %	\$ -
	2009	35,034	100	-
	2008	20,102	100	-

TOWN OF SUPERIOR, ARIZONA
Notes to Financial Statements
June 30, 2010

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2010, were as follows:

Payable from	Payable to		Total
	HURF/LTAF Fund	Utilities Fund	
General Fund	\$ 2,511,546	\$ -	\$ 2,511,546
Grants Fund	28,904	-	28,904
Ambulance Fund	66,390	483,260	549,650
SMPC Fund	3,000	-	3,000
	<u>\$ 2,609,840</u>	<u>\$ 483,260</u>	<u>\$ 3,093,100</u>

Interfund balances between the General Fund and the HURF/LTAF Fund were created to help the General Fund pay for excess expenditures over revenues. Receivable balances are expected to be recovered through reductions in General Fund expenditures. Interfund balances between the Utilities Fund, the Grants Fund, and the Ambulance Fund are to help pay for current year operations in the Ambulance Fund.

Interfund transfers—Interfund transfers for the year ending June 30, 2010, were as follows:

Transfer from	Transfer to		Total
	SMPC Fund	General Fund	
General Fund	\$ 132,434	\$ -	\$ 132,434
Grants Fund	-	23,766	23,766
	<u>\$ 132,434</u>	<u>\$ 23,766</u>	<u>\$ 156,200</u>

Transfers from the General Fund to the SMPC Fund were to pay for debt service expenditures in the SMPC Fund. Transfers from the Grants Fund to the General Fund were to reimburse the General Fund for Grants Fund expenditures recorded in the General Fund.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 856,312	\$ 856,312	\$ 862,787	\$ 6,475
Taxes	649,003	649,003	572,757	(76,246)
Charges for services	247,295	247,295	171,268	(76,027)
Other revenue	498,000	498,000	151,888	(346,112)
Licenses and permits	61,000	61,000	38,125	(22,875)
Fines and forfeitures	22,500	22,500	28,747	6,247
Investment income	1,000	1,000	2	(998)
Total revenue	<u>2,335,110</u>	<u>2,335,110</u>	<u>1,825,574</u>	<u>(509,536)</u>
Expenditures				
Current				
General government	1,253,295	1,253,295	604,959	648,336
Public safety	1,324,226	1,324,226	882,838	441,388
Public works	278,970	278,970	223,094	55,876
Culture and recreation	177,304	177,304	143,939	33,365
Capital outlay	-	-	176,774	(176,774)
Debt service				
Principal	50,000	50,000	70,277	(20,277)
Interest	13,075	13,075	21,648	(8,573)
Total expenditures	<u>3,096,870</u>	<u>3,096,870</u>	<u>2,123,529</u>	<u>973,341</u>
Other financing sources (uses)				
Capital lease agreement	-	-	111,551	111,551
Transfers in (out)	-	-	(108,668)	(108,668)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,883</u>	<u>2,883</u>
Net change in fund balances	(761,760)	(761,760)	(295,072)	466,688
Fund balances (deficit), July 1, 2009	<u>(2,568,662)</u>	<u>(2,568,662)</u>	<u>(2,568,662)</u>	<u>-</u>
Fund balances (deficit), June 30, 2010	<u><u>\$ (3,330,422)</u></u>	<u><u>\$ (3,330,422)</u></u>	<u><u>\$ (2,863,734)</u></u>	<u><u>\$ 466,688</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 564,696	\$ 564,696	\$ 512,120	\$ (52,576)
Total revenue	<u>564,696</u>	<u>564,696</u>	<u>512,120</u>	<u>(52,576)</u>
Expenditures				
Current				
Public works	393,144	393,144	247,280	145,864
Total expenditures	<u>393,144</u>	<u>393,144</u>	<u>247,280</u>	<u>145,864</u>
Net change in fund balances	171,552	171,552	264,840	93,288
Fund balances (deficit), July 1, 2009	<u>2,367,083</u>	<u>2,367,083</u>	<u>2,367,083</u>	<u>-</u>
Fund balances (deficit), June 30, 2010	<u><u>\$ 2,538,635</u></u>	<u><u>\$ 2,538,635</u></u>	<u><u>\$ 2,631,923</u></u>	<u><u>\$ 93,288</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
SMPC Fund
June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Investment income	\$ -	\$ -	\$ 48	\$ 48
Total revenue	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Expenditures				
Current				
General government	-	-	3,000	(3,000)
Debt service				
Principal	75,000	75,000	75,000	-
Interest	63,560	63,560	60,961	2,599
Total expenditures	<u>138,560</u>	<u>138,560</u>	<u>138,961</u>	<u>(401)</u>
Other financing sources (uses)				
Transfers in (out)	-	-	132,434	132,434
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>132,434</u>	<u>132,434</u>
Net change in fund balances	(138,560)	(138,560)	(6,479)	132,081
Fund balances (deficit), July 1, 2009	<u>220,794</u>	<u>220,794</u>	<u>220,794</u>	<u>-</u>
Fund balances (deficit), June 30, 2010	<u>\$ 82,234</u>	<u>\$ 82,234</u>	<u>\$ 214,315</u>	<u>\$ 132,081</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 952,091	\$ 952,091	\$ 264,000	\$ (688,091)
Other revenue	-	-	15,747	15,747
Total revenue	<u>952,091</u>	<u>952,091</u>	<u>279,747</u>	<u>(672,344)</u>
Expenditures				
Current				
General government	-	-	760	(760)
Public safety	-	-	2,884	(2,884)
Welfare	131,918	131,918	129,047	2,871
Culture and recreation	-	-	30,160	(30,160)
Capital outlay	1,025,000	1,025,000	90,479	934,521
Total expenditures	<u>1,156,918</u>	<u>1,156,918</u>	<u>253,330</u>	<u>903,588</u>
Other financing sources (uses)				
Transfers in (out)	-	-	(23,766)	(23,766)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(23,766)</u>	<u>(23,766)</u>
Net change in fund balances	(204,827)	(204,827)	2,651	207,478
Fund balances (deficit), July 1, 2009	<u>(2,995)</u>	<u>(2,995)</u>	<u>(2,995)</u>	<u>-</u>
Fund balances (deficit), June 30, 2010	<u>\$ (207,822)</u>	<u>\$ (207,822)</u>	<u>\$ (344)</u>	<u>\$ 207,478</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SUPERIOR, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2010

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (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.

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 Agent Retirement Plans' Funding Progress
June 30, 2010

Public Safety Personnel Retirement System

Plan	Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (a-b)	Percent Funded (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
PSPRS- Police Dept	2010	\$ 906,513	\$ 1,009,508	\$ 102,995	89.8 %	\$ 294,526	35.0 %
	2009	919,354	1,019,002	99,648	90.2	348,056	28.6
	2008	799,256	854,363	55,107	93.5	340,615	16.2
PSPRS- Fire Dept	2010	\$ 284,563	\$ 268,100	\$ (16,463)	106.1 %	\$ 272,927	- %
	2009	213,811	219,007	5,196	97.6	280,949	1.8
	2008	151,426	180,366	28,940	84.0	265,276	10.9



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE USES OF HIGHWAY USER
REVENUE FUND MONIES IN ACCORDANCE
WITH ARS TITLE 28, CHAPTER 18, ARTICLE 2**

To the Town Council
Town of Superior, Arizona

We have audited, 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, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Superior as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 18, 2012.

In connection with our audit, we noted that the Town had loaned \$1,603,038 of highway user revenue monies to the General Fund. The loan proceeds were expended in the General Fund for various purposes which were not related to highways and streets. We do not consider such a loan in compliance with Arizona Revised Statutes Title 28, Chapter 18, Article 2.

This report is intended solely for the information and use of management, the Town Council, and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Colby & Powell, PLC

July 18, 2012