

**TOWN OF SUPERIOR, ARIZONA**

**Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2011**

## 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 .....	33
Notes to Budgetary Comparison Schedules.....	36
Schedule of Funding Progress.....	37
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> .....	38
Schedule of Findings and Responses .....	40
Independent Auditors' Report on State Legal Compliance .....	42

## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
Town of Superior, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the Town of Superior, Arizona as of and for the year ended June 30, 2011 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Superior, Arizona'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.

Because management was unable to provide documentation related to several significant revenue and cash disbursement transactions and an accurate listing of accounts receivable for the Ambulance Fund we were unable to form opinions on whether the financial statements of the Governmental Activities, Business-Type Activities, General Fund, Utilities Fund, and the Ambulance Fund are free of material misstatement. Therefore, we do not express, an opinion on the financial statements of the Governmental Activities, Business-Type Activities, General Fund, Utilities Fund, and the Ambulance Fund of the Town of Superior, Arizona as of and for the year ended June 30, 2011.

In our opinion, the financial statements of the Highway User Revenue Fund, Grants Fund, SMPC Fund, and the Investment Trust Fund present fairly, in all material respects, the respective financial position of the Highway User Revenue Fund, Grants Fund, SMPC Fund, and the Investment Trust Fund of the Town of Superior, Arizona, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, 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 requires to be presented to supplement the basic financial statements. Such 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, 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.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 33 through 36 and the Schedule of Funding Progress on page 37 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.



HintonBurdick, PLLC  
Flagstaff, Arizona  
June 1, 2015

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Net Position**  
**June 30, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 200,959	\$ -	\$ 200,959
Cash with fiscal agent	219,774	-	219,774
Accounts receivable - net	1,982	58,928	60,910
Taxes receivable	21,749	27,191	48,940
Due from other governments	225,443	-	225,443
Interactivity balances	27,200	(27,200)	-
Capital assets, not being depreciated	152,776	-	152,776
Capital assets, being depreciated, net	4,549,914	624,642	5,174,556
<b>Total assets</b>	<b>5,399,797</b>	<b>683,561</b>	<b>6,083,358</b>
<b>LIABILITIES</b>			
Accounts payable	256,838	120,337	377,175
Accrued expenses	68,380	13,885	82,265
Accrued interest	24,893	-	24,893
Noncurrent liabilities			
Due within one year	161,095	6,113	167,208
Due in more than one year	1,081,962	2,038	1,084,000
<b>Total liabilities</b>	<b>1,593,168</b>	<b>142,373</b>	<b>1,735,541</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,504,119	624,642	4,128,761
Restricted for:			
Debt service	219,774	-	219,774
Highways and streets	2,870,018	-	2,870,018
Unrestricted (deficit)	(2,787,282)	(83,454)	(2,870,736)
<b>Total net position</b>	<b>\$ 3,806,629</b>	<b>\$ 541,188</b>	<b>\$ 4,347,817</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2011**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 574,422	\$ 57,623	\$ 309,388	\$ -	\$ (207,411)	\$ -	\$ (207,411)
Public safety	1,056,106	290,947	132,020	-	(633,139)	-	(633,139)
Highways and streets	516,878	-	491,530	-	(25,348)	-	(25,348)
Welfare	140,412	-	103,946	-	(36,466)	-	(36,466)
Culture and recreation	332,766	7,419	-	231,744	(93,603)	-	(93,603)
Interest	73,286	-	-	-	(73,286)	-	(73,286)
<b>Total governmental activities</b>	<b>2,693,870</b>	<b>355,989</b>	<b>1,036,884</b>	<b>231,744</b>	<b>(1,069,253)</b>	<b>-</b>	<b>(1,069,253)</b>
Business-type activities							
Utilities	848,037	575,380	-	-	-	(272,657)	(272,657)
Ambulance	425,560	309,656	-	-	-	(115,904)	(115,904)
<b>Total business-type activities</b>	<b>1,273,597</b>	<b>885,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(388,561)</b>	<b>(388,561)</b>
<b>Total primary government</b>	<b>\$ 3,967,467</b>	<b>\$ 1,241,025</b>	<b>\$ 1,036,884</b>	<b>\$ 231,744</b>	<b>(1,069,253)</b>	<b>(388,561)</b>	<b>(1,457,814)</b>
<b>General revenue:</b>							
Taxes:							
Property taxes, levied for general purposes					226,041	264,178	490,219
Local sales taxes					472,275	-	472,275
Franchise tax					86,134	-	86,134
Share of state sales taxes					246,175	-	246,175
Share of state auto lieu taxes					195,909	-	195,909
State urban revenue sharing					316,621	-	316,621
Investment earnings					3,987	-	3,987
Miscellaneous					12,966	-	12,966
Total general revenue					<u>1,560,108</u>	<u>264,178</u>	<u>1,824,286</u>
Change in net position					490,855	(124,383)	366,472
Net position, beginning of year					<u>3,315,774</u>	<u>665,571</u>	<u>3,981,345</u>
Net position, end of year					<u>\$ 3,806,629</u>	<u>\$ 541,188</u>	<u>\$ 4,347,817</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SUPERIOR, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	HURF/LTAF Fund	Grants Fund	SMPC Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 200,956	\$ 3	\$ -	\$ 200,959
Cash with fiscal agent	-	-	-	219,774	219,774
Other receivables	13,525	-	10,206	-	23,731
Due from other governments	102,318	35,147	87,978	-	225,443
Due from other funds	-	2,646,691	-	-	2,646,691
<b>Total assets</b>	<u>115,843</u>	<u>2,882,794</u>	<u>98,187</u>	<u>219,774</u>	<u>3,316,598</u>
<b>LIABILITIES</b>					
Accounts payable	119,520	10,525	126,793	-	256,838
Accrued expenses	66,129	2,251	-	-	68,380
Due to other funds	2,619,491	-	-	-	2,619,491
<b>Total liabilities</b>	<u>2,805,140</u>	<u>12,776</u>	<u>126,793</u>	<u>-</u>	<u>2,944,709</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	17,743	-	31,010	-	48,753
<b>FUND BALANCES</b>					
Nonspendable	-	2,646,691	-	-	2,646,691
Restricted for:					
Highways and streets	-	223,327	-	-	223,327
Debt service	-	-	-	219,774	219,774
Unassigned	(2,707,040)	-	(59,616)	-	(2,766,656)
<b>Total fund balances</b>	<u>(2,707,040)</u>	<u>2,870,018</u>	<u>(59,616)</u>	<u>219,774</u>	<u>323,136</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 115,843</u>	<u>\$ 2,882,794</u>	<u>\$ 98,187</u>	<u>\$ 219,774</u>	<u>\$ 3,316,598</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, 2011**

Fund balances-total governmental funds	\$ 323,136
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.	4,702,690
Some receivables are not available to pay for current-period expenditures and therefore, are unavailable in the funds.	48,753
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(1,267,950)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 3,806,629</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, 2011**

	General Fund	HURF/LT AF Fund	Grants Fund	SMPC Fund	Total Governmental Funds
<b>Revenue</b>					
Intergovernmental	\$ 862,652	\$ 491,530	\$ 344,549	\$ -	\$ 1,698,731
Taxes	780,011	-	-	-	780,011
Charges for services	250,604	-	-	-	250,604
Other revenue	223,466	-	-	-	223,466
Fines and forfeitures	173,825	-	-	-	173,825
Licenses and permits	9,900	-	-	-	9,900
Rental income	8,753	-	-	-	8,753
Investment income	3,968	-	-	19	3,987
<b>Total revenue</b>	<u>2,313,179</u>	<u>491,530</u>	<u>344,549</u>	<u>19</u>	<u>3,149,277</u>
<b>Expenditures</b>					
Current					
General government	484,692	-	-	3,085	487,777
Public safety	952,098	-	-	-	952,098
Public works	136,114	259,875	-	-	395,989
Welfare	133,215	-	-	-	133,215
Culture and recreation	120,098	-	137,962	-	258,060
Debt service					
Principal	121,869	-	-	80,000	201,869
Interest	26,102	-	-	56,000	82,102
Capital outlay	94,667	-	359,428	-	454,095
<b>Total expenditures</b>	<u>2,068,855</u>	<u>259,875</u>	<u>497,390</u>	<u>139,085</u>	<u>2,965,205</u>
Excess (deficiency) of revenue over (under) expenditures	<u>244,324</u>	<u>231,655</u>	<u>(152,841)</u>	<u>(139,066)</u>	<u>184,072</u>
<b>Other financing sources (uses)</b>					
Transfers	(230,986)	-	86,461	144,525	-
Installment purchase agreement	69,273	-	-	-	69,273
<b>Total other financing sources (uses)</b>	<u>(161,713)</u>	<u>-</u>	<u>86,461</u>	<u>144,525</u>	<u>69,273</u>
<b>Net change in fund balances</b>	82,611	231,655	(66,380)	5,459	253,345
Fund balances, beginning of year, restated	(2,789,651)	2,638,363	6,764	214,315	69,791
<b>Fund balances, end of year</b>	<u>\$ (2,707,040)</u>	<u>\$ 2,870,018</u>	<u>\$ (59,616)</u>	<u>\$ 219,774</u>	<u>\$ 323,136</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, 2011**

Net change in fund balances-total governmental funds		\$ 253,345
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current year capital acquisitions	454,095	
Current year depreciation	<u>(380,517)</u>	
		73,578
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
		35,448
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt principal repaid	201,869	
Capital leases incurred	<u>(69,273)</u>	
		132,596
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.		
Decrease in interest payable	8,816	
Increase in compensated absences payable	<u>(12,928)</u>	
		<u>(4,112)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 490,855</u></b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2011**

	<u>Business-type Activities--Enterprise Funds</u>		
	<u>Utilities Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Accounts receivable - net	\$ 5,972	\$ 52,956	\$ 58,928
Taxes receivable	27,191	-	27,191
Due from other funds	542,984	-	542,984
<b>Total current assets</b>	<b>576,147</b>	<b>52,956</b>	<b>629,103</b>
Noncurrent assets			
Capital assets, net of accumulated depreciation, where applicable:			
Utilities systems, net	272,049	-	272,049
Buildings, net	-	258,503	258,503
Equipment, net	16,993	77,097	94,090
<b>Total noncurrent assets</b>	<b>289,042</b>	<b>335,600</b>	<b>624,642</b>
<b>Total assets</b>	<b>865,189</b>	<b>388,556</b>	<b>1,253,745</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	30,481	89,856	120,337
Accrued expenses	2,818	11,067	13,885
Due to other funds	-	570,184	570,184
Compensated absences, current portion	1,216	4,897	6,113
<b>Total current liabilities</b>	<b>34,515</b>	<b>676,004</b>	<b>710,519</b>
<b>Noncurrent liabilities</b>			
Compensated absences, net of current portion	406	1,632	2,038
<b>Total liabilities</b>	<b>34,921</b>	<b>677,636</b>	<b>712,557</b>
<b>Net position</b>			
Net investment in capital assets	289,042	335,600	624,642
Unrestricted (deficit)	541,226	(624,680)	(83,454)
<b>Total net position</b>	<b>\$ 830,268</b>	<b>\$ (289,080)</b>	<b>\$ 541,188</b>

*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, 2011**

	Business-type Activities--Enterprise Funds		
	Utilities	Ambulance	Total
	Fund	Fund	
<b>Operating revenue</b>			
Charges for services			
Sewer (net of bad debts of \$92)	\$ 302,964	\$ -	\$ 302,964
Sanitation (net of bad debts of \$171)	272,416	-	272,416
Ambulance (net of bad debts of \$0)	-	309,656	309,656
<b>Total operating revenue</b>	<u>575,380</u>	<u>309,656</u>	<u>885,036</u>
<b>Operating expenses</b>			
Personnel	139,142	346,995	486,137
Landfill fees	310,874	-	310,874
Professional services	155,295	13,820	169,115
Depreciation	120,826	12,126	132,952
Utilities	62,562	6,725	69,287
Materials and supplies	31,396	21,053	52,449
Insurance	13,257	12,977	26,234
Repairs and maintenance	12,386	11,464	23,850
Other	2,299	400	2,699
<b>Total operating expenses</b>	<u>848,037</u>	<u>425,560</u>	<u>1,273,597</u>
<b>Operating income (loss)</b>	(272,657)	(115,904)	(388,561)
<b>Nonoperating revenue (expenses)</b>			
Property taxes	264,178	-	264,178
<b>Increase (decrease) in net position</b>	(8,479)	(115,904)	(124,383)
Total net position, beginning of year, restated	838,747	(173,176)	665,571
<b>Total net position, end of year</b>	<u>\$ 830,268</u>	<u>\$ (289,080)</u>	<u>\$ 541,188</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2011**

	Business-type Activities --Enterprise Funds		
	Utilities	Ambulance	Total
	Fund	Fund	
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 575,411	\$ 309,039	\$ 884,450
Payments to suppliers and providers of goods and services	(677,193)	(65,516)	(742,709)
Payments to employees	(101,511)	(264,057)	(365,568)
<b>Net cash provided (used) by             operating activities</b>	<u>(203,293)</u>	<u>(20,534)</u>	<u>(223,827)</u>
<b>Cash flows from noncapital financing activities</b>			
Property taxes received	259,777	-	259,777
Interfund loans	(53,017)	20,534	(32,483)
<b>Net cash provided (used) by             noncapital financing activities</b>	<u>206,760</u>	<u>20,534</u>	<u>227,294</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	(3,467)	-	(3,467)
<b>Net increase (decrease) in cash</b>	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
<b>Cash and cash equivalents, end of year</b>	<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, 2011**

	Business-type Activities --Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (272,657)	\$ (115,904)	\$ (388,561)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	120,826	12,126	132,952
Bad debts	263	-	263
(Increase) decrease in:			
Accounts receivable	(232)	(618)	(850)
Increase (decrease) in:			
Accounts payable	(50,771)	81,319	30,548
Accrued expenses	(609)	3,259	2,650
Compensated absences payable	(113)	(716)	(829)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (203,293)</u>	<u>\$ (20,534)</u>	<u>\$ (223,827)</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2011**

	<u>Investment Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$      83,727</u>
<b>NET POSITION</b>	
Held in trust for investment trust participants	<u>\$      83,727</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, 2011**

	Investment Trust Fund
<b>Additions</b>	
Investment income	\$ 14,703
<b>Deductions</b>	
Investment fees	921
Change in net position	13,782
Net position, beginning of year	69,945
Net position, end of year	\$ 83,727

*The accompanying notes are integral to these financial statements.*

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

***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, 2011**

***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, 2011**

***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, 2011**

***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, 2011 in the Utilities and Ambulance Funds, respectively, were \$127,887 and \$0.

**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, 2011**

***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, 2011, the uncollected property taxes and related allowances for uncollectible amounts (if any) were as follows:

Fiscal Year	General Fund
2010 - 2011	\$ 44,955
Prior	3,985
Net total	\$ 48,940

**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, 2011**

***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. 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,
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.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**K. Impact of Recently Issued Accounting Principles**

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011, with earlier application encouraged. The Town has decided to implement this Standard for the year ending June 30, 2011.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged. The Town has decided to implement this Standard for the year ending June 30, 2011.

***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, 2011, the carrying amount of the Town's total nonpooled cash in bank was \$200,545, and the bank balance was \$220,720. The entire bank balance was covered by federal depository insurance.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

***NOTE 2 – DEPOSITS AND INVESTMENTS – Continued***

*Investments*—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$414. 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.

***NOTE 3 – DUE FROM OTHER GOVERNMENTS***

Amounts due from other governments in the General Fund at June 30, 2011 consisted of \$18,795 in state-shared revenue from sales taxes, \$14,655 in state-shared revenue from auto lieu taxes, \$28,547 in local sales taxes collected by the State of Arizona, and \$40,321 in federal and state grants.

Amounts due from other governments in the HURF/LTAF Fund at June 30, 2011 consisted of \$18,463 in county-shared revenue from county road taxes and \$16,684 in state-shared revenue from highway user revenue fund (HURF) taxes.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 152,776	\$ -	\$ -	\$ 152,776
Capital assets being depreciated:				
Buildings	2,727,249	316,213	-	3,043,462
Equipment	1,899,723	137,882	-	2,037,605
Infrastructure	3,842,854	-	-	3,842,854
<b>Total</b>	<u>8,469,826</u>	<u>454,095</u>	<u>-</u>	<u>8,923,921</u>
Less accumulated depreciation for:				
Buildings	585,844	116,169	-	702,013
Equipment	1,168,515	158,159	-	1,326,674
Infrastructure	2,239,131	106,189	-	2,345,320
<b>Total</b>	<u>3,993,490</u>	<u>380,517</u>	<u>-</u>	<u>4,374,007</u>
<b>Total capital assets being depreciated, net</b>	<u>4,476,336</u>	<u>73,578</u>	<u>-</u>	<u>4,549,914</u>
Governmental activities capital assets, net	<u>\$ 4,629,112</u>	<u>\$ 73,578</u>	<u>\$ -</u>	<u>\$ 4,702,690</u>
	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets being depreciated:				
Buildings	272,109	-	-	272,109
Utility systems	3,988,939	-	-	3,988,939
Equipment	229,377	3,467	-	232,844
<b>Total</b>	<u>4,490,425</u>	<u>3,467</u>	<u>-</u>	<u>4,493,892</u>
Less accumulated depreciation for:				
Buildings	6,803	6,803	-	13,606
Utility systems	3,599,137	117,753	-	3,716,890
Equipment	130,358	8,396	-	138,754
<b>Total</b>	<u>3,736,298</u>	<u>132,952</u>	<u>-</u>	<u>3,869,250</u>
<b>Total capital assets being depreciated, net</b>	<u>754,127</u>	<u>(129,485)</u>	<u>-</u>	<u>624,642</u>
Business-type activities capital assets, net	<u>\$ 754,127</u>	<u>\$ (129,485)</u>	<u>\$ -</u>	<u>\$ 624,642</u>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

***NOTE 4 – CAPITAL ASSETS – Continued***

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 118,590
Public safety	98,481
General government	83,814
Culture and recreation	73,208
Welfare	<u>6,424</u>
Total governmental activities depreciation expense	<u><u>\$ 380,517</u></u>
Business-type activities:	
Utilities	\$ 120,826
Ambulance	<u>12,126</u>
Total business-type activities depreciation expense	<u><u>\$ 132,952</u></u>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 5 – LONG -TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2011.

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
Governmental activities:					
Revenue bonds payable	\$ 895,000	\$ -	\$ 80,000	\$ 815,000	\$ 85,000
Notes payable	320,000	69,273	100,000	289,273	475
Capital leases payable	91,274	-	21,869	69,405	23,586
Compensated absences	56,451	12,928	-	69,379	52,034
	<u>\$ 1,362,725</u>	<u>\$ 82,201</u>	<u>\$ 201,869</u>	<u>\$ 1,243,057</u>	<u>\$ 161,095</u>
Business-type activities:					
Compensated absences	\$ 8,980	\$ -	\$ 829	\$ 8,151	\$ 6,113
	<u>\$ 8,980</u>	<u>\$ -</u>	<u>\$ 829</u>	<u>\$ 8,151</u>	<u>\$ 6,113</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, 2011, were as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Revenue bonds payable	<u>\$ 1,200,000</u>	2005-2018	6.40-10.00%	<u>\$ 815,000</u>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

**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>
GADA note payable	\$ 500,000	2016	3.00-5.00%	\$ 220,000
Building note payable	<u>69,273</u>	2042	4.00%	<u>69,273</u>
Total	<u>\$ 569,273</u>			<u>\$ 289,273</u>

The following schedule details debt service requirements to maturity for the Town's bonds and notes payable at June 30, 2011.

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>
2012	\$ 475	\$ 12,641	\$ 85,000	\$ 48,000
2013	51,271	10,705	90,000	42,240
2014	56,323	7,981	95,000	35,970
2015	56,377	5,177	100,000	29,370
2016	61,433	2,761	105,000	22,440
2017-21	8,089	11,911	340,000	14,850
2022-26	9,877	10,123	-	-
2027-31	12,059	7,941	-	-
2032-36	14,725	5,275	-	-
2037-41	17,980	2,020	-	-
2042-46	<u>664</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 289,273</u>	<u>\$ 76,538</u>	<u>\$ 815,000</u>	<u>\$ 192,870</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.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

***NOTE 5 – LONG -TERM LIABILITIES – Continued***

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

	Governmental Activities
Accounting software	\$ 111,551
Less: accumulated depreciation	(22,310)
Carrying value	\$ 89,241

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
2012	\$ 28,041
2013	28,041
2014	21,031
Total minimum lease payments	77,113
Less amount representing interest	(7,708)
Present value of net minimum lease payments	\$ 69,405

***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.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

***NOTE 7 – 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 retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. 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 system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or 1 (800) 621-3778.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover 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. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

*Funding Policy* – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates for both ASRS and PSPRS.

*Cost-sharing plans* – For the year ended June 30, 2011, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement and 0.25 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2011, 2010, and 2009, were \$68,467, \$69,963, and \$81,453, respectively, which were equal to the required contributions for the year.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 7 – RETIREMENT PLANS – Continued**

*Agent plans* – For the year ended June 30, 2011, active members of the PSPRS police system 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 13.44 percent, of which 1.24 percent was the health insurance premium portion.

For the year ended June 30, 2011, active members of the PSPRS fire system 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 10.94 percent, of which .98 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2011, were established by the June 30, 2009 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans 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 status presented below 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.

Projections of benefits are based on 1) the plans as understood by the Town of Superior, Arizona and plan 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 plan 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 significant actuarial methods and assumptions used to establish the fiscal year 2011 contribution requirements are as follows:

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded actuarial liability,
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50%
Payroll growth	5.50%

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 7 – RETIREMENT PLANS – Continued**

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Pension - Police	2011	\$ 36,695	100 %	\$ -
	2010	31,028	100	-
	2009	43,466	100	-
Health Insurance - Police	2011	\$ 4,804	0 %	\$ 4,804
	2010	2,793	0	2,793
	2009	5,348	0	5,348
Pension - Fire	2011	\$ 28,989	100 %	\$ -
	2010	29,280	100	-
	2009	35,034	100	-
Health Insurance - Fire	2011	\$ 3,064	0 %	\$ 3,064
	2010	2,414	0	2,414
	2009	2,626	0	2,626

*Schedules of Funded Status* – Following are the schedules of funded status of the plans as of the most recent valuation date, June 30, 2011, and the previous two fiscal years. The fiscal year 2011 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2010 actuarial methods and assumptions as described on page above.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 7 – RETIREMENT PLANS – Continued**

**Pension - 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)
6/30/2011	\$ 950,136	\$ 1,109,216	\$ (159,080)	85.7 %	\$ 266,814	59.6 %
6/30/2010	906,513	1,009,508	(102,995)	89.8	294,526	35.0
6/30/2009	919,354	1,019,002	(99,648)	90.2	348,056	28.6

**Health Insurance - Police**

6/30/2011	\$ -	\$ 28,233	\$ (28,233)	0.0 %	\$ 266,814	10.6 %
6/30/2010	-	22,580	(22,580)	0.0	294,526	7.7
6/30/2009	-	23,392	(23,392)	0.0	348,056	6.7

**Pension - Fire**

6/30/2011	\$ 341,900	\$ 330,813	\$ 11,087	103.4 %	\$ 249,511	0.0 %
6/30/2010	284,563	268,100	16,463	106.1	272,927	0.0
6/30/2009	213,811	219,007	(5,196)	97.6	280,949	1.8

**Health Insurance - Fire**

6/30/2011	\$ -	\$ 21,818	\$ (21,818)	0.0 %	\$ 249,511	8.7 %
6/30/2010	-	15,019	(15,019)	0.0	272,927	5.5
6/30/2009	-	12,035	(12,035)	0.0	280,949	4.3

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2011**

***NOTE 8 – INTERFUND BALANCES AND ACTIVITY***

Interfund receivables and payables—Interfund balances at June 30, 2011, were as follows:

Payable from	Payable to		
	HURF/LTAF Fund	Utilities Fund	Total
General Fund	\$ 2,619,491	\$ -	\$ 2,619,491
Ambulance Fund	27,200	542,984	570,184
	<u>\$ 2,646,691</u>	<u>\$ 542,984</u>	<u>\$ 3,189,675</u>

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 Grants Fund was to reimburse the Grants Fund for expenditures incurred that are not reimbursable under grant agreements. The interfund transfer from the General Fund to the SMPC Fund was to pay for debt services expenditures of the current period of the SMPC (see Note 1).

***NOTE 9 – RESTATEMENT OF BEGINNING BALANCES***

The Town restated beginning fund balances and net position for old outstanding items not clearing the bank account.

The effect of the adjustment to the fund statements was an increase of \$74,083 to the General Fund beginning fund balance and cash, \$6,440 to the HURF/LTAF Fund beginning fund balance and cash, \$7,108 to the Grants Fund beginning fund balance and cash, and \$6,707 to the Utilities Fund beginning net position and cash.

The effect of the adjustment to the government-wide statements was an increase of \$87,631 to the Governmental Activities beginning net position and cash and \$6,707 to the Business-type Activities beginning net position and cash.

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 844,219	\$ 844,219	\$ 862,652	\$ 18,433
Taxes	885,602	885,602	780,011	(105,591)
Charges for services	368,200	368,200	250,604	(117,596)
Other revenue	25,000	25,000	223,466	198,466
Fines and forfeitures	10,000	10,000	173,825	163,825
Licenses and permits	47,000	47,000	9,900	(37,100)
Rental income	23,400	23,400	8,753	(14,647)
Investment income	-	-	3,968	3,968
<b>Total revenue</b>	<u>2,203,421</u>	<u>2,203,421</u>	<u>2,313,179</u>	<u>109,758</u>
<b>Expenditures</b>				
Current				
General government	443,919	443,919	484,692	(40,773)
Public safety	863,561	863,561	952,098	(88,537)
Public works	164,974	164,974	136,114	28,860
Welfare	158,616	158,616	133,215	25,401
Culture and recreation	131,990	131,990	120,098	11,892
Debt service				
Principal	78,000	78,000	121,869	(43,869)
Interest	-	-	26,102	(26,102)
Capital outlay	-	-	94,667	(94,667)
<b>Total expenditures</b>	<u>1,841,060</u>	<u>1,841,060</u>	<u>2,068,855</u>	<u>(227,795)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>362,361</u>	<u>362,361</u>	<u>244,324</u>	<u>(118,037)</u>
<b>Other financing sources (uses)</b>				
Transfers	-	-	(230,986)	(230,986)
Installment purchase agreement	-	-	69,273	69,273
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(161,713)</u>	<u>(161,713)</u>
Net change in fund balance	362,361	362,361	82,611	(279,750)
Fund balances, beginning of year, restated	<u>(2,789,651)</u>	<u>(2,789,651)</u>	<u>(2,789,651)</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ (2,427,290)</u>	<u>\$ (2,427,290)</u>	<u>\$ (2,707,040)</u>	<u>\$ (279,750)</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 490,000	\$ 490,000	\$ 491,530	\$ 1,530
<b>Expenditures</b>				
Current				
Public works	347,393	347,393	259,875	87,518
Net change in fund balance	142,607	142,607	231,655	89,048
Fund balances, beginning of year, restated	2,638,363	2,638,363	2,638,363	-
<b>Fund balances, end of year</b>	<u>\$ 2,780,970</u>	<u>\$ 2,780,970</u>	<u>\$ 2,870,018</u>	<u>\$ 89,048</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 1,378,884	\$ 1,378,884	\$ 344,549	\$ (1,034,335)
<b>Expenditures</b>				
Current				
Culture and recreation	-	-	137,962	(137,962)
Capital outlay	1,433,098	1,433,098	359,428	1,073,670
<b>Total expenditures</b>	<u>1,433,098</u>	<u>1,433,098</u>	<u>497,390</u>	<u>935,708</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(54,214)</u>	<u>(54,214)</u>	<u>(152,841)</u>	<u>(98,627)</u>
<b>Other financing sources (uses)</b>				
Transfers	<u>-</u>	<u>-</u>	<u>86,461</u>	<u>86,461</u>
Net change in fund balance	(54,214)	(54,214)	(66,380)	(12,166)
Fund balances, beginning of year	<u>6,764</u>	<u>6,764</u>	<u>6,764</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ (47,450)</u>	<u>\$ (47,450)</u>	<u>\$ (59,616)</u>	<u>\$ (12,166)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2011**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Council's approval. With the exception of the General Fund, each fund includes only one department.

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

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

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2011**

**Pension - 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)
6/30/2011	\$ 950,136	\$ 1,109,216	\$ (159,080)	85.7 %	\$ 266,814	59.6 %
6/30/2010	906,513	1,009,508	(102,995)	89.8	294,526	35.0
6/30/2009	919,354	1,019,002	(99,648)	90.2	348,056	28.6

**Health Insurance - Police**

6/30/2011	\$ -	\$ 28,233	\$ (28,233)	0.0 %	\$ 266,814	10.6 %
6/30/2010	-	22,580	(22,580)	0.0	294,526	7.7
6/30/2009	-	23,392	(23,392)	0.0	348,056	6.7

**Pension - Fire**

6/30/2011	\$ 341,900	\$ 330,813	\$ 11,087	103.4 %	\$ 249,511	0.0 %
6/30/2010	284,563	268,100	16,463	106.1	272,927	0.0
6/30/2009	213,811	219,007	(5,196)	97.6	280,949	1.8

**Health Insurance - Fire**

6/30/2011	\$ -	\$ 21,818	\$ (21,818)	0.0 %	\$ 249,511	8.7 %
6/30/2010	-	15,019	(15,019)	0.0	272,927	5.5
6/30/2009	-	12,035	(12,035)	0.0	280,949	4.3



**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***

The Honorable Mayor  
and Town Council  
Town of Superior, Arizona

We have audited, 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, 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 (the Town), as of and for the year ended June 30, 2011, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated June 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Town'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 consider the deficiencies described in the schedule of findings and recommendations to be material weaknesses.

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 consider the deficiencies described in the schedule of findings and recommendations to be significant deficiencies.

2011-002 Accounting Adjustments

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Response to Findings**

The Town'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 it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
June 1, 2015

**TOWN OF SUPERIOR, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2011**

**Financial Statement Findings**

Audit findings and responses are as follows:

**Item: 2011-001**

**Lack of Documentation**

We noted several instances where the Town lacked proper documentation to support transactions recorded in the accounting system as described below:

1. We selected twelve purchases which were made using the Town's debit card. We were unable to locate documentation for six out of twelve of these purchases.
2. We noted a \$60 cash ATM withdrawal dated March 28, 2011 for which there was no documentation.
3. There were several instances where we were unable to locate vendor invoices to support purchases made by the Town.
4. We noted a lack of documentation for several significant revenue transactions in the General Fund and Utility Fund.
5. We were unable to locate the ordinance which established the Town's sales tax rate.

We understand that the location of the Town offices has changed multiple times since fiscal year 2011 and that many of these records may have been misplaced during these moves. We also understand that there have been significant changes in management and accounting personnel since 2011. These changes have also contributed to being unable to locate certain documents. Without adequate documentation it is difficult to determine if the Town's financial statements are materially correct.

*Recommendation*

We recommend that the Town continue to make every effort to ensure that adequate documentation is retained to support the Town's revenues, expenditures, and significant decisions made by management.

*Response*

Management agrees with this finding and is working to improve record retention policies and procedures.

**TOWN OF SUPERIOR, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2011**

**Item: 2011-002**

**Accounting Adjustments**

During our audit we made recommendation for various journal entries which were needed to properly state various account balances. The effect of these journal entries was material to the financial statements.

*Recommendation*

We recommend that the Town continue its efforts to implement monthly and year-end accounting procedures to eliminate or reduce the number of year-end audit adjustments. We further recommend that management review our proposed adjustments and ensure they understand the underlying accounting principles associated with each entry.

*Response*

Management agrees with this finding and has hired outside consultants to help with year-end closing and preparation of the trial balance for audit.



MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA

STEVEN D PALMER, CPA  
MORRIS J PEACOCK, CPA  
PHILLIP S. PEINE, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

**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, 2011, and have issued our report thereon dated June 1, 2015. Our audit also included test work on the Town of Superior's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

The Town of Superior has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the Town of Superior pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

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, the Town of Superior complied, in all material respects, with the requirements identified above for the year ended June 30, 2011.

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  
June 1, 2015