

**TOWN OF SUPERIOR, ARIZONA**

**Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2021**

## TABLE OF CONTENTS

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

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	81
Schedule of Findings and Responses .....	83
Independent Auditors' Report on State Legal Compliance .....	84



## **Independent Auditors' Report**

The Honorable Mayor and  
Town Council  
Superior, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Superior, Arizona, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Superior, Arizona, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the pension/OPEB schedules and notes as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the Town of Superior, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Superior, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Gilbert, Arizona  
November 10, 2021

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

We, the Town of Superior, Arizona, are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2021. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operations. We encourage readers to consider the information presented here in conjunction with the Town's financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- ❖ The total net position of the Town showed an increase of 1.01%, between fiscal years 2020 and 2021. The 2021 Governmental Activities' net position increased 2.85% and the Business-type Activities' decreased 339.98%.
- ❖ The Town's total 2021 revenues were \$5,132,337 and expenses totaled \$5,070,711, resulting in an increase in net position of \$61,626 or 1.01%.
- ❖ The revenue sources of local taxes and state-shared revenues with \$2,572,216 representing 59.21% of all revenues in the governmental activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the governmental activities, accounting for 34.79% of the total governmental activities' revenue. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 24.43% of the total governmental activities' revenue.
- ❖ Expenses for the Town's governmental activities (excluding interest of \$3,184) total \$4,157,716. Public safety activities account for 32.73%, highway and streets incurred 33.26% of the expenditures, culture and recreation 6.36%, and general government services accounted for 23.43% of total expenditures for 2021. General government services include administration, community services, community development and finance.
- ❖ General Fund revenues of \$3,009,604 were less than budgeted revenues of \$2,768,025 by \$241,579, or 8.73% while General Fund expenditures of \$2,910,807 were less than budgeted expenditures of \$3,064,472 by \$153,665 or 5.01%. General Fund expenditures during the year are monitored with actual revenues.
- ❖ At the end of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$3,298,872, an increase of \$202,689 in comparison with the prior year. The major change in fund balance was due to accumulating funds for upcoming projects funded through agreements with Resolution Copper along with proceeds from the

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

sale of town properties. The business-type activities' total net position was (\$78,597), a decrease of \$111,349 from 2020.

- ❖ The Town of Superior had total long-term obligations outstanding of \$2,006,808 in 2021, an increase of \$643,938. This is primarily due to the increase in the ASRS net pension obligation, the PSPRS net pension liability for the police and a new note for sewer system improvements. The largest item of debt is the pension liability, accounting for \$1,547,007, or 77.09% of the long-term liability. The remainder of the debt is divided between paid time off at \$92,994 and equipment leases and notes at \$366,807.
- ❖ The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension/OPEB liability at the end of 2021 of \$1,037,122, an increase of 33.90%. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police and fire), had a net pension/OPEB liability at the end of 2021 of \$509,884, an increase of 44.65%. The total net pension/OPEB liability for the Town at the end of 2021 was \$1,547,006, an increase of 37.26%.

**ECONOMIC HIGHLIGHTS**

Planning and Zoning. The Town has restructured its engineering department. The previous contracted service was not sustainable and led to significant overages in the admin department. The hiring of our own internal engineering tech led to savings in the 2021 fiscal year. The Town took over building permit administration in 2022, which affected revenues and expenses in this fund. Pinal County has taken this back over, but the continuation of the existing permits will continue through 2022.

Resolution Copper Partnership Agreements. Funds for the construction of several projects, including the Multi-Generational Center and the Enterprise and Innovation Center were deposited during the 2021 fiscal year, and the unutilized portions of the funding will be spent in the following years.

Wastewater Treatment Plant Design Phase. The Town completed the design phase of the plant this year with an engineering loan from RCAC. During fiscal year 2021, the Town made interest only payments. The Town will be transitioning this to a construction loan in the 2022 fiscal year. The full plant refurbishment has been funded through USDA, with \$1,100,000 as loan and \$1,570,000 as a grant. Work will begin in FY 2022. The rate increase adopted in 2017 is sufficient to pay the necessary debt service.

Ambulance. The Ambulance Fund continues to underperform due to factors beyond local control. The Town has received a rate increase, but the rate is near a point of diminishing return for rate increases, as the Medicare and Medicaid rates are fixed and account for most of the Town's billings. This shortfall will continue until federal and state programs adjust their rates. A short fall of \$150,000 is anticipated.

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

Government-wide Financial Statements

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

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

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

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

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



**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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

Fund Financial Statements

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

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

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

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

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

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

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Notes to Financial Statements

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

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

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

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

Supplemental Information

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

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current and other assets	\$ 4,261,796	\$ 3,454,566	\$ (942,337)	\$ (811,638)	\$ 3,319,459	\$ 2,642,928
Capital assets						
Non-depreciable	309,215	302,849	232,811	99,985	542,026	402,834
Depreciable (net)	3,734,114	3,722,228	984,766	1,024,257	4,718,880	4,746,485
<b>Total assets</b>	8,305,125	7,479,643	275,240	312,604	8,580,365	7,792,247
<b>Deferred Outflows of Resources</b>						
<b>Related to Pensions</b>	\$ 537,738	\$ 338,423	\$ 154,079	\$ 96,890	691,817	435,313
<b>LIABILITIES</b>						
Other liabilities	792,236	200,540	17,104	96,707	809,340	297,247
Noncurrent liabilities						
Due within one year	70,977	70,671	269,053	75,643	340,030	146,314
Due in more than one year	1,505,049	1,097,060	161,729	119,496	1,666,778	1,216,556
<b>Total liabilities</b>	2,368,262	1,368,271	447,886	291,846	2,816,148	1,660,117
<b>Deferred Inflows of Resources</b>						
<b>Related to Pensions</b>	\$ 230,435	\$ 378,604	\$ 60,030	\$ 84,896	\$ 290,465	463,500
<b>NET POSITION</b>						
Net investment in capital assets	3,926,677	3,900,608	967,422	1,065,480	4,894,099	4,966,088
Restricted	3,265,049	3,577,815	-	-	3,265,049	3,577,815
Unrestricted	(947,560)	(1,407,232)	(1,046,019)	(1,032,728)	(1,993,579)	(2,439,960)
<b>Total net position</b>	\$ 6,244,166	\$ 6,071,191	\$ (78,597)	\$ 32,752	\$ 6,165,569	\$ 6,103,943
<b>CHANGE IN NET POSITION</b>	\$ 172,975	\$ 1,014,242	\$ (111,349)	\$ (1,482)	\$ 61,626	\$ 1,012,760
<b>PERCENTAGE CHANGE</b>						
<b>IN NET POSITIONS</b>	2.85%	20.06%	-339.98%	-4.33%	1.01%	19.89%

**Net Position:** Net position may serve over time as a useful indicator of a government's financial position. The table above reflects the Condensed Statement of Net Position of the Town showing that net position increased 1.01%, between fiscal years 2020 and 2021. The 2021 Governmental Activities' net position increased 2.85% and the Business-type Activities' decreased 339.98%.

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

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Condensed Statement of Changes in Net Position

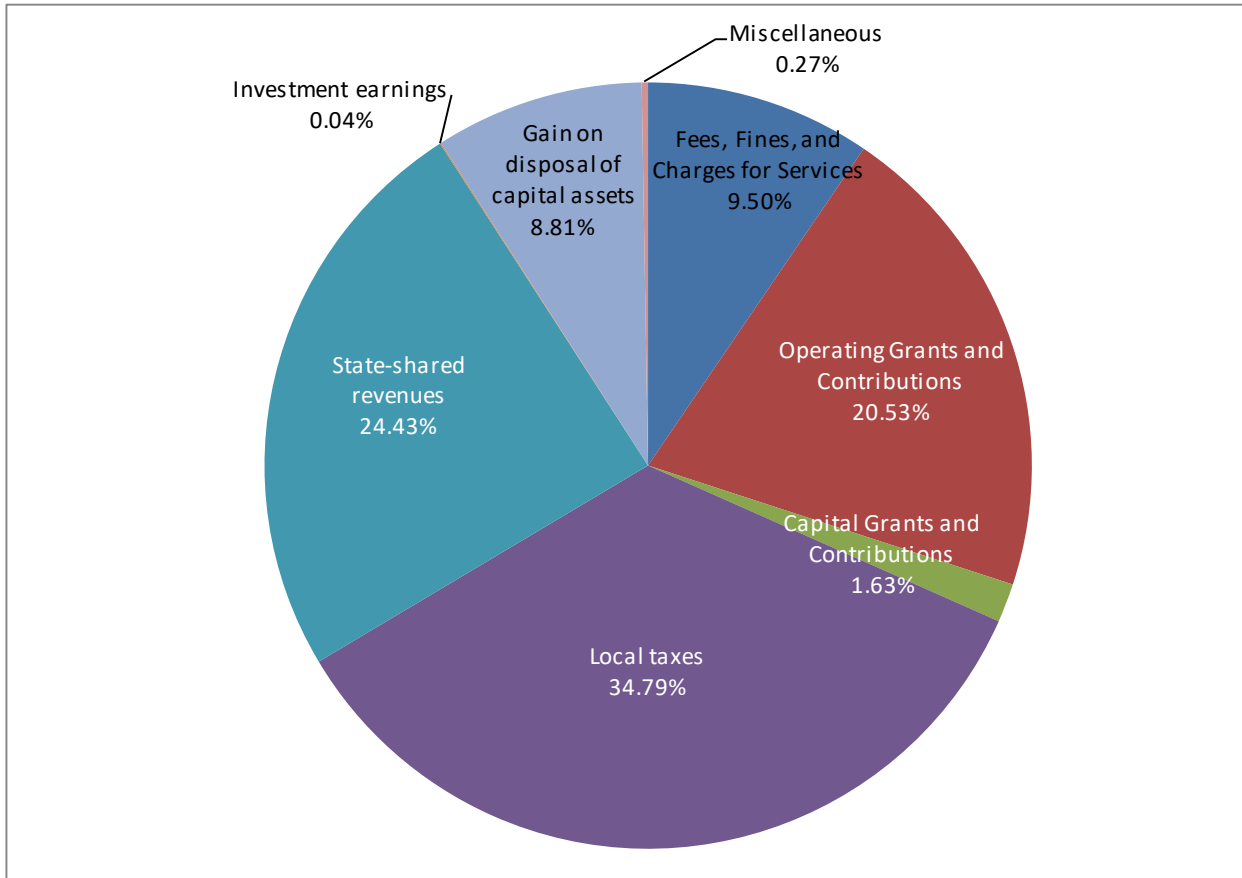
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues						
Fees, fines, and charges for services	\$ 412,692	\$ 320,706	\$ 788,462	\$ 754,513	\$ 1,201,154	\$ 1,075,219
Operating grants and contributions	891,934	1,428,947	-	-	891,934	1,428,947
Capital grants and contributions	70,776	938,078	-	-	70,776	938,078
General revenues						
Local taxes	1,511,144	1,423,899	-	-	1,511,144	1,423,899
State-shared revenues	1,061,072	927,062	-	-	1,061,072	927,062
Investment earnings	1,522	705	-	-	1,522	705
Gain on disposal of capital assets	382,873	-	-	-	382,873	-
Miscellaneous	11,862	-	-	-	11,862	-
<b>Total revenues</b>	<b>4,343,875</b>	<b>5,039,397</b>	<b>788,462</b>	<b>754,513</b>	<b>5,132,337</b>	<b>5,793,910</b>
<b>Expenses</b>						
General government	975,042	963,896	-	-	975,042	963,896
Public safety	1,361,988	1,203,454	-	-	1,361,988	1,203,454
Highways and streets	1,383,741	1,297,798	-	-	1,383,741	1,297,798
Welfare	172,258	172,619	-	-	172,258	172,619
Culture and recreation	264,687	243,945	-	-	264,687	243,945
Interest	3,184	5,662	-	-	3,184	5,662
Utilities	-	-	376,929	382,560	376,929	382,560
Ambulance	-	-	532,882	511,216	532,882	511,216
<b>Total expenses</b>	<b>4,160,900</b>	<b>3,887,374</b>	<b>909,811</b>	<b>893,776</b>	<b>5,070,711</b>	<b>4,781,150</b>
Change in net position before transfers	182,975	1,152,023	(121,349)	(139,263)	61,626	1,012,760
Transfers	(10,000)	(137,781)	10,000	137,781	-	-
<b>Change in net position</b>	<b>172,975</b>	<b>1,014,242</b>	<b>(111,349)</b>	<b>(1,482)</b>	<b>61,626</b>	<b>1,012,760</b>
Net position, beginning of year	6,071,191	5,056,949	32,752	34,234	6,103,943	5,091,183
<b>Net position, end of year</b>	<b>\$ 6,244,166</b>	<b>\$ 6,071,191</b>	<b>\$ (78,597)</b>	<b>\$ 32,752</b>	<b>\$ 6,165,569</b>	<b>\$ 6,103,943</b>

**Change in Net Position:** The Town's total 2021 revenues were \$5,132,337 and expenses totaled \$5,070,711, resulting in an increase in net position of \$61,626 or 1.01%.

**Revenues for the Town's governmental activities** totaled \$4,343,875, a 13.80% decrease from 2020. Local taxes are the largest revenue source for the governmental activities, accounting for 34.79% of total revenues. State-shared revenues account for 24.43% of the total revenues. Operating and capital grants together contribute 22.16% of the revenues. Charges for services contribute 9.50% of the total revenues while miscellaneous revenues, gain on dispositions of assets, and investment earnings make up 9.12%.

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Governmental Activity Revenue

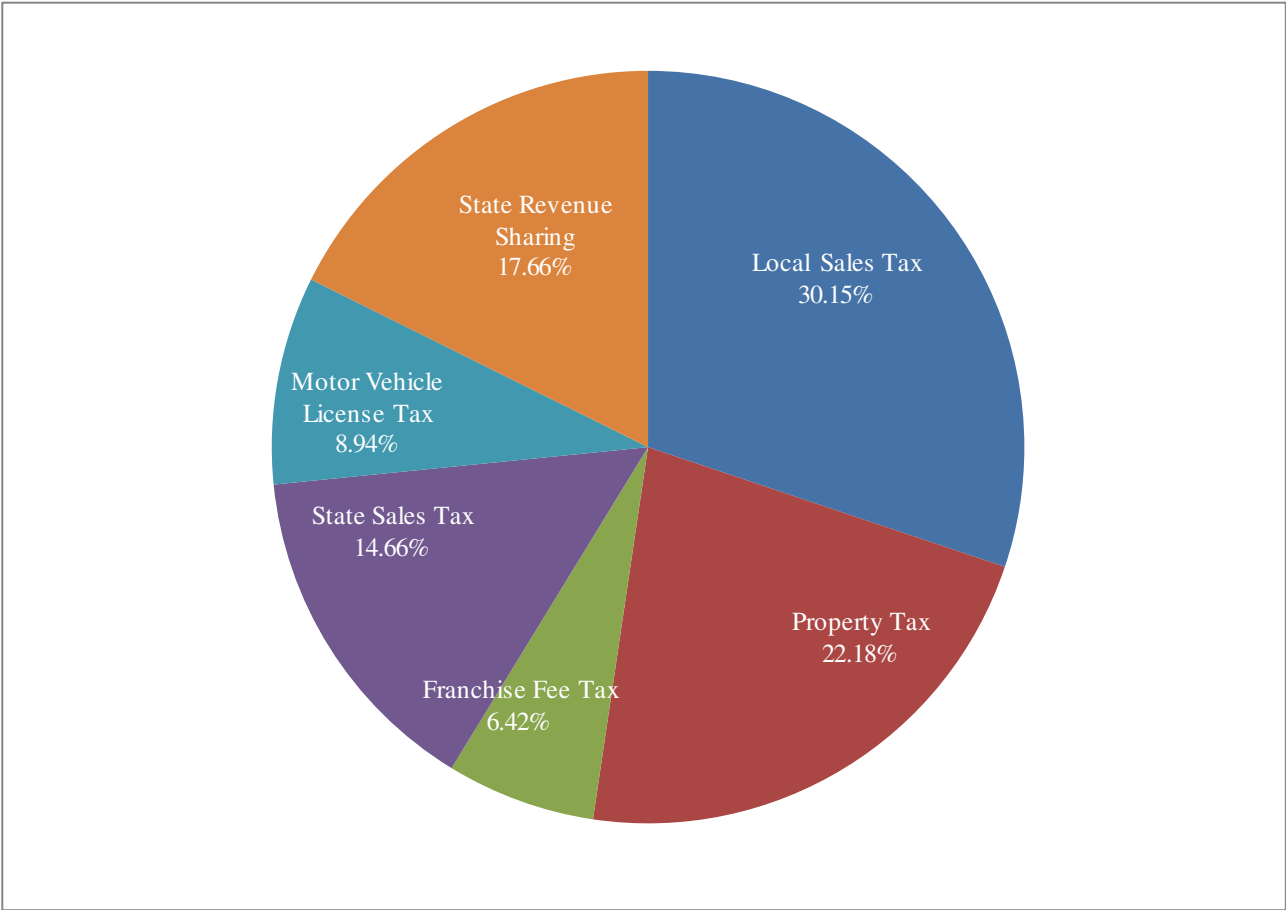


The revenue sources of local taxes and state-shared revenues with \$2,572,216 representing 59.21% of all revenues in the governmental activities. The local tax revenue consists of local sales tax, property tax, and franchise taxes and were the largest sources of revenue for the governmental activities, accounting for 34.79% of the total governmental activities' revenue. The state-shared revenues consist of state revenue sharing, state sales tax, and motor vehicle tax and accounted for 24.43% of the total governmental activities' revenue.

Revenues for the Town's business-type activities totaled \$788,462, an increase of 4.50% from 2020. The increase was mainly due to an increase in rates for wastewater. The business-type activities' total net position was (\$78,597), a decrease of \$111,349 from 2020.

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

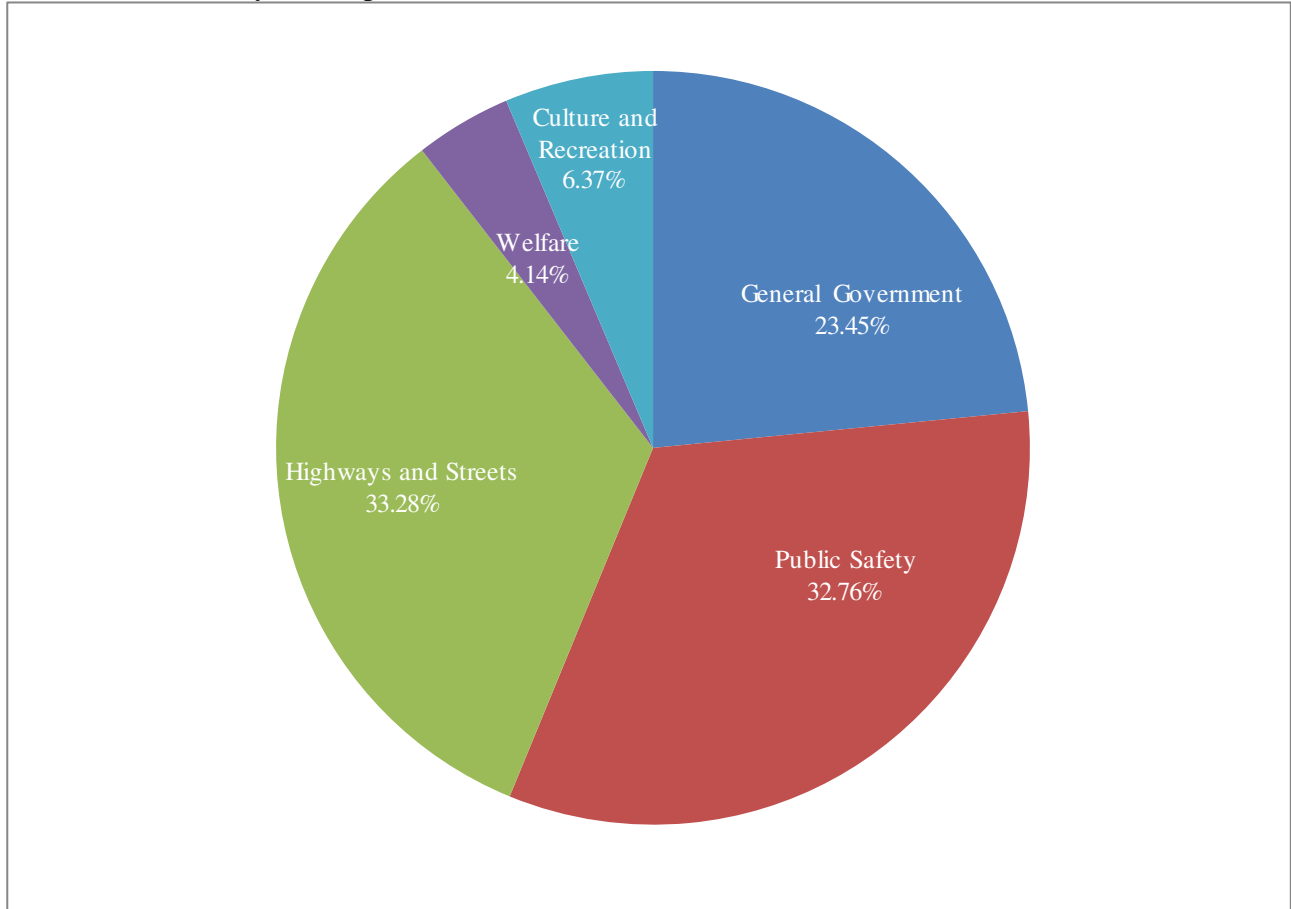
Tax  
Distributions



**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Government Activity Expense

Expenses for the Town's governmental activities (excluding interest of \$3,184) total \$4,157,716. Public safety activities account for 32.76%, highway and streets incurred 33.28% of the expenses, culture and recreation 6.37%, and general government services accounted for 23.45% of total expenses for 2021. General government services include administration, community services, community development and finance.



Net Cost of Town of Superior Activities

Governmental Activities

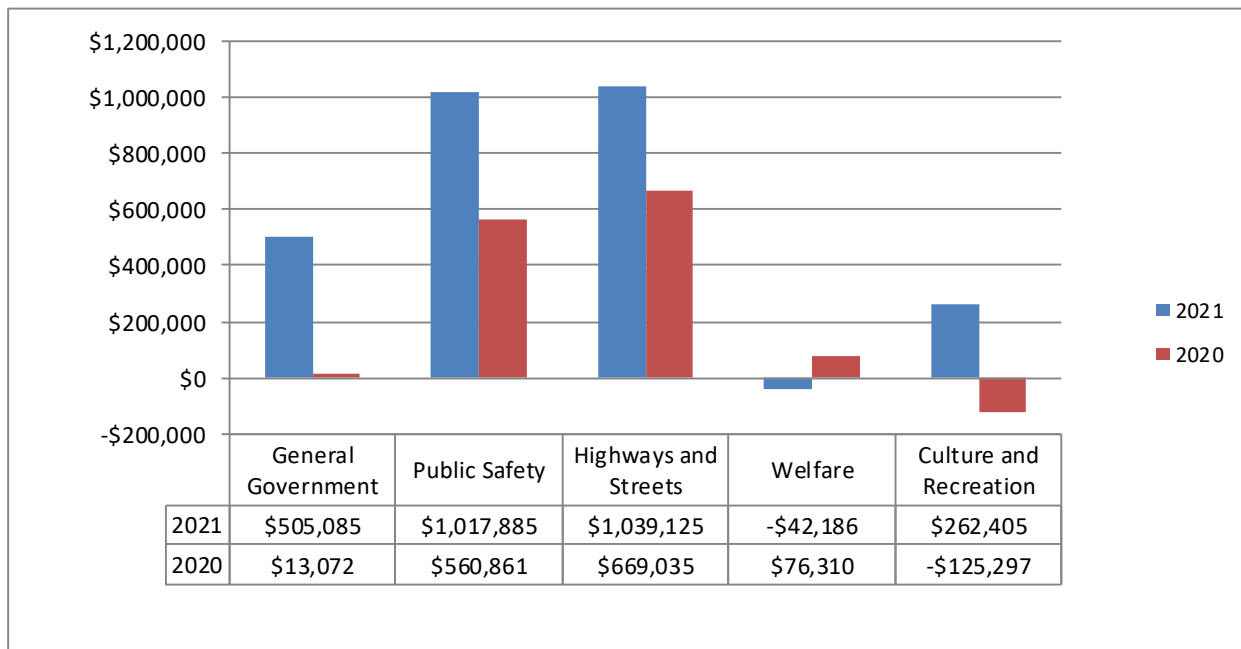
The following table presents the total cost of each of the Town's activities as well as their net cost. The net costs are the total costs less fees generated by the activities, direct intergovernmental aid, and capital grants and contributions. The actual net cost of services in 2021 was \$2,782,314 which is 133.03% more than in 2020 which was a result of the 48.83% decrease of direct revenues and only 7.11% increase in direct costs.

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Net Cost of Services – Governmental Activities

	Cost of Services		Direct Revenues		Net Cost of Services	
	2021	2020	2021	2020	2021	2020
General government	\$ 975,042	\$ 963,896	\$ 469,957	\$ 950,824	\$ 505,085	\$ 13,072
Public safety	1,361,988	1,203,454	344,103	642,593	1,017,885	560,861
Highways and streets	1,383,741	1,297,798	344,616	628,763	1,039,125	669,035
Welfare	172,258	172,619	214,444	96,309	(42,186)	76,310
Culture and recreation	264,687	243,945	2,282	369,242	262,405	(125,297)
<b>Total revenues</b>	<b>\$ 4,157,716</b>	<b>\$ 3,881,712</b>	<b>\$ 1,375,402</b>	<b>\$ 2,687,731</b>	<b>2,782,314</b>	<b>1,193,981</b>

Net Cost of Services – Governmental Activities





**TOWN OF SUPERIOR, ARIZONA**  
**Management’s Discussion and Analysis**  
**June 30, 2021**

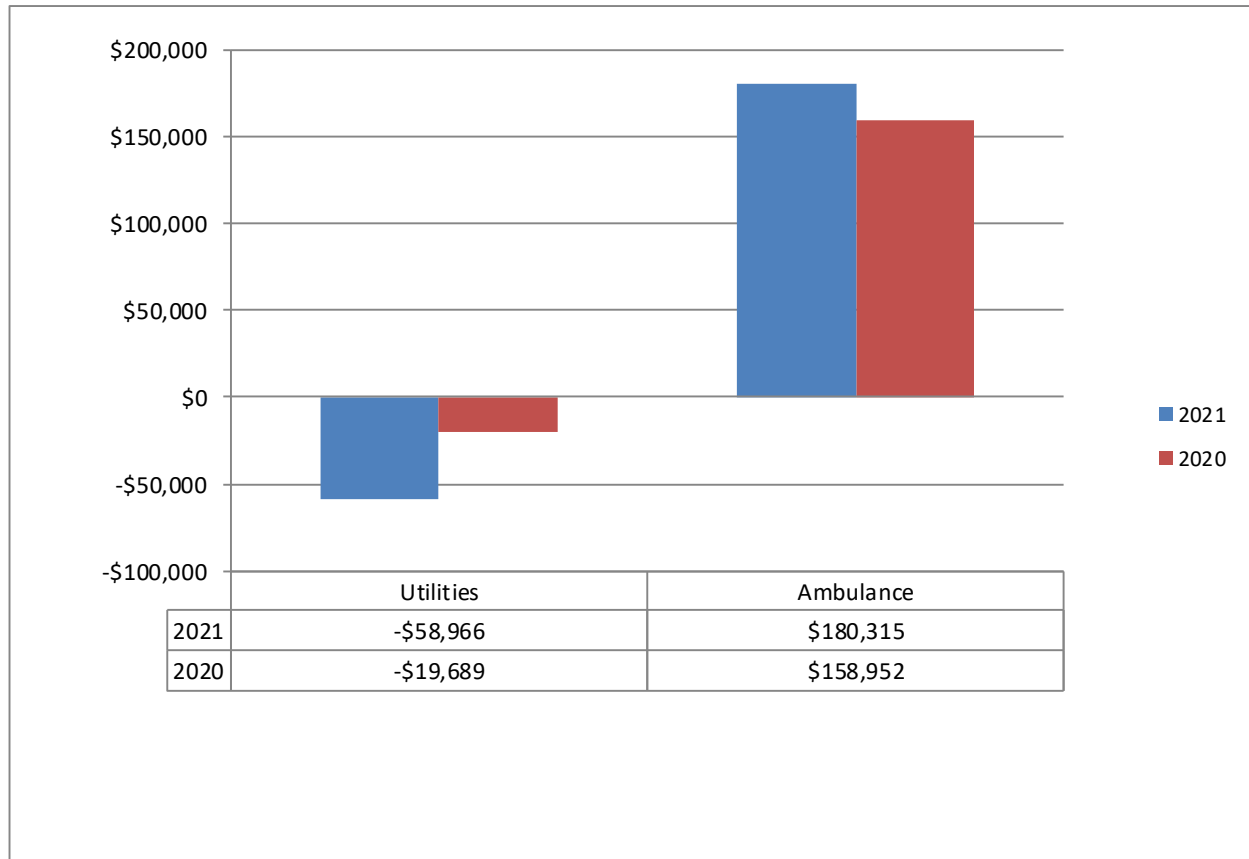
Net Cost of Service – Business-Type Activities

Business-type Activities

The utility program net income from utility services increased from a net income of \$19,689 in 2020 to a net income of \$58,966 in 2021. This increase is due to the increase in the rates adopted in 2018 and increasing until 2023. The net loss from ambulance services increased from \$158,952 in 2020 to a net loss of \$180,315 in 2021. This is a continuing trend in charges for this fund affected by federal health care policies.

	<u>Cost of Services</u>		<u>Direct Revenues</u>		<u>Net Cost of Services</u>	
	2021	2020	2021	2020	2021	2020
Utilities	\$ 376,929	\$ 382,560	\$ 435,895	\$ 402,249	\$ (58,966)	\$ (19,689)
Ambulance	532,882	511,216	352,567	352,264	180,315	158,952
<b>Total revenues</b>	<b>\$ 909,811</b>	<b>\$ 893,776</b>	<b>\$ 788,462</b>	<b>\$ 754,513</b>	<b>\$ 121,349</b>	<b>\$ 139,263</b>

Net Cost of Service – Business-Type Activities



**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Town of Superior's Capital Assets

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

The Town had net capital assets of \$4,043,329 in the governmental activities and \$1,217,577 in the business-type activities for a total of \$5,260,906 at the end of 2021. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Capital Assets Not Depreciated</b>						
Land	\$ 159,142	\$ 152,776	\$ -	\$ -	\$ 159,142	\$ 152,776
Construction in Progress	150,073	150,073	232,811	99,985	382,884	250,058
<b>Total Capital Assets Not Depreciated</b>	<u>309,215</u>	<u>302,849</u>	<u>232,811</u>	<u>99,985</u>	<u>542,026</u>	<u>402,834</u>
<b>Capital Assets Depreciated</b>						
Buildings	4,106,424	4,052,281	272,111	272,111	4,378,535	4,324,392
Equipment	1,997,971	1,809,427	468,068	448,420	2,466,039	2,257,847
Infrastructure	3,853,115	3,853,115	-	-	3,853,115	3,853,115
Utility systems	-	-	4,717,254	4,717,254	4,717,254	4,717,254
<b>Total Capital Assets Depreciated</b>	<u>9,957,510</u>	<u>9,714,823</u>	<u>5,457,433</u>	<u>5,437,785</u>	<u>15,414,943</u>	<u>15,152,608</u>
<b>Accumulated Depreciation</b>						
Buildings	(1,865,106)	(1,748,200)	(81,634)	(74,832)	(1,946,740)	(1,823,032)
Equipment	(1,140,509)	(1,079,751)	(233,621)	(210,420)	(1,374,130)	(1,290,171)
Infrastructure	(3,217,781)	(3,164,644)	-	-	(3,217,781)	(3,164,644)
Utility systems	-	-	(4,157,412)	(4,128,276)	(4,157,412)	(4,128,276)
<b>Total Accumulated Depreciation</b>	<u>(6,223,396)</u>	<u>(5,992,595)</u>	<u>(4,472,667)</u>	<u>(4,413,528)</u>	<u>(10,696,063)</u>	<u>(10,406,123)</u>
<b>Net Total Capital Assets Depreciated</b>	<u>3,734,114</u>	<u>3,722,228</u>	<u>984,766</u>	<u>1,024,257</u>	<u>4,718,880</u>	<u>4,746,485</u>
<b>Net Total Capital Assets</b>	<u>\$ 4,043,329</u>	<u>\$ 4,025,077</u>	<u>\$ 1,217,577</u>	<u>\$ 1,124,242</u>	<u>\$ 5,260,906</u>	<u>\$ 5,149,319</u>

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Long-Term Liabilities

The Town of Superior had total long-term obligations outstanding of \$2,006,808 in 2021, an increase of \$643,938. This is primarily due to the change in the net pension/OPEB liability and additional borrowings for sewer improvements. The largest debt is the pension/OPEB liabilities, accounting for \$1,547,007, or 77.09% of long-term liability. The remainder of the debt is divided between paid time off at \$92,994 and equipment leases and notes at \$366,807.

Long-Term Liabilities

	2021	2020	Change
<b>Governmental Activities</b>			
Notes from direct borrowings and direct placements	\$ 55,305	\$ 57,055	\$ (1,750)
Capital leases payable	61,347	27,414	33,933
Net pension/OPEB liability	1,391,578	1,013,185	378,393
Compensated absences	67,796	70,077	(2,281)
<b>Total Long-Term Liabilities, Governmental Activities</b>	<b>1,576,026</b>	<b>1,167,731</b>	<b>408,295</b>
<b>Business-type Activities</b>			
Notes from direct borrowings and direct placements	250,155	58,762	191,393
Net pension/OPEB liability	155,429	113,869	41,560
Compensated absences	25,198	22,508	2,690
<b>Total Long-Term Liabilities, Business-type Activities</b>	<b>430,782</b>	<b>195,139</b>	<b>235,643</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 2,006,808</b>	<b>\$ 1,362,870</b>	<b>\$ 643,938</b>

Pension Liabilities

The Arizona State Retirement System (ASRS), which covers all employees other than public safety employees, had a net pension/OPEB liability at the end of 2021 of \$1,037,122, an increase of 33.90%. The Public Safety Personnel Retirement System (PSPRS), which covers only public safety employees (certified full-time police and fire), had a net pension/OPEB liability at the end of 2021 of \$509,885, an increase of 44.65%. The total net pension liability for the Town at the end of 2021 was \$1,547,007, an increase of 37.26%.

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Arizona State Retirement System (ASRS)</b>						
<b>Net Pension/OPEB Assets</b>	\$ 3,539	\$ 1,194	\$ 603	\$ 203	\$ 4,142	\$ 1,397
<b>Arizona State Retirement System (ASRS)</b>						
<b>Net Pension/OPEB Liabilities</b>	886,207	661,846	150,915	112,708	1,037,122	774,554
Deferred Outflows of Resources	226,059	107,599	38,496	18,323	264,555	125,922
Deferred Inflows of Resources	9,607	49,353	1,636	8,404	11,243	57,757
Pension Expense	136,890	109,557	23,311	18,657	160,201	128,214
<b>Public Safety Personnel Retirement (PSPRS)</b>						
<b>Net Pension/OPEB Assets</b>	100,000	114,079	47,642	93,891	147,642	207,970
<b>Public Safety Personnel Retirement (PSPRS)</b>						
<b>Net Pension/OPEB Liabilities</b>	505,371	351,339	4,514	1,161	509,885	352,500
Deferred Outflows of Resources	311,679	230,824	115,583	78,567	427,262	309,391
Deferred Inflows of Resources	220,828	329,251	58,394	76,492	279,222	405,743
Pension Expense	96,842	61,854	29,352	15,051	126,194	76,905
<b>Combined Pension/OPEB Assets</b>						
<b>Total Net Pension/OPEB Assets</b>	103,539	115,273	48,245	94,094	151,784	209,367
<b>Combined Pension/OPEB Liabilities</b>						
<b>Total Net Pension/OPEB Liabilities</b>	1,391,578	1,013,185	155,429	113,869	1,547,007	1,127,054
Total Deferred Outflows of Resources	537,738	338,423	154,079	96,890	691,817	435,313
Total Deferred Inflows of Resources	230,435	378,604	60,030	84,896	290,465	463,500
Total Pension Expense	233,732	171,411	52,663	33,708	286,395	205,119

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$3,298,872, an increase of \$202,689 in comparison with the prior year. The major change in fund balance was due to accumulating funds for major capital projects and proceeds for the sale of town properties. The business-type activities' total net position was (\$78,597), a decrease of \$111,349 from 2020.

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

Change in Fund Balances/Net Position

	2021	2020	Change
<b>Governmental</b>			
General Fund	\$ 40,600	\$ (481,632)	\$ 522,232
Highways and Streets Fund	2,164,696	2,570,102	(405,406)
Grants Fund	1,093,576	1,007,713	85,863
<b>Total Governmental Fund Balances</b>	<u>3,298,872</u>	<u>3,096,183</u>	<u>202,689</u>
<b>Business-type</b>			
Utilities Fund	838,843	779,877	58,966
Ambulance Fund	(917,440)	(747,125)	(170,315)
<b>Total Business-type Net Position</b>	<u>(78,597)</u>	<u>32,752</u>	<u>(111,349)</u>
<b>Total Fund Balances/Net Position</b>	<u>\$ 3,220,275</u>	<u>\$ 3,128,935</u>	<u>\$ 91,340</u>

**BUDGETARY HIGHLIGHTS**

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

General Fund revenues of \$3,009,604 were more than budgeted revenues of \$2,768,025 by \$241,579, or 8.73% while General Fund expenditures of \$2,910,807 were more than budgeted expenditures of \$3,064,472 by \$153,665 or 5.01%. General Fund expenditures during the year are monitored with actual revenues.

**ECONOMIC FACTORS FOR NEXT YEAR**

- ❖ The USDA grant for the upgrade of the wastewater system has been delayed by ten months, but construction should commence in the second half of the calendar year.
- ❖ Implementing a sustainable road repair and street safety plan for Superior's public roads based on a pavement assessment study will continue to use much of the Town's available funding. This is a priority in order to continue paying down the inter-fund borrowing of the Highways and Streets Fund.
- ❖ The multi-generational center is the Town Council's highest strategic planning objective in 2022, including sustainable financing options to address the capital and on-going maintenance needs of the facility.
- ❖ The potential acquisition and development of the airport and airport contiguous properties, and their subsequent development.

**TOWN OF SUPERIOR, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2021**

- ❖ New construction projects throughout the Town of Superior include:
- The wastewater treatment plant update project.
  - The multi-generational center.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

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

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

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,609,578	\$ -	\$ 2,609,578
Accounts receivable - net	43,003	102,033	145,036
Taxes receivable	106,068	-	106,068
Due from other governments	256,992	-	256,992
Prepays	50,000	-	50,000
Interactivity balances	1,092,615	(1,092,615)	-
Net pension/OPEB asset	103,540	48,245	151,785
Capital assets, not being depreciated	309,215	232,811	542,026
Capital assets, being depreciated, net	3,734,114	984,766	4,718,880
<b>Total assets</b>	<b>8,305,125</b>	<b>275,240</b>	<b>8,580,365</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	537,738	154,079	691,817
<b>LIABILITIES</b>			
Accounts payable	183,640	16,061	199,701
Accrued expenses	77,902	-	77,902
Interest payable	-	1,043	1,043
Deferred revenue	530,694	-	530,694
Noncurrent liabilities			
Due within one year	70,977	269,053	340,030
Due in more than one year	1,505,049	161,729	1,666,778
<b>Total liabilities</b>	<b>2,368,262</b>	<b>447,886</b>	<b>2,816,148</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	230,435	60,030	290,465
<b>NET POSITION</b>			
Net investment in capital assets	3,926,677	967,422	4,894,099
Restricted for:			
Highways and streets	2,164,696	-	2,164,696
Multi-generational center	640,170	-	640,170
Economic development	436,500	-	436,500
Airport	19,823	-	19,823
Public safety	3,860	-	3,860
Unrestricted (deficit)	(947,560)	(1,046,019)	(1,993,579)
<b>Total net position</b>	<b>\$ 6,244,166</b>	<b>\$ (78,597)</b>	<b>\$ 6,165,569</b>

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

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2021**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government</b>							
Governmental activities							
General government	\$ 975,042	\$ 136,736	\$ 319,572	\$ 13,649	\$ (505,085)	\$ -	\$ (505,085)
Public safety	1,361,988	273,546	13,430	57,127	(1,017,885)	-	(1,017,885)
Highways and streets	1,383,741	128	344,488	-	(1,039,125)	-	(1,039,125)
Welfare	172,258	-	214,444	-	42,186	-	42,186
Culture and recreation	264,687	2,282	-	-	(262,405)	-	(262,405)
Interest	3,184	-	-	-	(3,184)	-	(3,184)
<b>Total governmental activities</b>	<b>4,160,900</b>	<b>412,692</b>	<b>891,934</b>	<b>70,776</b>	<b>(2,785,498)</b>	<b>-</b>	<b>(2,785,498)</b>
Business-type activities							
Utilities	376,929	435,895	-	-	-	58,966	58,966
Ambulance	532,882	352,567	-	-	-	(180,315)	(180,315)
<b>Total business-type activities</b>	<b>909,811</b>	<b>788,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(121,349)</b>	<b>(121,349)</b>
<b>Total primary government</b>	<b>\$ 5,070,711</b>	<b>\$ 1,201,154</b>	<b>\$ 891,934</b>	<b>\$ 70,776</b>	<b>(2,785,498)</b>	<b>(121,349)</b>	<b>(2,906,847)</b>
<b>General revenue:</b>							
Taxes:							
Property taxes, levied for general purposes					570,477	-	570,477
Local sales taxes					775,613	-	775,613
Franchise tax					165,054	-	165,054
State urban revenue sharing					454,181	-	454,181
Share of state sales taxes					377,016	-	377,016
Share of state auto lieu taxes					229,875	-	229,875
Miscellaneous					11,862	-	11,862
Investment earnings					1,522	-	1,522
Gain on disposal of capital assets					382,873	-	382,873
<b>Transfers</b>					(10,000)	10,000	-
Total general revenue and transfers					2,958,473	10,000	2,968,473
Change in net position					172,975	(111,349)	61,626
Net position, beginning of year					6,071,191	32,752	6,103,943
Net position, end of year					\$ 6,244,166	\$ (78,597)	\$ 6,165,569

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



**TOWN OF SUPERIOR, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	General Fund	Highways and Streets Fund	Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 38,209	\$ 972,575	\$ 1,598,794	\$ 2,609,578
Taxes receivable	106,068	-	-	106,068
Due from other governments	232,580	24,412	-	256,992
Other receivables	43,003	-	-	43,003
Prepays	-	-	50,000	50,000
Due from other funds	-	1,198,898	-	1,198,898
<b>Total assets</b>	<u>419,860</u>	<u>2,195,885</u>	<u>1,648,794</u>	<u>4,264,539</u>
<b>LIABILITIES</b>				
Accounts payable	134,599	24,517	24,524	183,640
Accrued expenses	71,230	6,672	-	77,902
Due to other funds	106,283	-	-	106,283
Deferred revenue	-	-	530,694	530,694
<b>Total liabilities</b>	<u>312,112</u>	<u>31,189</u>	<u>555,218</u>	<u>898,519</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	67,148	-	-	67,148
<b>FUND BALANCES</b>				
Restricted for:				
Highways and streets	-	2,164,696	-	2,164,696
Multi-generational center	-	-	640,170	640,170
Economic development	-	-	436,500	436,500
Airport	-	-	19,823	19,823
Public safety	-	-	3,860	3,860
Unassigned	40,600	-	(6,777)	33,823
<b>Total fund balances</b>	<u>40,600</u>	<u>2,164,696</u>	<u>1,093,576</u>	<u>3,298,872</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 419,860</u>	<u>\$ 2,195,885</u>	<u>\$ 1,648,794</u>	<u>\$ 4,264,539</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, 2021**

Fund balances-total governmental funds		\$ 3,298,872
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		4,043,329
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		67,148
<p>Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.</p>		103,540
<p>Liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.</p>		
<p style="padding-left: 20px;">Capital lease payable</p>	(61,347)	
<p style="padding-left: 20px;">Compensated absences</p>	(67,796)	
<p style="padding-left: 20px;">Notes payable</p>	(55,305)	
<p style="padding-left: 20px;">Net pension/OPEB liability</p>	(1,391,578)	
		(1,576,026)
<p>Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		307,303
		307,303
<b>Net position of governmental activities</b>		<b>\$ 6,244,166</b>
		<b>\$ 6,244,166</b>

*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, 2021**

	General Fund	Highways and Streets Fund	Grants Fund	Total Governmental Funds
<b>Revenue</b>				
Intergovernmental	\$ 1,296,961	\$ 344,488	\$ 107,332	\$ 1,748,781
Taxes	1,486,565	-	-	1,486,565
Contributions	500	-	275,000	275,500
Charges for services	84,616	-	200,000	284,616
Licenses and permits	101,385	-	-	101,385
Fines and forfeitures	21,750	-	-	21,750
Rental income	3,740	-	-	3,740
Other revenue	12,565	-	-	12,565
Investment income	1,522	-	-	1,522
<b>Total revenue</b>	<b>3,009,604</b>	<b>344,488</b>	<b>582,332</b>	<b>3,936,424</b>
<b>Expenditures</b>				
Current				
General government	713,803	-	216,286	930,089
Public safety	1,095,021	-	182,181	1,277,202
Public works	516,837	737,828	-	1,254,665
Welfare	168,288	-	-	168,288
Culture and recreation	184,958	-	-	184,958
Debt service				
Principal	8,396	7,813	15,666	31,875
Interest	1,895	905	384	3,184
Capital outlay	221,609	7,276	149,555	378,440
<b>Total expenditures</b>	<b>2,910,807</b>	<b>753,822</b>	<b>564,072</b>	<b>4,228,701</b>
Excess (deficiency) of revenue over (under) expenditures	98,797	(409,334)	18,260	(292,277)
<b>Other financing sources (uses)</b>				
Transfers	(17,473)	3,928	3,545	(10,000)
Sale of capital assets	440,908	-	-	440,908
Installment purchase agreement	-	-	64,058	64,058
<b>Total other financing sources (uses)</b>	<b>423,435</b>	<b>3,928</b>	<b>67,603</b>	<b>494,966</b>
<b>Net change in fund balances</b>	<b>522,232</b>	<b>(405,406)</b>	<b>85,863</b>	<b>202,689</b>
Fund balances, beginning of year	(481,632)	2,570,102	1,007,713	3,096,183
<b>Fund balances, end of year</b>	<b>\$ 40,600</b>	<b>\$ 2,164,696</b>	<b>\$ 1,093,576</b>	<b>\$ 3,298,872</b>

*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, 2021**

Net change in fund balances-total governmental funds		\$ 202,689
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	378,440	
Depreciation expense	<u>(302,153)</u>	76,287
In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		
		(58,035)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable franchise taxes	31,093	
Property taxes	<u>(6,515)</u>	24,578
Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension/OPEB contributions	191,090	
Pension/OPEB expense	<u>(233,732)</u>	(42,642)
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	31,875	
Capital leases incurred	<u>(64,058)</u>	(32,183)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Decrease in compensated absences payable		<u>2,281</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ 172,975</u></u>

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

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Accounts receivable - net	\$ 38,837	\$ 63,196	\$ 102,033
Due from other funds	363,945	-	363,945
<b>Total current assets</b>	<b>402,782</b>	<b>63,196</b>	<b>465,978</b>
<b>Noncurrent assets</b>			
Net pension asset	603	47,642	48,245
Capital assets, net of accumulated depreciation, where applicable:			
Construction in progress	232,811	-	232,811
Buildings, net	-	190,477	190,477
Utilities systems, net	540,195	-	540,195
Equipment, net	49,888	204,206	254,094
<b>Total noncurrent assets</b>	<b>823,497</b>	<b>442,325</b>	<b>1,265,822</b>
<b>Total assets</b>	<b>1,226,279</b>	<b>505,521</b>	<b>1,731,800</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	38,496	115,583	154,079
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	18,863	(2,802)	16,061
Interest payable	1,043	-	1,043
Due to other funds	-	1,456,560	1,456,560
Compensated absences, current portion	2,490	16,408	18,898
Note payable, current portion	250,155	-	250,155
<b>Total current liabilities</b>	<b>272,551</b>	<b>1,470,166</b>	<b>1,742,717</b>
<b>Noncurrent liabilities</b>			
Compensated absences, net of current portion	830	5,470	6,300
Net pension liability	150,915	4,514	155,429
<b>Total noncurrent liabilities</b>	<b>151,745</b>	<b>9,984</b>	<b>161,729</b>
<b>Total liabilities</b>	<b>424,296</b>	<b>1,480,150</b>	<b>1,904,446</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	1,636	58,394	60,030
<b>NET POSITION</b>			
Net investment in capital assets	572,739	394,683	967,422
Unrestricted (deficit)	266,104	(1,312,123)	(1,046,019)
<b>Total net position</b>	<b>\$ 838,843</b>	<b>\$ (917,440)</b>	<b>\$ (78,597)</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, 2021**

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
<b>Operating revenue</b>			
Charges for services			
Sewer	\$ 435,895	\$ -	\$ 435,895
Ambulance (net of contractual adjustments and bad debts of \$425,798 and \$50,000, respectively)	-	352,567	352,567
<b>Total operating revenue</b>	<u>435,895</u>	<u>352,567</u>	<u>788,462</u>
<b>Operating expenses</b>			
Personnel	124,595	416,951	541,546
Professional services	78,631	39,274	117,905
Utilities	63,779	4,059	67,838
Depreciation	33,912	25,227	59,139
Materials and supplies	34,006	22,605	56,611
Insurance	14,550	7,275	21,825
Repairs and maintenance	10,549	13,597	24,146
Other	6,305	3,894	10,199
<b>Total operating expenses</b>	<u>366,327</u>	<u>532,882</u>	<u>899,209</u>
<b>Operating income (loss)</b>	69,568	(180,315)	(110,747)
<b>Nonoperating revenue (expenses)</b>			
Interest expense	(10,602)	-	(10,602)
<b>Income (loss) before transfers</b>	58,966	(180,315)	(121,349)
Transfers	-	10,000	10,000
<b>Increase (decrease) in net position</b>	58,966	(170,315)	(111,349)
Total net position, beginning of year	<u>779,877</u>	<u>(747,125)</u>	<u>32,752</u>
<b>Total net position, end of year</b>	<u>\$ 838,843</u>	<u>\$ (917,440)</u>	<u>\$ (78,597)</u>

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

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2021**

	Business-type Activities--Enterprise Funds		
	Utilities Fund	Ambulance Fund	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 428,060	\$ 349,610	\$ 777,670
Payments to suppliers and providers of goods and services	(204,472)	(99,773)	(304,245)
Payments to employees	(114,423)	(436,689)	(551,112)
<b>Net cash provided (used) by operating activities</b>	<u>109,165</u>	<u>(186,852)</u>	<u>(77,687)</u>
<b>Cash flows from noncapital financing activities</b>			
Interfund transfers	-	10,000	10,000
Interfund loans	(81,210)	176,852	95,642
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(81,210)</u>	<u>186,852</u>	<u>105,642</u>
<b>Cash flows from capital and related financing activities</b>			
Interest paid	(10,263)	-	(10,263)
Purchases of capital assets	(209,085)	-	(209,085)
Proceeds from notes payable	191,393	-	191,393
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(27,955)</u>	<u>-</u>	<u>(27,955)</u>
<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, 2021**

	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)	\$ 69,568	\$ (180,315)	\$ (110,747)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	33,912	25,227	59,139
Contractual adjustments	-	425,798	425,798
Bad debts	-	50,000	50,000
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(7,835)	(478,755)	(486,590)
Net pension and other postemployment benefits asset	(400)	46,249	45,849
Deferred outflows of resources related to pensions and other postemployment benefits	(20,173)	(37,016)	(57,189)
Accounts payable	3,348	(9,069)	(5,721)
Accrued expenses	(1,230)	(16,380)	(17,610)
Compensated absences payable	536	2,154	2,690
Net pension and other postemployment benefits liability	38,207	3,353	41,560
Deferred inflows of resources related to pensions and other postemployment benefits	(6,768)	(18,098)	(24,866)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 109,165</u>	<u>\$ (186,852)</u>	<u>\$ (77,687)</u>

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



**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,014
Investments	<u>124,315</u>
<b>Total assets</b>	<u>128,329</u>
<b>NET POSITION</b>	
Held in trust for pension trust participants	<u><u>\$ 128,329</u></u>

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

**TOWN OF SUPERIOR, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2021**

	<u>Pension Trust Fund</u>
<b>Additions</b>	
Investment income	<u>\$ 36,931</u>
<b>Deductions</b>	
Investment fees	<u>1,547</u>
Change in net position	35,384
Net position, beginning of year	<u>92,945</u>
Net position, end of year	<u><u>\$ 128,329</u></u>

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

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

**A. Reporting Entity**

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

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

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

**B. Basis of Presentation**

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

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the Town's governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

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

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

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, are reported as general revenues.

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

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

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

The Town reports the following major governmental funds:

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

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

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

The Town reports the following major enterprise funds:

The ***Utilities*** and ***Ambulance Funds*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town reports the following fiduciary fund types:

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

**C. Basis of Accounting**

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

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**D. Cash and Investments**

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2021 in the Utilities and Ambulance Funds, respectively, were \$145,000 and \$55,798.

**F. Property Tax Calendar**

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

The Town levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

Property taxes receivable consist of uncollected property taxes as determined from the records of the Town Treasurer’s Office, and at June 30, 2021, the uncollected property taxes and related allowances for uncollectible amounts (if any) were as follows:

Fiscal Year	General Fund
2020 - 2021	\$ 26,911
Prior	20,244
Total	\$ 47,155

**G. Capital Assets**

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

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

**H. Investment Income**

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

**I. Compensated Absences**

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

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

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

**J. Deferred Outflows/Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

**K. Fund Balance Reporting**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.



**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

Assigned fund balances are resources constrained by the Town’s intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town’s policy to use (the Town will use) restricted fund balance first. It is the Town’s policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

**L. Postemployment Benefits**

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

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

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer’s investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

*Credit risk*

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk*

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

*Concentration of credit risk*

Statutes do not include any requirements for concentration of credit risk.

*Interest rate risk*

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

*Foreign currency risk*

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

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

*Deposits*—At June 30, 2021, the carrying amount of the Town’s total cash in bank was \$2,606,181, and the bank balances were \$2,710,086. Of the bank balances, \$500,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

*Investments*—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$3,397. The Standard and Poor’s credit quality rating of the pool is AAA.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

The Town’s Pension Trust Fund had investments in mutual funds of \$124,315 at June 30, 2021, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

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

	Governmental activities	Business-type activities	Pension trust funds	Total
Cash and cash equivalents:				
Amount of deposits	\$ 2,606,181	\$ -	\$ -	\$ 2,606,181
Money market	-	-	4,014	4,014
State Treasurer's investment pool 5	3,397	-	-	3,397
Total	<u>\$ 2,609,578</u>	<u>\$ -</u>	<u>\$ 4,014</u>	<u>\$ 2,613,592</u>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

Amounts due from other governments in the General Fund at June 30, 2021 consisted of \$18,567 in state-shared revenue from sales taxes, \$9,900 in state-shared revenue from auto lieu taxes, \$97,362 in local sales taxes collected by the State of Arizona, and \$106,751 in revenue for AAA grants.

Amounts due from other governments in the Highway and Streets Fund at June 30, 2021 consisted of \$24,412 in state-shared revenue from highway user revenue fund (HURF) taxes.

***NOTE 4 – HIGHWAY AND STREETS FUND BALANCE***

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

State of Arizona Highway User Revenue Fund	\$ 2,186,239
Pinal County Transportation Excise Tax Fund	(98,597)
Local Transportation Assistance Fund	77,054
	<hr/>
	\$ 2,164,696
	<hr/> <hr/>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 152,776	\$ 6,366	\$ -	\$ 159,142
Construction in progress	150,073	-	-	150,073
<b>Total capital assets not being depreciated</b>	<b>302,849</b>	<b>6,366</b>	<b>-</b>	<b>309,215</b>
Capital assets being depreciated:				
Buildings	4,052,281	124,538	70,395	4,106,424
Equipment	1,809,427	247,536	58,992	1,997,971
Infrastructure	3,853,115	-	-	3,853,115
<b>Total</b>	<b>9,714,823</b>	<b>372,074</b>	<b>129,387</b>	<b>9,957,510</b>
Less accumulated depreciation for:				
Buildings	1,748,200	129,266	12,360	1,865,106
Equipment	1,079,751	119,750	58,992	1,140,509
Infrastructure	3,164,644	53,137	-	3,217,781
<b>Total</b>	<b>5,992,595</b>	<b>302,153</b>	<b>71,352</b>	<b>6,223,396</b>
<b>Total capital assets being depreciated, net</b>	<b>3,722,228</b>	<b>69,921</b>	<b>58,035</b>	<b>3,734,114</b>
Governmental activities capital assets, net	<u>\$ 4,025,077</u>	<u>\$ 76,287</u>	<u>\$ 58,035</u>	<u>\$ 4,043,329</u>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 5 – CAPITAL ASSETS – Continued**

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 99,985	\$ 132,826	\$ -	\$ 232,811
Capital assets being depreciated:				
Buildings	\$ 272,111	\$ -	\$ -	\$ 272,111
Utility systems	4,717,254	-	-	4,717,254
Equipment	448,420	19,648	-	468,068
<b>Total</b>	<u>5,437,785</u>	<u>19,648</u>	<u>-</u>	<u>5,457,433</u>
Less accumulated depreciation for:				
Buildings	74,832	6,802	-	81,634
Utility systems	4,128,276	29,136	-	4,157,412
Equipment	210,420	23,201	-	233,621
<b>Total</b>	<u>4,413,528</u>	<u>59,139</u>	<u>-</u>	<u>4,472,667</u>
<b>Total capital assets being depreciated, net</b>	<u>1,024,257</u>	<u>(39,491)</u>	<u>-</u>	<u>984,766</u>
Business-type activities capital assets, net	<u>\$ 1,124,242</u>	<u>\$ 93,335</u>	<u>\$ -</u>	<u>\$ 1,217,577</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 97,972
Public safety	100,310
Culture and recreation	74,013
General government	29,417
Welfare	441
Total governmental activities depreciation expense	<u>\$ 302,153</u>
Business-type activities:	
Utilities	\$ 33,912
Ambulance	25,227
Total business-type activities depreciation expense	<u>\$ 59,139</u>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 6 – LONG -TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2021.

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
<b>Governmental activities:</b>					
Notes from direct borrowings and direct placements	\$ 84,667	\$ -	\$ 4,000	\$ 80,667	\$ 4,000
Less note discount	(27,612)	-	(2,250)	(25,362)	(2,179)
Capital leases payable	27,414	64,058	30,125	61,347	18,309
Net pension/OPEB liability	1,013,185	378,393	-	1,391,578	-
Compensated absences	70,077	-	2,281	67,796	50,847
	<u>\$ 1,167,731</u>	<u>\$ 442,451</u>	<u>\$ 34,156</u>	<u>\$ 1,576,026</u>	<u>\$ 70,977</u>
<b>Business-type activities:</b>					
Notes from direct borrowings and direct placements	\$ 58,762	\$ 191,393	\$ -	\$ 250,155	\$ 250,155
Net pension/OPEB liability	113,869	41,560	-	155,429	-
Compensated absences	22,508	2,690	-	25,198	18,898
	<u>\$ 195,139</u>	<u>\$ 235,643</u>	<u>\$ -</u>	<u>\$ 430,782</u>	<u>\$ 269,053</u>

Notes payable—consisted of the following:

Description	Original Amount	Maturity Ranges	Interest Rates	Outstanding Principal
<b>Governmental activities</b>				
Notes from direct borrowings and direct placements - Building note payable	\$ 120,000	2042	0.00%	\$ 80,667
Note discount	(50,727)	2042	4.00%	(25,362)
Total	<u>\$ 69,273</u>			<u>\$ 55,305</u>
<b>Business-type activities</b>				
Notes from direct borrowings and direct placements - Sewer improvements note payable	<u>\$ 278,798</u>	2022	5.25%	<u>\$ 250,155</u>

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 6 – LONG -TERM LIABILITIES – Continued***

The note is secured by a deed of trust on real property. Should default be made in the payment of principal, then in any such event the holder may declare the whole sum of principal and interest immediately due and payable.

In February 2021, the Town entered into a note agreement for construction of sewer improvements. The note bears interest at 5.25 percent. The note will mature in fiscal year 2022. The Town is expected to refinance the note with a USDA loan once the predevelopment phase is completed. The USDA funding was approved in September 2019.

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2021.

Year Ending June 30	Notes from Direct Borrowings and Direct Placements					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,821	\$ 2,179	\$ 250,155	\$ 12,500	\$ 251,976	\$ 14,679
2023	1,895	2,105	-	-	1,895	2,105
2024	1,972	2,028	-	-	1,972	2,028
2025	2,053	1,947	-	-	2,053	1,947
2026	2,136	1,864	-	-	2,136	1,864
2027-31	12,059	7,941	-	-	12,059	7,941
2032-36	14,725	5,275	-	-	14,725	5,275
2037-41	17,980	2,020	-	-	17,980	2,020
2042	664	3	-	-	664	3
<b>Total</b>	<b>\$ 55,305</b>	<b>\$ 25,362</b>	<b>\$ 250,155</b>	<b>\$ 12,500</b>	<b>\$ 305,460</b>	<b>\$ 37,862</b>



**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 6 – LONG-TERM LIABILITIES – Continued**

Capital leases—The Town has acquired equipment under the provisions of a long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease terms.

The assets acquired through capital leases are as follows:

	Governmental Activities
Police equipment	\$ 64,058
Skid Steer	39,632
Copiers	24,615
Less: accumulated depreciation	(36,170)
Carrying value	\$ 92,135

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2021:

Year Ending June 30	Governmental Activities
2022	\$ 20,952
2023	15,890
2024	15,890
2025	15,088
Total minimum lease payments	67,820
Less amount representing interest	(6,473)
Present value of net minimum lease payments	\$ 61,347

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 7 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers’ compensation and employees’ health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables—Interfund balances at June 30, 2021, were as follows:

Payable from	Payable to		Total
	Highways and Streets Fund	Utilities Fund	
General Fund	\$ 106,283	\$ -	\$ 106,283
Ambulance Fund	1,092,615	363,945	1,456,560
	\$ 1,198,898	\$ 363,945	\$ 1,562,843

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 Highways and Streets Fund was to reimburse the fund for expenditures that were not considered allowable street expenditures. These expenditures were recognized as allowable expenditures in prior periods and were found to not be allowable as a result of the five-year audit completed by the Arizona Auditor General.

The remainder of the interfund transfers from the General Fund to the other funds were to reimburse the other funds for various expenditures incurred and recognized in those other funds.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS***

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

At June 30, 2021, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension/OPEB assets	\$ 103,540	\$ 48,243	\$ 151,783
Net pension/OPEB liabilities	1,391,578	155,429	1,547,007
Deferred outflows of resources related to pension and OPEB	537,738	154,079	691,817
Deferred inflows of resources related to pension and OPEB	230,435	60,030	290,465
Pension and OPEB expense	233,732	52,663	286,395

The Town reported \$191,090 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**A. Arizona State Retirement System**

**Plan Description** – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

	Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions** – In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 percent for retirement and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2021, were \$78,371, \$2,458, and \$1,115, respectively.

During fiscal year 2021, the Town paid for ASRS pension and OPEB contributions as follows: 64.03 percent from the General Fund, 21.42 percent from the Highways and Streets Fund, and 14.55 percent from the Utilities Fund.

**Liability** - At June 30, 2021, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	<b>Net Pension/OPEB</b>
	<b>(Asset) Liability</b>
Pension	\$ 1,032,661
Health insurance premium benefit	(4,142)
Long-term disability	4,461

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The net asset and net liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The Town’s proportion of the net asset or net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2020. The Town’s proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

	<u>Proportion June 30, 2020</u>	<u>Increase (decrease) from June 30, 2019</u>
Pension	0.00596%	0.00066%
Health insurance premium benefit	0.00585%	0.00079%
Long-term disability	0.00588%	0.00075%

**Expense** – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	157,439
Health insurance premium benefit	1,293
Long-term disability	1,469

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Deferred Outflows/Inflows of Resources**—At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,342	\$ -	\$ -	\$ 8,161
Changes of assumptions or other inputs	-	-	2,296	-
Net difference between projected and actual earnings on pension plan investments	99,601	-	4,238	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	65,317	2,801	8	92
Town contributions subsequent to the measurement date	<u>78,371</u>	<u>-</u>	<u>2,458</u>	<u>-</u>
Total	<u>\$ 252,631</u>	<u>\$ 2,801</u>	<u>\$ 9,000</u>	<u>\$ 8,253</u>
	<u>Long-Term Disability</u>			
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 388	\$ 115		
Changes of assumptions or other inputs	481	-		
Net difference between projected and actual earnings on pension plan investments	491	-		
Changes in proportion and differences between Town contributions and proportionate share of contributions	449	74		
Town contributions subsequent to the measurement date	<u>1,115</u>	<u>-</u>		
Total	<u>\$ 2,924</u>	<u>\$ 189</u>		

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2022	\$ 43,145	\$ (897)	262
2023	61,481	(1)	342
2024	36,027	192	356
2025	30,806	(246)	326
2026	-	(759)	198
Thereafter	-	-	136

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

**ASRS**

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.



**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The long-term expected rate of return on ASRS plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real estate	20%	5.85%
Total	<u>100%</u>	

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
<b>Town's Proportionate share of the</b>			
Net pension liability	\$ 1,412,149	\$ 1,032,661	\$ 715,427
Net insurance premium benefit liability (asset)	5,434	(4,142)	(12,291)
Net long-term disability liability	4,870	4,461	4,063

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

**B. Public Safety Personnel Retirement System**

**Plan Descriptions** – Town police and fire employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town’s financial statements.

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
<b>Benefit percentage</b>		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

**Employees Covered by Benefit Terms** – At June 30, 2021, the following employees were covered by the agent plans’ benefit terms:

	<u>PSPRS Police</u>		<u>PSPRS Fire</u>	
	<u>Pension</u>	<u>Health</u>	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	3	3	1	1
Inactive employees entitled to but not yet receiving benefits	1	-	4	-
Active employees	<u>8</u>	<u>8</u>	<u>5</u>	<u>5</u>
Total	<u>12</u>	<u>11</u>	<u>10</u>	<u>6</u>

**Contributions** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>Active Member- Pension</u>	<u>Town-Pension</u>	<u>Town-Health Insurance Premium Benefit</u>
PSPRS Police	7.65% - 11.65%	27.63%	0.00%
PSPRS Fire	7.65% - 11.65%	17.25%	1.16%
PSPRS Police Tier 3 Risk Pool	9.94%	15.45%	0.14%

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The Town’s contributions to the plans for the year ended June 30, 2021, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 104,814	\$ -
PSPRS Fire	41,983	2,824
PSPRS Police Tier 3 Risk Pool	14,119	128
PSPRS Fire Tier 3 Risk Pool	6,748	96

During fiscal year 2021, the Town paid for 100 percent of PSPRS-Police pension and OPEB contributions from the General Fund. For PSPRS-Fire, the Town paid 20 percent of pension and OPEB contributions from the General Fund and 80 percent from the Ambulance Fund

**Liability** – At June 30, 2021, the Town reported the following assets and liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 504,242	\$ (88,090)
PSPRS Fire	(59,552)	5,643

The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**PSPRS**

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
Total	<u>100%</u>	

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Discount Rates** – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Changes in the Net Pension/OPEB Liability (Asset)**

**PSPRS-Police**

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2020	\$ 1,592,207	\$ 1,241,158	\$ 351,049
Changes for the year			
Service Cost	136,641	-	136,641
Interest on the total liability	120,840	-	120,840
Differences between expected and actual experience in the measurement of the liability	38,090	-	38,090
Contributions-employer	-	86,880	(86,880)
Contributions-employee	-	41,154	(41,154)
Net investment income	-	15,618	(15,618)
Benefit payments, including refunds of employee contributions	(147,017)	(147,017)	-
Administrative expense	-	(1,274)	1,274
Net changes	148,554	(4,639)	153,193
Balances at June 30, 2021	\$ 1,740,761	\$ 1,236,519	\$ 504,242

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Asset) Liability (a) - (b)</b>
Balances at June 30, 2020	\$ 17,774	\$ 108,380	\$ (90,606)
Changes for the year			
Service Cost	3,996	-	3,996
Interest on the total liability	1,611	-	1,611
Differences between expected and actual experience in the measurement of the liability	(1,824)	-	(1,824)
Net investment income	-	1,379	(1,379)
Administrative expense	-	(112)	112
Net changes	3,783	1,267	2,516
Balances at June 30, 2021	\$ 21,557	\$ 109,647	\$ (88,090)

**PSPRS-Fire**

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2020	\$ 673,569	\$ 790,933	\$ (117,364)
Changes for the year			
Service Cost	53,618	-	53,618
Interest on the total liability	52,416	-	52,416
Differences between expected and actual experience in the measurement of the liability	11,083	-	11,083
Contributions-employer	-	29,505	(29,505)
Contributions-employee	-	20,431	(20,431)
Net investment income	-	10,201	(10,201)
Benefit payments, including refunds of employee contributions	(18,308)	(18,308)	-
Administrative expense	-	(832)	832
Net changes	98,809	40,997	57,812
Balances at June 30, 2021	\$ 772,378	\$ 831,930	\$ (59,552)



**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Asset) Liability (a) - (b)</b>
Balances at June 30, 2020	\$ 36,457	\$ 35,006	\$ 1,451
Changes for the year			
Service Cost	2,472	-	2,472
Interest on the total liability	2,836	-	2,836
Differences between expected and actual experience in the measurement of the liability	464	-	464
Contributions-employer	-	1,181	(1,181)
Net investment income	-	434	(434)
Benefit payments, including refunds of employee contributions	(1,200)	(1,200)	-
Administrative expense	-	(35)	35
Net changes	4,572	380	4,192
Balances at June 30, 2021	\$ 41,029	\$ 35,386	\$ 5,643

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

	<b>1% Decrease (6.3%)</b>	<b>Current Discount Rate (7.3%)</b>	<b>1% Increase (8.3%)</b>
<b>PSPRS Police</b>			
Net pension (asset) liability	\$ 716,047	\$ 504,242	\$ 329,102
Net OPEB (asset) liability	(85,069)	(88,090)	(90,617)
<b>PSPRS Fire</b>			
Net pension (asset) liability	\$ 40,576	\$ (59,552)	\$ (141,584)
Net OPEB (asset) liability	10,188	5,643	1,766

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

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Expense** – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense:

	<b>Pension Expense</b>		<b>OPEB Expense</b>	
PSPRS Police	\$ 95,991		\$ (6,487)	
PSPRS Fire	32,803		3,887	

**Deferred Outflows/Inflows of Resources** – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

**PSPRS-Police**

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 31,740	\$ 186,051	\$ 650	\$ 18,714
Changes of assumptions or other inputs	57,510	-	198	1,465
Net difference between projected and actual earnings on pension plan investments	67,890	-	5,862	-
Town contributions subsequent to the measurement date	118,933	-	-	-
<b>Total</b>	<b>\$ 276,073</b>	<b>\$ 186,051</b>	<b>\$ 6,710</b>	<b>\$ 20,179</b>

**TOWN OF SUPERIOR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**PSPRS-Fire**

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 21,860	\$ 72,576	\$ 5,978	\$ 38
Changes of assumptions or other inputs	18,810	-	42	378
Net difference between projected and actual earnings on pension plan investments	44,235	-	1,903	-
Town contributions subsequent to the measurement date	48,731	-	2,920	-
<b>Total</b>	<b>\$ 133,636</b>	<b>\$ 72,576</b>	<b>\$ 10,843</b>	<b>\$ 416</b>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	<b>PSPRS Police</b>		<b>PSPRS Fire</b>	
	<b>Pension</b>	<b>Health</b>	<b>Pension</b>	<b>Health</b>
Year ended June 30,				
2022	\$ (51,418)	\$ (4,298)	\$ (2,833)	\$ 1,104
2023	(38,966)	(3,560)	3,011	1,350
2024	30,004	(3,639)	5,675	1,323
2025	25,121	(274)	9,181	1,190
2026	6,348	(849)	(2,705)	790
Thereafter	-	(849)	-	1,750

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 1,035,487	\$ 1,035,487	\$ 1,296,961	\$ 261,474
Taxes	1,538,443	1,538,443	1,486,565	(51,878)
Contributions	-	-	500	500
Charges for services	44,000	44,000	84,616	40,616
Licenses and permits	57,000	57,000	101,385	44,385
Fines and forfeitures	36,000	36,000	21,750	(14,250)
Rental income	20,000	20,000	3,740	(16,260)
Other revenue	37,095	37,095	12,565	(24,530)
Investment income	-	-	1,522	1,522
<b>Total revenue</b>	<u>2,768,025</u>	<u>2,768,025</u>	<u>3,009,604</u>	<u>241,579</u>
<b>Expenditures</b>				
Contingency	237,441	37,441	22,628	14,813
Mayor and Council	38,293	38,293	15,907	22,386
Town Manager	133,034	160,534	157,878	2,656
Town Attorney	63,000	63,000	59,858	3,142
Magistrate	27,170	27,170	24,737	2,433
Administration	276,389	356,389	352,582	3,807
Finance	69,465	69,465	59,762	9,703
Police	805,992	1,045,992	1,040,679	5,313
Fire	134,804	134,804	130,843	3,961
Public Works	210,494	325,494	321,677	3,817
Engineer	79,974	87,974	86,384	1,590
Swimming Pool	50,111	65,111	62,529	2,582
Parks	31,766	39,766	37,830	1,936
Library	81,081	86,081	84,598	1,483
Building Rentals	8,000	8,000	3,112	4,888
Senior Center-Congregate Meals	76,799	141,799	140,769	1,030
Senior Center-Home Delivery	64,735	124,735	119,259	5,476
Senior Center-Transportation	15,382	15,382	13,756	1,626
Code Enforcement	55,538	55,538	24,240	31,298
Economic Development	25,000	25,000	1,347	23,653
Transfer Station	34,354	129,354	125,236	4,118
Cemetery	17,150	27,150	25,196	1,954
<b>Total expenditures</b>	<u>2,535,972</u>	<u>3,064,472</u>	<u>2,910,807</u>	<u>153,665</u>
Excess (deficiency) of revenue over (under) expenditures	<u>232,053</u>	<u>(296,447)</u>	<u>98,797</u>	<u>395,244</u>
<b>Other financing sources (uses)</b>				
Transfers	(252,053)	(252,053)	(17,473)	234,580
Sale of capital assets	20,000	20,000	440,908	420,908
<b>Total other financing sources (uses)</b>	<u>(232,053)</u>	<u>(232,053)</u>	<u>423,435</u>	<u>655,488</u>
Net change in fund balance	-	(528,500)	522,232	1,050,732
Fund balances, beginning of year	<u>(481,632)</u>	<u>(481,632)</u>	<u>(481,632)</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ (481,632)</u>	<u>\$ (1,010,132)</u>	<u>\$ 40,600</u>	<u>\$ 1,050,732</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Highways and Streets Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 975,415	\$ 975,415	\$ 344,488	\$ (630,927)
<b>Expenditures</b>				
Public works	1,092,020	1,092,020	753,822	338,198
Excess (deficiency) of revenue over (under) expenditures	(116,605)	(116,605)	(409,334)	(292,729)
<b>Other financing sources (uses)</b>				
Transfers	116,605	116,605	3,928	(112,677)
Net change in fund balance	-	-	(405,406)	(405,406)
Fund balances, beginning of year	2,570,102	2,570,102	2,570,102	-
<b>Fund balances, end of year</b>	<u>\$ 2,570,102</u>	<u>\$ 2,570,102</u>	<u>\$ 2,164,696</u>	<u>\$ (405,406)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 1,381,382	\$ 1,381,382	\$ 107,332	\$ (1,274,050)
Contributions	1,475,000	1,475,000	275,000	(1,200,000)
Charges for services	200,000	200,000	200,000	-
<b>Total revenue</b>	<u>3,056,382</u>	<u>3,056,382</u>	<u>582,332</u>	<u>(2,474,050)</u>
<b>Expenditures</b>				
General government	1,475,000	946,500	216,286	730,214
Public safety	200,000	200,000	341,104	(141,104)
Welfare	-	-	6,682	(6,682)
Culture and recreation	1,381,382	1,381,382	-	1,381,382
<b>Total expenditures</b>	<u>3,056,382</u>	<u>2,527,882</u>	<u>564,072</u>	<u>1,963,810</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>528,500</u>	<u>18,260</u>	<u>(510,240)</u>
<b>Other financing sources (uses)</b>				
Transfers	-	-	3,545	3,545
Installment purchase agreement	-	-	64,058	64,058
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>67,603</u>	<u>67,603</u>
Net change in fund balance	-	528,500	85,863	(442,637)
Fund balances, beginning of year	<u>1,007,713</u>	<u>1,007,713</u>	<u>1,007,713</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,007,713</u>	<u>\$ 1,536,213</u>	<u>\$ 1,093,576</u>	<u>\$ (442,637)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2021**

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

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

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

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

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

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2021**

**ASRS-Pension**

	Reporting Fiscal Year (Measurement Date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.005960%	0.005300%	0.005360%	0.004880%	0.004420%	0.004240%	0.003916%	Information not available
Town's proportionate share of the net pension liability	\$ 1,032,661	\$ 771,212	\$ 747,531	\$ 760,209	\$ 713,432	\$ 660,744	\$ 579,469	Information not available
Town's covered payroll	\$ 620,374	\$ 513,854	\$ 494,385	\$ 476,076	\$ 414,276	\$ 390,707	\$ 353,019	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.46%	150.08%	151.20%	159.68%	172.21%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year (Measurement Date)					2017 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)		
Town's proportion of the net OPEB (asset)	0.005850%	0.005060%	0.005180%	0.004850%		Information not available
Town's proportionate share of the net OPEB (asset)	\$ (4,142)	\$ (1,398)	\$ (1,865)	\$ (2,640)		Information not available
Town's covered payroll	\$ 620,374	\$ 513,854	\$ 494,385	\$ 476,076		
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.67%	-0.27%	-0.38%	-0.55%		
Plan fiduciary net position as a percentage of the total OPEB liability	104.33%	101.62%	102.20%	103.57%		

*See accompanying notes to pension plan schedules.*



**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2021**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Town's proportion of the net OPEB (asset)	0.005880%	0.005130%	0.005350%	0.004850%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 4,461	\$ 3,342	\$ 2,795	\$ 1,758	
Town's covered payroll	\$ 620,374	\$ 513,854	\$ 494,385	\$ 476,076	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.72%	0.65%	0.57%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	68.01%	72.85%	77.83%	84.44%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Plans**  
**June 30, 2021**

**PSPRS - Police**

	Reporting Fiscal Year (Measurement Date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability								Information not available
Service cost	\$ 136,641	\$ 90,889	\$ 73,946	\$ 94,364	\$ 77,368	\$ 68,017	\$ 41,275	
Interest on the total pension liability	120,840	115,500	134,900	125,652	118,424	90,186	89,927	
Changes of benefit terms	-	-	-	20,056	19,855	-	27,961	
Differences between expected and actual experience in the measurement of the pension liability	38,090	(36,299)	(371,516)	(71,574)	(30,574)	282,746	(234,565)	
Changes of assumptions or other inputs	-	59,842	-	78,030	59,107	-	138,052	
Benefit payments, including refunds of employee contributions	(147,017)	(215,300)	(91,515)	(85,900)	(85,900)	(85,900)	(59,563)	
Net change in total pension liability	148,554	14,632	(254,185)	160,628	158,280	355,049	3,087	
Total pension liability - beginning	1,592,207	1,577,575	1,831,760	1,671,132	1,512,852	1,157,803	1,154,716	
Total pension liability - ending (a)	<u>\$ 1,740,761</u>	<u>\$ 1,592,207</u>	<u>\$ 1,577,575</u>	<u>\$ 1,831,760</u>	<u>\$ 1,671,132</u>	<u>\$ 1,512,852</u>	<u>\$ 1,157,803</u>	
Plan fiduciary net position								
Contributions - employer	\$ 86,880	\$ 98,625	\$ 112,901	\$ 78,974	\$ 68,133	\$ 67,338	\$ 45,890	
Contributions - employee	41,154	39,273	39,147	41,925	42,490	40,615	25,911	
Net investment income	15,618	65,525	80,066	119,790	5,919	36,594	113,188	
Benefit payments, including refunds of employee contributions	(147,017)	(215,300)	(91,515)	(85,900)	(85,900)	(85,900)	(59,563)	
Hall/Parker Settlement	-	-	(40,555)	-	-	-	-	
Administrative expense	(1,274)	(2,139)	(1,919)	(1,460)	(1,252)	(1,263)	-	
Other changes	-	-	15	(950)	(93,979)	90,697	(91,421)	
Net change in plan fiduciary net position	(4,639)	(14,016)	98,140	152,379	(64,589)	148,081	34,005	
Plan fiduciary net position - beginning	1,241,158	1,255,174	1,157,034	1,004,655	1,069,244	921,163	887,158	
Plan fiduciary net position - ending (b)	<u>\$ 1,236,519</u>	<u>\$ 1,241,158</u>	<u>\$ 1,255,174</u>	<u>\$ 1,157,034</u>	<u>\$ 1,004,655</u>	<u>\$ 1,069,244</u>	<u>\$ 921,163</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 504,242</u>	<u>\$ 351,049</u>	<u>\$ 322,401</u>	<u>\$ 674,726</u>	<u>\$ 666,477</u>	<u>\$ 443,608</u>	<u>\$ 236,640</u>	
Plan fiduciary net position as a percentage of the total pension liability	71.03%	77.95%	79.56%	63.17%	60.12%	70.68%	79.56%	
Covered payroll	\$ 403,107	\$ 461,128	\$ 354,999	\$ 392,855	\$ 370,891	\$ 373,585	\$ 323,968	
Town's net pension (asset) liability as a percentage of covered payroll	125.09%	76.13%	90.82%	171.75%	179.70%	118.74%	73.04%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Plans**  
**June 30, 2021**

**PSPRS - Fire**

	Reporting Fiscal Year (Measurement Date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability								Information not available
Service cost	\$ 53,618	\$ 41,088	\$ 36,525	\$ 59,650	\$ 22,708	\$ 38,649	\$ 38,842	
Interest on the total pension liability	52,416	49,264	43,068	40,345	40,052	33,972	29,163	
Changes of benefit terms	-	-	-	(2,374)	24,226	-	(942)	
Differences between expected and actual experience in the measurement of the pension liability	11,083	(36,998)	(915)	(40,977)	(76,116)	30,392	(873)	
Changes of assumptions or other inputs	-	4,543	-	16,581	15,980	-	8,369	
Benefit payments, including refunds of employee contributions	(18,308)	(17,949)	(17,597)	(17,597)	(17,597)	(17,597)	(8,799)	
Net change in total pension liability	98,809	39,948	61,081	55,628	9,253	85,416	65,760	
Total pension liability - beginning	673,569	633,621	572,540	516,912	507,659	422,243	356,483	
Total pension liability - ending (a)	<u>\$ 772,378</u>	<u>\$ 673,569</u>	<u>\$ 633,621</u>	<u>\$ 572,540</u>	<u>\$ 516,912</u>	<u>\$ 507,659</u>	<u>\$ 422,243</u>	
Plan fiduciary net position								
Contributions - employer	\$ 29,505	\$ 23,811	\$ 34,081	\$ 24,966	\$ 23,064	\$ 23,591	\$ 24,120	
Contributions - employee	20,431	17,599	21,645	24,597	24,054	24,522	21,221	
Net investment income	10,201	39,852	46,841	68,639	3,212	18,586	57,337	
Benefit payments, including refunds of employee contributions	(18,308)	(17,949)	(17,597)	(17,597)	(17,597)	(17,597)	(8,799)	
Hall/Parker Settlement	-	-	(24,569)	-	-	-	-	
Administrative expense	(832)	(1,677)	(1,413)	(1,007)	(862)	(833)	-	
Other changes	-	(40)	8	8	(2,974)	(416)	(21,932)	
Net change in plan fiduciary net position	40,997	61,596	58,996	99,606	28,897	47,853	71,947	
Plan fiduciary net position - beginning	790,933	729,337	670,341	570,735	541,838	493,985	422,038	
Plan fiduciary net position - ending (b)	<u>\$ 831,930</u>	<u>\$ 790,933</u>	<u>\$ 729,337</u>	<u>\$ 670,341</u>	<u>\$ 570,735</u>	<u>\$ 541,838</u>	<u>\$ 493,985</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ (59,552)</u>	<u>\$ (117,364)</u>	<u>\$ (95,716)</u>	<u>\$ (97,801)</u>	<u>\$ (53,823)</u>	<u>\$ (34,179)</u>	<u>\$ (71,742)</u>	
Plan fiduciary net position as a percentage of the total pension liability	107.71%	117.42%	115.11%	117.08%	110.41%	106.73%	116.99%	
Covered payroll	\$ 218,876	\$ 212,344	\$ 174,260	\$ 255,022	\$ 122,547	\$ 223,513	\$ 207,206	
Town's net pension (asset) liability as a percentage of covered payroll	-27.21%	-55.27%	-54.93%	-38.35%	-43.92%	-15.29%	-34.62%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Plans**  
**June 30, 2021**

**PSPRS OPEB - Police**

	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Total OPEB liability					
Service cost	\$ 3,996	\$ 2,982	\$ 2,733	\$ 2,789	Information not available
Interest on the total OPEB liability	1,611	1,549	2,942	2,641	
Changes of benefit terms	-	-	-	1,035	
Differences between expected and actual experience in the measurement of the OPEB liability	(1,824)	(4,970)	(26,124)	1,502	
Changes of assumptions or other inputs	-	266	-	(3,389)	
Net change in total OPEB liability	3,783	(173)	(20,449)	4,578	
Total OPEB liability - beginning	17,774	17,947	38,396	33,818	
Total OPEB liability - ending (a)	<u>\$ 21,557</u>	<u>\$ 17,774</u>	<u>\$ 17,947</u>	<u>\$ 38,396</u>	
Plan fiduciary net position					
Net investment income	\$ 1,379	\$ 5,582	\$ 6,729	\$ 10,155	
Administrative expense	(112)	(96)	(102)	(91)	
Net change in plan fiduciary net position	1,267	5,486	6,627	10,064	
Plan fiduciary net position - beginning	108,380	102,894	96,267	86,203	
Plan fiduciary net position - ending (b)	<u>\$ 109,647</u>	<u>\$ 108,380</u>	<u>\$ 102,894</u>	<u>\$ 96,267</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (88,090)</u>	<u>\$ (90,606)</u>	<u>\$ (84,947)</u>	<u>\$ (57,871)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	508.64%	609.77%	573.32%	250.72%	
Covered payroll	\$ 403,107	\$ 461,128	\$ 354,999	\$ 392,855	
Town's net OPEB (asset) liability as a percentage of covered payroll	-21.85%	-19.65%	-23.93%	-14.73%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Plans**  
**June 30, 2021**

**PSPRS OPEB - Fire**

	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Total OPEB liability					
Service cost	\$ 2,472	\$ 1,324	\$ 1,307	\$ 1,811	Information not available
Interest on the total OPEB liability	2,836	2,096	1,854	1,688	
Changes of benefit terms	-	-	-	1,276	
Differences between expected and actual experience in the measurement of the OPEB liability	464	6,577	640	(70)	
Changes of assumptions or other inputs	-	53	-	(698)	
Benefit payments	(1,200)	(1,200)	(1,200)	(1,200)	
Net change in total OPEB liability	4,572	8,850	2,601	2,807	
Total OPEB liability - beginning	36,457	27,607	25,006	22,199	
Total OPEB liability - ending (a)	<u>\$ 41,029</u>	<u>\$ 36,457</u>	<u>\$ 27,607</u>	<u>\$ 25,006</u>	
Plan fiduciary net position					
Contributions - employer	\$ 1,181	\$ 979	\$ 384	\$ 843	
Net investment income	434	1,799	2,210	3,397	
Benefit payments	(1,200)	(1,200)	(1,200)	(1,200)	
Administrative expense	(35)	(31)	(33)	(30)	
Other changes	-	40	-	-	
Net change in plan fiduciary net position	380	1,587	1,361	3,010	
Plan fiduciary net position - beginning	35,006	33,419	32,058	29,048	
Plan fiduciary net position - ending (b)	<u>\$ 35,386</u>	<u>\$ 35,006</u>	<u>\$ 33,419</u>	<u>\$ 32,058</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 5,643</u>	<u>\$ 1,451</u>	<u>\$ (5,812)</u>	<u>\$ (7,052)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	86.25%	96.02%	121.05%	128.20%	
Covered payroll	\$ 218,876	\$ 212,344	\$ 174,260	\$ 255,022	
Town's net OPEB (asset) liability as a percentage of covered payroll	2.58%	0.68%	-3.34%	-2.77%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2021**

**ASRS-Pension**

	Reporting Fiscal Year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 78,371	\$ 71,033	\$ 62,465	\$ 58,056	\$ 51,321	\$ 44,949	\$ 42,548	\$ 37,773	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(78,371)</u>	<u>(71,033)</u>	<u>(62,465)</u>	<u>(58,056)</u>	<u>(51,321)</u>	<u>(44,949)</u>	<u>(42,548)</u>	<u>(37,773)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 680,664</u>	<u>\$ 620,374</u>	<u>\$ 513,854</u>	<u>\$ 494,385</u>	<u>\$ 476,076</u>	<u>\$ 414,276</u>	<u>\$ 390,707</u>	<u>\$ 353,019</u>	
Town's contributions as a percentage of covered payroll	11.51%	11.45%	12.16%	11.74%	10.78%	10.85%	10.89%	10.70%	

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year					2016 through 2012
	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,458	\$ 3,040	\$ 2,394	\$ 2,223	\$ 2,611	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(2,458)</u>	<u>(3,040)</u>	<u>(2,394)</u>	<u>(2,223)</u>	<u>(2,611)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 680,664</u>	<u>\$ 620,374</u>	<u>\$ 513,854</u>	<u>\$ 494,385</u>	<u>\$ 476,076</u>	
Town's contributions as a percentage of covered payroll	0.36%	0.49%	0.47%	0.45%	0.55%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2021**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year					2016 through 2012
	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 1,115	\$ 1,055	\$ 853	\$ 849	\$ 660	Information not available
Town's contributions in relation to the statutorily required contribution	(1,115)	(1,055)	(853)	(849)	(660)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 680,664	\$ 620,374	\$ 513,854	\$ 494,385	\$ 476,076	
Town's contributions as a percentage of covered payroll	0.16%	0.17%	0.17%	0.17%	0.14%	

**PSPRS - Police**

	Reporting Fiscal Year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 118,933	\$ 86,880	\$ 98,625	\$ 112,901	\$ 78,974	\$ 68,133	\$ 67,338	\$ 45,890	Information not available
Town's contributions in relation to the actuarially determined contribution	(118,933)	(86,880)	(98,625)	(112,901)	(78,974)	(68,133)	(67,338)	(45,890)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 470,738	\$ 403,107	\$ 461,128	\$ 354,999	\$ 392,855	\$ 370,891	\$ 373,585	\$ 323,968	
Town's contributions as a percentage of covered payroll	25.27%	21.55%	21.39%	31.80%	20.10%	18.37%	18.02%	14.16%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2021**

**PSPRS OPEB - Police**

	Reporting Fiscal Year					2016 through 2012
	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	-	-	-	-	-	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 470,738</u>	<u>\$ 403,107</u>	<u>\$ 461,128</u>	<u>\$ 354,999</u>	<u>\$ 392,855</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	

**PSPRS - Fire**

	Reporting Fiscal Year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 48,731	\$ 29,505	\$ 23,811	\$ 34,081	\$ 24,966	\$ 23,064	\$ 23,591	\$ 24,120	Information not available
Town's contributions in relation to the actuarially determined contribution	(48,731)	(29,505)	(23,811)	(34,081)	(24,966)	(23,064)	(23,591)	(24,120)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 312,240</u>	<u>\$ 218,876</u>	<u>\$ 212,344</u>	<u>\$ 174,260</u>	<u>\$ 255,022</u>	<u>\$ 122,547</u>	<u>\$ 223,513</u>	<u>\$ 207,207</u>	
Town's contributions as a percentage of covered payroll	15.61%	13.48%	11.21%	19.56%	9.79%	18.82%	10.55%	11.64%	

*See accompanying notes to pension plan schedules.*



**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2021**

**PSPRS OPEB - Fire**

	<b>Reporting Fiscal Year</b>					<b>2016 through 2012</b>
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Actuarially determined contribution	\$ 2,920	\$ 1,181	\$ 979	\$ 384	\$ 843	Information not available
Town's contributions in relation to the actuarially determined contribution	(2,920)	(1,181)	(979)	(384)	(843)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 312,240</u>	<u>\$ 218,876</u>	<u>\$ 212,344</u>	<u>\$ 174,260</u>	<u>\$ 255,022</u>	
Town's contributions as a percentage of covered payroll	0.94%	0.54%	0.46%	0.22%	0.33%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2021**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	17 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

***NOTE 2 – FACTORS THAT AFFECT TRENDS***

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s

**TOWN OF SUPERIOR, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2021**

***NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued***

effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



**Independent 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 *Government Auditing Standards***

The Honorable Mayor and Council  
Town of Superior  
Superior, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Superior, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise The Town of Superior, Arizona's basic financial statements, and have issued our report thereon dated November 10, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Town of Superior, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Superior, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Superior, Arizona's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Superior, Arizona’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the schedule of findings and recommendations as items:

2012-001 Highway User Revenue Funds

#### **Town of Superior, Arizona’s Response to the Finding**

The Town of Superior, Arizona’s response to the finding identified in our audit is described in a separate schedule of findings and responses. The Town’s response was 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 Town’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 Town’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
Gilbert, Arizona  
November 10, 2021

**TOWN OF SUPERIOR, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**Item: 2012-001 (reissued)**

**Highway User Revenue Funds**

- *Criteria:* Arizona Revised Statutes restricts HURF funds for the construction and maintenance of roads and disallows the borrowing of these monies by other Funds and departments.
- *Statement of Condition:* There is a large interfund receivable balance in the Highway User Revenue Fund (HURF).
- *Cause of Condition:* Funds and departments incurred expenses in excess of their available resources.
- *Effect of Condition:* Other Funds and departments of the Town have borrowed monies from the HURF to meet their operating needs. This resulted in the State withholding Highway Revenue Funds from the Town for a period of time.
- *Recommendation:* The Town should continue to make every effort to have the Funds and departments that have borrowed monies from the Highway User Revenue Fund repay those amounts as soon as possible.
- *Response:* The Town agrees with this issue. The Town Council has adopted a repayment plan to pay these funds back.



## 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, 2021, and have issued our report thereon dated November 10, 2021. Our audit also included test work on the Town of Superior's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

The Town of Superior has established separate funds to account for Highway User Revenue Funds and Local Transportation Assistance Funds. Highway User Revenue Fund monies received by the Town of Superior pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes but in years past have not. The expenditures recorded in the Highways and Streets Special Revenue Fund appear to have been made for allowable purposes; however, the Fund reports a large interfund receivable balance. This indicates that other funds of the Town have borrowed Highway User Revenue Fund monies to meet their operating needs. The amount due from other funds decreased from \$1,576,071 in fiscal year 2020 to \$1,198,898 in fiscal year 2021. The Town is expected to pay down this balance each year under an agreement with the State Auditor General.

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

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

In our opinion, except as noted above, the Town of Superior complied in all material respects, with the requirements identified above for the year ended June 30, 2021.

The results of our auditing procedures disclosed no other instances of noncompliance.

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.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC

Gilbert, Arizona

November 10, 2021