

TOWN OF YOUNGTOWN, ARIZONA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Town Council
Town of Youngtown, Arizona
Youngtown, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Youngtown, Arizona (the Town), as of and for the year ended June 30, 2020, 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 Town'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 Town'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, each major fund, and the aggregate remaining fund information of the Town of Youngtown, Arizona as of June 30, 2020, and the respective changes in financial position 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, pension schedules, and the budgetary comparison information, as noted within 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Youngtown, Arizona's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Mayor and Town Council
Town of Youngtown, Arizona

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of the Town of Youngtown, 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 solely 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 the effectiveness of the Town of Youngtown, Arizona's 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 Youngtown, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
April 30, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

We (the Town of Youngtown, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2020. 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.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Youngtown, Arizona at June 30, 2020 exceed liabilities and deferred inflows of resources by \$16,687,435 (net position). Of this amount, \$5,343,089 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the Town of Youngtown, Arizona's governmental funds reported combined ending fund balances of \$7,747,142, an increase of \$131,526 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,337,627 or 170% of total General Fund expenditures.
- General Fund actual revenues were less than budgeted revenues (on a budgetary basis) by \$583,423 for the fiscal year. In addition, budgetary basis expenditures were only 61% (39% in savings) of the final budget in the General Fund.
- General Fund revenues exceeded expenditures by \$313,873 representing a positive variance from the final budget.
- The Town includes a separate legal entity in its report - a Community Facilities District. Although legally separate, this "component unit" is important because the Town is financially accountable for this entity. A description of this component unit is available in Note 1 on page 18. Separate financial statements are not available for this entity.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the Annual Financial Report (AFR) for the Town of Youngtown, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Youngtown, Arizona finances in a manner similar to the private sector business.

The statement of net position presents information on all of the Town of Youngtown, Arizona, assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the Town of Youngtown, Arizona financial position is improving or deteriorating.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The statement of activities presents data showing how the Town of Youngtown, Arizona 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 the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years, such as revenue from uncollected taxes or expenses from earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish Town of Youngtown, Arizona, functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town of Youngtown, Arizona, include general government, public safety, highways and streets, culture and recreation, and interest and fiscal charges.

The government-wide financial statements may be found on pages 12 - 13 of this report.

Fund Financial Statements

Also presented are the traditional fund financial statements for governmental funds. The fund financial statements focus on major funds of the Town, rather than on fund type. 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 Youngtown, Arizona like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

- *Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements may be found on pages 18 - 41 of this report.

Required Supplementary Information other than MD&A

Governments have an option of including the budgetary comparison statements for the General Fund and major Special Revenue Funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as part of RSI on pages 46 - 48. Additionally, governments are required to disclose certain information about employee pension plans. The Town has disclosed this information on pages 42 - 45.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the Condensed Statement of Net Position of the Town of Youngtown, Arizona for June 30, 2020 and 2019 showing that assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$16,687,435 and \$15,266,653, respectively.

**Table A-1
The Town's Net Position**

	Governmental Activities	
	2020	2019
ASSETS		
Current and Other Assets	\$ 8,754,874	\$ 7,946,644
Capital Assets		
Nondepreciable	1,722,239	1,782,450
Depreciable (Net)	10,863,277	9,532,172
Total Assets	21,340,390	19,261,266
Deferred Outflows of Resources	321,418	360,135
LIABILITIES		
Other Liabilities	3,118,260	2,357,191
Non-Current Liabilities		
Due within One Year	214,000	191,363
Due in More than One Year	1,512,174	1,654,064
Total Liabilities	4,844,434	4,202,618
Deferred Inflows of Resources	129,939	152,130
NET POSITION		
Net Investment in Capital Assets	10,479,488	9,552,945
Restricted	864,858	1,061,338
Unrestricted	5,343,089	4,652,370
Total Net Position	\$ 16,687,435	\$ 15,266,653

The net position of the Town is \$16,687,435 at the end of the fiscal year 2020. The Town of Youngtown, Arizona does not currently have any proprietary or enterprise funds that would otherwise be classified as business-type activities. All of the Town of Youngtown, Arizona's funds are considered governmental activities.

Net position consists of three components. The largest portion of the Town of Youngtown, Arizona's net position (63%) reflects its net investment in capital assets (e.g., land, infrastructure, buildings and improvements, furniture, equipment and vehicles, less any related debt used to acquire those assets that is still outstanding). The Town of Youngtown, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

An additional portion of the Town of Youngtown, Arizona's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Youngtown, Arizona is able to report positive balances in all three components of net position for the government as a whole.

**Table A-2
Change in Net Position**

	Governmental Activities	
	2020	2019
REVENUES		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 236,093	\$ 191,026
Operating Grants and Contributions	1,061,960	768,516
Capital Grants and Contributions	846,283	-
General Revenues:		
Property Taxes	344,464	382,173
Local Taxes	1,744,517	1,953,853
State Shared Revenues	1,880,231	1,790,349
Investment Income	104,680	141,304
Other	73,294	12,241
Total Revenues	<u>6,291,522</u>	<u>5,239,462</u>
EXPENSES		
General Government	1,782,162	1,762,341
Public Safety	1,888,767	1,688,651
Highways and Streets	674,551	1,286,161
Culture and Recreation	475,200	463,082
Interest on Long-Term Debt	50,060	53,094
Total Expenses	<u>4,870,740</u>	<u>5,253,329</u>
CHANGE IN NET POSITION	1,420,782	(13,867)
Net Position - Beginning of Year	<u>15,266,653</u>	<u>15,280,520</u>
NET POSITION - END OF YEAR	<u>\$ 16,687,435</u>	<u>\$ 15,266,653</u>

Program revenues which consist of fees, fines and charges for services, operating grants and contributions, and capital grants and contributions increased from the prior year by \$1,184,794 or 123%.

Operating grants and contributions increased by \$293,444. This increase was due to the Town receiving AZ CARES funding in the current year. Capital grants and contributions increased by \$846,283. This increase was due to the Town receiving Community Development Block Grant funding in the current year.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Property taxes decreased by \$37,709 due to an decrease in property taxes levied and collected for the North Youngtown Street Lighting Improvement District.

Local taxes decreased by \$209,336 due to the pandemic effect on the economy and decreased sales tax revenue.

State shared revenues increased by \$89,882 due to an increase in the Town's share of urban revenue sharing collections, state sales tax collections, and vehicle license tax collections.

The Town's expenses decreased by 7% mainly due to the various street projects started in prior year were completed in current year.

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 may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds and Debt Service Fund.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$7,747,142, an increase of \$131,526 in comparison with the prior year. Approximately 82% of this total amount (\$6,337,627) constitutes General Fund unassigned fund balance, which is available for spending on the Town's operations costs. At fiscal year-end June 30, 2020 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2018-19
General Fund	\$ 6,527,058	\$ 313,873
Highway User Revenue Fund (HURF)	696,251	(202,971)
Grants Fund	11,043	10
Debt Service Fund	408,326	3,160
Nonmajor Governmental Funds	104,464	17,454

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The General Fund is the chief operating fund of the Town of Youngtown, Arizona. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund's fund balance and total Town fund balance to total General Fund expenditures and total town expenditures. General Fund's fund balance represents 176% of total General Fund expenditures, while total Town fund balance represents 126% of total Town governmental expenditures.

The fund balance of the Town of Youngtown, Arizona's General Fund increased by \$313,873 during the current fiscal year, primarily due to conservative spending.

The fund balance of the Town of Youngtown, Arizona's HURF Fund decreased \$202,971 due to an increase in street repair projects.

The fund balance of the Town of Youngtown, Arizona's Grants Fund increased \$10.

The fund balance of the Town of Youngtown, Arizona's Debt Service Fund increased \$3,160.

Nonmajor Governmental Funds of the Town of Youngtown, Arizona, are combined into one column on the governmental fund statements. The increase of \$17,454 was due to tax revenue collected for the street lighting district's exceeding related expenditures.

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 as part of RSI on pages 46 - 49. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$4,032,614, on a budgetary basis, were less than budgeted revenues of \$4,616,037 by \$583,423 while budgetary basis expenditures of \$3,718,741 were only 61% of budgeted expenditures (savings of \$2,395,545). The savings is primarily due to spending less than anticipated during the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town of Youngtown, Arizona's capital assets for its governmental activities as of June 30, 2020, amount to \$12,585,516 (net of accumulated depreciation), a net increase of 11% from the prior year. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.3 in the notes to the basic financial statements for further information regarding capital assets.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Major capital asset events during the current fiscal year included the following:

- Vehicles
- Street resurfacing
- Marquee sign
- Sidewalk improvements

The following table provides a breakdown of the capital assets of the Town at June 30, 2020 and 2019.

**Table A-4
Capital Assets (Net)**

	Governmental Activities	
	2020	2019
Land	\$ 1,722,239	\$ 1,722,239
Construction in Progress	-	60,211
Buildings and Improvements	1,273,842	1,306,123
Infrastructure	9,243,312	8,079,236
Furniture, Equipment, and Vehicles	346,123	146,813
Total Capital Assets	\$ 12,585,516	\$ 11,314,622

Long-Term Debt

The following schedule shows the outstanding obligations of the Town (both current and long term) as of June 30, 2020 and 2019. Further detail on the Town's outstanding obligations may be found in Note 3.C.

**Table A-5
Outstanding Debt**

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$ 1,645,000	\$ 1,785,000
Compensated Absences Payable	81,174	60,427
Total Outstanding Debt	\$ 1,726,174	\$ 1,845,427

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic factors considered when preparing the budget included, but were not limited to:

- ◆ Developed COVID-19 conservative budget with a potential shortfall of \$632,754 in General Fund revenues
- ◆ Finalize CDBG Grant for street lights and sidewalks
- ◆ Delayed any capital projects due to COVID-19
- ◆ Eliminated PSPRS reserve and placed in reserves to meet Town's reserve policy of \$3,000,000
- ◆ Only budgeted necessary increases for operating expenditures such as utilities, fuel and supplies to maintain services
- ◆ Appropriated an average 4% increase in salary and benefits in the event the economy improves.

REQUESTS FOR INFORMATION

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 Youngtown
Accounting Department
12030 Clubhouse Square
Youngtown, AZ 85363
623-933-8286

Or visit our website at: www.youngtownaz.org.

BASIC FINANCIAL STATEMENTS

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TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Deposits and Investments	\$ 7,507,939
Receivables, Net:	
Accounts Receivable	54,773
Taxes Receivable	7,942
Intergovernmental Receivables	1,099,429
Notes Receivable	57,038
Prepaid Items	1,291
Net OPEB Asset	26,462
Capital Assets:	
Nondepreciable	1,722,239
Depreciable (Net)	10,863,277
Total Assets	21,340,390
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount on Refunding Debt	21,380
Amounts related to Pensions	288,519
Amounts related to OPEB	11,519
Total Deferred Outflows of Resources	321,418
LIABILITIES	
Accounts Payable	756,804
Accrued Wages and Benefits	43,227
Interest Payable	23,562
Intergovernmental Payable	7,153
Matured Debt Principal Payable	140,000
Noncurrent Liabilities:	
Net Pension Liability	2,142,185
Net OPEB Liability	5,329
Due Within One Year	214,000
Due in More Than One Year	1,512,174
Total Liabilities	4,844,434
DEFERRED INFLOWS OF RESOURCES	
Amounts related to Pensions	123,960
Amounts related to OPEB	5,979
Total Deferred Outflows of Resources	129,939
NET POSITION	
Net Investment in Capital Assets	10,479,488
Restricted for:	
Court Enhancement	131,102
Highways and Streets	696,251
Grants	11,043
OPEB Benefits	26,462
Unrestricted	5,343,089
Total Net Position	\$ 16,687,435

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 1,782,162	\$ 233,058	\$ -	\$ -	\$ (1,549,104)
Public Safety	1,888,767	-	380,033	-	(1,508,734)
Highways and Streets	674,551	-	681,927	846,283	853,659
Culture and Recreation	475,200	3,035	-	-	(472,165)
Interest and Fiscal Charges	50,060	-	-	-	(50,060)
Total Governmental Activities	\$ 4,870,740	\$ 236,093	\$ 1,061,960	\$ 846,283	(2,726,404)
General Revenues:					
Taxes:					
					1,535,113
					344,464
					209,404
					883,994
					706,286
					289,951
					104,680
					73,294
					4,147,186
					1,420,782
					15,266,653
					\$ 16,687,435

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	HURF	Grants	CFD Debt Service	Nonmajor	Totals
ASSETS						
Deposits and Investments	\$ 5,830,646	\$ 981,092	\$ -	\$ 584,468	\$ 111,733	\$ 7,507,939
Receivables:						
Accounts Receivable	54,773	-	-	-	-	54,773
Taxes Receivable	-	-	-	2,729	5,213	7,942
Intergovernmental Receivables	309,859	34,546	755,024	-	-	1,099,429
Notes Receivable	57,038	-	-	-	-	57,038
Due from Other Funds	442,957	-	-	-	-	442,957
Prepaid Items	1,291	-	-	-	-	1,291
Total Assets	<u>\$ 6,696,564</u>	<u>\$ 1,015,638</u>	<u>\$ 755,024</u>	<u>\$ 587,197</u>	<u>\$ 116,946</u>	<u>\$ 9,171,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 120,267	\$ 317,536	\$ 310,399	\$ -	\$ 8,602	\$ 756,804
Accrued Wages and Benefits	41,376	1,851	-	-	-	43,227
Interest Payable	-	-	-	23,562	-	23,562
Intergovernmental Payable	7,153	-	-	-	-	7,153
Due to Other Funds	-	-	433,582	9,375	-	442,957
Matured Debt Principal Payable	-	-	-	140,000	-	140,000
Total Liabilities	<u>168,796</u>	<u>319,387</u>	<u>743,981</u>	<u>172,937</u>	<u>8,602</u>	<u>1,413,703</u>
Deferred Inflows of Resources:						
Unavailable Revenue	<u>710</u>	<u>-</u>	<u>-</u>	<u>5,934</u>	<u>3,880</u>	<u>10,524</u>
Fund Balances:						
Nonspendable	58,329	-	-	-	-	58,329
Restricted	131,102	696,251	11,043	-	-	838,396
Committed	-	-	-	408,326	104,464	512,790
Unassigned	6,337,627	-	-	-	-	6,337,627
Total Fund Balances	<u>6,527,058</u>	<u>696,251</u>	<u>11,043</u>	<u>408,326</u>	<u>104,464</u>	<u>7,747,142</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,696,564</u>	<u>\$ 1,015,638</u>	<u>\$ 755,024</u>	<u>\$ 587,197</u>	<u>\$ 116,946</u>	<u>\$ 9,171,369</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances for Governmental Funds \$ 7,747,142

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,722,239	
Buildings and Improvements	3,306,741	
Infrastructure	16,716,393	
Furniture, Equipment and Vehicles	1,033,682	
Total Capital Assets	22,779,055	
Less: Accumulated Depreciation	(10,193,539)	12,585,516

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions		288,519
Deferred Outflows of Resources Related to OPEB		11,519
Deferred Inflows of Resources Related to Pensions		(123,960)
Deferred Inflows of Resources Related to OPEB		(5,979)

Governmental funds report the effect of deferred amounts related to refunding when the new debt is first issued, whereas these amounts are amortized in the statement of activities.

Deferred Amount on Refunding Debt		21,380
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Some of the Town's property taxes and other revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.

		10,524
--	--	--------

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net position.

Net OPEB assets are not current financial resources and therefore are not reported in the governmental funds.

		26,462
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

General Obligation Bonds	(1,645,000)	
Net Pension Liability	(2,142,185)	
Net OPEB Liability	(5,329)	
Compensated Absences Payable	(81,174)	
Total Net Position of Governmental Activities	(3,873,688)	\$ 16,687,435

TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General	HURF	Grants	CFD		Totals
	Fund			Debt Service	Nonmajor	
REVENUES						
Taxes:						
Sales Taxes	\$ 1,535,113	\$ -	\$ -	\$ -	\$ -	\$ 1,535,113
Property Taxes	25,518	-	-	191,277	121,577	338,372
Franchise Taxes	209,404	-	-	-	-	209,404
Intergovernmental Revenue	1,880,231	681,927	1,226,316	-	-	3,788,474
Fines and Forfeits	56,157	-	-	-	-	56,157
Licenses and Permits	157,413	-	-	-	-	157,413
Charges for Services	3,035	-	-	-	-	3,035
Rents and Royalties	19,488	-	-	-	-	19,488
Contributions and Donations	6,763	-	-	-	-	6,763
Investment Earnings	72,961	31,719	-	-	-	104,680
Other	66,531	-	-	-	-	66,531
Total Revenues	4,032,614	713,646	1,226,316	191,277	121,577	6,285,430
EXPENDITURES						
Current:						
General Government	1,771,140	-	-	-	-	1,771,140
Public Safety	1,482,344	-	380,024	-	-	1,862,368
Highways and Streets	-	916,617	846,282	-	104,123	1,867,022
Culture and Recreation	465,257	-	-	-	-	465,257
Debt Service:						
Principal Retirement	-	-	-	140,000	-	140,000
Interest on Long-Term Debt	-	-	-	48,117	-	48,117
Total Expenditures	3,718,741	916,617	1,226,306	188,117	104,123	6,153,904
EXCESS OF REVENUES OVER EXPENDITURES	313,873	(202,971)	10	3,160	17,454	131,526
Fund Balances - Beginning of Year	6,213,185	899,222	11,033	405,166	87,010	7,615,616
FUND BALANCES - END OF YEAR	\$ 6,527,058	\$ 696,251	\$ 11,043	\$ 408,326	\$ 104,464	\$ 7,747,142

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 131,526

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, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Expenditures for Capital Assets	\$ 1,895,077	
Depreciation Expense	<u>(624,183)</u>	1,270,894

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Amortization of Deferred Amounts on the Refunding	(1,943)	
Repayment of Bond Principal	<u>140,000</u>	138,057

Governmental funds report Town pension and OPEB contributions as expenditures when made. However, in the statement of activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions and OPEB, and the investment experience.

Pension Contributions	215,349	
Pension Expense	(324,037)	
OPEB Contributions	4,901	
OPEB Expense	<u>(1,253)</u>	(105,040)

Other revenues and property taxes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources in the governmental funds.

Unavailable Revenue - June 30, 2019	4,432	
Unavailable Revenue - June 30, 2020	<u>10,524</u>	6,092

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which compensated absences payable changed.

		<u>(20,747)</u>
Change in Net Position of Governmental Activities		<u>\$ 1,420,782</u>

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the Town and its component units, 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.

Included within the reporting entity: The Agua Fria Ranch Community Facilities District was formed by petition to Town Council in 2003. The District's purpose is to improve public infrastructure in specified land area. Since special purpose districts are separate political subdivisions under the Arizona Constitution, the districts can levy taxes and issue bonds independently of the Town. Property owners in the designated area are assessed for district taxes and thus for the costs of operating the district. The Town Council serves as the Board of Directors. For financial reporting purposes, transactions of the District are combined together and included as a Governmental Fund type as if they were part of the Town's operations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Town had no business-type activities during the fiscal year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

Major Governmental Funds

General Fund

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

Highway User Revenue Fund (HURF)

The Highway User Revenue Fund (HURF), a special revenue fund, accounts for the Town's share of motor fuel tax revenues.

Grants Fund

The Grants Fund, a special revenue fund, accounts for the Town's various grant revenues and expenditures.

Community Facilities District (CFD)

The Community Facilities District (CFD) Debt Service Fund accounts for all the debt activity associated with the Agua Fria Ranch CFD.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

The Town's deposits and investments are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the state of Arizona or any of its counties or incorporated cities, Towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

2. Receivables

Maricopa County 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. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Notes Receivable

The Town has a \$57,038 note receivable outstanding with the Englewood Development Company, Inc. which will be collected over a period of 12 years. The Town will receive \$1,302 a month including principal and interest calculated at 5.5%.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

5. Capital Assets

Capital assets, which include land, buildings, improvements, furniture, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Purchased or acquired capital assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	15 to 40 Years
Infrastructure	40 Years
Furniture, Equipment, and Vehicles	5 to 10 Years

6. Deferred Outflows of Resources

The Town recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions, other postemployment benefits, and deferred amounts on refunding bonds.

7. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the term of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

8. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. 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.

10. Deferred Inflows of Resources

The Town recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other postemployment benefits, and in connection with receivables for revenues that are not considered to be measurable and available to liquidate liabilities of the current period.

11. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the Town reports all Town assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the Town. Unrestricted net position is the remaining net position not included in the previous two categories.

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

12. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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, committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because it is 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 its usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved by the Town's Council, 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.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Town Manager and Chief Finance Officer to make assignments of 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. The Town has adopted a fiscal policy that states the unassigned fund balance within the General Fund should remain above \$1 million.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the Town's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the state each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07). The Town is subject to the State of Arizona's Spending Limitation for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.
4. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department and activity. The adopted budget cannot be amended in any way without Town Council approval.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2020, consist of the following:

Deposits:	
Cash on Hand	\$ 550
Cash in Bank	566,955
Cash on Deposit with Trustee	316,365
Investments:	
State Treasurer's Investment Pool	6,624,069
Total Deposits and Investments	\$ 7,507,939

Deposits

The Town had a carrying value of \$566,955 for cash on deposit with local financial institutions and a bank balance of \$1,078,811 at June 30, 2020. Of the bank balance, \$250,000 was insured by federal depository insurance and \$828,811 was secured through the Arizona State Treasurer's Office Pooled Collateral Program.

Investments

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The Town's investments in Local Government Investment Pools are measured at fair value. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. The Town's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national agency.

Interest Rate Risk – In accordance with its investment policy, the Town manages its exposure to declines in fair value by limiting the average maturity of investments to less than one year.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy in regards to custodial credit risk. However, the Town's current investments are not subject to custodial credit risk.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy. Currently the Town levies a secondary property tax for the repayment of debt.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be measurable and available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent Property Taxes Receivable:	
(CFD Debt Service Fund)	\$ 5,934
(Nonmajor Governmental Funds)	3,880
Miscellaneous Revenue	
(General Fund)	710
Total	\$ 10,524

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,722,239	\$ -	\$ -	\$ 1,722,239
Construction in Progress	60,211	-	(60,211)	-
Total Capital Assets, Not Being Depreciated	1,782,450	-	(60,211)	1,722,239
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,237,720	69,021	-	3,306,741
Infrastructure	15,074,964	1,641,429	-	16,716,393
Furniture, Equipment, and Vehicles	788,844	184,627	60,211	1,033,682
Total Capital Assets, Being Depreciated	19,101,528	1,895,077	60,211	21,056,816
Accumulated Depreciation for:				
Buildings and Improvements	(1,931,597)	(101,302)	-	(2,032,899)
Infrastructure	(6,995,728)	(477,353)	-	(7,473,081)
Furniture, Equipment, and Vehicles	(642,031)	(45,528)	-	(687,559)
Total Accumulated Depreciation	(9,569,356)	(624,183)	-	(10,193,539)
Total Capital Assets, Being Depreciated, Net	9,532,172	1,270,894	60,211	10,863,277
Governmental Activities Capital Assets, Net	\$ 11,314,622	\$ 1,270,894	\$ -	\$ 12,585,516

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 111,785
Highways and Streets	436,697
Culture and Recreation	75,701
Total Depreciation Expense, Governmental Activities	\$ 624,183

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables and Payables

As of June 30, 2020, interfund receivables and payables were as follows:

Due To	Due From		Total
	Grants Fund	CFD Debt Service Fund	
General Fund	\$ 433,582	\$ 9,375	\$ 442,957

The above interfund receivables and payables represent property taxes that were owed back to the Town from the trustee and grant reimbursements owed to the Town at year-end.

C. Long-Term Obligations

The Town has long-term bonds payable issued to provide funds for the acquisition and construction of major capital facilities. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

Community facilities districts (CFDs) are created only by petition to the Town Council by property owners within the District areas. As Board of Directors for the District, the Town Council has adopted a formal policy that CFD debt will be permitted only when the ratio of full cash value of the District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3-to-1 prior to issuance of debt and 5-to-1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the Town. In addition, cumulative debt of all CFDs cannot exceed 5% of the Town's secondary assessed valuation.

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2020
CFD Series 2016 General Obligation Bond; Refunding Issue \$2,360,000	7/15/19-30	2.64%	\$ 1,645,000

Changes in long-term obligations for the year ended June 30, 2020, are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities					
CFD General Obligation Bonds					
Refunding Series 2016	\$ 1,785,000	\$ -	\$ (140,000)	\$ 1,645,000	\$ 145,000
Other Liabilities:					
Compensated Absences	60,427	75,173	(54,426)	81,174	69,000
Total Governmental Activities	\$ 1,845,427	\$ 75,173	\$ (194,426)	\$ 1,726,174	\$ 214,000

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	Primary Government Governmental Activities	
	Principal	Interest
2021	\$ 145,000	\$ 43,428
2022	150,000	39,600
2023	155,000	35,640
2024	160,000	31,548
2025	165,000	27,324
2026-2030	870,000	70,620
Totals	<u>\$ 1,645,000</u>	<u>\$ 248,160</u>

D. Fund Balance Classification of Governmental Funds

The Town's fund balance classifications are as follows:

	General Fund	HURF	Grants	CFD Debt Service	Nonmajor Governmental Funds	Totals
Nonspendable:						
Prepays	\$ 1,291	\$ -	\$ -	\$ -	\$ -	\$ 1,291
Notes Receivable	57,038	-	-	-	-	57,038
Restricted:						
Court Enhancement	131,102	-	-	-	-	131,102
Highways and Streets	-	696,251	-	-	-	696,251
Grants	-	-	11,043	-	-	11,043
Committed:						
Debt Service	-	-	-	408,326	-	408,326
Street Lighting Districts	-	-	-	-	104,464	104,464
Unassigned	6,337,627	-	-	-	-	6,337,627
Total Fund Balance	<u>\$ 6,527,058</u>	<u>\$ 696,251</u>	<u>\$ 11,043</u>	<u>\$ 408,326</u>	<u>\$ 104,464</u>	<u>\$ 7,747,142</u>

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION

A. Risk Management

The Town of Youngtown, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$3,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

The Town is also insured by Arizona Municipal Workers Compensation Fund for potential worker related accidents.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans

Cost Sharing and Agent Multiple Employer Pension Plans

The Town contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for police officers. The plans are component units of the State of Arizona.

At June 30, 2020, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net Pension Liabilities	\$ 2,142,185
Deferred Outflows of Resources	288,519
Deferred Inflows of Resources	123,960
Pension Expense	324,037

Disclosures related to the OPEB plan for ASRS and PSPRS are not included as the assets, liabilities, deferred inflows of resources, deferred outflows of resources, and OPEB expense are not significant to the Town’s financial statements.

Arizona State Retirement System

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

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	Retirement	
	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 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit Percentage 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 earnings. 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.

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, 2020, state statute required active ASRS members to contribute at the actuarially determined rate of 11.94% of the members' annual covered payroll, and state statute required the Town to contribute at the actuarially determined rate of 11.45% of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.29% 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 plan for the year ended June 30, 2020, were \$90,251.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

During the fiscal year ended June 30, 2020, the Town paid pension contributions as follows: 92% from the General Fund and 8% from HURF.

Pension Liability – At June 30, 2020, the Town reported a liability of \$1,172,826 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019.

The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2019. The Town’s proportion measured as of June 30, 2019, was 0.00806%.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2020, the Town recognized pension expense for ASRS of \$145,680. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 21,187	\$ 221
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	26,361
Changes in Proportion and Differences Between		
Town Contributions and Proportionate Share		
of Contributions	44,578	50,674
Changes in Assumptions	4,958	46,704
Town Contributions Subsequent to the		
Measurement Date	90,251	-
Total	<u>\$ 160,974</u>	<u>\$ 123,960</u>

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The \$90,251 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 10
2022	(55,245)
2023	(5,062)
2024	7,060

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

Actuarial Valuation Date	June 30, 2018
Actuarial Roll Forward Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50%
Projected Salary Increases	2.7% - 7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

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

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Equity	50%	6.09%
Credit	20%	5.36%
Interest Rate Sensitive Bonds	10%	1.62%
Real Estate	20%	5.85%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.50%. 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 statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Town's Proportionate Share of the Net Pension Liability	\$ 1,669,200	\$ 1,172,826	\$ 757,981

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan Description – Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A 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. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. 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	On or after July 1, 2017
<u>Retirement and Disability</u>			
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	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final Average Salary is Based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit Percent:			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service 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		
<u>Survivor Benefit</u>			
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 the result of injuries received on the job		

*With actuarially reduced benefits.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but not yet Receiving Benefits	1
Total	4

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. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active Members - Pension	8.00%
Town: Pension	8.00%

For the period ending June 30, 2020, the Town's contributions to the pension plan were \$125,098. The pension plan contributions were paid 100% from the General Fund.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Liability – At June 30, 2020, the Town reported the following net pension liability:

	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 0 10px;">Net Pension Liability</td> </tr> <tr> <td style="text-align: center; border-top: 1px solid black; padding: 0 10px;">\$ 969,359</td> </tr> </table>	Net Pension Liability	\$ 969,359
Net Pension Liability			
\$ 969,359			
PSPRS Police			

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% and update the mortality rates.

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

PSPRS Contribution Requirements

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.3%
Wage Inflation	3.5%
Price Inflation	2.5%
Cost-of-Living Adjustment	1.75%
Mortality Rates	PubS-2010 tables

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

The long-term expected rate of return on plan investments was determined to be 7.3% 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 class are summarized in the following table:

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Short-Term Investments	2 %	0.25 %
Risk Parity	4	4.01
Fixed Income	5	3.00
Real Assets	9	6.75
GTS	12	4.01
Private Equity	12	8.40
Real Estate	10	4.50
Private Credit	16	5.36
Non-U.S. Equity	14	5.00
U.S. Equity	16	4.75
Total	<u>100 %</u>	

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

Discount Rates	PSPRS Police <u>7.3%</u>
----------------	--------------------------------

At June 30, 2019, the discount rate used to measure the PSPRS total pension liability was 7.3%, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the PSPRS 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was ap projected benefit payments to determine the total pension liability.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Changes in the Agent Plans Net Pension Liability – The following table presents changes in the Town’s net pension liability for the PSPRS – Police, as follows:

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance - June 30, 2019	\$ 1,368,781	\$ 514,174	\$ 854,607
Changes for the Year:			
Interest on the Total Pension Liability	97,334	-	97,334
Differences Between Expected and Actual Experience in Measurement of the Pension Liability	11,264	-	11,264
Changes of Assumptions, Other Inputs	33,000		33,000
Net Investment Income	-	28,339	(28,339)
Benefit Payments, Including Refunds of Employee Contributions	(106,901)	(106,901)	-
Administrative Expenses	-	(1,493)	1,493
Net Changes	34,697	(80,055)	114,752
Balances - June 30, 2020	<u>\$ 1,403,478</u>	<u>\$ 434,119</u>	<u>\$ 969,359</u>

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate –

The following table presents the Town’s net pension liabilities calculated using the discount rate noted above, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.30%) or 1 percentage point higher (8.30%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police:			
Rate	6.30%	7.30%	8.30%
Net Pension Liability	\$ 1,109,254	\$ 969,359	\$ 850,093

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Expense – For the year ended June 30, 2020, the Town recognized the following pension expense:

	Pension Expense
PSPRS Police	\$ 178,357

Pension Deferred Outflows/Inflows of Resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 2,447	\$ -
Town Contributions Subsequent to the Measurement Date	125,098	-
Total	\$ 127,545	\$ -

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PSPRS Police
2021	\$ 4,032
2022	(3,870)
2023	1,145
2024	1,140

C. Uncertainties

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COST-SHARING PENSION PLANS
JUNE 30, 2020**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.00806%	0.00858%	0.00774%	0.00768%	0.00700%	0.00777%
Town's Proportionate Share of the Net Pension Liability	\$ 1,172,826	\$ 1,196,608	\$ 1,205,741	\$ 1,239,629	\$ 1,090,364	\$ 1,150,357
Town's Covered Payroll	\$ 859,739	\$ 974,969	\$ 839,061	\$ 689,809	\$ 656,855	\$ 697,757
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	136.42%	122.73%	143.70%	179.71%	166.00%	175.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S
NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
YEAR ENDED JUNE 30, 2020**

PSPRS Police

	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ 15,105	\$ 15,074
Interest on the Total Pension Liability	97,334	96,374	92,504	113,410	121,502	100,264
Changes of Benefit Terms	-	-	17,194	(166,469)	-	72,959
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	11,264	25,704	6,162	(71,694)	(94,679)	(113,041)
Changes of Assumptions or Other Inputs	33,000	-	60,208	47,985	-	302,947
Benefit Payments, Including Refunds of Employee Contributions	(106,901)	(111,296)	(102,912)	(166,198)	(108,731)	(106,602)
Net Change in Total Pension Liability	34,697	10,782	73,156	(242,966)	(66,803)	271,601
Total Pension Liability - Beginning	1,368,781	1,357,999	1,284,843	1,527,809	1,594,612	1,323,011
Total Pension Liability - Ending (a)	1,403,478	1,368,781	1,357,999	1,284,843	1,527,809	1,594,612
Plan Fiduciary Net Position						
Contributions - Employer	-	51,475	76,064	70,420	35,339	29,173
Contributions - Employee	-	-	-	3,922	6,259	5,795
Net Investment Income	28,339	37,512	61,804	3,410	22,563	94,394
Benefit Payments, Including Refunds of Employee Contributions	(106,901)	(111,296)	(102,912)	(166,198)	(108,731)	(106,602)
Administrative Expenses	(1,493)	(1,271)	(947)	(891)	(919)	(760)
Other Changes	-	7	9	6	(57,709)	(79,290)
Net Change in Plan Fiduciary Net Position	(80,055)	(23,573)	34,018	(89,331)	(103,198)	(57,290)
Plan Fiduciary Net Position - Beginning	514,174	537,747	503,729	593,060	696,258	753,548
Plan Fiduciary Net Position - Ending (b)	434,119	514,174	537,747	503,729	593,060	696,258
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 969,359</u>	<u>\$ 854,607</u>	<u>\$ 820,252</u>	<u>\$ 781,114</u>	<u>\$ 934,749</u>	<u>\$ 898,354</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.93%	37.56%	39.60%	39.21%	38.82%	43.66%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ 56,641	\$ 55,994
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	1650.30%	1604.38%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2020**

Arizona State Retirement System

	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 90,251	\$ 94,810	\$ 88,958	\$ 81,379	\$ 77,986	\$ 76,516	\$ 74,987
Town's Contribution in Relation to the Statutorily Required Contribution	90,251	94,810	88,958	81,379	77,986	76,516	74,987
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 788,218	\$ 859,739	\$ 974,969	\$ 839,061	\$ 689,809	\$ 656,855	\$ 697,757
Town's Contributions as a Percentage of Covered Payroll	11.45%	11.03%	9.12%	9.70%	11.31%	11.65%	10.75%

PSPRS Police

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 125,098	\$ 59,840	\$ 51,475	\$ 76,064	\$ 70,420	\$ 36,527	\$ 29,173
Town's Contribution in Relation to the Actuarially Determined Contribution	125,098	59,840	51,475	76,064	70,420	36,527	29,173
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ 56,641	\$ 56,576	\$ 55,994
Town's Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	124.33%	64.56%	52.10%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION SCHEDULES
JUNE 30, 2020**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarially 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 Level	Members with initial membership date before July 1, 2017: Level percent-of-pay, closed. Members with initial membership on or after July 1, 2017: Level dollar closed.
Remaining Amortization Period as of the 2018 Actuarial Valuation	Members with initial membership date before July 1, 2017, 20 years. Members with initial membership on or after July 1, 2017: 10 years.
Asset Valuation Method	Members with initial membership date before July 1, 2017: 7-year smoothed market value; 80%/120% market corridor. Members with an initial membership date after July 1, 2017: 5-year smoothed market value; 80%/120% market corridor.
Actuarial Assumptions: Investment Rate of Return	Members with initial membership date before July 1, 2017: 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%. Members with initial membership on or after July 1, 2017: 7%
Projected Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.
Wage Growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	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 INFORMATION PRIOR TO THE MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available.

TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes:			
Sales Taxes	\$ 2,023,586	\$ 1,535,113	\$ (488,473)
Property Taxes	23,770	25,518	1,748
Franchise Taxes	238,820	209,404	(29,416)
Intergovernmental Revenue	1,913,805	1,880,231	(33,574)
Fines and Forfeits	53,500	56,157	2,657
Licenses and Permits	80,800	157,413	76,613
Charges for Services	6,518	3,035	(3,483)
Rents and Royalties	38,856	19,488	(19,368)
Contributions and Donations	11,110	6,763	(4,347)
Investment Earnings	88,887	72,961	(15,926)
Other	136,385	66,531	(69,854)
Total Revenues	4,616,037	4,032,614	(583,423)
EXPENDITURES			
Current:			
General Government:			
General Government	2,952,541	1,315,058	1,637,483
Municipal Court	228,830	210,857	17,973
Buildings	282,042	245,225	36,817
Total General Government	3,463,413	1,771,140	1,692,273
Public Safety:			
Building Safety	505,809	396,826	108,983
Public Safety	1,546,596	1,085,518	461,078
Total Public Safety	2,052,405	1,482,344	570,061
Culture and Recreation:			
Parks	328,460	281,462	46,998
Library	270,008	183,795	86,213
Total Culture and Recreation	598,468	465,257	133,211
Total Expenditures	6,114,286	3,718,741	2,395,545
NET CHANGE IN FUND BALANCE	(1,498,249)	313,873	1,812,122
Fund Balance - Beginning of Year	1,528,249	6,213,185	4,684,936
FUND BALANCE - END OF YEAR	\$ 30,000	\$ 6,527,058	\$ 6,497,058

See accompanying Note to Budgetary Comparison Schedules.

TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	460,810	\$ 681,927	\$ 221,117
Investment Earnings	30,106	31,719	1,613
Total Revenues	<u>679,320</u>	<u>713,646</u>	<u>34,326</u>
EXPENDITURES			
Current:			
Highways and Streets	<u>679,320</u>	<u>916,617</u>	<u>(237,297)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	(202,971)	(202,971)
Fund Balance - Beginning of Year	<u>-</u>	<u>899,222</u>	<u>899,222</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 696,251</u>	<u>\$ 696,251</u>

See accompanying Note to Budgetary Comparison Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2020**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	2,007,720	\$ 1,226,316	\$ (781,404)
Total Revenues	2,007,720	1,226,316	(781,404)
 EXPENDITURES			
Current:			
Public Safety	400,000	380,024	(19,976)
Highways and Streets	1,607,720	846,282	761,438
Total Expenditures	2,007,720	1,226,306	761,438
 EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	10	10
 Fund Balance - Beginning of Year	-	11,033	11,033
 FUND BALANCE - END OF YEAR	\$ -	\$ 11,043	\$ 11,043

See accompanying Note to Budgetary Comparison Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
NOTE TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2020**

NOTE 1 BASIS OF ACCOUNTING

The accompanying statements of revenues, expenditures, and change in fund balance – budget and actual are prepared on a modified accrual basis of accounting. See Note 2.A. for the process of how the Town adopts its budget.

SINGLE AUDIT ACT REPORTS SECTION

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**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**

Honorable Mayor, Town Council
and Management of Town of Youngtown, Arizona
Youngtown, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Youngtown, Arizona (Town) as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated April 30, 2021.

Internal Control Over Financial Reporting

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

Honorable Mayor, Town Council
and Management of Town of Youngtown, Arizona

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



CliftonLarsonAllen LLP

Phoenix, Arizona
April 30, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor, Town Council
and Management of Town of Youngtown, Arizona
Youngtown, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Town of Youngtown, Arizona (Town)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2020. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Phoenix, Arizona
April 30, 2021

**TOWN OF YOUNGTOWN, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unmodified*
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG – Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

**TOWN OF YOUNGTOWN, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**TOWN OF YOUNGTOWN, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Passed through the Maricopa County Human Service Department			
Community Development Block Grants/Entitlement Grants	14.218	C-22-20-013-3-00	\$ 346,282
Community Development Block Grants/Entitlement Grants	14.218	C-22-18-023-3-00	500,000
Total U.S. Department of Housing and Urban Development			<u>846,282</u>
U.S. Department of Treasury			
Passed through the Arizona State Office of the Governor			
Coronavirus Relief Fund	21.019	ERMT-20-100	380,024
Total Expenditure of Federal Awards			<u><u>\$ 1,226,306</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal awards of the Town of Youngtown, Arizona (Town). The Town's reporting entity is defined in Note 1 to the Town's basic financial statements for the year ended June 30, 2020. All federal awards received from federal agencies are included in the schedule. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of the Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST

The Town did not elect to use the 10% de minimis indirect cost rate.

