

**TOWN OF YOUNGTOWN, ARIZONA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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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, 2018, 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. 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.

The Honorable Mayor and Town Council  
Town of Youngtown, Arizona

***Opinion***

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, 2018, 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 21, 2018

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF YOUNGTOWN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

We (the Town of Youngtown, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2018. 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 the close of the most recent fiscal year exceed liabilities and deferred inflows of resources by \$15,280,520 (net position). Of this amount, \$4,560,553 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 \$7,407,099, an increase of \$784,717 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,912,907 or 172% of total General Fund expenditures.
- General Fund actual revenues were more than budgeted revenues (on a budgetary basis) by \$64,893 for the fiscal year. In addition, budgetary basis expenditures were only 69% (31% in savings) of the final budget in the General Fund.
- General Fund revenues exceeded expenditures by \$464,080 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 17. 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, 2018**

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 11 - 12 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 13 - 16 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 17 - 39 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 44 - 46. Additionally, governments are required to disclose certain information about employee pension plans. The Town has disclosed this information on pages 40 - 43.

**TOWN OF YOUNGTOWN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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, 2018 and 2017 showing that assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$15,280,520 and \$14,909,440, respectively.

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

	Governmental Activities	
	2018	2017
<b>ASSETS</b>		
Current and Other Assets	\$ 7,700,605	\$ 6,747,575
Capital Assets		
Nondepreciable	1,722,239	1,722,239
Depreciable (Net)	9,946,629	10,461,214
Total Assets	<u>19,369,473</u>	<u>18,931,028</u>
Deferred Outflows of Resources	282,098	446,494
<b>LIABILITIES</b>		
Other Liabilities	2,315,943	2,142,793
Non-Current Liabilities		
Due within One Year	182,366	177,367
Due in More than One Year	1,792,476	1,932,477
Total Liabilities	<u>4,290,785</u>	<u>4,252,637</u>
Deferred Inflows of Resources	<u>80,266</u>	<u>215,445</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	9,743,868	10,123,453
Restricted	976,099	687,281
Unrestricted	4,560,553	4,098,706
Total Net Position	<u>\$ 15,280,520</u>	<u>\$ 14,909,440</u>

The net position of the Town is \$15,280,520 at the end of the fiscal year 2018. 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 (64%) 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, 2018**

An additional portion of the Town of Youngtown, Arizona's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$4,560,553) 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	
	2018	2017
<b>REVENUES</b>		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 191,614	\$ 173,547
Operating Grants and Contributions	478,419	445,705
Capital Grants and Contributions	-	1,200
General Revenues:		
Property Taxes	359,004	350,725
Local Taxes	1,800,965	1,799,673
State Shared Revenues	1,766,027	1,675,952
Investment Income	76,487	35,844
Other	53,425	17,255
Total Revenues	<u>4,725,941</u>	<u>4,499,901</u>
<b>EXPENSES</b>		
General Government	1,688,199	1,521,452
Public Safety	1,458,225	1,127,158
Highways and Streets	711,529	792,613
Culture and Recreation	440,243	384,435
Interest on Long-Term Debt	56,665	60,098
Total Expenses	<u>4,354,861</u>	<u>3,885,756</u>
<b>CHANGE IN NET POSITION</b>	371,080	614,145
Net Position - Beginning of Year	<u>14,909,440</u>	<u>14,295,295</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 15,280,520</u>	<u>\$ 14,909,440</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 \$49,581 or 8%.

Fees, fines and charges for services increased by \$18,067 due to an increase in citation revenue from the Town's parking enforcement program.

Operating grants and contributions increased by \$32,714. This increase was due to increases in highway user revenue funding and lottery funding from the Regional Public Transportation Authority.

The change in capital grants and contributions was not significant during the current year.

**TOWN OF YOUNGTOWN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Property taxes increased by \$8,279 due to an increase in property taxes levied and collected for the North Youngtown Street Lighting Improvement District.

Local taxes increased by \$1,292 due to the gradual pickup in the economy and increased sales tax revenue.

State shared revenues increased by \$90,075 due to an increase in the Town's share of urban revenue sharing collections, state sales tax collections, and vehicle license tax collections.

Investment income increased \$40,643 due to an increase in the average cash balance and increases in interest rates.

The Town's expenses increased by 12% mainly due to increases in salaries and wages for Town personnel.

**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 \$7,407,099, an increase of \$784,717 in comparison with the prior year. Approximately 80% of this total amount (\$5,912,907) constitutes General Fund unassigned fund balance, which is available for spending on the Town's operations costs. At fiscal year end June 30, 2018 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) From 2016-17
General Fund	\$ 6,116,521	\$ 464,080
Highway User Revenue Fund (HURF)	842,860	284,542
Debt Service Fund	368,855	20,795
Nonmajor Governmental Funds	78,863	15,300

**TOWN OF YOUNGTOWN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The General Fund is the chief operating fund of the Town of Youngtown, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$6,116,521, while total fund balance reached \$7,407,099. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund fund balance and total Town fund balance to total General Fund expenditures and total town expenditures. General Fund fund balance represents 178% of total General Fund expenditures, while total Town fund balance represents 188% of total Town governmental expenditures.

The fund balance of the Town of Youngtown, Arizona's General Fund increased by \$464,080 during the current fiscal year. The increase was due to an increase in sales tax revenue and the Town's continued conservative spending practices.

The fund balance of the Town of Youngtown, Arizona's HURF Fund increased \$284,542 due to a decrease in street repair projects and increases in highway user revenue funding received from the State.

The fund balance of the Town of Youngtown, Arizona's Debt Service Fund increased \$20,795 due to a continued increase in property taxes levied and collected in relation to regularly scheduled principal and interest payments on outstanding debt.

Nonmajor Governmental Funds of the Town of Youngtown, Arizona, are combined into one column on the governmental fund statements. The increase of \$15,300 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 44 - 46. 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 \$3,903,826, on a budgetary basis, were more than budgeted revenues of \$3,838,933 by \$64,893 while budgetary basis expenditures of \$3,439,746 were only 69% of budgeted expenditures (savings of \$1,564,565). 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, 2018, amount to \$11,668,868 (net of accumulated depreciation), a net decrease of 4% 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, 2018**

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

- New financial software
- A/C Units
- Park lighting improvements
- Lake aeration system
- Technology equipment

The following table provides a breakdown of the capital assets of the Town at June 30, 2018 and 2017.

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

	Governmental Activities	
	2018	2017
Land	\$ 1,722,239	\$ 1,722,239
Buildings and Improvements	1,421,707	1,504,743
Infrastructure	8,415,126	8,847,067
Furniture, Equipment, and Vehicles	109,796	109,404
Total Capital Assets	\$ 11,668,868	\$ 12,183,453

**Long-Term Debt**

The following schedule shows the outstanding obligations of the Town (both current and long term) as of June 30, 2018 and 2017. Further detail on the Town's outstanding obligations may be found in Note 3.B.

**Table A-5  
Outstanding Debt**

	Governmental Activities	
	2018	2017
General Obligation Bonds	\$ 1,925,000	\$ 2,060,000
Compensated Absences Payable	49,842	49,844
Total Outstanding Debt	\$ 1,974,842	\$ 2,109,844

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

- ◆ Slight increases in local sales tax and state shared revenues.
- ◆ CDBG Grant for street lights and sidewalks.
- ◆ Library expansion.
- ◆ Increase in expenditures for building improvements, park improvements, part time personnel for code enforcement and inspections, and commercial parking lot improvements.
- ◆ Proposed average 4% increase in salaries and benefits.
- ◆ Appropriated reserve for potential PSPRS unfunded liability prepayment.
- ◆ Increased appropriation of General Fund reserve to 8 weeks of operating expenditures.

**TOWN OF YOUNGTOWN, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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](http://www.youngtownaz.org)

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF YOUNGTOWN, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Deposits and Investments	\$ 7,189,830
Receivables, Net:	
Accounts Receivable	104,604
Taxes Receivable	1,593
Intergovernmental Receivables	323,192
Notes Receivable	79,711
Prepaid Items	1,675
Capital Assets:	
Nondepreciable	1,722,239
Depreciable (Net)	9,946,629
Total Assets	19,369,473
Deferred Outflows of Resources:	
Deferred Amount on Refunding Debt	25,266
Pensions	256,832
Total Deferred Outflows of Resources	282,098
<b>LIABILITIES</b>	
Accounts Payable	88,918
Accrued Wages and Benefits	35,210
Interest Payable	27,192
Intergovernmental Payable	3,630
Matured Debt Principal Payable	135,000
Noncurrent Liabilities:	
Net Pension Liability	2,025,993
Due Within One Year	182,366
Due in More Than One Year	1,792,476
Total Liabilities	4,290,785
Deferred Inflows of Resources	80,266
<b>NET POSITION</b>	
Net Investment in Capital Assets	9,743,868
Restricted for:	
Court Enhancement	122,228
Highways and Streets	842,860
Grants	11,011
Unrestricted	4,560,553
Total Net Position	\$ 15,280,520

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 1,688,199	\$ 186,967	\$ -	\$ -	\$ (1,501,232)
Public Safety	1,458,225	-	13	-	(1,458,212)
Highways and Streets	711,529	-	466,656	-	(244,873)
Culture and Recreation	440,243	4,647	11,750	-	(423,846)
Interest and Fiscal Charges	56,665	-	-	-	(56,665)
Total Governmental Activities	<u>\$ 4,354,861</u>	<u>\$ 191,614</u>	<u>\$ 478,419</u>	<u>\$ -</u>	<u>(3,684,828)</u>
		General Revenues:			
		Taxes:			
					1,583,003
					359,004
					217,962
					837,166
					649,258
					279,603
					76,487
					53,425
					<u>4,055,908</u>
					371,080
					14,909,440
					<u>\$ 15,280,520</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	HURF	CFD Debt Service	Nonmajor	Totals
<b>ASSETS</b>					
Deposits and Investments	\$ 5,772,557	\$ 805,528	\$ 193,250	\$ 81,195	\$ 6,852,530
Cash and Investments Held by Trustee	-	-	337,300	-	337,300
Receivables:					
Accounts Receivable	104,604	-	-	-	104,604
Taxes Receivable	-	-	1,593	-	1,593
Intergovernmental Receivables	284,105	39,087	-	-	323,192
Notes Receivable	79,711	-	-	-	79,711
Prepaid Items	1,675	-	-	-	1,675
Total Assets	<u>\$ 6,242,652</u>	<u>\$ 844,615</u>	<u>\$ 532,143</u>	<u>\$ 81,195</u>	<u>\$ 7,700,605</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 87,816	\$ 1,102	\$ -	\$ -	\$ 88,918
Accrued Wages and Benefits	34,557	653	-	-	35,210
Interest Payable	-	-	27,192	-	27,192
Intergovernmental Payable	3,630	-	-	-	3,630
Matured Debt Principal Payable	-	-	135,000	-	135,000
Total Liabilities	<u>126,003</u>	<u>1,755</u>	<u>162,192</u>	<u>-</u>	<u>289,950</u>
Deferred Inflows of Resources:					
Unavailable Revenue	128	-	1,096	2,332	3,556
Fund Balances:					
Nonspendable	81,386	-	-	-	81,386
Restricted	122,228	842,860	-	11,011	976,099
Committed	-	-	368,855	67,852	436,707
Unassigned	5,912,907	-	-	-	5,912,907
Total Fund Balances	<u>6,116,521</u>	<u>842,860</u>	<u>368,855</u>	<u>78,863</u>	<u>7,407,099</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances					
	<u>\$ 6,242,652</u>	<u>\$ 844,615</u>	<u>\$ 532,143</u>	<u>\$ 81,195</u>	<u>\$ 7,700,605</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total Fund Balances for Governmental Funds \$ 7,407,099

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	3,268,765	
Infrastructure	14,947,809	
Furniture, Equipment and Vehicles	876,737	
Total Capital Assets	20,815,550	
Less: Accumulated Depreciation	(9,146,682)	11,668,868

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

Deferred Outflows of Resources Related to Pensions	256,832
Deferred Inflows of Resources Related to Pensions	(80,266)

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	25,266
-----------------------------------	--------

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.

3,556

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	(1,925,000)	
Net Pension Liability	(2,025,993)	
Compensated Absences Payable	(49,842)	
	(4,000,835)	(4,000,835)

Total Net Position of Governmental Activities \$ 15,280,520

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

	General Fund	HURF	CFD Debt Service	Nonmajor	Totals
<b>REVENUES</b>					
Taxes:					
Sales Taxes	\$ 1,583,003	\$ -	\$ -	\$ -	\$ 1,583,003
Property Taxes	28,079	-	210,516	119,996	358,591
Franchise Taxes	217,962	-	-	-	217,962
Intergovernmental Revenue	1,766,027	466,656	-	11,763	2,244,446
Fines and Forfeits	70,445	-	-	-	70,445
Licenses and Permits	85,132	-	-	-	85,132
Charges for Services	4,647	-	-	-	4,647
Rents and Royalties	31,390	-	-	-	31,390
Contributions and Donations	9,864	-	-	-	9,864
Investment Earnings	63,716	12,771	-	-	76,487
Other	43,561	-	-	-	43,561
Total Revenues	3,903,826	479,427	210,516	131,759	4,725,528
<b>EXPENDITURES</b>					
Current:					
General Government	1,687,691	-	-	-	1,687,691
Public Safety	1,384,610	-	-	-	1,384,610
Highways and Streets	-	194,885	-	104,709	299,594
Culture and Recreation	367,445	-	-	11,750	379,195
Debt Service:					
Principal Retirement	-	-	135,000	-	135,000
Interest on Long-Term Debt	-	-	54,721	-	54,721
Total Expenditures	3,439,746	194,885	189,721	116,459	3,940,811
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	464,080	284,542	20,795	15,300	784,717
Fund Balances - Beginning of Year	5,652,441	558,318	348,060	63,563	6,622,382
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 6,116,521</b>	<b>\$ 842,860</b>	<b>\$ 368,855</b>	<b>\$ 78,863</b>	<b>\$ 7,407,099</b>

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, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 784,717

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 depreciation exceeded capital outlays in the current period.

Expenditures for Capital Assets	\$ 92,911	
Depreciation Expense	<u>(607,496)</u>	(514,585)

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	(1,944)	
Repayment of Bond Principal	<u>135,000</u>	133,056

Governmental funds report Town pension contributions as expenditures when made. However, in the statement of activities, pension 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 the investment experience.

Pension Contributions	140,433	
Pension Expense	<u>(172,956)</u>	(32,523)

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, 2017	3,143	
Unavailable Revenue - June 30, 2018	<u>3,556</u>	413

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). During fiscal year 2018, compensated absence payable changed.

		<u>2</u>
Change in Net Position of Governmental Activities	\$	<u><u>371,080</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018**

**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.

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, 2018**

**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 \$79,711 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, 2018**

**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 governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 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 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, 2018**

**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 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, 2018**

**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, 2018**

**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.

For fiscal year ended June 30, 2018, the Town reported an over-expenditure of \$21,272 within the Town parks department. The over-expenditure was due to the Town expending more fund balance than originally expected. Cash was available to meet the over-expenditure.

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2018, consist of the following:

Deposits:	
Cash on Hand	\$ 550
Cash in Bank	1,397,673
Cash on Deposit with Trustee	337,300
Investments:	
State Treasurer's Investment Pool	5,454,307
Total Deposits and Investments	<u>\$ 7,189,830</u>

**Deposits**

The Town had a carrying value of \$1,397,673 for cash on deposit with local financial institutions and a bank balance of \$1,558,767 at June 30, 2018. Of the bank balance, \$250,000 was insured by federal depository insurance and \$1,308,767 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, 2018**

**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:

	Unavailable
Delinquent Property Taxes Receivable:	
(CFD Debt Service Fund)	\$ 1,096
(Nonmajor Governmental Funds)	2,332
Miscellaneous Revenue	
(General Fund)	128
Total	\$ 3,556

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,722,239	\$ -	\$ -	\$ 1,722,239
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,237,265	40,679	(9,179)	3,268,765
Infrastructure	14,928,973	18,836	-	14,947,809
Furniture, Equipment, and Vehicles	866,856	33,396	(23,515)	876,737
Total Capital Assets, Being Depreciated	19,033,094	92,911	(32,694)	19,093,311
Accumulated Depreciation for:				
Buildings and Improvements	(1,732,522)	(123,715)	9,179	(1,847,058)
Infrastructure	(6,081,906)	(450,777)	-	(6,532,683)
Furniture, Equipment, and Vehicles	(757,452)	(33,004)	23,515	(766,941)
Total Accumulated Depreciation	(8,571,880)	(607,496)	32,694	(9,146,682)
Total Capital Assets, Being Depreciated, Net	10,461,214	(514,585)	-	9,946,629
Governmental Activities Capital Assets, Net	<u>\$ 12,183,453</u>	<u>\$ (514,585)</u>	<u>\$ -</u>	<u>\$ 11,668,868</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 97,145
Public Safety	6,586
Highways and Streets	416,578
Culture and Recreation	87,187
Total Depreciation Expense, Governmental Activities	<u>\$ 607,496</u>

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. 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, 2018
CFD Series 2016 General Obligation Bond; Refunding Issue \$2,360,000	7/15/19-30	2.64%	<u>\$ 1,925,000</u>

Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
<b>Governmental Activities</b>					
CFD General Obligation Bonds Refunding Series 2016	\$ 2,060,000	\$ -	\$ (135,000)	\$ 1,925,000	\$ 140,000
Other Liabilities:					
Compensated Absences	49,844	61,253	(61,255)	49,842	42,366
Total Governmental Activities	<u>\$ 2,109,844</u>	<u>\$ 61,253</u>	<u>\$ (196,255)</u>	<u>\$ 1,974,842</u>	<u>\$ 182,366</u>

Debt service requirements on long-term debt at June 30, 2018, are as follows:

Year Ending June 30,	Primary Government Governmental Activities	
	Principal	Interest
2019	\$ 140,000	\$ 50,820
2020	140,000	47,124
2021	145,000	43,428
2022	150,000	39,600
2023	155,000	35,640
2024-2028	830,000	114,972
2029-2030	365,000	14,520
Totals	<u>\$ 1,925,000</u>	<u>\$ 346,104</u>

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Fund Balance Classification of Governmental Funds**

The Town's fund balance classifications are as follows:

	General Fund	HURF	CFD Debt Service	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepays	\$ 1,675	\$ -	\$ -	\$ -	\$ 1,675
Notes Receivable	79,711	-	-	-	79,711
Restricted:					
Court Enhancement	122,228	-	-	-	122,228
Highways and Streets	-	842,860	-	-	842,860
Grants	-	-	-	11,011	11,011
Committed:					
Debt Service	-	-	368,855	-	368,855
Street Lighting Districts	-	-	-	67,852	67,852
Unassigned	5,912,907	-	-	-	5,912,907
Total Fund Balance	<u>\$ 6,116,521</u>	<u>\$ 842,860</u>	<u>\$ 368,855</u>	<u>\$ 78,863</u>	<u>\$ 7,407,099</u>

**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, 2018**

**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, 2018, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>
Net Pension Liabilities	\$ 2,025,993
Deferred Outflows of Resources	256,832
Deferred Inflows of Resources	80,266
Pension Expense	172,956

The Town reported accrued payroll and employee benefits of \$3,838 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2018. Also the Town reported \$172,956 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

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](http://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, 2018**

**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	Sum of years and age equals 80	30 years, age 55
Required to Receive Benefit	10 years, age 62 5 years, age 50*	25 years, age 60 10 years, age 62
	Any years, age 65	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, 2018, state statute required active ASRS members to contribute at the actuarially determined rate of 11.34% of the members' annual covered payroll, and state statute required the Town to contribute at the actuarially determined rate of 10.90% of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.17% 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, 2018, were \$88,958.

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

Arizona State Retirement System (Continued)

During the fiscal year ended June 30, 2018, the Town paid pension contributions as follows: 92% from the General Fund and 8% from HURF.

**Pension Liability** – At June 30, 2018, the Town reported a liability of \$1,205,741 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

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, 2017. The Town’s proportion measured as of June 30, 2017, was 0.00774%, which was an increase of 0.00006 from its proportion measured as of June 30, 2016.

The pension liability measured at June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town’s net pension liability as a result of these changes is not known.

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2018, the Town recognized pension expense for ASRS of \$35,106. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 36,155
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,656	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	48,579	8,057
Changes in Assumptions	52,368	36,054
Town Contributions Subsequent to the Measurement Date	88,958	-
Total	<u>\$ 198,561</u>	<u>\$ 80,266</u>

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

Arizona State Retirement System (Continued)

The \$88,958 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, 2019. 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>
2019	\$ (18,472)
2020	60,171
2021	15,373
2022	(27,735)

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

Actuarial Valuation Date	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3.00% - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

Arizona State Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Arithmetic Basis</u>
Equity	58%	6.73%
Fixed Income	25%	3.70%
Commodities	2%	3.84%
Real Estate	10%	4.25%
Multi-Asset Class	5%	3.41%
Total	<u>100%</u>	

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.7%. 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 8%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Town's Proportionate Share of the Net Pension Liability	\$ 1,547,590	\$ 1,205,741	\$ 920,097

**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, 2018**

**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](http://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
<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
Final Average Salary is Based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit Percent:		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited 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	

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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. The adjustments are based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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, 2018, 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
Active Employees	-
Total	4

**Contributions and Annual OPEB Cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2018, 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, 2018, the Town's contributions to the pension plan were \$51,475. The pension plan contributions were paid 100% from the General Fund.

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

Public Safety Personnel Retirement System (PSPRS) (Continued)

**Pension Liability** – At June 30, 2018, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Police	\$ 820,252

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2017, reflect actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return to from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3/5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before June 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the Town’s net pension liability as a result of the refunds is not known.

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

Actuarial assumptions used in the June 30, 2017, 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 PSPRS pension plan investments was determined to be 7.4% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

Public Safety Personnel Retirement System (PSPRS) (Continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short-Term Investments	2%	0.25%
Absolute Return	2%	3.75%
Risk Parity	4%	5.00%
Fixed Income	5%	1.25%
Real Assets	9%	4.52%
GTAA	10%	3.96%
Private Credit	12%	6.75%
Real Estate	10%	3.75%
Credit Opportunities	16%	5.83%
Non-U.S. Equity	14%	8.70%
U.S. Equity	16%	7.60%
Total	<u>100%</u>	

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

Discount Rates	PSPRS Police <u>7.4%</u>
----------------	--------------------------------

At June 30, 2017, the discount rate used to measure the PSPRS total pension liability was 7.4%, which was a decrease of 0.1% from the discount rate used as of June 30, 2016. 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 applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF YOUNGTOWN, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

Public Safety Personnel Retirement System (PSPRS) (Continued)

**Changes in the Agent Plans Net Pension Liability (Asset)** – The following table presents changes in the Town’s net pension liability (asset) 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, 2017	\$ 1,284,843	\$ 503,729	\$ 781,114
Changes for the Year:			
Service Cost	-	-	-
Interest on the Total Pension Liability	92,504	-	92,504
Changes of Benefit Terms	17,194	-	17,194
Differences Between Expected and Actual Experience in Measurement of the Pension Liability	6,162	-	6,162
Changes of Assumptions, Other Inputs	60,208		60,208
Contributions - Employer	-	76,064	(76,064)
Contributions - Employee	-	-	-
Net Investment Income	-	61,804	(61,804)
Benefit Payments, Including Refunds of Employee Contributions	(102,912)	(102,912)	-
Administrative Expenses	-	(947)	947
Other Changes	-	9	(9)
Net Changes	<u>73,156</u>	<u>34,018</u>	<u>39,138</u>
Balances - June 30, 2018	<u>\$ 1,357,999</u>	<u>\$ 537,747</u>	<u>\$ 820,252</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 (6.40%) or 1 percentage point higher (8.40%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police:			
Rate	6.40%	7.40%	8.40%
Net Pension Liability	\$ 960,261	\$ 820,252	\$ 701,503

**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, 2018**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

Public Safety Personnel Retirement System (PSPRS) (Continued)

**Pension Expense** – For the year ended June 30, 2018, the Town recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Police	\$ 137,850

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Differences Between Expected and Actual Experience	-	-
Assumption Changes	-	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	6,796	-
Town Contributions Subsequent to the		
Measurement Date	<u>51,475</u>	<u>-</u>
Total	<u>\$ 58,271</u>	<u>\$ -</u>

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>PSPRS Police</u>
<u>Year Ending June 30,</u>	
2019	\$ 601
2020	8,321
2021	2,888
2022	(5,014)

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**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, 2018**

**Arizona State Retirement System**

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.00774%	0.00768%	0.00700%	0.00777%
Town's Proportionate Share of the Net Pension Liability	\$ 1,205,741	\$ 1,239,629	\$ 1,090,364	\$ 1,150,357
Town's Covered Payroll	\$ 839,061	\$ 689,809	\$ 656,855	\$ 697,757
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	143.70%	179.71%	166.00%	175.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2018**

**PSPRS Police**

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ 15,105	\$ 15,074
Interest on the Total Pension Liability	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	6,162	(71,694)	(94,679)	(113,041)
Changes of Assumptions or Other Inputs	60,208	47,985	-	302,947
Benefit Payments, Including Refunds of Employee Contributions	(102,912)	(166,198)	(108,731)	(106,602)
Net Change in Total Pension Liability	73,156	(242,966)	(66,803)	271,601
Total Pension Liability - Beginning	1,284,843	1,527,809	1,594,612	1,323,011
Total Pension Liability - Ending (a)	1,357,999	1,284,843	1,527,809	1,594,612
Plan Fiduciary Net Position				
Contributions - Employer	76,064	70,420	35,339	29,173
Contributions - Employee	-	3,922	6,259	5,795
Net Investment Income	61,804	3,410	22,563	94,394
Benefit Payments, Including Refunds of Employee Contributions	(102,912)	(166,198)	(108,731)	(106,602)
Administrative Expenses	(947)	(891)	(919)	(760)
Other Changes	9	6	(57,709)	(79,290)
Net Change in Plan Fiduciary Net Position	34,018	(89,331)	(103,198)	(57,290)
Plan Fiduciary Net Position - Beginning	503,729	593,060	696,258	753,548
Plan Fiduciary Net Position - Ending (b)	537,747	503,729	593,060	696,258
Town's Net Pension Liability (Asset) - Ending (a) - (b)	<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	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	1650.30%	1604.38%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
JUNE 30, 2018**

**Arizona State Retirement System**

	Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 88,958	\$ 81,379	\$ 77,986	\$ 76,516	\$ 74,987
Town's Contribution in Relation to the Statutorily Required Contribution	88,958	81,379	77,986	76,516	74,987
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 974,969	\$ 839,061	\$ 689,809	\$ 656,855	\$ 697,757
Town's Contributions as a Percentage of Covered Payroll	9.12%	9.70%	11.31%	11.65%	10.75%

**PSPRS Police**

	Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 51,475	\$ 76,064	\$ 70,420	\$ 36,527	\$ 29,173
Town's Contribution in Relation to the Actuarially Determined Contribution	51,475	76,064	70,420	36,527	29,173
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ -	\$ -	\$ 56,641	\$ 56,576	\$ 55,994
Town's Contributions as a Percentage of Covered Payroll	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, 2018**

**NOTE 1 ACTUARIALY 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	Individual Entry age normal
Amortization Level	Level Percent-of-Pay, closed
Remaining Amortization Period as of the 2016 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for the overfunded
Asset Valuation Method	7-year smoothed market value; 20% market corridor
 Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected Salary Increases	In the 2014 actuarial valuation projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	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, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes:			
Sales Taxes	\$ 1,645,851	\$ 1,583,003	\$ (62,848)
Property Taxes	22,124	28,079	5,955
Franchise Taxes	203,470	217,962	14,492
Intergovernmental Revenue	1,738,945	1,766,027	27,082
Fines and Forfeits	61,825	70,445	8,620
Licenses and Permits	75,753	85,132	9,379
Charges for Services	9,060	4,647	(4,413)
Rents and Royalties	11,400	31,390	19,990
Contributions and Donations	10,750	9,864	(886)
Investment Earnings	16,987	63,716	46,729
Other	42,768	43,561	793
Total Revenues	<u>3,838,933</u>	<u>3,903,826</u>	<u>64,893</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
General Government	2,632,306	1,278,837	1,353,469
Municipal Court	228,193	184,328	43,865
Buildings	344,946	224,526	120,420
Total General Government	<u>3,205,445</u>	<u>1,687,691</u>	<u>1,517,754</u>
Public Safety:			
Building Safety	236,320	185,569	50,751
Public Safety	1,212,224	1,199,041	13,183
Total Public Safety	<u>1,448,544</u>	<u>1,384,610</u>	<u>63,934</u>
Culture and Recreation:			
Parks	205,119	226,391	(21,272)
Library	145,203	141,054	4,149
Total Culture and Recreation	<u>350,322</u>	<u>367,445</u>	<u>(17,123)</u>
Total Expenditures	<u>5,004,311</u>	<u>3,439,746</u>	<u>1,564,565</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(1,165,378)</b>	<b>464,080</b>	<b>1,629,458</b>
Fund Balance - Beginning of Year	<u>-</u>	<u>5,652,441</u>	<u>5,652,441</u>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ (1,165,378)</u></b>	<b><u>\$ 6,116,521</u></b>	<b><u>\$ 7,281,899</u></b>

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, 2018**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Intergovernmental	\$ 469,861	\$ 466,656	\$ (3,205)
Investment Earnings	7,144	12,771	5,627
Total Revenues	477,005	479,427	2,422
 <b>EXPENDITURES</b>			
Current:			
Highways and Streets	511,085	194,885	316,200
 <b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	(34,080)	284,542	318,622
 Fund Balance - Beginning of Year	-	558,318	558,318
<b>FUND BALANCE - END OF YEAR</b>	\$ (34,080)	\$ 842,860	\$ 876,940

See accompanying Note to Budgetary Comparison Schedules.

**TOWN OF YOUNGTOWN, ARIZONA  
NOTE TO THE BUDGETARY COMPARISON SCHEDULES  
YEAR ENDED JUNE 30, 2018**

**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.

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