

TOWN OF YOUNGTOWN, ARIZONA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2016

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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 (Town), as of and for the year ended June 30, 2016, 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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Youngtown, Arizona as of June 30, 2016, 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 management's discussion and analysis on pages 3 - 10, the pension and OPEB schedules on pages 44 – 49, and the budgetary comparison information on pages 50 - 52 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 7, 2016

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

We (the Town of Youngtown, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2016. 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 \$14,295,295 (net position). Of this amount, \$3,309,035 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 \$5,886,730, an increase of \$431,470 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,912,376 or 166% of total General Fund expenditures.
- ◆ General Fund actual revenues were more than budgeted revenues (on a budgetary basis) by \$241,491 for fiscal year 2015-2016. In addition, budgetary basis expenditures were only 66% (34% in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$639,797 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, including the budgetary statements for the General Fund and major special revenue funds, 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, 2016**

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, and culture and recreation.

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 - 43 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 50 - 52. Additionally, governments are required to disclose certain information about employee pension and other postemployment benefit plans. The Town has disclosed this information on pages 44 - 49.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016 showing that assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$14,295,295.

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

| | Governmental Activities | |
|----------------------------------|-------------------------|---------------|
| | 2016 | 2015 |
| ASSETS | | |
| Current and Other Assets | \$ 6,224,908 | \$ 5,805,348 |
| Capital Assets | | |
| Non-Depreciable | 1,722,239 | 2,000,866 |
| Depreciable (Net) | 10,943,014 | 10,334,486 |
| Total Assets | 18,890,161 | 18,140,700 |
| Deferred Outflows of Resources | 227,784 | 166,824 |
| LIABILITIES | | |
| Other Liabilities | 2,360,503 | 2,394,982 |
| Non-Current Liabilities | | |
| Due within One Year | 161,846 | 155,583 |
| Due in More than One Year | 2,065,620 | 2,556,279 |
| Total Liabilities | 4,587,969 | 5,106,844 |
| Deferred Inflows of Resources | 234,681 | 287,164 |
| NET POSITION | | |
| Net Investment in Capital Assets | 10,475,253 | 9,665,352 |
| Restricted | 511,007 | 368,352 |
| Unrestricted | 3,309,035 | 2,879,812 |
| Total Net Position | \$ 14,295,295 | \$ 12,913,516 |

The net position of the Town is \$14,295,295 at the end of the fiscal year 2016. 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 (73%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, 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, 2016**

An additional portion of the Town of Youngtown, Arizona's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$3,309,035) 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 | |
|--------------------------------------|-------------------------|---------------|
| | 2016 | 2015 |
| REVENUES | | |
| Program Revenues: | | |
| Fees, Fines and Charges for Services | \$ 163,841 | \$ 152,108 |
| Operating Grants and Contributions | 408,943 | 400,452 |
| Capital Grants and Contributions | 713,834 | 93,043 |
| General Revenues: | | |
| Property Taxes | 425,465 | 411,794 |
| Local Taxes | 1,788,127 | 1,632,219 |
| State Shared Revenues | 1,579,189 | 1,542,786 |
| Investment Earnings | 18,640 | 14,009 |
| Other | 32,042 | 33,405 |
| Total Revenues | 5,130,081 | 4,279,816 |
| EXPENSES | | |
| General Government | 1,369,390 | 1,533,381 |
| Public Safety | 1,337,198 | 1,635,467 |
| Highways and Streets | 609,618 | 601,785 |
| Culture and Recreation | 259,118 | 239,026 |
| Interest on Long-Term Debt | 172,978 | 155,683 |
| Total Expenses | 3,748,302 | 4,165,342 |
| CHANGE IN NET POSITION | 1,381,779 | 114,474 |
| Net Position - Beginning of Year | 12,913,516 | 12,799,042 |
| NET POSITION - END OF YEAR | \$ 14,295,295 | \$ 12,913,516 |

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 \$641,015.

Fees, fines and charges for services increased by \$11,733 due to an increase in the number of building permits issued.

Operating grants and contributions increased by \$8,491. This increase was due to an increase in HURF funding offset by a decrease in grant funding.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Capital grants and contributions increased by \$620,791 due to an increase in Arizona Department of Transportation funding for the Peoria alignment project.

Property taxes increased by \$13,671. This increase was due to an increase in the property tax rates and collections for the North Youngtown Street Lighting District and Agua Fria Ranch CFD.

Local taxes increased by \$155,908 due to the gradual pickup in the economy and increased sales tax revenue.

State shared revenues increased by \$36,403 due to an increase in the Town's share of urban revenue sharing revenues allocation, state sales tax collections, and vehicle license tax collections.

The Town's expenses decreased by 10% mainly due to a decrease in the pension expense recognized.

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 \$5,886,730, an increase of \$431,470 in comparison with the prior year. Approximately 87% of this total amount (\$5,130,414) constitutes General Fund balance, which is available for contribution to the committed, assigned and unassigned fund balance. At fiscal year end June 30, 2016 fund balances were as follows:

**Table A-3
Fund Balances**

| Fund | Balance | Increase (Decrease) From 2014-15 |
|----------------------------------|--------------|--|
| General Fund | \$ 5,130,414 | \$ 639,797 |
| Highway User Revenue Fund (HURF) | 382,938 | 171,823 |
| CFD Debt Service Fund | 313,124 | (383,692) |
| Nonmajor Governmental Funds | 60,254 | 3,542 |

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 \$5,130,414, while total fund balance reached \$5,886,730. 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 173% of total General Fund expenditures, while total Town fund balance represents 161% of total Town governmental expenditures.

The fund balance of the Town of Youngtown, Arizona's General Fund increased by \$639,797 during the current fiscal year. The increase was due to an increase in sales taxes and the Town's continued conservative spending practices.

The fund balance of the Town of Youngtown, Arizona's HURF Fund increased \$171,823 due to a decrease in street projects.

The fund balance of the Town of Youngtown, Arizona's CFD Debt Service Fund decreased \$383,692 due to the bond refunding.

Nonmajor Governmental Funds of the Town of Youngtown, Arizona are combined into one column on the governmental fund statements. The increase of \$3,542 was not significant for the fiscal year.

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 50-52. 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 \$3,598,817, on a budgetary basis, were more than budgeted revenues of \$3,357,326 by \$241,491 while budgetary basis expenditures of \$2,959,020 were only 66% of budgeted expenditures (savings of \$1,516,058). 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, 2016 amount to \$12,665,253 (net of accumulated depreciation), a net increase of 2.7% 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, 2016**

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

- ◆ Peoria Avenue street improvements.
- ◆ Street Sealing

The following table provides a breakdown of the capital assets of the Town at June 30, 2016 and 2015.

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

| | Governmental Activities | |
|------------------------------------|-------------------------|---------------|
| | 2016 | 2015 |
| Land | \$ 1,722,239 | \$ 1,722,239 |
| Construction in Progress | - | 278,627 |
| Buildings and Improvements | 1,590,017 | 1,649,933 |
| Infrastructure | 9,273,229 | 8,575,933 |
| Furniture, Equipment, and Vehicles | 79,768 | 108,620 |
| Total Capital Assets | \$ 12,665,253 | \$ 12,335,352 |

Long-Term Debt

The following schedule shows the outstanding obligations of the Town (both current and long term) as of June 30, 2016 and 2015. Further detail on the Town's outstanding obligations may be found in Note 3.B.

**Table A-5
Outstanding Debt**

| | Governmental Activities | |
|------------------------------|-------------------------|--------------|
| | 2016 | 2015 |
| General Obligation Bonds | \$ 2,190,000 | \$ 2,670,000 |
| Compensated Absences Payable | 37,466 | 41,862 |
| Total Outstanding Debt | \$ 2,227,466 | \$ 2,711,862 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- ◆ Local taxes and state shared revenues increase.
- ◆ Increase in MAG/CMAQ funding due to the Peoria Realignment Project.
- ◆ Increase in expenditures for Council Chambers remodeling.
- ◆ Combined Community Development with Economic Development Department resulting in overall expenditure decreases.
- ◆ Proposed increase in salaries and benefits.
- ◆ Appropriated reserve for potential PSPRS unfunded liability prepayment and General Fund reserve.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

REQUESTS FOR INFORMATION

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

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

Or visit our website at: www.youngtownaz.org

BASIC FINANCIAL STATEMENTS

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TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Deposits and Investments | \$ 5,745,210 |
| Receivables, Net: | |
| Accounts Receivable | 50,477 |
| Taxes Receivable | 6,489 |
| Intergovernmental Receivables | 321,772 |
| Notes Receivable | 100,960 |
| Capital Assets: | |
| Non-Depreciable | 1,722,239 |
| Depreciable (Net) | 10,943,014 |
| Total Assets | 18,890,161 |
| Deferred Outflows of Resources: | |
| Debt Refunding | 29,154 |
| Pensions | 198,630 |
| Total Deferred Outflows of Resources | 227,784 |
| LIABILITIES | |
| Accounts Payable | 94,303 |
| Accrued Wages and Benefits | 40,253 |
| Interest Payable | 24,402 |
| Intergovernmental Payable | 6,432 |
| Matured Debt Principal Payable | 170,000 |
| Noncurrent Liabilities: | |
| Net Pension Liability | 2,025,113 |
| Due Within One Year | 161,846 |
| Due in More Than One Year | 2,065,620 |
| Total Liabilities | 4,587,969 |
| Deferred Inflows of Resources | 234,681 |
| NET POSITION | |
| Net Investment in Capital Assets | 10,475,253 |
| Restricted for: | |
| Court Enhancement | 117,078 |
| Highways and Streets | 382,938 |
| Other | 10,991 |
| Unrestricted | 3,309,035 |
| Total Net Position | \$ 14,295,295 |

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------|---------------------|--|---------------------------------------|-------------------------------------|--|
| | | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 1,369,390 | \$ 156,822 | \$ - | \$ - | \$ (1,212,568) |
| Public Safety | 1,337,198 | - | 2 | - | (1,337,196) |
| Highways and Streets | 609,618 | - | 408,941 | 709,793 | 509,116 |
| Culture and Recreation | 259,118 | 7,019 | - | 4,041 | (248,058) |
| Interest and Fiscal Charges | 172,978 | - | - | - | (172,978) |
| Total Governmental Activities | <u>\$ 3,748,302</u> | <u>\$ 163,841</u> | <u>\$ 408,943</u> | <u>\$ 713,834</u> | <u>(2,461,684)</u> |
| | | General Revenues: | | | |
| | | Taxes: | | | |
| | | Sales Taxes | | | 1,584,782 |
| | | Property Taxes | | | 425,465 |
| | | Franchise Taxes | | | 203,345 |
| | | State Revenue Sharing | | | 741,182 |
| | | State Sales Tax Revenue Sharing | | | 583,990 |
| | | Auto in Lieu Tax Revenue Sharing | | | 254,017 |
| | | Investment Income | | | 18,640 |
| | | Other | | | 32,042 |
| | | Total General Revenues | | | <u>3,843,463</u> |
| | | Change in Net Position | | | 1,381,779 |
| | | Net Position - Beginning of Year | | | 12,913,516 |
| | | Net Position - End of Year | | | <u>\$ 14,295,295</u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | General Fund | HURF | CFD Debt Service | Nonmajor | Totals |
|--|----------------------------|--------------------------|--------------------------|-------------------------|----------------------------|
| Assets | | | | | |
| Deposits and Investments | \$ 4,827,028 | \$ 354,137 | \$ 191,078 | \$ 58,045 | \$ 5,430,288 |
| Cash and Investments Held by Trustee | - | - | 314,922 | - | 314,922 |
| Receivables: | | | | | |
| Accounts Receivable | 50,477 | - | - | - | 50,477 |
| Taxes Receivable | - | - | 2,011 | 4,478 | 6,489 |
| Intergovernmental Receivables | 285,414 | 36,358 | - | - | 321,772 |
| Notes Receivable | 100,960 | - | - | - | 100,960 |
| Total Assets | <u>\$ 5,263,879</u> | <u>\$ 390,495</u> | <u>\$ 508,011</u> | <u>\$ 62,523</u> | <u>\$ 6,224,908</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 87,687 | \$ 6,616 | \$ - | \$ - | \$ 94,303 |
| Accrued Wages and Benefits | 39,312 | 941 | - | - | 40,253 |
| Interest Payable | - | - | 24,402 | - | 24,402 |
| Intergovernmental Payable | 6,432 | - | - | - | 6,432 |
| Matured Debt Principal Payable | - | - | 170,000 | - | 170,000 |
| Total Liabilities | <u>133,431</u> | <u>7,557</u> | <u>194,402</u> | <u>-</u> | <u>335,390</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable Revenue | 34 | - | 485 | 2,269 | 2,788 |
| Fund Balances: | | | | | |
| Nonspendable | 100,960 | - | - | - | 100,960 |
| Restricted | 117,078 | 382,938 | - | 10,991 | 511,007 |
| Committed | - | - | 313,124 | 49,263 | 362,387 |
| Unassigned | 4,912,376 | - | - | - | 4,912,376 |
| Total Fund Balances | <u>5,130,414</u> | <u>382,938</u> | <u>313,124</u> | <u>60,254</u> | <u>5,886,730</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 5,263,879</u> | <u>\$ 390,495</u> | <u>\$ 508,011</u> | <u>\$ 62,523</u> | <u>\$ 6,224,908</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, 2016**

Total Fund Balances for Governmental Funds \$ 5,886,730

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 | 3,208,638 | |
| Infrastructure | 14,906,737 | |
| Furniture, Equipment and Vehicles | 817,532 | |
| Total Capital Assets | 20,655,146 | |
| Less: Accumulated Depreciation | (7,989,893) | 12,665,253 |

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 | | 198,630 |
| Deferred Inflows of Resources Related to Pensions | | (234,681) |

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 | | 29,154 |
|-----------------------------------|--|--------|

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.

2,788

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 | (2,190,000) | |
| Net Pension Liability | (2,025,113) | |
| Compensated Absences Payable | (37,466) | (4,252,579) |

Total Net Position of Governmental Activities \$ 14,295,295

TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

| | General Fund | HURF | CFD Debt Service | Nonmajor | Totals |
|---------------------------------------|---------------------|-------------------|---------------------|------------------|---------------------|
| Revenue: | | | | | |
| Taxes: | | | | | |
| Sales Taxes | \$ 1,584,782 | \$ - | \$ - | \$ - | \$ 1,584,782 |
| Property Taxes | 20,714 | - | 298,438 | 107,342 | 426,494 |
| Franchise Taxes | 203,345 | - | - | - | 203,345 |
| Intergovernmental Revenue | 1,579,189 | 411,484 | - | 2 | 1,990,675 |
| Fines and Forfeits | 78,883 | - | - | - | 78,883 |
| Licenses and Permits | 77,939 | - | - | - | 77,939 |
| Charges for Services | 7,019 | - | - | - | 7,019 |
| Contributions and Donations | 6,800 | - | - | - | 6,800 |
| Investment Earnings | 14,904 | 3,734 | 2 | - | 18,640 |
| Other | 25,242 | - | - | - | 25,242 |
| Total Revenue | <u>3,598,817</u> | <u>415,218</u> | <u>298,440</u> | <u>107,344</u> | <u>4,419,819</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | 1,386,327 | - | - | - | 1,386,327 |
| Public Safety | 1,267,101 | - | - | - | 1,267,101 |
| Highways and Streets | - | 243,395 | - | 103,802 | 347,197 |
| Culture and Recreation | 305,592 | - | - | - | 305,592 |
| Debt Service: | | | | | |
| Principal Retirement | - | - | 170,000 | - | 170,000 |
| Interest on Long-Term Debt | - | - | 99,478 | - | 99,478 |
| Issuance Costs | - | - | 73,500 | - | 73,500 |
| Total Expenditures | <u>2,959,020</u> | <u>243,395</u> | <u>342,978</u> | <u>103,802</u> | <u>3,649,195</u> |
| Excess of Revenue Over Expenditures | 639,797 | 171,823 | (44,538) | 3,542 | 770,624 |
| Other Financing Sources (Uses): | | | | | |
| Issuance of Refunding Bonds | - | - | 2,360,000 | - | 2,360,000 |
| Payment to Refunded Bond Escrow Agent | - | - | (2,699,154) | - | (2,699,154) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(339,154)</u> | <u>-</u> | <u>(339,154)</u> |
| Net Change in Fund Balances | 639,797 | 171,823 | (383,692) | 3,542 | 431,470 |
| Fund Balance: | | | | | |
| Beginning of Year | 4,490,617 | 211,115 | 696,816 | 56,712 | 5,455,260 |
| End of Year | <u>\$ 5,130,414</u> | <u>\$ 382,938</u> | <u>\$ 313,124</u> | <u>\$ 60,254</u> | <u>\$ 5,886,730</u> |

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, 2016**

Net Change in Fund Balances-Total Governmental Funds \$ 431,470

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 | \$ 174,672 | |
| Depreciation Expense | <u>(556,062)</u> | (381,390) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.

| | | |
|--------------------------------|--|---------|
| Contribution of Capital Assets | | 711,291 |
|--------------------------------|--|---------|

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:

| | | |
|---------------------------------------|------------------|---------|
| Issuance of Long-Term Debt | (2,360,000) | |
| Repayment of Bond Principal | 170,000 | |
| Payment to Refunded Bond Escrow Agent | <u>2,699,154</u> | 509,154 |

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 | 147,150 | |
| Pension Expense | <u>(39,263)</u> | 107,887 |

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, 2015 | 3,817 | |
| Unavailable Revenue - June 30, 2016 | <u>2,788</u> | (1,029) |

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 2016, compensated absence payable changed.

4,396

| | | |
|---|--|----------------------------|
| Change in Net Position of Governmental Activities | | <u><u>\$ 1,381,779</u></u> |
|---|--|----------------------------|

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Youngtown, Arizona 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.

For the year ended June 30, 2016, the Town implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statements No. 73 and 82 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

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.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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.

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.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Governmental Funds (Continued)

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.

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.

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.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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)

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 \$100,960 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%.

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 fair market 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 | 15-40 Years |
| Infrastructure | 40 Years |
| Furniture, Equipment, and Vehicles | 5-10 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.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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)

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.

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.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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)

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.

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 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.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 (Continued)

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.

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 or activity. The adopted budget cannot be amended in any way without Town Council approval.

**TOWN OF YOUNGTOWN, ARIZONA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2016 consist of the following:

| | |
|-----------------------------------|--------------|
| Deposits: | |
| Cash on Hand | \$ 550 |
| Cash in Bank | 940,422 |
| Cash on Deposit with Trustee | 314,922 |
| Investments: | |
| State Treasurer's Investment Pool | 4,489,316 |
| Total Deposits and Investments | \$ 5,745,210 |

Deposits

The Town had a carrying value of \$1,255,344 for cash on deposit with local financial institutions and a bank balance of \$1,370,822 at June 30, 2016. Of the bank balance, \$250,000 was insured by federal depository insurance, \$965,136 was secured by pledged collateral and the remaining balance of \$155,686 was uninsured and uncollateralized.

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.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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.

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.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables (Continued)

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

| | <u>Unavailable</u> |
|---------------------------------------|--------------------|
| Delinquent Property Taxes Receivable: | |
| (CFD Debt Service Fund) | \$ 485 |
| (Nonmajor Governmental Funds) | 2,269 |
| Miscellaneous Revenue | |
| (General Fund) | 34 |
| | \$ 2,788 |

3. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 1,722,239 | \$ - | \$ - | \$ 1,722,239 |
| Construction in Progress | 278,627 | 743,713 | (1,022,340) | - |
| Total Capital Assets, Not Being Depreciated | 2,000,866 | 743,713 | (1,022,340) | 1,722,239 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Improvements | 3,152,062 | 56,576 | - | 3,208,638 |
| Infrastructure | 13,798,723 | 1,108,014 | - | 14,906,737 |
| Furniture, Equipment, and Vehicles | 819,150 | - | (1,618) | 817,532 |
| Total Capital Assets, Being Depreciated | 17,769,935 | 1,164,590 | (1,618) | 18,932,907 |
| Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (1,502,129) | (116,492) | - | (1,618,621) |
| Infrastructure | (5,222,790) | (410,718) | - | (5,633,508) |
| Furniture, Equipment, and Vehicles | (710,530) | (28,852) | 1,618 | (737,764) |
| Total Accumulated Depreciation | (7,435,449) | (556,062) | 1,618 | (7,989,893) |
| Total Capital Assets, Being Depreciated, Net | 10,334,486 | 608,528 | - | 10,943,014 |
| Governmental Activities Capital Assets, Net | \$ 12,335,352 | \$ 1,352,241 | \$ (1,022,340) | \$ 12,665,253 |

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|--|--------------------------|
| Governmental Activities: | |
| General Government | \$ 90,954 |
| Public Safety | 4,433 |
| Highways and Streets | 382,567 |
| Culture and Recreation | <u>78,108</u> |
| Total Depreciation Expense, Governmental Activities | <u><u>\$ 556,062</u></u> |

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, 2016 |
|---|------------|----------------------|---------------------------------|
| CFD Series 2016 General Obligation Bond; Refunding Issue \$2,360,000 | 7/15/16-30 | 2.64% | <u><u>\$ 2,190,000</u></u> |

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

| | Beginning of Year | Additions | Retirements | End of Year | Due Within One Year |
|--|----------------------------|----------------------------|------------------------------|----------------------------|--------------------------|
| Governmental Activities: | | | | | |
| CFD General Obligation Bonds | \$ 2,670,000 | \$ - | \$ (2,670,000) | \$ - | \$ - |
| CFD General Obligation Bonds Refunding Series 2016 | - | <u>2,360,000</u> | <u>(170,000)</u> | <u>2,190,000</u> | <u>130,000</u> |
| | <u>2,670,000</u> | <u>2,360,000</u> | <u>(2,840,000)</u> | <u>2,190,000</u> | <u>130,000</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | 41,862 | 49,440 | (53,836) | 37,466 | 31,846 |
| Total Governmental Activities | <u><u>\$ 2,711,862</u></u> | <u><u>\$ 2,409,440</u></u> | <u><u>\$ (2,893,836)</u></u> | <u><u>\$ 2,227,466</u></u> | <u><u>\$ 161,846</u></u> |

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2016 are as follows:

| Year | Governmental Activities | |
|-----------|-------------------------|-------------------|
| | Principal | Interest |
| 2017 | \$ 130,000 | \$ 57,816 |
| 2018 | 135,000 | 54,384 |
| 2019 | 140,000 | 50,820 |
| 2020 | 140,000 | 47,124 |
| 2021 | 145,000 | 43,428 |
| 2022-2026 | 790,000 | 157,212 |
| 2027-2031 | 710,000 | 47,520 |
| Totals | <u>\$ 2,190,000</u> | <u>\$ 458,304</u> |

During the fiscal year ended June 30, 2016, the Town issued \$2,360,000 of CFD General Obligation Refunding Bonds, Series 2016. The proceeds (\$2,360,000) and CFD funds of \$417,803 were used to refund \$2,699,154 of outstanding debt and pay issuance costs of \$73,500 and deposit \$5,149 into the Debt Service Fund. The refunding resulted in a savings of \$1,126,617 and a net present value savings of \$507,158. The defeased debt is no longer considered outstanding debt of the Town and has been removed from the Town's long-term liabilities.

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: | | | | | |
| Notes Receivable | \$ 100,960 | \$ - | \$ - | \$ - | \$ 100,960 |
| Restricted: | | | | | |
| Court Enhancement | 117,078 | - | - | - | 117,078 |
| Highways and Streets | - | 340,044 | - | - | 340,044 |
| Transit Grants | - | 42,894 | - | - | 42,894 |
| Grants | - | - | - | 10,991 | 10,991 |
| Committed: | | | | | |
| Debt Service | - | - | 313,124 | - | 313,124 |
| Street Lighting Districts | - | - | - | 49,263 | 49,263 |
| Unassigned: | 4,912,376 | - | - | - | 4,912,376 |
| Total Fund Balance | <u>\$ 5,130,414</u> | <u>\$ 382,938</u> | <u>\$ 313,124</u> | <u>\$ 60,254</u> | <u>\$ 5,886,730</u> |

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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, 2016, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

| Statement of Net Position and Statement of Activities | Governmental Activities |
|--|----------------------------|
| Net Pension Assets | \$ - |
| Net Pension Liabilities | 2,025,113 |
| Deferred Outflows of Resources | 198,630 |
| Deferred Inflows of Resources | 234,681 |
| Pension Expense | 39,263 |

The Town reported accrued payroll and employee benefits of \$6,340 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also the Town reported \$147,150 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System

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

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

| | Retirement Initial Membership Date: | |
|--|---|---|
| | Before July 1, 2011 | On or After July 1, 2011 |
| Years of Service and Age Required to Receive Benefit | Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65 | 30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65 |
| Final Average Salary is Based on | Highest 36 consecutive months of last 120 months | Highest 60 consecutive months of last 120 months |
| Benefit Percentage Per Year of Service | 2.1% to 2.3 % | 2.1% to 2.3 % |

* With actuarially reduced benefits.

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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, 2016, state statute required active ASRS members to contribute at the actuarially determined rate of 11.47% (11.35% for retirement and 0.12% for long-term disability) of the members’ annual covered payroll, and state statute required the Town to contribute at the actuarially determined rate of 11.47% (10.85% for retirement, 0.50% for the health insurance premium benefit, and 0.12% for long-term disability) of the active members’ annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.36% (9.17% for retirement, 0.13% for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension plan for the year ended June 30, 2016, were \$81,115. The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

| <u>Year Ended June 30,</u> | <u>Health Benefit Supplement Fund</u> | <u>Long-Term Disability Fund</u> |
|----------------------------|---|--------------------------------------|
| 2016 | \$ 3,536 | \$ 849 |
| 2015 | 3,892 | 792 |
| 2014 | 4,201 | 1,680 |

During the fiscal year ended June 30, 2016, the Town paid for ASRS pension and OPEB contributions as follows: 91% from the General Fund and 9% from HURF.

Pension Liability – At June 30, 2016, the Town reported a liability of \$1,090,364 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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, 2015. The Town's proportion measured as of June 30, 2015, was 0.007000%, which was a decrease of 0.000774 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the Town recognized pension expense for ASRS of (\$5,226). At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between Expected and Actual Experience | \$ 29,754 | \$ 57,136 |
| Net difference between Projected and Actual Earnings on Pension Plan Investments | - | 34,944 |
| Changes in Proportion and Differences between Town Contributions and Proportionate Share of Contributions | - | 119,445 |
| Town Contributions Subsequent to the Measurement Date | 76,730 | - |
| Total | \$ 106,484 | \$ 211,525 |

The \$76,730 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, 2017. 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 Ended June 30,</u> | |
|----------------------------|-------------|
| 2017 | \$ (87,130) |
| 2018 | (86,558) |
| 2019 | (33,308) |
| 2020 | 25,225 |

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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

| | |
|-----------------------------|-------------------|
| Actuarial Valuation Date | June 30, 2014 |
| Actuarial Roll Forward Date | June 30, 2015 |
| 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, 2014 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 8.79% 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:

| Asset Class | Target Allocation | Long-term Expected Arithmetic Real Rate of Return |
|-------------------|-------------------|---|
| Equity | 58% | 6.79% |
| Fixed Income | 25% | 3.70% |
| Commodities | 2% | 3.93% |
| Real Estate | 10% | 4.25% |
| Multi-Asset Class | 5% | 3.41% |
| Total | 100% | |

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 8.79%. 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.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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.

| | 1% Decrease (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|--|---------------------|----------------------------------|---------------------|
| Town's Proportionate Share of the Net Pension Liability | \$ 1,428,749 | \$ 1,090,364 | \$ 858,459 |

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

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 seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

| <u>Retirement and Disability</u> | Initial Membership Date: | |
|--|--|---|
| | Before January 1, 2012 | On or After January 1, 2012 |
| Years of Service and Age Required to Receive Benefit | 20 years, any age 15 years, age 62 | 25 years, 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% | 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 | |

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, from and after December 31, 2015, 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.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

Employees Covered by Benefit Terms – At June 30, 2016, 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 | 1 |
| Total | 5 |

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, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

| | PSPRS Police |
|----------------------------------|-----------------|
| Active Members - Pension | 11.65% |
| Town: | |
| Pension | 122.09% |
| Health Insurance Premium Benefit | 0.00% |

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

| | PSPRS Police |
|-----------------------------------|-----------------|
| Pension: | |
| Contributions Made | \$ 70,420 |
| Health Insurance Premium Benefit: | |
| Annual OPEB Cost | - |
| Contributions Made | - |

During the fiscal year 2016, the Town paid for PSPRS pension and OPEB contributions 100% from the General Fund.

Pension Liability – At June 30, 2016, the Town reported the following net pension liability:

| | Net Pension Liability |
|--------------|--------------------------|
| PSPRS Police | \$ 934,749 |

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town's net pension liability as a result of the statutory adjustments is not known.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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

| | |
|----------------------------|---|
| Actuarial Valuation Date | June 30, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.85% |
| Projected Salary Increases | 4.0% - 8.0% |
| Inflation | 4.0% |
| Permanent Benefit Increase | Included |
| Mortality Rates | RP-2000 mortality table (adjusted by 105% for both males and females) |

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% 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:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|------------------------|-------------------|--|
| Short-Term Investments | 2% | 0.75% |
| Absolute Return | 5% | 4.11% |
| Risk Parity | 4% | 5.13% |
| Fixed Income | 7% | 2.92% |
| Real Assets | 8% | 4.77% |
| GTAA | 10% | 4.38% |
| Private Equity | 11% | 9.50% |
| Real Estate | 10% | 4.48% |
| Credit Opportunities | 13% | 7.08% |
| Non-U.S. Equity | 14% | 8.25% |
| U.S. Equity | 16% | 6.23% |
| Total | 100% | |

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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

| | |
|----------------|---|
| | PSPRS |
| | Police |
| | <hr style="width: 50%; margin: 0 auto;"/> |
| Discount Rates | 7.85% |

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.

Changes in the Agent Plans Net Pension Liability (Asset) – The following tables present changes in the Town's net pension liability (asset) for the PSPRS – Police, as follows:

| | Total Pension Liability (Asset) | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|--|------------------------------------|--------------------------------|----------------------------------|
| | (a) | (b) | (a) - (b) |
| Balance at June 30, 2015 | \$ 1,594,612 | \$ 696,258 | \$ 898,354 |
| Changes for the Year: | | | |
| Service Cost | 15,105 | - | 15,105 |
| Interest on the Total Pension Liability | 121,502 | - | 121,502 |
| Changes of Benefit Terms | - | - | - |
| Differences Between Expected and Actual Experience in the Measurement of the Pension Liability | (94,679) | - | (94,679) |
| Changes of Assumptions or Other Inputs | - | - | - |
| Contributions - Employer | - | 35,339 | (35,339) |
| Contributions - Employee | - | 6,259 | (6,259) |
| Net Investment Income | - | 22,563 | (22,563) |
| Benefit Payments, Including Refunds of Employee Contributions | (108,731) | (108,731) | - |
| Administrative Expenses | - | (919) | 919 |
| Other Changes | - | (57,709) | 57,709 |
| Net Changes | (66,803) | (103,198) | 36,395 |
| Balances as of June 30, 2016 | \$ 1,527,809 | \$ 593,060 | \$ 934,749 |

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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 (6.85%) or 1 percentage point higher (8.85%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|--------------|--------------------------|-------------|
| PSPRS Police: | | | |
| Rate | 6.85% | 7.85% | 8.85% |
| Net Pension Liability | \$ 1,091,476 | \$ 934,749 | \$ 801,353 |

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

Pension Expense – For the year ended June 30, 2016, the Town recognized the following pension expense:

| | Pension Expense |
|--------------|--------------------|
| PSPRS Police | \$ 42,289 |

Pension Deferred Outflows/Inflows of Resources – At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | \$ 21,726 | \$ 23,156 |
| Town Contributions Subsequent to the Measurement Date | 70,420 | - |
| Total | <u>\$ 92,146</u> | <u>\$ 23,156</u> |

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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, 2017. 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>Year Ending June 30,</u> | <u>PSPRS Police</u> |
|-----------------------------|-------------------------|
| 2017 | \$ (2,288) |
| 2018 | (2,288) |
| 2019 | (2,287) |
| 2020 | 5,433 |

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements, are as follows:

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

PSPRS Contribution Requirements

| | |
|-------------------------------|---|
| Actuarial Valuation Date | June 30, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent closed for underfunded actuarial accrued liability, open for excess |
| Remaining Amortization Period | 22 years for unfunded actuarial accrued liability, 20 years for excess |
| Asset Valuation Method | 7-year smoothed market value; 20% corridor |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.85% |
| Projected Salary Increases | 4.5% - 8.0% |
| Wage Growth | 4.0% |

Agent Plan OPEB Trend Information – The following table presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

| <u>Year Ended June 30,</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------|-----------------------------|--|--------------------------------|
| PSPRS Police: | | | |
| 2016 | \$ - | 100.00% | \$ - |
| 2015 | 1,997 | 100.00 | - |
| 2014 | 1,977 | 100.00 | - |

Agent Plan OPEB Funded Status – The funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2015 is as follows:

| | <u>Police</u> |
|--|---------------|
| Actuarial Value of Assets (a) | \$ 57,097 |
| Actuarial Accrued Liability (b) | 10,693 |
| Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a) | (46,404) |
| Funded Ratio (a) / (b) | 533.97% |
| Annual Covered Payroll (c) | 56,641 |
| Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c) | -81.93% |

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2015 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

PSPRS

| | |
|-------------------------------|---|
| Actuarial Valuation Date | June 30, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent closed for underfunded actuarial accrued liability, open for excess |
| Remaining Amortization Period | 21 years for unfunded actuarial accrued liability, 20 years for excess |
| Asset Valuation Method | 7-year smoothed market value; 80%/120% market corridor |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.85% |
| Projected Salary Increases | 4.0% - 8.0% |
| Wage Growth | 4.0% |

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

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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, 2016**

Arizona State Retirement System

| | Reporting Fiscal Year (Measurement Date) | |
|---|---|----------------|
| | 2016 (2015) | 2015 (2014) |
| Town's Proportion of the Net Pension Liability | 0.007000% | 0.007774% |
| Town's Proportionate Share of the Net Pension Liability | \$ 1,090,364 | \$ 1,150,357 |
| Town's Covered-Employee Payroll | \$ 656,855 | \$ 656,855 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll | 166.00% | 175.13% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 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
JUNE 30, 2016**

PSPRS Police

| | Reporting Fiscal Year (Measurement Date) | |
|---|---|-------------------|
| | 2016 (2015) | 2015 (2014) |
| Total Pension Liability | | |
| Service Cost | \$ 15,105 | \$ 15,074 |
| Interest on the Total Pension Liability | 121,502 | 100,264 |
| Changes of Benefit Terms | - | 72,959 |
| Differences Between Expected and Actual Experience in the Measurement of the Pension Liability | (94,679) | (113,041) |
| Changes of Assumptions or Other Inputs | - | 302,947 |
| Benefit Payments, Including Refunds of Employee Contributions | (108,731) | (106,602) |
| Net Change in Total Pension Liability | (66,803) | 271,601 |
| Total Pension Liability - Beginning | 1,594,612 | 1,323,011 |
| Total Pension Liability - Ending (a) | 1,527,809 | 1,594,612 |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 35,339 | 29,173 |
| Contributions - Employee | 6,259 | 5,795 |
| Net Investment Income | 22,563 | 94,394 |
| Benefit Payments, Including Refunds of Employee Contributions | (108,731) | (106,602) |
| Administrative Expenses | (919) | (760) |
| Other Changes | (57,709) | (79,290) |
| Net Change in Plan Fiduciary Net Position | (103,198) | (57,290) |
| Plan Fiduciary Net Position - Beginning | 696,258 | 753,548 |
| Plan Fiduciary Net Position - Ending (b) | 593,060 | 696,258 |
| Town's Net Pension Liability (Asset) - Ending (a) - (b) | <u>\$ 934,749</u> | <u>\$ 898,354</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 38.82% | 43.66% |
| Covered-Employee Payroll | \$ 56,641 | \$ 55,994 |
| Town's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll | 1650.30% | 1604.38% |

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2016**

Arizona State Retirement System

| | Reporting Fiscal Year | | |
|--|-----------------------|-------------|-------------|
| | 2016 | 2015 | 2014 |
| Statutorily Required Contribution | \$ 81,115 | \$ 76,516 | \$ 74,987 |
| Town's Contribution in Relation to the Statutorily Required Contribution | 81,115 | 76,516 | 74,987 |
| Town's Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's Covered-Employee Payroll | \$ 689,809 | \$ 656,855 | \$ 697,757 |
| Town's Contributions as a Percentage of Covered-Employee Payroll | 11.76% | 11.65% | 10.75% |

PSPRS Police

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

NOTE 1 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2016, the Town implemented the provisions of GASB Statement No. 82, *Pension Issues*. The statement changed the measure of payroll that is required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts in the pension plan schedules and related ratios for current and prior periods have been amended to reflect this change.

NOTE 2 ACTUALLY DETERMINED CONTRIBUTION RATES

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

| | |
|---|--|
| Actuarial Cost Method | Entry age normal |
| Amortization Level | Level percent closed for unfunded actuarial accrued liability, open for excess |
| Remaining Amortization Period as of the 2014 Actuarial Valuation | 22 years for unfunded actuarial accrued liability, 20 years for excess |
| Asset Valuation Method | 7-year smoothed market value; 80%/120% 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% . In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%. |
| Wage Growth | In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% |
| Retirement Age | Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011. |
| Mortality | RP-2000 mortality table (adjusted by 105% for both males and females). |

NOTE 3 INFORMATION PRIOR TO THE MEASUREMENT DATE

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

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2016**

Health Insurance Premium Benefits

| Actuarial Valuation Date <u>June 30,</u> | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess) | Funded Ratio | Annual Covered Payroll | UAAL (Funding Excess) as a Percentage of Covered Payroll |
|---|---------------------------------|---|--|-----------------|------------------------------|---|
| PSPRS Police | | | | | | |
| 2015 | \$ 57,097 | \$ 10,693 | \$ (46,404) | 533.97% | \$ 56,641 | -81.93% |
| 2014 | 53,685 | 10,380 | (43,305) | 517.20% | 55,994 | -77.34% |
| 2013 | - | 24,804 | 24,804 | 0.00% | 57,322 | 43.27% |

See accompanying Note to Schedule of Agent OPEB Plans' Funding Progress.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2016**

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in Fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's pension fund to the new health insurance fund.

TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|---|------------------------|---------------------|---------------------|--------------------------------------|
| Revenue: | | | | |
| Taxes: | | | | |
| Sales Taxes | \$ 1,376,730 | \$ 1,376,730 | \$ 1,584,782 | \$ 208,052 |
| Property Taxes | 20,013 | 20,013 | 20,714 | 701 |
| Franchise Taxes | 175,000 | 175,000 | 203,345 | 28,345 |
| Intergovernmental Revenue | 1,572,589 | 1,572,589 | 1,579,189 | 6,600 |
| Fines and Forfeits | 134,341 | 134,341 | 78,883 | (55,458) |
| Licenses and Permits | 54,000 | 54,000 | 77,939 | 23,939 |
| Charges for Services | 7,200 | 7,200 | 7,019 | (181) |
| Rents and Royalties | 1,000 | 1,000 | - | (1,000) |
| Contributions and Donations | 6,100 | 6,100 | 6,800 | 700 |
| Investment Earnings | 9,353 | 9,353 | 14,904 | 5,551 |
| Other | 1,000 | 1,000 | 25,242 | 24,242 |
| Total Revenue | <u>3,357,326</u> | <u>3,357,326</u> | <u>3,598,817</u> | <u>241,491</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General Government: | | | | |
| General Government | 1,114,485 | 1,114,485 | 987,407 | 127,078 |
| Municipal Court | 182,573 | 184,856 | 184,856 | - |
| Buildings | 238,521 | 238,521 | 214,064 | 24,457 |
| Total General Government | <u>1,535,579</u> | <u>1,537,862</u> | <u>1,386,327</u> | <u>151,535</u> |
| Public Safety: | | | | |
| Building Safety | 134,396 | 134,396 | 111,829 | 22,567 |
| Public Safety | 1,226,724 | 1,226,724 | 1,155,272 | 71,452 |
| Total Public Safety | <u>1,361,120</u> | <u>1,361,120</u> | <u>1,267,101</u> | <u>94,019</u> |
| Highways and Streets | | | | |
| Public Works | 200,000 | 200,000 | - | 200,000 |
| Culture and Recreation: | | | | |
| Parks | 169,528 | 189,698 | 188,541 | 1,157 |
| Library | 121,856 | 121,856 | 117,051 | 4,805 |
| Total Culture and Recreation | <u>291,384</u> | <u>311,554</u> | <u>305,592</u> | <u>5,962</u> |
| Contingency | 1,086,995 | 1,064,542 | - | 1,064,542 |
| Total Expenditures | <u>4,475,078</u> | <u>4,475,078</u> | <u>2,959,020</u> | <u>1,516,058</u> |
| Excess (Deficiency) of Revenue Over Expenditures | (1,117,752) | (1,117,752) | 639,797 | 1,757,549 |
| Fund Balance: | | | | |
| Beginning of Year | 1,117,752 | 1,117,752 | 4,490,617 | 3,372,865 |
| End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,130,414</u> | <u>\$ 5,130,414</u> |

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, 2016**

| | Original and Final Budget | Actual | Over (Under) Final Budget |
|---|------------------------------|------------|------------------------------|
| Revenue: | | | |
| Intergovernmental | \$ 388,398 | \$ 411,484 | \$ 23,086 |
| Investment Earnings | 726 | 3,734 | 3,008 |
| Total Revenue | 389,124 | 415,218 | 26,094 |
| Expenditures: | | | |
| Current: | | | |
| Highways and Streets | 499,227 | 243,395 | 255,832 |
| Excess (Deficiency) of Revenue Over Expenditures | (110,103) | 171,823 | 281,926 |
| Fund Balances: | | | |
| Beginning of Year | 110,103 | 211,115 | 101,012 |
| End of Year | \$ - | \$ 382,938 | \$ 382,938 |

See accompanying Note to Budgetary Comparison Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
NOTE TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2016**

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.