

TOWN OF YOUNGTOWN, ARIZONA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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**TOWN OF YOUNGTOWN, ARIZONA
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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Youngtown, Arizona (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

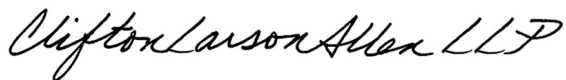
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in the Town's 's net pension liability and related ratios, and the schedule of the Town's proportionate share of the net pension liability and contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
March 28, 2023

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REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

We (the Town of Youngtown, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2022. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Youngtown, Arizona at June 30, 2022 exceed liabilities and deferred inflows of resources by \$20,106,443 (net position). Of this amount, \$8,492,794 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 \$11,455,297, an increase of \$1,991,140 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,412,573 or 236% of total General Fund expenditures.
- General Fund actual revenues were more than budgeted revenues (on a budgetary basis) by \$6,576 for the fiscal year. In addition, budgetary basis expenditures were only 50% (50% in savings) of the final budget in the General Fund.
- General Fund revenues exceeded expenditures by \$1,798,378 representing a positive variance from the final budget.
- The Town includes a separate legal entity in its report - a Community Facilities District. Although legally separate, this "component unit" is important because the Town is financially accountable for this entity. A description of this component unit is available in Note 1 on page 17. Separate financial statements are not available for this entity.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

The statement of activities presents data showing how the Town of Youngtown, Arizona net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years, such as revenue from uncollected taxes or expenses from earned but unused vacation and sick leave.

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

The government-wide financial statements may be found on pages 11-12 of this report.

Fund Financial Statements

Also presented are the traditional fund financial statements for governmental funds. The fund financial statements focus on major funds of the Town, rather than on fund type. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Youngtown, Arizona like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements may be found on pages 17-39 of this report.

Required Supplementary Information other than MD&A

Governments have an option of including the budgetary comparison statements for the General Fund and major Special Revenue Funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as part of RSI on pages 44-46. Additionally, governments are required to disclose certain information about employee pension plans. The Town has disclosed this information on pages 40-43.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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, 2022 and 2021 showing that assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$20,106,443 and \$18,172,728, respectively.

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

	Governmental Activities	
	2022	2021
ASSETS		
Current and Other Assets	\$ 12,082,759	\$ 10,148,626
Capital Assets:		
Nondepreciable	1,722,239	1,722,239
Depreciable (Net)	10,152,253	10,524,637
Total Assets	<u>\$ 23,957,251</u>	<u>\$ 22,395,502</u>
DEFERRED OUTFLOWS OF RESOURCES	345,139	362,281
LIABILITIES		
Other Liabilities	565,983	662,030
Noncurrent Liabilities:		
Due within One Year	222,198	229,976
Due in More than One Year	2,940,169	3,583,480
Total Liabilities	<u>3,728,350</u>	<u>4,475,486</u>
DEFERRED INFLOWS OF RESOURCES	<u>467,597</u>	<u>109,569</u>
NET POSITION		
Net Investment in Capital Assets	10,391,984	10,572,714
Restricted	1,221,665	1,033,338
Unrestricted	8,492,794	6,566,676
Total Net Position	<u><u>\$ 20,106,443</u></u>	<u><u>\$ 18,172,728</u></u>

The net position of the Town is \$20,106,443 at the end of the fiscal year 2022. 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 (52%) reflects its net investment in capital assets (e.g., land, infrastructure, buildings and improvements, furniture, equipment and vehicles, less any related debt used to acquire those assets that is still outstanding). The Town of Youngtown, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

An additional portion of the Town of Youngtown, Arizona's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position 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	
	2022	2021
REVENUES		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 394,503	\$ 250,392
Operating Grants and Contributions	1,677,908	929,701
General Revenues:		
Property Taxes	361,075	355,085
Local Taxes	2,755,987	2,368,399
State Shared Revenues	2,150,681	2,119,647
Investment Income	20,423	10,514
Other	18,805	66,528
Total Revenues	<u>7,379,382</u>	<u>6,100,266</u>
EXPENSES		
General Government	1,634,247	1,648,703
Public Safety	2,516,987	1,728,679
Highways and Streets	800,953	752,745
Culture and Recreation	451,779	439,162
Interest on Long-Term Debt	41,701	45,684
Total Expenses	<u>5,445,667</u>	<u>4,614,973</u>
CHANGE IN NET POSITION	1,933,715	1,485,293
Net Position - Beginning of Year	<u>18,172,728</u>	<u>16,687,435</u>
NET POSITION - END OF YEAR	<u>\$ 20,106,443</u>	<u>\$ 18,172,728</u>

Program revenues which consist of fees, fines and charges for services, operating grants and contributions, and capital grants and contribution. Fees, fines and charges for services increased from the prior year by \$144,111 or 58% due to an increase in building permits.

Operating grants and contributions increased by \$748,207. This increase was mainly due to the Town receiving Coronavirus State and Local Fiscal Recovery Funding during the year.

Local taxes increased by \$387,588 due to increased sales tax revenue.

The Town's expenses increased by 18% mainly due to increase in patrol services from the Coronavirus State and Local Fiscal Recovery funding.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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 \$11,455,297, an increase of \$1,991,140 in comparison with the prior year. Approximately 73% of this total amount (\$8,412,573) constitutes General Fund unassigned fund balance, which is available for spending on the Town's operations costs. At fiscal year-end June 30, 2022 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2020-21
General Fund	\$ 9,829,400	\$ 1,798,378
Grants Fund	12,984	1
Debt Service Fund	471,523	32,418
Nonmajor Governmental Funds	1,141,390	160,343

The General Fund is the chief operating fund of the Town of Youngtown, Arizona. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund's fund balance and total Town fund balance to total General Fund expenditures and total town expenditures. General Fund's fund balance represents 276% of total General Fund expenditures, while total Town fund balance represents 213% of total Town governmental expenditures.

The fund balance of the Town of Youngtown, Arizona's General Fund increased by \$1,798,378 during the current fiscal year, primarily due to conservative spending and higher than expected revenues.

The fund balance of the Town of Youngtown, Arizona's Grant Fund was comparable to prior year.

The fund balance of the Town of Youngtown, Arizona's Debt Service Fund increased \$32,418.

Nonmajor Governmental Funds of the Town of Youngtown, Arizona, are combined into one column on the governmental fund statements. The increase of \$160,343 was due to tax revenue collected for the street lighting district's exceeding related expenditures.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found as part of RSI on pages 44-46. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$5,365,014, on a budgetary basis, were more than budgeted revenues of \$5,358,438 by \$6,576 while budgetary basis expenditures of \$3,566,636 were only 50% of budgeted expenditures (savings of \$3,600,305). 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, 2022, amount to \$11,874,492 (net of accumulated depreciation), a net decrease of 3% 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.

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

- Street resurfacing
- Code enforcement camera

The following table provides a breakdown of the capital assets of the Town at June 30, 2022 and 2021.

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

	Governmental Activities	
	2022	2021
Land	\$ 1,722,239	\$ 1,722,239
Buildings and Improvements	1,114,266	1,202,498
Infrastructure	8,586,743	8,913,544
Furniture, Equipment, and Vehicles	451,244	408,595
Total Capital Assets	<u>\$ 11,874,492</u>	<u>\$ 12,246,876</u>

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Long-Term Debt

The following schedule shows the outstanding obligations of the Town (both current and long term) as of June 30, 2022 and 2021. Further detail on the Town's outstanding obligations may be found in Note 3.B.

**Table A-5
Outstanding Debt**

	Governmental Activities	
	2022	2021
General Obligation Bonds	\$ 1,350,000	\$ 1,500,000
Compensated Absences Payable	79,056	94,089
Total Outstanding Debt	<u>\$ 1,429,056</u>	<u>\$ 1,594,089</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- ◆ Budgeted \$1,145,385 for American Rescue Plan Act.
- ◆ Increase in budget by 16.59% as a result of increases in the General Fund Contingency Reserve and Grants Fund.
- ◆ Appropriated a 7% increase in salary and benefits for merit and cost of living.

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.

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BASIC FINANCIAL STATEMENTS

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TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Deposits and Investments	\$ 11,546,545
Receivables, Net:	
Accounts Receivable	63,314
Taxes Receivable	3,624
Intergovernmental Receivables	380,159
Notes Receivable	29,533
Prepaid Items	896
Net OPEB Asset	58,688
Capital Assets:	
Nondepreciable	1,722,239
Depreciable (Net)	10,152,253
Total Assets	<u>\$ 23,957,251</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount on Refunding Debt	17,492
Amounts Related to Pensions	321,393
Amounts Related to OPEB	6,254
Total Deferred Outflows of Resources	<u>345,139</u>
LIABILITIES	
Accounts Payable	342,113
Accrued Wages and Benefits	44,993
Interest Payable	19,800
Intergovernmental Payable	3,801
Customer Deposits Payable	5,276
Matured Debt Principal Payable	150,000
Noncurrent Liabilities:	
Due Within One Year	222,198
Due in More Than One Year	2,940,169
Total Liabilities	<u>3,728,350</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	432,627
Amounts Related to OPEB	34,970
Total Deferred Outflows of Resources	<u>467,597</u>
NET POSITION	
Net Investment in Capital Assets	10,391,984
Restricted for:	
Court Enhancement	131,311
Highways and Streets	1,018,682
Grants	12,984
OPEB Benefits	58,688
Unrestricted	8,492,794
Total Net Position	<u><u>\$ 20,106,443</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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	\$ 1,634,247	\$ 389,960	\$ -	\$ -	\$ (1,244,287)
Public Safety	2,516,987	-	1,145,385	-	(1,371,602)
Highways and Streets	800,953	-	532,523	-	(268,430)
Culture and Recreation	451,779	4,543	-	-	(447,236)
Interest and Fiscal Charges	41,701	-	-	-	(41,701)
Total Governmental Activities	<u>\$ 5,445,667</u>	<u>\$ 394,503</u>	<u>\$ 1,677,908</u>	<u>\$ -</u>	<u>(3,373,256)</u>
GENERAL REVENUES					
Taxes:					
Sales Taxes					2,541,196
Property Taxes					361,075
Franchise Taxes					214,791
State Revenue Sharing					924,630
State Sales Tax Revenue Sharing					931,157
Auto in Lieu Tax Revenue Sharing					294,894
Investment Income					20,423
Other					18,805
Total General Revenues					<u>5,306,971</u>
CHANGE IN NET POSITION					1,933,715
Net Position - Beginning of Year					<u>18,172,728</u>
NET POSITION - END OF YEAR					<u>\$ 20,106,443</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF YOUNGTOWN, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Grants	CFD Debt Service	Nonmajor	Totals
ASSETS					
Deposits and Investments	\$ 9,742,615	\$ 12,984	\$ 638,230	\$ 1,152,716	\$ 11,546,545
Receivables:					
Accounts Receivable	63,314	-	-	-	63,314
Taxes Receivable	-	-	3,624	-	3,624
Intergovernmental Receivables	329,836	-	-	50,323	380,159
Notes Receivable	29,533	-	-	-	29,533
Prepaid Items	896	-	-	-	896
Total Assets	<u>\$ 10,166,194</u>	<u>\$ 12,984</u>	<u>\$ 641,854</u>	<u>\$ 1,203,039</u>	<u>\$ 12,024,071</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 285,162	\$ -	\$ -	\$ 56,951	\$ 342,113
Accrued Wages and Benefits	42,440	-	-	2,553	44,993
Interest Payable	-	-	19,800	-	19,800
Intergovernmental Payable	3,801	-	-	-	3,801
Deposit Payable	5,276	-	-	-	5,276
Matured Debt Principal Payable	-	-	150,000	-	150,000
Total Liabilities	<u>336,679</u>	<u>-</u>	<u>169,800</u>	<u>59,504</u>	<u>565,983</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>115</u>	<u>-</u>	<u>531</u>	<u>2,145</u>	<u>2,791</u>
FUND BALANCES					
Nonspendable	30,429	-	-	-	30,429
Restricted	131,311	12,984	-	1,018,682	1,162,977
Committed	-	-	471,523	122,708	594,231
Assigned	1,255,087	-	-	-	1,255,087
Unassigned	8,412,573	-	-	-	8,412,573
Total Fund Balances	<u>9,829,400</u>	<u>12,984</u>	<u>471,523</u>	<u>1,141,390</u>	<u>11,455,297</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,166,194</u>	<u>\$ 12,984</u>	<u>\$ 641,854</u>	<u>\$ 1,203,039</u>	<u>\$ 12,024,071</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF YOUNGTOWN, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances for Governmental Funds	\$ 11,455,297
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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	3,334,053	
Infrastructure	17,107,708	
Furniture, Equipment and Vehicles	1,103,828	
Total Capital Assets	23,267,828	
Less: Accumulated Depreciation	(11,393,336)	11,874,492

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

Deferred Outflows of Resources Related to Pensions	321,393
Deferred Outflows of Resources Related to OPEB	6,254
Deferred Inflows of Resources Related to Pensions	(432,627)
Deferred Inflows of Resources Related to OPEB	(34,970)

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	17,492
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Some of the Town's property taxes and other revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.

2,791

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

58,688

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

General Obligation Bonds	(1,350,000)	
Net Pension Liability	(1,731,887)	
Net OPEB Liability	(1,424)	
Compensated Absences Payable	(79,056)	(3,162,367)

Total Net Position of Governmental Activities	\$ 20,106,443
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TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Grants	CFD Debt Service	Nonmajor	Totals
REVENUES					
Taxes:					
Sales Taxes	\$ 2,541,196	\$ -	\$ -	\$ -	\$ 2,541,196
Property Taxes	32,912	-	222,175	107,800	362,887
Franchise Taxes	214,791	-	-	-	214,791
Intergovernmental Revenue	2,150,681	1,145,385	-	532,523	3,828,589
Fines and Forfeits	38,045	-	-	-	38,045
Licenses and Permits	313,279	-	-	-	313,279
Charges for Services	4,543	-	-	-	4,543
Rents and Royalties	38,636	-	-	-	38,636
Contributions and Donations	604	-	-	-	604
Investment Earnings	12,126	1	-	8,296	20,423
Other	18,201	-	-	-	18,201
Total Revenues	5,365,014	1,145,386	222,175	648,619	7,381,194
EXPENDITURES					
Current:					
General Government	1,638,844	-	-	-	1,638,844
Public Safety	1,518,102	1,145,385	-	-	2,663,487
Highways and Streets	-	-	-	488,276	488,276
Culture and Recreation	409,690	-	-	-	409,690
Debt Service:					
Principal Retirement	-	-	150,000	-	150,000
Interest on Long-Term Debt	-	-	39,757	-	39,757
Total Expenditures	3,566,636	1,145,385	189,757	488,276	5,390,054
NET CHANGE IN FUND BALANCES	1,798,378	1	32,418	160,343	1,991,140
Fund Balances - Beginning of Year	8,031,022	12,983	439,105	981,047	9,464,157
FUND BALANCES - END OF YEAR	<u>\$ 9,829,400</u>	<u>\$ 12,984</u>	<u>\$ 471,523</u>	<u>\$ 1,141,390</u>	<u>\$ 11,455,297</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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 1,991,140

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Expenditures for Capital Assets	\$ 303,464	
Depreciation Expense	<u>(675,848)</u>	(372,384)

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

Amortization of Deferred Amounts on the Refunding	(1,944)	
Repayment of Bond Principal	<u>150,000</u>	148,056

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

Pension Contributions	191,287	
Pension Expense	(47,573)	
OPEB Contributions	3,275	
OPEB Expense	<u>6,693</u>	153,682

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, 2021	4,603	
Unavailable Revenue - June 30, 2022	<u>2,791</u>	(1,812)

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

15,033

Change in Net Position of Governmental Activities	\$	<u><u>1,933,715</u></u>
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See accompanying Notes to Basic Financial Statements.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations.

Included within the reporting entity as a blended component unit: 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 areas. 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. Separate financial statements are not issued.

B. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The Town reports the following major governmental funds:

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.

Grants Fund

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

Community Facilities District (CFD)

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

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

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

2. Receivables

Maricopa County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Prepaid Items

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

4. Notes Receivable

The Town has a \$29,533 note receivable outstanding with the Englewood Development Company, Inc. which will be collected over a period of 12 years. The Town will receive \$1,302 a month including principal and interest calculated at 5.5%.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

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

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

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

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

6. Deferred Outflows of Resources

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

7. Compensated Absences

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

8. Long-Term Obligations

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations (Continued)

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

9. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Deferred Inflows of Resources

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

11. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets accounts for all capital assets net of accumulated depreciation, and if applicable debt outstanding related to the acquisition of those assets. Restricted net position accounts for the portion of net position restricted by parties outside the Town. Unrestricted net position is the remaining net position not included in the previous two categories.

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fund Balance Classifications

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

The nonspendable fund balance classification includes amounts that cannot be spent because it is either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on its usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved by the Town's Council, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has authorized the Town Manager and Chief Finance Officer to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. The Town has adopted a fiscal policy that states the unassigned fund balance within the General Fund should remain above \$1 million.

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department and activity. The adopted budget cannot be amended in any way without Town Council approval.
4. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Debt Service Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the state of Arizona's Spending Limitation Law 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.

No supplementary budgetary appropriations were necessary during the year.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following department:

	<u>Amount of Overexpenditure</u>
General Fund:	
Parks	\$ 11,435

Cash was available to cover the overexpenditure above.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2022, consist of the following:

Deposits:	
Cash on Hand	\$ 300
Cash in Bank	4,049,969
Cash on Deposit with Trustee	379,502
Investments:	
State Treasurer's Investment Pool	7,116,774
Total Deposits and Investments	<u>\$ 11,546,545</u>

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank's failure, the Town's deposits may not be returned to the Town. The Town does not have a deposit policy for custodial credit risk. The Town had a carrying value of \$4,049,969 for cash on deposit with local financial institutions and a bank balance of \$4,119,067 at June 30, 2022. Of the bank balance, \$400,247 was insured by federal depository insurance and \$3,718,820 was secured through the Arizona State Treasurer's Office Pooled Collateral Program.

Investments

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

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

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

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

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

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

	<u>Unavailable</u>
Delinquent Property Taxes Receivable:	
(CFD Debt Service Fund)	\$ 531
(Nonmajor Governmental Funds)	2,145
Miscellaneous Revenue	
(General Fund)	<u>115</u>
Total	<u><u>\$ 2,791</u></u>

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,722,239	\$ -	\$ -	\$ 1,722,239
Total Capital Assets, Not Being Depreciated	1,722,239	-	-	1,722,239
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,326,676	7,377	-	3,334,053
Infrastructure	16,909,991	197,717	-	17,107,708
Furniture, Equipment, and Vehicles	1,141,889	98,370	(136,431)	1,103,828
Total Capital Assets, Being Depreciated	21,378,556	303,464	(136,431)	21,545,589
Accumulated Depreciation for:				
Buildings and Improvements	(2,124,178)	(95,609)	-	(2,219,787)
Infrastructure	(7,996,447)	(524,518)	-	(8,520,965)
Furniture, Equipment, and Vehicles	(733,294)	(55,721)	136,431	(652,584)
Total Accumulated Depreciation	(10,853,919)	(675,848)	136,431	(11,393,336)
Total Capital Assets, Being Depreciated, Net	10,524,637	(372,384)	-	10,152,253
Governmental Activities Capital Assets, Net	<u>\$ 12,246,876</u>	<u>\$ (372,384)</u>	<u>\$ -</u>	<u>\$ 11,874,492</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 85,360
Public Safety	25,287
Highways and Streets	519,511
Culture and Recreation	45,690
Total Depreciation Expense, Governmental Activities	<u>\$ 675,848</u>

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Long-Term Obligations

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

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

Description	Maturity	Interest Rate (Percent)	Outstanding at June 30, 2022
CFD Series 2016 General Obligation Bond; Refunding Issue \$2,360,000	7/15/20-30	2.64%	<u>\$ 1,350,000</u>

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities					
CFD General Obligation Bonds					
Refunding Series 2016 (direct placement)	\$ 1,500,000	\$ -	\$ (150,000)	\$ 1,350,000	\$ 155,000
Other Liabilities:					
Compensated Absences	94,089	36,490	(51,523)	79,056	67,198
Net OPEB Liability	5,621	-	(4,197)	1,424	-
Net Pension Liability	2,213,746	-	(481,859)	1,731,887	-
Total Governmental Activities	<u>\$ 3,813,456</u>	<u>\$ 36,490</u>	<u>\$ (687,579)</u>	<u>\$ 3,162,367</u>	<u>\$ 222,198</u>

Debt service requirements on long-term debt at June 30, 2022, are as follows:

Year Ending June 30,	Primary Government Governmental Activities	
	Principal	Interest
2023	\$ 155,000	\$ 35,640
2024	160,000	31,548
2025	160,000	27,324
2026	165,000	23,100
2027	170,000	18,744
2028-2031	540,000	28,776
Totals	<u>\$ 1,350,000</u>	<u>\$ 165,132</u>

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Long-Term Obligations (Continued)

General Obligation Refunding Bonds – Direct Placement. The Agua Fria Ranch CFD Refunding Bonds were issued to refund the 2005 General Obligation Bonds for savings purposes and are backed by ad valorem property taxes levied on all taxable property within the Community Facilities District. Principal and interest payments are due annually and semiannually, respectively.

Property taxes have been pledged for the payment of these Direct Placement notes. The ad valorem tax to be levied for the payment of the Refunding Bonds will be unlimited as to rate, except that the total aggregate of taxes levied to pay principal and interest on the Refunding Bonds in the aggregate will not exceed the total aggregate of principal and interest due on the 2005 General Obligation Bonds from the date of issuance of the Refunding Bonds to the final date of maturity of the 2005 General Obligation Bonds. State law requires the CFD Board annually levy, and cause to be collected, an ad valorem property tax, on all taxable property in the CFD, sufficient to pay debt service. Such taxes will be limited by statutory provisions to an amount which shall not exceed the total aggregate principal and interest requirements coming due.

C. Fund Balance Classification of Governmental Funds

The Town's fund balance classifications are as follows:

	General Fund	Grants	CFD Debt Service	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepays	\$ 896	\$ -	\$ -	\$ -	\$ 896
Notes Receivable	29,533	-	-	-	29,533
Restricted:					
Court Enhancement	131,311	-	-	-	131,311
Highways and Streets	-	-	-	1,018,682	1,018,682
Grants	-	12,984	-	-	12,984
Committed:					
Debt Service	-	-	471,523	-	471,523
Street Lighting Districts	-	-	-	122,708	122,708
Assigned:					
Subsequent Year Budget	1,255,087	-	-	-	1,255,087
Unassigned	8,412,573	-	-	-	8,412,573
Total Fund Balance	<u>\$ 9,829,400</u>	<u>\$ 12,984</u>	<u>\$ 471,523</u>	<u>\$ 1,141,390</u>	<u>\$ 11,455,297</u>

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net Pension Liabilities	\$ 1,731,887
Deferred Outflows of Resources	321,393
Deferred Inflows of Resources	432,627
Pension Expense	47,573

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System

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

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

	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 FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022, state statute required active ASRS members to contribute at the actuarially determined rate of 12.22% of the members' annual covered payroll, and state statute required the Town to contribute at the actuarially determined rate of 12.01% of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.13% 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, 2022, were \$98,340.

During the fiscal year ended June 30, 2022, the Town paid pension contributions as follows: 91% from the General Fund and 9% from Nonmajor funds.

Pension Liability – At June 30, 2022, the Town reported a liability of \$894,804 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5% to 7.0% and changing the projected salary increases from 2.7-7.2% to 2.9-8.4%.

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, 2021. The Town's proportion measured as of June 30, 2021, was 0.00681%, which was a decrease of 0.00050% from its proportion measured as of June 30, 2020.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2022, the Town recognized pension expense for ASRS of \$(7,936). At June 30, 2022, 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	\$ 13,640	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	116,466	283,505
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	-	86,164
Town Contributions Subsequent to the Measurement Date	98,340	-
Total	<u>\$ 228,446</u>	<u>\$ 369,669</u>

The \$98,340 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (58,481)
2024	(20,886)
2025	(62,498)
2026	(97,698)

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

Actuarial Valuation Date	June 30, 2020
Actuarial Roll Forward Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.00%
Projected Salary Increases	2.9% - 8.4%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The long-term expected rate of return on ASRS pension plan investments was determined to be 7% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed Income - Credit	20%	5.20%
Fixed Income - Interest Rate Sensitive	10%	0.70%
Real Estate	20%	5.70%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7%, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's Proportionate Share of the Net Pension Liability	\$ 1,407,451	\$ 894,804	\$ 467,398

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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 nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

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

	Initial Membership Date		
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017	On or after July 1, 2017
<u>Retirement and Disability</u>			
Years of Service and Age Required to Receive Benefit	20 years of service, any age 15 years of service, age 62	25 years of service, or 15 years of credited service, age 52.5	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final Average Salary is Based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit Percent:			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
<u>Survivor Benefit</u>			
Retired Members	80% to 100% of retired member's pension benefit		
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

*With actuarially reduced benefits.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

Employees Covered by Benefit Terms – At June 30, 2022, the following employees were covered by the agent pension plans' benefit terms:

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

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

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

For the period ending June 30, 2022, the Town's contributions to the pension plan were \$92,947. The pension plan contributions were paid 100% from the General Fund.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Liability – At June 30, 2022, the Town reported the following net pension liability:

	Net Pension Liability
PSPRS Police	\$ 837,083

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

PSPRS Contribution Requirements

Actuarial Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.3%
Wage Inflation	3.5%
Price Inflation	2.5%
Cost-of-Living Adjustment	1.75%
Mortality Rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2017.

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Public Equity	24 %	4.08 %
International Equity	16	5.20
Global Private Equity	20	7.67
Other Assets (Capital Appreciation)	7	5.43
Core Bonds	2	0.42
Private Credit	20	5.74
Diversifying Strategies	10	3.99
Cash -Mellon	1	(0.31)
Total	<u>100 %</u>	

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

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

At June 30, 2021, the discount rate used to measure the PSPRS total pension liability was 7.3%. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

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

	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance - June 30, 2021	\$ 1,402,502	\$ 455,325	\$ 947,177
Changes for the Year:			
Interest on the Total Pension Liability	98,323	-	98,323
Differences Between Expected and Actual Experience in Measurement of the Pension Liability	7,577	-	7,577
Contributions - Employer	-	82,906	(82,906)
Net Investment Income	-	133,728	(133,728)
Benefit Payments, Including Refunds of Employee Contributions	(111,220)	(111,220)	-
Administrative Expenses	-	(640)	640
Net Changes	(5,320)	104,774	(110,094)
Balances - June 30, 2022	<u>\$ 1,397,182</u>	<u>\$ 560,099</u>	<u>\$ 837,083</u>

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

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police:			
Rate	6.30%	7.30%	8.30%
Net Pension Liability	\$ 967,898	\$ 837,083	\$ 724,526

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

Pension Expense – For the year ended June 30, 2022, the Town recognized the following pension expense:

	Pension Expense
PSPRS Police	\$ 55,509

Pension Deferred Outflows/Inflows of Resources – At June 30, 2022, 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	\$ -	\$ 62,958
Town Contributions Subsequent to the Measurement Date	92,947	-
Total	<u>\$ 92,947</u>	<u>\$ 62,958</u>

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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>	PSPRS Police
2023	\$ (13,833)
2024	(13,838)
2025	(14,978)
2026	(20,309)

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COST-SHARING PENSION PLANS
JUNE 30, 2022

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Town's Proportion of the Net Pension Liability	0.00681%	0.00731%	0.00806%	0.00858%	0.00774%	0.00768%	0.00700%	0.00777%
Town's Proportionate Share of the Net Pension Liability	\$ 894,804	\$ 1,266,569	\$ 1,172,826	\$ 1,196,608	\$ 1,205,741	\$ 1,239,629	\$ 1,090,364	\$ 1,150,357
Town's Covered Payroll	\$ 765,159	\$ 788,218	\$ 859,739	\$ 974,969	\$ 839,061	\$ 689,809	\$ 656,855	\$ 697,757
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	116.94%	160.69%	136.42%	122.73%	143.70%	179.71%	166.00%	175.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S
NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
YEAR ENDED JUNE 30, 2022**

PSPRS Police

	Reporting Fiscal Year (Measurement Date)						
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total Pension Liability							
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,105
Interest on the Total Pension Liability	98,323	98,474	97,334	96,374	92,504	113,410	121,502
Changes of Benefit Terms	-	-	-	-	17,194	(166,469)	-
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	7,577	9,589	11,264	25,704	6,162	(71,694)	(94,679)
Changes of Assumptions or Other Inputs	-	-	33,000	-	60,208	47,985	-
Benefit Payments, Including Refunds of Employee Contributions	(111,220)	(109,039)	(106,901)	(111,296)	(102,912)	(166,198)	(108,731)
Net Change in Total Pension Liability	(5,320)	(976)	34,697	10,782	73,156	(242,966)	(66,803)
Total Pension Liability - Beginning	1,402,502	1,403,478	1,368,781	1,357,999	1,284,843	1,527,809	1,594,612
Total Pension Liability - Ending (a)	1,397,182	1,402,502	1,403,478	1,368,781	1,357,999	1,284,843	1,594,612
Plan Fiduciary Net Position							
Contributions - Employer	82,906	125,098	-	51,475	76,064	70,420	35,339
Contributions - Employee	-	-	-	-	-	3,922	6,259
Net Investment Income	133,728	5,604	28,339	37,512	61,804	3,410	22,563
Benefit Payments, Including Refunds of Employee Contributions	(111,220)	(109,039)	(106,901)	(111,296)	(102,912)	(166,198)	(108,731)
Administrative Expenses	(640)	(457)	(1,493)	(1,271)	(947)	(891)	(919)
Other Changes	-	-	-	7	9	6	(57,709)
Net Change in Plan Fiduciary Net Position	104,774	21,206	(80,055)	(23,573)	34,018	(89,331)	(103,198)
Plan Fiduciary Net Position - Beginning	455,325	434,119	514,174	537,747	503,729	593,060	696,258
Plan Fiduciary Net Position - Ending (b)	560,099	455,325	434,119	514,174	537,747	503,729	593,060
Town's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 837,083	\$ 947,177	\$ 969,359	\$ 854,607	\$ 820,252	\$ 781,114	\$ 934,749
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.09%	32.47%	30.93%	37.56%	39.60%	39.21%	38.82%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,641
Town's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	1650.30%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2022**

Arizona State Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 98,340	\$ 89,141	\$ 90,251	\$ 94,810	\$ 88,958	\$ 81,379	\$ 77,986	\$ 76,516	\$ 74,987
Town's Contribution in Relation to the Statutorily Required Contribution	98,340	89,141	90,251	94,810	88,958	81,379	77,986	76,516	74,987
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 818,818	\$ 765,159	\$ 788,218	\$ 859,739	\$ 974,969	\$ 839,061	\$ 689,809	\$ 656,855	\$ 697,757
Town's Contributions as a Percentage of Covered Payroll	12.01%	11.65%	11.45%	11.03%	9.12%	9.70%	11.31%	11.65%	10.75%

PSPRS Police

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 92,947	\$ 82,906	\$ 65,258	\$ 59,840	\$ 51,475	\$ 76,064	\$ 70,420	\$ 36,527	\$ 29,173
Town's Contribution in Relation to the Actuarially Determined Contribution	92,947	82,906	125,098	-	51,475	76,064	70,420	36,527	29,173
Town's Contribution Deficiency (Excess)	\$ -	\$ -	\$ (59,840)	\$ 59,840	\$ -	\$ -	\$ -	\$ -	\$ -
	* Amount was not applied by PSPRS until 2020								
Town's Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,641	\$ 56,576	\$ 55,994
Town's Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	124.33%	64.56%	52.10%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION SCHEDULES
JUNE 30, 2022**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial Cost Method	Entry age normal
Amortization Level	Members with initial membership date before July 1, 2017: Level percent-of-pay, closed. Members with initial membership on or after July 1, 2017: Level dollar closed.
Remaining Amortization Period as of the 2019 Actuarial Valuation	Members with initial membership date before July 1, 2017, 20 years. Members with initial membership on or after July 1, 2017: 10 years.
Asset Valuation Method	Members with initial membership date before July 1, 2017: 7-year smoothed market value; 80%/120% market corridor. Members with an initial membership date after July 1, 2017: 5-year smoothed market value; 80%/120% market corridor.
Actuarial Assumptions: Investment Rate of Return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. Members with initial membership on or after July 1, 2017: 7.85%.
Projected Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.
Wage Growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

NOTE 2 INFORMATION PRIOR TO THE MEASUREMENT DATE

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

TOWN OF YOUNGTOWN, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes:				
Sales Taxes	\$ 2,007,121	\$ 2,007,121	\$ 2,541,196	\$ 534,075
Property Taxes	26,500	26,500	32,912	6,412
Franchise Taxes	203,262	203,262	214,791	11,529
Intergovernmental Revenue	2,836,655	2,836,655	2,150,681	(685,974)
Fines and Forfeits	49,700	49,700	38,045	(11,655)
Licenses and Permits	112,500	112,500	313,279	200,779
Charges for Services	6,500	6,500	4,543	(1,957)
Rents and Royalties	37,200	37,200	38,636	1,436
Contributions and Donations	6,000	6,000	604	(5,396)
Investment Earnings	11,000	11,000	12,126	1,126
Other	62,000	62,000	18,201	(43,799)
Total Revenues	5,358,438	5,358,438	5,365,014	6,576
EXPENDITURES				
Current:				
General Government:				
General Government	3,550,764	3,520,597	1,231,923	2,288,674
Municipal Court	220,034	220,034	211,702	8,332
Buildings	180,414	195,221	195,219	2
Total General Government	3,951,212	3,935,852	1,638,844	2,297,008
Public Safety:				
Building Safety	463,022	463,022	335,407	127,615
Public Safety	1,976,208	1,976,208	1,182,695	793,513
Total Public Safety	2,439,230	2,439,230	1,518,102	921,128
Highways and Streets				
Public Works	200,000	200,000	-	200,000
Total Highways and Streets	200,000	200,000	-	200,000
Culture and Recreation:				
Parks	223,748	239,108	250,543	(11,435)
Library	352,751	352,751	159,147	193,604
Total Culture and Recreation	576,499	591,859	409,690	182,169
Total Expenditures	7,166,941	7,166,941	3,566,636	3,600,305
NET CHANGE IN FUND BALANCE	(1,808,503)	(1,808,503)	1,798,378	3,606,881
Fund Balance - Beginning of Year	1,808,503	1,808,503	8,031,022	6,222,519
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,829,400</u>	<u>\$ 9,829,400</u>

See accompanying Note to Budgetary Comparison Schedules.

TOWN OF YOUNGTOWN, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	3,561,700	\$ 1,145,385	\$ (2,416,315)
Investment Earnings	-	1	1
Total Revenues	3,561,700	1,145,386	(2,416,314)
EXPENDITURES			
Current:			
Public Safety	3,011,700	1,145,385	1,866,315
Highways and Streets	350,000	-	350,000
Culture and Recreation	200,000	-	200,000
Total Expenditures	3,561,700	1,145,385	2,416,315
NET CHANGE IN FUND BALANCE	-	1	1
Fund Balance - Beginning of Year	-	12,983	12,983
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 12,984</u>	<u>\$ 12,984</u>

See accompanying Note to Budgetary Comparison Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
NOTE TO THE BUDGETARY COMPARSION SCHEDULES
YEAR ENDED JUNE 30, 2022**

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.

