

TOWN OF YOUNGTOWN, ARIZONA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2015

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Youngtown, Arizona (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Youngtown, Arizona as of June 30, 2015, 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.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the Town of Youngtown, Arizona adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statements No. 68 and No.71, the Town of Youngtown, Arizona reported a restatement for the change in accounting principle (see Note 3.D.) Our auditors’ opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 3 - 10, the pension schedules on pages 45 – 50, and the budgetary comparison information on pages 51 - 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

We (the Town of Youngtown, Arizona (Town)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2015. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the Town of Youngtown, Arizona at the close of the most recent fiscal year exceed liabilities and deferred inflows of resources by \$12,913,516 (net position). Of this amount, \$2,879,812 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town of Youngtown, Arizona's governmental funds reported combined ending fund balances of \$5,455,260, an increase of \$517,613 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,230,347 or 142% of total General Fund expenditures.
- ◆ General Fund actual revenues were more than budgeted revenues (on a budgetary basis) by \$117,822 for fiscal year 2014-2015. In addition, budgetary basis expenditures were only 77% (23% in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$395,680 representing a positive variance from the final budget.
- ◆ The Town includes a separate legal entity in its report - a Community Facilities District. Although legally separate, this "component unit" is important because the Town is financially accountable for this entity. A description of this component unit is available in Note 1 on page 17. Separate financial statements are not available for this entity.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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

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

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

Fund Financial Statements

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

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

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

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements may be found on pages 17 - 44 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 51 - 53. Additionally, governments are required to disclose certain information about employee pension and other postemployment benefit plans. The Town has disclosed this information on pages 45 - 50.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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, 2015 showing that assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$12,913,516.

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

	Governmental Activities	
	2015	(Restated) 2014
ASSETS		
Current and Other Assets	\$ 5,805,348	\$ 5,333,261
Capital Assets		
Non-Depreciable	2,000,866	1,781,620
Depreciable (Net)	10,334,486	10,688,280
Total Assets	18,140,700	17,803,161
Deferred Outflows of Resources	166,824	104,160
LIABILITIES		
Other Liabilities	2,394,982	348,375
Non-Current Liabilities		
Due within One Year	155,583	144,645
Due in More than One Year	2,556,279	4,511,099
Total Liabilities	5,106,844	5,004,119
Deferred Inflows of Resources	287,164	-
NET POSITION		
Net Investment in Capital Assets	9,665,352	9,684,900
Restricted	368,352	337,206
Unrestricted	2,879,812	2,776,936
Total Net Position	\$ 12,913,516	\$ 12,799,042

The net position of the Town is \$12,913,516 at the end of the fiscal year 2015. 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 (75%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding). The Town of Youngtown, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

An additional portion of the Town of Youngtown, Arizona's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$2,879,812) 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	
	2015	(Restated) 2014
REVENUES		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 152,108	\$ 179,912
Operating Grants and Contributions	400,452	372,867
Capital Grants and Contributions	93,043	62,702
General Revenues:		
Property Taxes	411,794	414,506
Local Taxes	1,632,219	1,621,649
State Shared Revenues	1,542,786	1,441,478
Investment Earnings	14,009	15,284
Other	33,405	686
Total Revenues	<u>4,279,816</u>	<u>4,109,084</u>
EXPENSES		
General Government	1,533,381	1,553,431
Public Safety	1,635,467	1,098,554
Highways and Streets	601,785	773,291
Culture and Recreation	239,026	249,938
Interest on Long-Term Debt	155,683	161,182
Total Expenses	<u>4,165,342</u>	<u>3,836,396</u>
CHANGE IN NET POSITION	114,474	272,688
Net Position - Beginning of Year, Restated	<u>12,799,042</u>	<u>12,526,354</u>
NET POSITION - END OF YEAR	<u><u>\$ 12,913,516</u></u>	<u><u>\$ 12,799,042</u></u>

Program revenues which consist of fees, fines and charges for services, operating grants and contributions and capital grants and contributions increased from the prior year by \$30,122.

Fees, fines and charges for services decreased by \$27,804 due to a decreased number of fines and citations.

Operating grants and contributions increased by \$27,585. This increase was due to an increase in HURF funding.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Capital grants and contributions increased by \$30,341 due to an increase in CMAQ funding for the Peoria alignment project.

Property taxes decreased by \$2,712. This decrease was due to a decrease in the property tax rates and collections for the North Youngtown Street Lighting District.

Local taxes increased by \$10,570 due to the gradual pickup in the economy and increased sales tax revenue.

State shared revenues increased by \$101,308 due to an increase in the Town's share of urban revenue sharing revenues allocation, HURF sales tax collections, state sales tax collections, and vehicle license tax collections.

Investment earnings decreased by \$1,275 due to a decrease in interest rates.

The Town's expenses increased by 9% mainly due to an increase in the amount paid to the Maricopa County Sheriff's Office for patrol services and the amount paid for consulting services.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund, Special Revenue Funds and Debt Service Fund.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$5,455,260, an increase of \$517,613 in comparison with the prior year. Approximately 82% of this total amount (\$4,490,617) constitutes General Fund balance, which is available for contribution to the committed, assigned and unassigned fund balance. At fiscal year end June 30, 2015 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase From 2013-14
General Fund	\$ 4,490,617	\$ 395,680
Highway User Revenue Fund (HURF)	211,115	97,840
CFD Debt Service Fund	696,816	19,956
Nonmajor Governmental Funds	56,712	4,137

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The General Fund is the chief operating fund of the Town of Youngtown, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$4,490,617, while total fund balance reached \$5,455,260. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund fund balance and total Town fund balance to total General Fund expenditures and total town expenditures. General Fund fund balance represents 151% of total General Fund expenditures, while total Town fund balance represents 143% of total Town governmental expenditures.

The fund balance of the Town of Youngtown, Arizona's General Fund increased by \$395,680 during the current fiscal year. The increase was due to an increase in state shared funding.

The fund balance of the Town of Youngtown, Arizona's HURF Fund increased \$97,840 due to an increase in grant revenues.

The CFD Debt Service Fund fund balance increased as the Town levied property tax monies to cover the debt service payments for the principal and interest expenditures of the debt service bond. The levied funds exceeded the debt service payments by \$19,956 which accounted for the increase.

Nonmajor Governmental Funds of the Town of Youngtown, Arizona are combined into one column on the governmental fund statements. The increase of \$4,137 was not significant for the fiscal year.

BUDGETARY HIGHLIGHTS

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found as part of RSI on pages 51-53. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$3,369,895, on a budgetary basis, were more than budgeted revenues of \$3,252,073 by \$117,822 while budgetary basis expenditures of \$2,974,215 were only 77% of budgeted expenditures (savings of \$877,611). 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, 2015 amount to \$12,335,352 (net of accumulated depreciation), a net decrease of 1.1% from the prior year. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 3.A.3 in the notes to the basic financial statements for further information regarding capital assets.

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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

- ◆ Peoria Avenue street improvements.
- ◆ Street Sealing

The following table provides a breakdown of the capital assets of the Town at June 30, 2015 and 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 1,722,239	\$ 1,722,239
Construction in Progress	278,627	59,381
Buildings and Improvements	1,649,933	1,758,332
Infrastructure	8,575,933	8,782,079
Furniture, Equipment, and Vehicles	108,620	147,869
Total Capital Assets	<u>\$ 12,335,352</u>	<u>\$ 12,469,900</u>

Long-Term Debt

The following schedule shows the outstanding obligations of the Town (both current and long term) as of June 30, 2015 and 2014. Further detail on the Town's outstanding obligations may be found in Note 3.B.

**Table A-5
Outstanding Debt**

	Governmental Activities	
	2015	2014
General Obligation Bonds	\$ 2,670,000	\$ 2,785,000
Compensated Absences Payable	41,862	34,876
Total Outstanding Debt	<u>\$ 2,711,862</u>	<u>\$ 2,819,876</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

**TOWN OF YOUNGTOWN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

REQUESTS FOR INFORMATION

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

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

Or visit our website at: www.youngtownaz.org

BASIC FINANCIAL STATEMENTS

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TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Deposits and Investments	\$ 5,300,372
Receivables, Net:	
Accounts Receivable	46,260
Taxes Receivable	6,582
Intergovernmental Receivables	336,012
Notes Receivable	110,741
Prepaid Items	5,381
Capital Assets:	
Non-Depreciable	2,000,866
Depreciable (Net)	10,334,486
Total Assets	18,140,700
 Deferred Outflows of Resources	 166,824
LIABILITIES	
Accounts Payable	113,248
Accrued Wages and Benefits	33,009
Interest Payable	77,841
Intergovernmental Payable	7,173
Matured Debt Principal Payable	115,000
Noncurrent Liabilities:	
Net Pension Liability	2,048,711
Due Within One Year	155,583
Due in More Than One Year	2,556,279
Total Liabilities	5,106,844
 Deferred Inflows of Resources	 287,164
NET POSITION	
Net Investment in Capital Assets	9,665,352
Restricted for:	
Court Enhancement	146,248
Highways and Streets	211,115
Other	10,989
Unrestricted	2,879,812
Total Net Position	\$ 12,913,516

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

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	\$ 1,533,381	\$ 144,386	\$ -	\$ -	\$ (1,388,995)
Public Safety	1,635,467	-	2	-	(1,635,465)
Highways and Streets	601,785	-	400,450	93,043	(108,292)
Culture and Recreation	239,026	7,722	-	-	(231,304)
Interest and Fiscal Charges	155,683	-	-	-	(155,683)
Total Governmental Activities	<u>\$ 4,165,342</u>	<u>\$ 152,108</u>	<u>\$ 400,452</u>	<u>\$ 93,043</u>	<u>(3,519,739)</u>
General Revenues:					
Taxes:					
					1,435,658
					411,794
					196,561
					745,222
					562,589
					234,975
					14,009
					33,405
					<u>3,634,213</u>
					114,474
					<u>12,799,042</u>
					<u>\$ 12,913,516</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	HURF	CFD Debt Service	Nonmajor	Totals
Assets					
Deposits and Investments	\$ 4,229,594	\$ 178,085	\$ 191,078	\$ 4,269	\$ 4,603,026
Cash and Investments Held by Trustee	-	-	697,346	-	697,346
Receivables:					
Accounts Receivable	46,260	-	-	-	46,260
Taxes Receivable	-	-	2,939	3,643	6,582
Intergovernmental Receivables	248,557	35,667	-	51,788	336,012
Notes Receivable	110,741	-	-	-	110,741
Prepaid Items	3,281	2,100	-	-	5,381
Total Assets	<u>\$ 4,638,433</u>	<u>\$ 215,852</u>	<u>\$ 891,363</u>	<u>\$ 59,700</u>	<u>\$ 5,805,348</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts Payable	\$ 107,948	\$ 4,302	\$ -	\$ 998	\$ 113,248
Accrued Wages and Benefits	32,574	435	-	-	33,009
Interest Payable	-	-	77,841	-	77,841
Intergovernmental Payable	7,173	-	-	-	7,173
Matured Debt Principal Payable	-	-	115,000	-	115,000
Total Liabilities	<u>147,695</u>	<u>4,737</u>	<u>192,841</u>	<u>998</u>	<u>346,271</u>
Deferred Inflows of Resources:					
Unavailable Revenue	121	-	1,706	1,990	3,817
Fund Balances:					
Nonspendable	114,022	2,100	-	-	116,122
Restricted	146,248	209,015	-	10,989	366,252
Committed	-	-	696,816	45,723	742,539
Unassigned	4,230,347	-	-	-	4,230,347
Total Fund Balances	<u>4,490,617</u>	<u>211,115</u>	<u>696,816</u>	<u>56,712</u>	<u>5,455,260</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,638,433</u>	<u>\$ 215,852</u>	<u>\$ 891,363</u>	<u>\$ 59,700</u>	<u>\$ 5,805,348</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF YOUNGTOWN, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances for Governmental Funds \$ 5,455,260

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	
Construction in Progress	278,627	
Buildings and Improvements	3,152,062	
Infrastructure	13,798,723	
Furniture, Equipment and Vehicles	819,150	
Total Capital Assets	19,770,801	
Less: Accumulated Depreciation	(7,435,449)	12,335,352

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

Deferred Outflows of Resources Related to Pensions		166,824
Deferred Inflows of Resources Related to Pensions		(287,164)

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

3,817

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

General Obligation Bonds	(2,670,000)	
Net Pension Liability	(2,048,711)	
Compensated Absences Payable	(41,862)	(4,760,573)

Total Net Position of Governmental Activities \$ 12,913,516

TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	HURF	CFD Debt Service	Nonmajor	Totals
Revenue:					
Taxes:					
Sales Taxes	\$ 1,435,658	\$ -	\$ -	\$ -	\$ 1,435,658
Property Taxes	20,276	-	290,633	102,234	413,143
Franchise Taxes	196,561	-	-	-	196,561
Intergovernmental Revenue	1,542,786	442,523	-	93,045	2,078,354
Fines and Forfeits	76,950	-	-	-	76,950
Licenses and Permits	67,436	-	-	-	67,436
Charges for Services	7,722	-	-	-	7,722
Contributions and Donations	6,180	-	-	-	6,180
Investment Earnings	12,586	1,417	6	-	14,009
Other	3,740	23,485	-	-	27,225
Total Revenue	<u>3,369,895</u>	<u>467,425</u>	<u>290,639</u>	<u>195,279</u>	<u>4,323,238</u>
Expenditures:					
Current:					
General Government	1,437,134	-	-	-	1,437,134
Public Safety	1,288,354	-	-	-	1,288,354
Highways and Streets	79,310	369,585	-	191,142	640,037
Culture and Recreation	169,417	-	-	-	169,417
Debt Service:					
Principal Retirement	-	-	115,000	-	115,000
Interest on Long-Term Debt	-	-	155,683	-	155,683
Total Expenditures	<u>2,974,215</u>	<u>369,585</u>	<u>270,683</u>	<u>191,142</u>	<u>3,805,625</u>
Excess of Revenue Over Expenditures	395,680	97,840	19,956	4,137	517,613
Fund Balance:					
Beginning of Year	4,094,937	113,275	676,860	52,575	4,937,647
End of Year	<u>\$ 4,490,617</u>	<u>\$ 211,115</u>	<u>\$ 696,816</u>	<u>\$ 56,712</u>	<u>\$ 5,455,260</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, 2015**

Net Change in Fund Balances-Total Governmental Funds \$ 517,613

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

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

Expenditures for Capital Assets	\$ 402,744	
Depreciation Expense	<u>(534,253)</u>	(131,509)

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

Disposal of Capital Assets		(3,039)
----------------------------	--	---------

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:

Repayment of Bond Principal		115,000
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Governmental fund report Town pension contributions as expenditures when made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.

Pension Contributions	108,360	
Pension Expense	<u>(441,543)</u>	(333,183)

Grants and deferred 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, 2014	47,239	
Unavailable Revenue - June 30, 2015	<u>3,817</u>	(43,422)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During fiscal year 2015, compensated absence payable changed.

(6,986)

Change in Net Position of Governmental Activities		<u>\$ 114,474</u>
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See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, both of which provide financial reporting guidance for reporting pension liabilities and expenses.

A. Financial Reporting Entity

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

Included within the reporting entity:

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

B. Government-Wide and Fund Financial Statements

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

Major Governmental Funds

General Fund

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Governmental Funds (Continued)

Highway User Revenue Fund (HURF)

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

Community Facilities District (CFD)

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

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

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

1. Deposits and Investments

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

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

2. Receivables

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Prepaid Items

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

4. Notes Receivable

The Town has a \$110,741 note receivable outstanding with the Englewood Development Company, Inc. which will be paid back over a period of 12 years. The Town will receive \$1,302 a month including principal and interest calculated at 5.5%.

5. Capital Assets

Capital assets, which include land, buildings, improvements, furniture, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

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

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

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

6. Deferred Outflows of Resources

The Town recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB Statement No. 68.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences

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

8. Long-Term Obligations

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

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

9. Pension Plans

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

10. Deferred Inflows of Resources

The Town recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB Statement No. 68 and in connection with receivables for revenues that are not considered to be measurable and available to liquidate liabilities of the current period.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Position

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

12. Fund Balance Classifications

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

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

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

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

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fund Balance Classifications (Continued)

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2015 consist of the following:

Deposits:	
Cash on Hand	\$ 550
Cash in Bank	523,439
Investments:	
Cash on Deposit with Trustee	697,346
State Treasurer's Investment Pool	4,079,037
Total Deposits and Investments	<u>\$ 5,300,372</u>

Deposits

The Town had a carrying value of \$523,439 for cash on deposit with a local financial institution and a bank balance of \$698,350 at June 30, 2015. Of the bank balance, \$407,861 was insured by federal depository insurance, and the remaining \$290,489 was secured by pledged collateral. Therefore, the Town's deposits were not exposed to any custodial credit risk.

Investments

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The 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. Cash on deposit with trustee is held in trust for the Town under a Trust Agreement with Wells Fargo Bank. The funds held in trust are invested in money market funds, are valued at cost, and are invested in cash and cash equivalents and U.S. Treasury Bills. The funds are not subject to credit risk or interest rate risk. The Town's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national agency.

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

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

2. Receivables

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

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

TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables (Continued)

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

	<u>Unavailable</u>
Delinquent Property Taxes Receivable:	
(CFD Debt Service Fund)	\$ 1,706
(Nonmajor Governmental Funds)	1,990
Miscellaneous Revenue	
(General Fund)	121
	\$ 3,817

3. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,722,239	\$ -	\$ -	\$ 1,722,239
Construction in Progress	59,381	219,246	-	278,627
Total Capital Assets, Not Being Depreciated	1,781,620	219,246	-	2,000,866
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,146,957	5,105	-	3,152,062
Infrastructure	13,620,330	178,393	-	13,798,723
Furniture, Equipment, and Vehicles	1,081,657	-	(262,507)	819,150
Total Capital Assets, Being Depreciated	17,848,944	183,498	(262,507)	17,769,935
Accumulated Depreciation for:				
Buildings and Improvements	(1,388,625)	(113,504)	-	(1,502,129)
Infrastructure	(4,838,251)	(384,539)	-	(5,222,790)
Furniture, Equipment, and Vehicles	(933,788)	(36,210)	259,468	(710,530)
Total Accumulated Depreciation	(7,160,664)	(534,253)	259,468	(7,435,449)
Total Capital Assets, Being Depreciated, Net	10,688,280	(350,755)	(3,039)	10,334,486
Governmental Activities Capital Assets, Net	\$ 12,469,900	\$ (131,509)	\$ (3,039)	\$ 12,335,352

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 91,429
Public Safety	4,433
Highways and Streets	357,929
Culture and Recreation	<u>80,462</u>
Total Depreciation Expense, Governmental Activities	<u><u>\$ 534,253</u></u>

B. Long-Term Obligations

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

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

Description	Maturity	Interest Rate (%)	Outstanding at June 30, 2015
CFD Series 2005 General Obligation Bonds; Original Issue \$3,450,000	7/15/15-30	2.00-3.50%	<u><u>\$ 2,670,000</u></u>

Changes in long-term obligations for the year ended June 30, 2015 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
CFD General Obligation Bonds	\$ 2,785,000	\$ -	\$ (115,000)	\$ 2,670,000	\$ 120,000
Other Liabilities:					
Compensated Absences	34,876	49,435	(42,449)	41,862	35,583
Total Governmental Activities	<u><u>\$ 2,819,876</u></u>	<u><u>\$ 49,435</u></u>	<u><u>\$ (157,449)</u></u>	<u><u>\$ 2,711,862</u></u>	<u><u>\$ 155,583</u></u>

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2015 are as follows:

Year	Governmental Activities	
	Principal	Interest
2016	120,000	149,932
2017	125,000	143,632
2018	130,000	137,070
2019	140,000	130,244
2020	145,000	122,896
2021-2025	865,000	484,034
2026-2030	1,145,000	206,480
Totals	<u>\$ 2,670,000</u>	<u>\$ 1,374,288</u>

C. Fund Balance Classification of Governmental Funds

The Town's fund balance classifications are as follows:

	General Fund	HURF	CFD Debt Service	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepays	\$ 3,281	\$ 2,100	\$ -	\$ -	\$ 5,381
Notes Receivable	110,741	-	-	-	110,741
Restricted:					
Court Enhancement	146,248	-	-	-	146,248
Highways and Streets	-	166,121	-	-	166,121
Transit Grants	-	42,894	-	-	42,894
Grants	-	-	-	10,989	10,989
Committed:					
Debt Service	-	-	696,816	-	696,816
Street Lighting Districts	-	-	-	45,723	45,723
Unassigned:					
Total Fund Balance	<u>4,230,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,230,347</u>
	<u>\$ 4,490,617</u>	<u>\$ 211,115</u>	<u>\$ 696,816</u>	<u>\$ 56,712</u>	<u>\$ 5,455,260</u>

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Change in Accounting Principle

During the year ended June 30, 2015, the Town of Youngtown, Arizona adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71. *Pension Transition for Contributions Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities as shown as follows:

	<u>Net Position as Previously Stated</u>	<u>Cumulative Affect of Application of GASB 68 Net Pension Liability</u>	<u>Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for Town Contributions Made During 2013-14</u>	<u>Net Position As Restated</u>
Governmental Activities	\$ 14,634,910	\$ (1,940,028)	\$ 104,160	\$ 12,799,042

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans

Cost Sharing and Agent Multiple Employer Pension Plans

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

At June 30, 2015, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net Pension Assets	\$ -
Net Pension Liabilities	2,048,711
Deferred Outflows of Resources	166,824
Deferred Inflows of Resources	287,164
Pension Expense	441,543

The Town reported accrued payroll and employee benefits of \$6,832 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also the Town reported \$108,360 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

Arizona State Retirement System (Continued)

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of years and age equals 80 10 years age 62 5 year 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 survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60% (11.48% for retirement and 0.12% for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.60% (10.89% for retirement, 0.59% for the health insurance premium benefit, and 0.12% for long-term disability) of the active members’ annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.57% (9.51% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS. The Town’s contributions to the pension plan for the year ended June 30, 2015, were \$76,516. The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2015	\$ 3,892	\$ 792
2014	4,201	1,680
2013	4,929	1,820

During the fiscal year ended June 30, 2015, the Town paid for ASRS pension and OPEB contributions as follows: 91% from the General Fund and 9% from HURF.

Pension Liability – At June 30, 2015, the Town reported a liability of \$1,150,357 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The Town's reported liability at June 30, 2015, decreased by \$220,208 from the Town's prior year liability of \$1,370,565 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The Town's proportion of the net pension liability was based on the Town's FY 2014 contributions. The Town's proportion measured as of June 30, 2014, was 0.007774%, which was a decrease of 0.00047 from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$51,996. At June 30, 2015, 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	\$ 58,464	\$ -
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	201,162
Changes in Proportion and Differences between Town Contributions and Proportionate Share of Contributions	-	54,519
Town Contributions Subsequent to the Measurement Date	71,833	-
Total	\$ 130,297	\$ 255,681

The \$71,833 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (48,575)
2017	(48,575)
2018	(49,776)
2019	(50,291)

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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

Actuarial Valuation Date	June 30, 2013
Actuarial Roll Forward Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3.00% - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's Proportionate Share of the Net Pension Liability	\$ 1,453,992	\$ 1,150,357	\$ 985,619

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

Public Safety Personnel Retirement System (PSPRS)

Plan Description – Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues publicly available financial reports that include financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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

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

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

Employees Covered by Benefit Terms – At June 30, 2015, 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	3
Active Employees	1
Total	7

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police
Active Members - Pension	11.05%
Town:	
Pension	62.39%
Health Insurance Premium Benefit	3.19%

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Police
Pension:	
Contributions Made	\$ 36,527
Health Insurance Premium Benefit:	
Annual OPEB Cost	1,997
Contributions Made	1,997

During the fiscal year 2015, the Town paid for PSPRS pension and OPEB contributions 100% from the General Fund.

Pension Liability – At June 30, 2015, the Town reported the following net pension liabilities:

	Net Pension Liability
PSPRS Police	\$ 898,354

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, PSPRS plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5% to 4.0%.

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.85%
Projected Salary Increases	4.0% - 8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-Term Investments	2%	3.25%
Absolute Return	4%	6.75%
Risk Parity	4%	6.04%
Fixed Income	7%	4.75%
Real Assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real Estate	11%	6.50%
Credit Opportunities	13%	8.00%
Non-U.S. Equity	14%	8.63%
U.S. Equity	16%	7.60%
Total	100%	

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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

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

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

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

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2014	\$ 1,323,011	\$ 753,548	\$ 569,463
Changes for the Year:			
Service Cost	15,074	-	15,074
Interest on the Total Pension Liability	100,264	-	100,264
Changes of Benefit Terms	72,959	-	72,959
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(113,041)	-	(113,041)
Changes of Assumptions or Other Inputs	302,947		302,947
Contributions - Employer	-	29,173	(29,173)
Contributions - Employee	-	5,795	(5,795)
Net Investment Income	-	94,394	(94,394)
Benefit Payments, Including Refunds of Employee Contributions	(106,602)	(106,602)	-
Administrative Expenses	-	(760)	760
Other Changes	-	(79,290)	79,290
Net Changes	271,601	(57,290)	328,891
Balances as of June 30, 2015	\$ 1,594,612	\$ 696,258	\$ 898,354

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police:			
Rate	6.85%	7.85%	8.85%
Net Pension Liability	\$ 1,058,546	\$ 898,354	\$ 762,562

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

Pension Expense – For the year ended June 30, 2015, the Town recognized the following pension expense:

	Pension Expense
PSPRS Police	\$ 389,547

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, 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	\$ -	\$ 31,483
Town Contributions Subsequent to the Measurement Date	36,527	-
Total	<u>\$ 36,527</u>	<u>\$ 31,483</u>

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PSPRS Police</u>
2016	\$ (7,871)
2017	(7,871)
2018	(7,871)
2019	(7,870)

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

PSPRS Contribution Requirements

Actuarial Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.5% - 8.5%
Wage Growth	4.50%

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

<u>Year Ended June 30.</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS Police:			
2015	\$ 1,997	100.00%	\$ -
2014	1,977	100.00	-
2013	5,033	100.00	-

Agent Plan OPEB Funded Status – The funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2014 is as follows:

	<u>Police</u>
Actuarial Value of Assets (a)	\$ 53,685
Actuarial Accrued Liability (b)	10,380
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	(43,305)
Funded Ratio (a) / (b)	517.20%
Annual Covered Payroll (c)	55,994
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	-77.34%

**TOWN OF YOUNGTOWN, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

PSPRS

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.00%

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

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**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
COST-SHARING PENSION PLANS
JUNE 30, 2015**

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)
	<u>2015</u> <u>(2014)</u>
Town's Proportion of the Net Pension Liability	0.007774%
Town's Proportionate Share of the Net Pension Liability	\$ 1,150,357
Town's Covered-Employee Payroll	\$ 656,855
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	175.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.49%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOWN'S
NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
JUNE 30, 2015**

PSPRS Police	Reporting Year (Measurement Date)
	2015 (2014)
Total Pension Liability	
Service Cost	\$ 15,074
Interest on the Total Pension Liability	100,264
Changes of Benefit Terms	72,959
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(113,041)
Changes of Assumptions or Other Inputs	302,947
Benefit Payments, Including Refunds of Employee Contributions	(106,602)
Net Change in Total Pension Liability	271,601
Total Pension Liability - Beginning	1,323,011
Total Pension Liability - Ending (a)	1,594,612
 Plan Fiduciary Net Position	
Contributions - Employer	29,173
Contributions - Employee	5,795
Net Investment Income	94,394
Benefit Payments, Including Refunds of Employee Contributions	(106,602)
Administrative Expenses	(760)
Other Changes	(79,290)
Net Change in Plan Fiduciary Net Position	(57,290)
Plan Fiduciary Net Position - Beginning	753,548
Plan Fiduciary Net Position - Ending (b)	696,258
 Town's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 898,354
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.66%
 Covered-Employee Payroll	\$ 55,994
 Town's Net Pension Liability (Asset) as a Percentage of Covered- Employee Payroll	1604.38%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN PENSION CONTRIBUTIONS
JUNE 30, 2015**

Arizona State Retirement System

	Reporting Fiscal Year	
	2015	2014
Statutorily Required Contribution	\$ 76,516	\$ 74,987
Town's Contribution in Relation to the Statutorily Required Contribution	76,516	74,987
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 664,688	\$ 697,757
Town's Contributions as a Percentage of Covered- Employee Payroll	11.51%	10.75%

PSPRS Police

	Reporting Fiscal Year	
	2015	2014
Actuarially Determined Contribution	\$ 36,527	\$ 29,173
Town's Contribution in Relation to the Actuarially Determined Contribution	36,527	29,173
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 56,576	\$ 55,994
Town's Contributions as a Percentage of Covered- Employee Payroll	64.56%	52.10%

See accompanying Notes to Pension Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION SCHEDULES
JUNE 30, 2015**

NOTE 1 ACTUALLY DETERMINED CONTRIBUTION RATES

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2013 Actuarial Valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
 Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage Growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 INFORMATION PRIOR TO THE MEASUREMENT DATE

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

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2015**

Health Insurance Premium Benefits

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a Percentage of Covered Payroll
PSPRS Police						
2014	\$ 53,685	\$ 10,380	\$ (43,305)	517.2%	\$ 55,994	-77.3%
2013	-	24,807	24,807	0.0%	57,322	43.3%
2012	-	25,196	25,196	0.0%	57,465	43.8%

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

**TOWN OF YOUNGTOWN, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2015**

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenue:			
Taxes:			
Sales Taxes	\$ 1,365,000	\$ 1,435,658	\$ 70,658
Property Taxes	19,115	20,276	1,161
Franchise Taxes	175,000	196,561	21,561
Intergovernmental Revenue	1,519,095	1,542,786	23,691
Fines and Forfeits	106,916	76,950	(29,966)
Licenses and Permits	50,000	67,436	17,436
Charges for Services	5,000	7,722	2,722
Rents and Royalties	1,000	-	(1,000)
Contributions and Donations	100	6,180	6,080
Investment Earnings	10,347	12,586	2,239
Other	500	3,740	3,240
Total Revenue	<u>3,252,073</u>	<u>3,369,895</u>	<u>117,822</u>
Expenditures:			
Current:			
General Government:			
General Government	1,393,625	996,059	397,566
Municipal Court	195,201	192,092	3,109
Buildings	148,375	147,214	1,161
Economic Development	197,135	101,769	95,366
Total General Government	<u>1,934,336</u>	<u>1,437,134</u>	<u>497,202</u>
Public Safety:			
Building Safety	81,114	79,142	1,972
Public Safety	1,091,094	1,077,357	13,737
Community Resources	133,948	131,855	2,093
Total Public Safety	<u>1,306,156</u>	<u>1,288,354</u>	<u>17,802</u>
Highways and Streets			
Public Works	200,000	79,310	120,690
Culture and Recreation:			
Parks	186,271	169,417	16,854
Contingency	225,063	-	225,063
Total Expenditures	<u>3,851,826</u>	<u>2,974,215</u>	<u>877,611</u>
Excess (Deficiency) of Revenue Over Expenditures	(599,753)	395,680	995,433
Fund Balance:			
Beginning of Year	599,753	4,094,937	3,495,184
End of Year	<u>\$ -</u>	<u>\$ 4,490,617</u>	<u>\$ 4,490,617</u>

See accompanying Note to Budgetary Comparison Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
HURF FUND
YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenue:			
Intergovernmental	\$ 384,744	\$ 442,523	\$ 57,779
Investment Earnings	424	1,417	993
Total Revenue	385,168	467,425	82,257
Expenditures:			
Current:			
Highways and Streets	648,069	369,585	278,484
Excess (Deficiency) of Revenue Over Expenditures	(262,901)	97,840	360,741
Fund Balances:			
Beginning of Year	262,901	113,275	(149,626)
End of Year	\$ -	\$ 211,115	\$ 211,115

See accompanying Note to Budgetary Comparison Schedules.

**TOWN OF YOUNGTOWN, ARIZONA
NOTE TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2015**

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.