

TOWN OF MIAMI, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Miami, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Miami, Arizona, as of and for the year ended June 30, 2019, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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, the business-type activities, and each major fund of the Town of Miami, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Miami has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans, and Schedule of Town Pension/OPEB Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020, on our consideration of the Town of Miami, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Miami, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, we noted that the Town spent \$554,717 of Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, which was not for authorized transportation purposes. Our audit was not directed primarily toward obtaining knowledge as to whether the Town failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for these monies. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Town's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated transportation revenue monies in the preceding paragraphs is intended solely for the information and use of the members of the Arizona State Legislature, the Town Council, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Colby J. Powell

March 10, 2020

FINANCIAL SECTION

TOWN OF MIAMI, ARIZONA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 239,474	\$ -	\$ 239,474
Cash and cash equivalents, restricted	-	90,193	90,193
Receivables, net	-	173,260	173,260
Taxes receivable	45,310	-	45,310
Other receivables	42,943	14,559	57,502
Internal balances	(922,016)	922,016	-
Due from other governments	239,294	1,074,657	1,313,951
Net pension and other postemployment benefits asset	23,780	533	24,313
Capital assets, not being depreciated	447,463	8,250,854	8,698,317
Capital assets, being depreciated, net	2,347,902	14,697,014	17,044,916
Total assets	<u>2,464,150</u>	<u>25,223,086</u>	<u>27,687,236</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions and other postemployment benefits	<u>1,037,783</u>	<u>51,454</u>	<u>1,089,237</u>
LIABILITIES			
Accounts payable	232,814	1,160,539	1,393,353
Accrued expenses	767,963	4,001	771,964
Due to other governments	338,591	-	338,591
Refundable deposits	-	12,122	12,122
Noncurrent liabilities			
Due within one year	33,741	110,143	143,884
Due in more than one year	2,831,673	5,352,792	8,184,465
Total liabilities	<u>4,204,782</u>	<u>6,639,597</u>	<u>10,844,379</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions and other postemployment benefits	<u>170,930</u>	<u>25,596</u>	<u>196,526</u>
NET POSITION			
Net investment in capital assets	2,795,365	17,697,580	20,492,945
Restricted for:			
Debt service	-	31,847	31,847
Repairs and replacements	-	46,224	46,224
Highways and streets	834,048	-	834,048
Unrestricted (deficit)	(4,503,192)	833,696	(3,669,496)
Total net position	<u>\$ (873,779)</u>	<u>\$ 18,609,347</u>	<u>\$ 17,735,568</u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Activities
Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 505,241	\$ 25,248	\$ 481	\$ -	\$ (479,512)	\$ -	\$ (479,512)
Public safety	723,897	35,006	-	-	(688,891)	-	(688,891)
Highways and streets	244,634	-	321,422	373,625	450,413	-	450,413
Public works	114,564	-	-	-	(114,564)	-	(114,564)
Welfare	293,407	-	101,161	-	(192,246)	-	(192,246)
Public transit	525,081	14,643	416,721	-	(93,717)	-	(93,717)
Culture and recreation	307,659	17,937	56,000	-	(233,722)	-	(233,722)
Total governmental activities	<u>2,714,483</u>	<u>92,834</u>	<u>895,785</u>	<u>373,625</u>	<u>(1,352,239)</u>	<u>-</u>	<u>(1,352,239)</u>
Business-type activities							
Utilities	1,229,801	1,024,532	-	7,092,760	-	6,887,491	6,887,491
Total business-type activities	<u>1,229,801</u>	<u>1,024,532</u>	<u>-</u>	<u>7,092,760</u>	<u>-</u>	<u>6,887,491</u>	<u>6,887,491</u>
Total primary government	<u>\$ 3,944,284</u>	<u>\$ 1,117,366</u>	<u>\$ 895,785</u>	<u>\$ 7,466,385</u>	<u>(1,352,239)</u>	<u>6,887,491</u>	<u>5,535,252</u>
General revenues:							
Taxes:							
Property taxes					187,329	-	187,329
Local sales taxes					502,272	-	502,272
Franchise tax					45,393	-	45,393
Shared revenue - State sales taxes					173,913	-	173,913
Shared revenue - State vehicle license tax					121,533	-	121,533
Shared revenue- Urban revenue					214,468	-	214,468
Investment earnings					40,495	-	40,495
Miscellaneous					59,455	-	59,455
Total general revenues					<u>1,344,858</u>	<u>-</u>	<u>1,344,858</u>
Change in net position					(7,381)	6,887,491	6,880,110
Net position, beginning of year					(866,398)	11,721,856	10,855,458
Net position, end of year					<u>\$ (873,779)</u>	<u>\$ 18,609,347</u>	<u>\$ 17,735,568</u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ 239,474	\$ -	\$ -	\$ -	\$ -	\$ 239,474
Taxes receivable	45,310	-	-	-	-	-	45,310
Other receivable	42,746	-	-	-	197	-	42,943
Due from other governments	119,823	30,342	17,359	51,625	-	20,145	239,294
Due from other funds	1,239,427	554,717	-	92,872	-	-	1,887,016
Total assets	\$ 1,447,306	\$ 824,533	\$ 17,359	\$ 144,497	\$ 197	\$ 20,145	\$ 2,454,037
LIABILITIES							
Accounts payable	\$ 66,191	\$ 10,537	\$ 5,491	\$ 144,497	\$ 881	\$ 5,217	\$ 232,814
Accrued expenses	753,697	1,328	2,708	-	2,416	7,814	767,963
Due to other governments	338,591	-	-	-	-	-	338,591
Due to other funds	-	-	1,260,728	-	660,183	888,121	2,809,032
Total liabilities	1,158,479	11,865	1,268,927	144,497	663,480	901,152	4,148,400
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-property taxes	25,822	-	-	-	-	-	25,822
FUND BALANCES							
Restricted for:							
Highways and streets	-	834,048	-	-	-	-	834,048
Unassigned	263,005	(21,380)	(1,251,568)	-	(663,283)	(881,007)	(2,554,233)
Total fund balances	263,005	812,668	(1,251,568)	-	(663,283)	(881,007)	(1,720,185)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,447,306	\$ 824,533	\$ 17,359	\$ 144,497	\$ 197	\$ 20,145	\$ 2,454,037

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
Year Ended June 30, 2019

Fund balances-total governmental funds	\$ (1,720,185)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,795,365
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	25,822
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	23,780
Long-term liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(2,865,414)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>866,853</u>
Net position of governmental activities	<u><u>\$ (873,779)</u></u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
Revenues							
Intergovernmental	\$ 510,413	\$ 321,422	\$ 90,424	\$ 370,979	\$ 55,702	\$ 416,721	\$ 1,765,661
Taxes	717,651	-	-	-	-	-	717,651
Miscellaneous	59,457	-	-	-	-	-	59,457
Investment earnings	40,495	-	-	-	-	-	40,495
Fines and forfeitures	35,006	-	-	-	-	-	35,006
Charges for services	16,635	-	-	-	-	14,643	31,278
Contributions	3,727	-	10,737	-	-	-	14,464
Licenses and permits	14,447	-	-	-	-	-	14,447
Rents	11,301	-	-	-	-	-	11,301
Total revenues	<u>1,409,132</u>	<u>321,422</u>	<u>101,161</u>	<u>370,979</u>	<u>55,702</u>	<u>431,364</u>	<u>2,689,760</u>
Expenditures							
Current							
General government	473,603	-	-	-	-	-	473,603
Public safety	700,515	-	-	-	-	-	700,515
Highways and streets	-	206,917	-	4,347	-	-	211,264
Public works	114,412	-	-	-	-	-	114,412
Welfare	-	-	257,528	-	-	-	257,528
Public transit	-	-	-	-	-	524,385	524,385
Culture and recreation	176,229	-	-	-	111,309	-	287,538
Capital outlay	6,993	-	-	366,632	-	-	373,625
Total expenditures	<u>1,471,752</u>	<u>206,917</u>	<u>257,528</u>	<u>370,979</u>	<u>111,309</u>	<u>524,385</u>	<u>2,942,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62,620)</u>	<u>114,505</u>	<u>(156,367)</u>	<u>-</u>	<u>(55,607)</u>	<u>(93,021)</u>	<u>(253,110)</u>
Other financing sources (uses)							
Transfers	165,846	-	-	(165,846)	-	-	-
Net change in fund balances	103,226	114,505	(156,367)	(165,846)	(55,607)	(93,021)	(253,110)
Fund balances, beginning of year	159,779	698,163	(1,095,201)	165,846	(607,676)	(787,986)	(1,467,075)
Fund balances, end of year	<u>\$ 263,005</u>	<u>\$ 812,668</u>	<u>\$ (1,251,568)</u>	<u>\$ -</u>	<u>\$ (663,283)</u>	<u>\$ (881,007)</u>	<u>\$ (1,720,185)</u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2019

Net change in fund balances-total governmental funds \$ (253,110)

Amounts reported for governmental activities in the Statement of Activities because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	373,625	
Depreciation expense	<u>(135,409)</u>	238,216

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes		17,342
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Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Town pension/OPEB contributions	211,268	
Pension/OPEB expense	<u>(219,395)</u>	(8,127)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Increase in compensated absences payable		<u>(1,702)</u>
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Change in net position of governmental activities \$ (7,381)

TOWN OF MIAMI, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities
	Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents, restricted	\$ 90,193
Accounts receivable, net	173,260
Other receivable	14,559
Due from other funds	922,016
Due from other governments	1,074,657
Total current assets	2,274,685
Noncurrent assets	
Net other postemployment benefits asset	533
Capital assets, not being depreciated	8,250,854
Capital assets, being depreciated, net	14,697,014
Total noncurrent assets	22,948,401
Total assets	25,223,086
DEFERRED OUTFLOWS OF RESOURCES	
Pensions and other postemployment benefits	51,454
LIABILITIES	
Current liabilities	
Accounts payable	1,160,539
Accrued expenses	4,001
Refundable deposits	12,122
Compensated absences payable, current portion	6,881
Notes payable, current portion	103,262
Total current liabilities	1,286,805
Noncurrent liabilities	
Compensated absences payable	2,293
Notes payable	5,147,026
Net pension and other postemployment benefits liability	203,473
Total noncurrent liabilities	5,352,792
Total liabilities	6,639,597
DEFERRED INFLOWS OF RESOURCES	
Pensions and other postemployment benefits	25,596
NET POSITION	
Net investment in capital assets	17,697,580
Restricted for:	
Debt service	31,847
Repairs and replacements	46,224
Unrestricted	833,696
Total net position	\$ 18,609,347

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities
	Utilities Fund
Operating revenues	
Charges for services (net of bad debts of \$4,944)	\$ 1,024,532
Operating expenses	
Depreciation	488,633
Other	192,452
Personnel	171,965
Professional services	142,693
Utilities	65,391
Materials and supplies	43,192
Repairs and maintenance	28,337
Total operating expenses	1,132,663
Operating income (loss)	(108,131)
Nonoperating revenues (expenses)	
Interest expense	(97,138)
Income (loss) before contributions and transfers	(205,269)
Capital contributions	7,092,760
Increase (decrease) in net position	6,887,491
Net position, beginning of year	11,721,856
Net position, end of year	\$ 18,609,347

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities <u>Utilities</u> <u>Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 1,125,614
Payments to suppliers and providers of goods and services	(408,376)
Payments to employees	(168,226)
Net cash provided by (used for) operating activities	<u>549,012</u>
 Cash flows from noncapital financing activities	
Advances to other funds	<u>(390,784)</u>
 Cash flows from capital financing activities	
Proceeds from capital grants	6,897,738
Principal paid on long-term debt	(93,327)
Interest paid on long-term debt	(97,138)
Purchase of capital assets	(6,830,643)
Net cash provided by (used for) capital financing activities	<u>(123,370)</u>
 Net increase (decrease) in cash and cash equivalents	 34,858
 Cash and cash equivalents, beginning of year	 <u>55,335</u>
Cash and cash equivalents, end of year	\$ <u>90,193</u>
 Cash and cash equivalents	 \$ -
Cash and cash equivalents, restricted	90,193
Cash and cash equivalents, end of year	\$ <u>90,193</u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities
	Utilities Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (108,131)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	488,633
Bad debts	4,944
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	47,940
Other receivable	42,931
Net other postemployment benefits asset	172
Deferred outflows of resources related to pensions and other postemployment benefits	(16,849)
Accounts payable	63,387
Accrued expenses	(1,269)
Refundable deposits	5,267
Compensated absences	5,008
Net pension and other postemployment benefits liability	4,155
Deferred outflows of resources related to pensions and other postemployment benefits	12,824
Net cash provided by (used for) operating activities	\$ 549,012
 Noncash capital financing activities:	
Capital assets acquired on account	\$ 1,074,657

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Firemen Investment Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 24,727
Investments	<u>50,163</u>
Total assets	<u><u>74,890</u></u>
 NET POSITION	
Held in trust for pension benefits	<u><u>\$ 74,890</u></u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2019

	Firemen Investment Trust Fund
Additions:	
Contributions	\$ 1,924
Investment earnings	13,788
Total additions	15,712
Change in net position	15,712
Net position, beginning of year, restated	59,178
Net position, end of year	\$ 74,890

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Miami, Arizona, conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town’s more significant accounting policies follows.

A. Reporting Entity

The Town is a general-purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component unit.

Component units are legally separate 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. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units. The following is a discussion of the Town’s blended component unit.

The Town of Miami Municipal Property Corporation (MPC) is a nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the MPC is to assist the Town of Miami, Arizona, in acquiring, constructing, financing, operating, improving or modifying public facilities for the benefit of the Town. The MPC’s board of directors are appointed by the Miami Town Council.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’s governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund statements—provide information about the Town’s funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund’s principal activity. Accordingly, revenues, such as user charge, of the proprietary funds in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expense, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The Town reports the following major governmental funds:

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

The ***HURF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund that is legally restricted to expenditures for highways and streets.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The ***Grants Fund*** accounts for specific revenue received that is legally restricted to expenditures for specified purposes.

The ***Senior Center Fund*** accounts for specific revenue received that is legally restricted to expenditures for assisting the elderly.

The ***Library Fund*** accounts for specific revenue received that is restricted to expenditures associated with the library.

The ***Transit Fund*** accounts for specific revenue received that is legally restricted to expenditures associated with local transportation.

The Town reports the following major enterprise fund:

The ***Utilities Fund*** accounts for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town also reports the following fiduciary fund types:

The ***Firemen Investment Trust Fund*** accounts for pooled assets held and invested by the Town Treasurer on behalf of retired firefighters.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town’s major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Cash Equivalents

For the statement of cash flows, the Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and only those highly liquid investments with a maturity of three months or less when purchased.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the Utilities Fund are estimated by the Town. The amount recorded as uncollectible at June 30, 2019 totaled \$80,421.

F. Property Tax Calendar

Property taxes are recognized as revenue in the fund financial statements 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 revenue.

Gila County levies real and personal 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.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s office at June 30, 2019.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings	5,000	Straight-line	15-40
Equipment	5,000	Straight-line	7-15
Infrastructure	5,000	Straight-line	30-40

H. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

I. Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation time depending on years of service. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate unlimited hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

K. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

L. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. 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 composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, 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 that are neither restricted nor committed. The Town Council has authorized the Town manager to assign 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.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – 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 (the Town will use) restricted fund balance first. It is the Town’s policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer’s investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town’s investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

Deposits—At June 30, 2019, the carrying amount of the Town’s total cash in bank was \$353,980, and the bank balance was \$397,587. Of the bank balances, \$250,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

Restricted cash – At June 30, 2019, the Town had restricted cash and cash equivalents of \$90,193 in the Utility Fund. \$12,122 was restricted for refundable customer deposits. \$78,081 was restricted for debt service and short-lived assets replacements under the requirements with the U.S. Department of Agriculture.

Investments – The Town Firemen Investment Trust Fund had investments in mutual funds of \$50,163 at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental Activities	Business-type Activities	Firemen Investment Trust Fund	Total
Cash and cash equivalents:				
Cash on hand	\$ 414	\$ -	\$ -	\$ 414
Amount of deposits	239,060	90,193	24,727	353,980
Mutual funds	-	-	50,163	50,163
Total	<u>\$ 239,474</u>	<u>\$ 90,193</u>	<u>\$ 74,890</u>	<u>\$ 404,557</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 3 – RECEIVABLES

Receivable balances, net of allowance for uncollectible accounts, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables as of year-end for the Town were as follows:

Description	Governmental Activities					Business-type Activities	Total
	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Transit Fund	Utilities Fund	
Due from federal government	\$ -	\$ -	\$ -	\$ 51,625	\$ -	\$ 1,074,657	\$ 1,126,282
Due from state government	119,823	30,342	-	-	20,145	-	170,310
Due from county government	-	-	17,359	-	-	-	17,359
	<u>\$ 119,823</u>	<u>\$ 30,342</u>	<u>\$ 17,359</u>	<u>\$ 51,625</u>	<u>\$ 20,145</u>	<u>\$ 1,074,657</u>	<u>\$ 1,313,951</u>

NOTE 4 – INTERFUND BALANCES AND TRANSACTIONS

Interfund receivables and payables - Interfund balances at June 30, 2019, were as follows:

Due from	Due to				Total
	General Fund	HURF Fund	Grants Fund	Utility Fund	
Senior Center Fund	\$ 1,239,427	\$ -	\$ -	\$ 21,301	\$ 1,260,728
Library Fund	-	554,717	92,872	12,594	660,183
Transit Fund	-	-	-	888,121	888,121
	<u>\$ 1,239,427</u>	<u>\$ 554,717</u>	<u>\$ 92,872</u>	<u>\$ 922,016</u>	<u>\$ 2,809,032</u>

The interfund receivables and payables above were necessary in order to fund the ongoing activities of the General, Senior Center, Library and Transit Funds in the current and prior periods. All balances, excluding the HURF Fund balance, are not expected to be repaid within one year. For the HURF Fund, ten percent of the balance is expected to be repaid within one year.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 01, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 447,463	-	-	\$ 447,463
Capital assets being depreciated:				
Buildings	1,178,045	-	-	1,178,045
Equipment	2,015,057	-	(60,156)	1,954,901
Infrastructure	3,131,875	373,625	-	3,505,500
Total	<u>6,324,977</u>	<u>373,625</u>	<u>(60,156)</u>	<u>6,638,446</u>
Less accumulated depreciation for:				
Buildings	(549,509)	(46,122)	-	(595,631)
Equipment	(1,508,699)	(51,845)	60,156	(1,500,388)
Infrastructure	(2,157,083)	(37,442)	-	(2,194,525)
Total	<u>(4,215,291)</u>	<u>(135,409)</u>	<u>60,156</u>	<u>(4,290,544)</u>
Total capital assets being depreciated, net	<u>2,109,686</u>	<u>238,216</u>	<u>-</u>	<u>2,347,902</u>
Governmental activities capital assets, net	<u>\$ 2,557,149</u>	<u>\$ 238,216</u>	<u>\$ -</u>	<u>\$ 2,795,365</u>
	Balance			Balance
	July 01, 2018	Increases	Decreases	June 30, 2019
Business-type activities:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 7,626,667	\$ 7,026,427	\$ (6,402,240)	\$ 8,250,854
Capital assets being depreciated:				
Equipment	21,306	10,730	-	32,036
Infrastructure	12,359,178	6,402,240	-	18,761,418
Total	<u>12,380,484</u>	<u>6,412,970</u>	<u>-</u>	<u>18,793,454</u>
Less accumulated depreciation for:				
Equipment	(13,616)	(3,959)	-	(17,575)
Infrastructure	(3,594,191)	(484,674)	-	(4,078,865)
Total	<u>(3,607,807)</u>	<u>(488,633)</u>	<u>-</u>	<u>(4,096,440)</u>
Total capital assets being depreciated, net	<u>8,772,677</u>	<u>5,924,337</u>	<u>-</u>	<u>14,697,014</u>
Business-type activities capital assets, net	<u>\$ 16,399,344</u>	<u>\$ 12,950,764</u>	<u>\$ (6,402,240)</u>	<u>\$ 22,947,868</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	26,656
Public safety		16,035
Highways and streets		37,442
Welfare		35,537
Culture and recreation		19,739
Total governmental activities depreciation expense	<u>\$</u>	<u>135,409</u>
Business-type activities:		
Utilities	<u>\$</u>	<u>488,633</u>

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2019.

	Balance July 01, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Governmental activities:					
Compensated absences payable	\$ 43,286	\$ 1,702	\$ -	\$ 44,988	\$ 33,741
Net pension and other postemployment benefits liability	2,676,834	143,592	-	2,820,426	-
Total governmental activities long-term liabilities	<u>\$ 2,720,120</u>	<u>\$ 145,294</u>	<u>\$ -</u>	<u>\$ 2,865,414</u>	<u>\$ 33,741</u>
Business-type activities:					
Compensated absences payable	\$ 4,166	\$ 5,008	\$ -	\$ 9,174	\$ 6,881
Notes payable from direct borrowings and direct placements	5,343,615	-	93,327	5,250,288	103,262
Net pension and other postemployment benefits liability	199,318	4,155	-	203,473	-
Total business-type activities long-term liabilities	<u>\$ 5,547,099</u>	<u>\$ 9,163</u>	<u>\$ 93,327</u>	<u>\$ 5,462,935</u>	<u>\$ 110,143</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES – Continued

The Town’s notes payable from direct borrowings and direct placements consisted of the following:

	Business-type Activities
Note payable to U.S. Department of Agriculture Rural Development, interest only installments through April 2015 with interest at 2.00%, monthly principal and interest payments beginning May 2015, matures April 2053.	\$ 884,684
Note payable to U.S. Department of Agriculture Rural Development, interest only installments through April 2018 with interest at 1.75%, monthly principal and interest payments beginning May 2018, matures April 2056.	3,866,325
Note payable to U.S. Department of Agriculture Rural Development, interest only installments through May 2019 with interest at 2.0%, monthly principal and interest payments beginning June 2019, matures June 2057.	499,279
	\$ 5,250,288

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2019.

Year Ending June 30	Business-type Activities	
	Notes payable from direct borrowings and direct placements	
	Principal	Interest
2020	\$ 103,262	\$ 94,474
2021	105,154	92,582
2022	107,080	90,656
2023	109,042	88,694
2024	111,040	86,696
2025-2029	586,480	402,200
2030-2034	642,237	346,443
2035-2039	703,318	285,362
2040-2044	770,232	218,448
2045-2049	843,539	145,141
2050-2054	876,224	65,408
2055-2059	292,680	5,280
Total	\$ 5,250,288	\$ 1,921,384

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – RISK MANAGEMENT

The Town 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 (Pool). The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The 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 joined the Arizona Municipal Workers’ Compensation Pool (Pool) together with other governments in the state for risks of loss related to workers’ compensation claims. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The Town is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

The Town continues to carry commercial insurance for all other risks of loss, including employee health, dental, and vision insurance. There were no settlements that exceeded insurance coverage in any of the past three years.

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2019, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension and OPEB asset	\$ 23,780	\$ 533	\$ 24,313
Net pension and OPEB liability	2,820,426	203,473	3,023,899
Deferred outflows of resources related to pensions and OPEB	1,037,783	51,454	1,089,237
Deferred inflows of resources related to pensions and OPEB	170,930	25,596	196,526
Pension and OPEB expense	219,395	18,328	237,723

The Town reported \$211,268 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

A. Arizona State Retirement System

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

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

	Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent 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 earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.8 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent 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 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were \$114,565, \$4,714 and \$1,640, respectively.

During fiscal year 2019, the Town paid for ASRS pension and OPEB contributions as follows: 85 percent from the General Fund and 15 percent from the Utilities Fund.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Liability - At June 30, 2019, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability
Pension	\$ 1,351,414
Health insurance premium benefit	(3,554)
Long-term disability	5,074

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The Town's proportion of the net asset or net liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.00969%	0.00118%
Health insurance premium benefit	0.00987%	0.00124%
Long-term disability	0.00971%	0.00117%

Expense – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	116,743
Health insurance premium benefit	3,551
Long-term disability	1,893

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 37,230	\$ 7,450	\$ -	\$ 3,280	\$ 130	\$ -
Changes of assumptions or other inputs	35,761	119,821	6,854	-	1,099	-
Net difference between projected and actual earnings on plan investments	-	32,498	-	7,100	-	491
Changes in proportion and differences between Town contributions and proportionate share of contributions	140,545	-	65	3	424	-
Town contributions subsequent to the measurement date	114,565	-	4,714	-	1,640	-
Total	<u>\$ 328,101</u>	<u>\$ 159,769</u>	<u>\$ 11,633</u>	<u>\$ 10,383</u>	<u>\$ 3,293</u>	<u>\$ 491</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2020	\$ 86,838	\$ (1,362)	\$ 74
2021	30,801	(1,362)	74
2022	(49,298)	(1,362)	74
2023	(14,574)	151	206
2024	-	471	230
Thereafter	-	-	504

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS	
Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	<u>100%</u>	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

Town's Proportionate share of the	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 1,926,472	\$ 1,351,414	\$ 870,963
Net insurance premium benefit liability (asset)	12,593	(3,554)	(17,308)
Net long-term disability liability	5,750	5,074	4,417

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

B. Public Safety Personnel Retirement System

Plan Descriptions – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town’s financial statements.

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 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 services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
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 result of injuries received on the job	

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	6	6
Inactive employees entitled to but not yet receiving benefits	2	-
Active employees	2	2
Total	10	8

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police-Tier 1 & 2	7.65% - 11.65%	62.24%	0.12%
PSPRS Police-Tier 3	9.94%	57.85%	0.26%

In addition, statute required the Town to contribute at the actuarially determined rate of 48.17 percent for the PSPRS of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill.

The Town’s contributions to the plans for the year ended June 30, 2019, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 87,772	\$ 265

Liability – At June 30, 2019, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 1,667,411	\$ (20,759)

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

	Pension Increase (Decrease)			Health Insurance Premium Benefit Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
	Balances at June 30, 2018	\$ 2,836,111	\$ 1,288,747	\$ 1,547,364	\$ 55,004	\$ 67,525
Changes for the year						
Service Cost	18,410	-	18,410	500	-	500
Interest on the total liability	205,154	-	205,154	4,015	-	4,015
Differences between expected and actual experience in the	495,019	-	495,019	(7,590)	-	(7,590)
Contributions-employer	-	116,524	(116,524)	-	559	(559)
Contributions-employee	-	183,842	(183,842)	-	-	-
Net investment income	-	94,474	(94,474)	-	4,675	(4,675)
Benefit payments, including refunds of employee contributions	(145,942)	(145,942)	-	(2,002)	(2,002)	-
Hall/Parker Settlement	-	(36,275)	36,275	-	-	-
Administrative expense	-	(2,138)	2,138	-	(71)	71
Other changes	-	242,109	(242,109)	-	-	-
Net changes	572,641	452,594	120,047	(5,077)	3,161	(8,238)
Balances at June 30, 2019	\$ 3,408,752	\$ 1,741,341	\$ 1,667,411	\$ 49,927	\$ 70,686	\$ (20,759)

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<u>1% Decrease (6.4%)</u>	<u>Current Discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PSPRS Police			
Net pension (asset) liability	\$ 2,057,711	\$ 1,667,411	\$ 1,344,575
Net OPEB (asset) liability	(16,010)	(20,759)	(24,795)

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

Expense – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense/(Income)</u>
PSPRS Police	\$ 122,059	\$ (6,523)

Deferred Outflows/Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 565,745	\$ 12,363	\$ -	\$ 10,688
Changes of assumptions or other inputs	70,591	-	-	1,470
Net difference between projected and actual earnings on plan investments	21,837	-	-	1,362
Town contributions subsequent to the measurement date	87,772	-	265	-
Total	<u>\$ 745,945</u>	<u>\$ 12,363</u>	<u>\$ 265</u>	<u>\$ 13,520</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police	
	Pension	Health
2020	\$ 374,965	\$ (6,168)
2021	275,243	(6,168)
2022	(7,226)	(1,238)
2023	2,828	54
2024	-	-
Thereafter	-	-

NOTE 9 – RESTATEMENT OF NET POSITION

Net position beginning balances on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position have been restated as of July 1, 2018 to reflect previously unrecorded investment earnings.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 670,854	\$ 670,854	\$ 717,651	\$ 46,797
Intergovernmental	521,811	521,811	510,413	(11,398)
Fines and forfeitures	55,000	55,000	35,006	(19,994)
Licenses and permits	8,100	8,100	14,447	6,347
Charges for services	18,000	18,000	16,635	(1,365)
Rents	12,500	12,500	11,301	(1,199)
Contributions	-	-	3,727	3,727
Investment earnings	-	-	40,495	40,495
Miscellaneous	6,000	6,000	59,457	53,457
Total revenues	<u>1,292,265</u>	<u>1,292,265</u>	<u>1,409,132</u>	<u>116,867</u>
Expenditures				
Executive	16,612	16,612	14,557	2,055
Finance/Administration	338,097	338,097	414,567	(76,470)
Development services	22,595	22,595	44,000	(21,405)
Police	799,131	799,131	700,515	98,616
Magistrate	32,755	32,755	-	32,755
Public works	206,000	206,000	121,404	84,596
Parks and recreation	133,187	133,187	176,709	(43,522)
Total expenditures	<u>1,548,377</u>	<u>1,548,377</u>	<u>1,471,752</u>	<u>76,625</u>
Excess (deficiency) of revenues over expenditures	<u>(256,112)</u>	<u>(256,112)</u>	<u>(62,620)</u>	<u>193,492</u>
Other financing sources (uses)				
Transfers	<u>80,199</u>	<u>80,199</u>	<u>165,846</u>	<u>85,647</u>
Net changes in fund balances	<u>(175,913)</u>	<u>(175,913)</u>	<u>103,226</u>	<u>279,139</u>
Fund balances, beginning of year	<u>159,779</u>	<u>159,779</u>	<u>159,779</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (16,134)</u></u>	<u><u>\$ (16,134)</u></u>	<u><u>\$ 263,005</u></u>	<u><u>\$ 279,139</u></u>

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 301,210	\$ 301,210	\$ 321,422	\$ 20,212
Expenditures				
Current				
Highways and streets	464,519	464,519	206,917	257,602
Excess (deficiency) of revenues over expenditures	(163,309)	(163,309)	114,505	277,814
Other financing sources (uses)				
Transfers	163,309	163,309	-	(163,309)
Net changes in fund balances	-	-	114,505	114,505
Fund balances, beginning of year	698,163	698,163	698,163	-
Fund balances, end of year	<u>\$ 698,163</u>	<u>\$ 698,163</u>	<u>\$ 812,668</u>	<u>\$ 114,505</u>

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Senior Center Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 221,163	\$ 221,163	\$ 90,424	\$ (130,739)
Contributions	21,296	21,296	10,737	(10,559)
Total revenues	<u>242,459</u>	<u>242,459</u>	<u>101,161</u>	<u>(141,298)</u>
Expenditures				
Current				
Welfare	<u>242,459</u>	<u>242,459</u>	<u>257,528</u>	<u>(15,069)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(156,367)</u>	<u>(156,367)</u>
Fund balances, beginning of year	<u>(1,095,201)</u>	<u>(1,095,201)</u>	<u>(1,095,201)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$(1,095,201)</u></u>	<u><u>\$(1,095,201)</u></u>	<u><u>\$(1,251,568)</u></u>	<u><u>\$ (156,367)</u></u>

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 735,000	\$ 735,000	\$ 370,979	\$ (364,021)
Expenditures				
Current				
Public safety	435,000	435,000	-	435,000
Highways and streets	300,000	300,000	370,979	(70,979)
Total expenditures	<u>735,000</u>	<u>735,000</u>	<u>370,979</u>	<u>364,021</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers	<u>-</u>	<u>-</u>	<u>(165,846)</u>	<u>(165,846)</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>(165,846)</u>	<u>(165,846)</u>
Fund balances, beginning of year	165,846	165,846	165,846	-
Fund balances, end of year	<u><u>\$ 165,846</u></u>	<u><u>\$ 165,846</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (165,846)</u></u>

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Library Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 107,893	\$ 107,893	\$ 55,702	\$ (52,191)
Expenditures				
Current				
Culture and recreation	107,893	107,893	111,309	(3,416)
Excess (deficiency) of revenues over expenditures	-	-	(55,607)	(55,607)
Fund balances, beginning of year	(607,676)	(607,676)	(607,676)	-
Fund balances, end of year	<u>\$ (607,676)</u>	<u>\$ (607,676)</u>	<u>\$ (663,283)</u>	<u>\$ (55,607)</u>

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Transit Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 572,000	\$ 572,000	\$ 416,721	\$ (155,279)
Charges for services	17,000	17,000	14,643	(2,357)
Total revenues	<u>589,000</u>	<u>589,000</u>	<u>431,364</u>	<u>(157,636)</u>
Expenditures				
Current				
Public transit	<u>589,000</u>	<u>589,000</u>	<u>524,385</u>	<u>64,615</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(93,021)</u>	<u>(93,021)</u>
Fund balances, beginning of year	<u>(787,986)</u>	<u>(787,986)</u>	<u>(787,986)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (787,986)</u></u>	<u><u>\$ (787,986)</u></u>	<u><u>\$ (881,007)</u></u>	<u><u>\$ (93,021)</u></u>

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2019

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (A.R.S.) require the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Finance/Administration, Development Services, and Park and Recreation departments of the General Fund. Additionally, expenditures exceeded final budget amounts at the department level of the Welfare department of the Senior Center Fund, the Highways and Streets departments of the Grants Fund, and the Culture and Recreation department of the Library Fund.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2019

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.009690%	0.008510%	0.008250%	0.008130%	0.006592%	Information not available
Town's proportionate share of the net pension liability	\$ 1,351,414	\$ 1,325,692	\$ 1,331,633	\$ 1,267,026	\$ 975,450	
Town's covered payroll	\$ 962,954	\$ 829,842	\$ 772,783	\$ 749,210	\$ 594,262	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	140.34%	159.75%	172.32%	169.11%	164.14%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance & ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)			Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010	2019 (2018)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB liability (asset)	0.009870%	0.008630%	Information not available	0.009710%	0.008540%	Information not available
Town's proportionate share of the net OPEB liability (asset)	\$ (3,554)	\$ (4,698)		\$ 5,074	\$ 3,096	
Town's covered payroll	\$ 962,954	\$ 829,842		\$ 962,954	\$ 829,842	
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-0.37%	-0.57%		0.53%	0.37%	
Plan fiduciary net position as a percentage of the total pension liability	102.20%	103.57%		77.83%	84.44%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Pension

	Reporting Fiscal Year (Measurement Date)					2014 through 2010 Information not available
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						
Service cost	\$ 18,410	\$ 52,300	\$ 54,610	\$ 39,926	\$ 27,547	
Interest on the total pension liability	205,154	173,013	144,573	145,340	105,691	
Changes of benefit terms	-	25,146	(8,865)	-	51,404	
Differences between expected and actual experience in the measurement of the pension liability	495,019	304,235	321,107	(125,443)	121,562	
Changes of assumptions or other inputs	-	95,298	90,173	-	262,793	
Benefit payments, including refunds of employee contributions	(145,942)	(189,149)	(81,444)	(72,415)	(67,802)	
Net change in total pension liability	572,641	460,843	520,154	(12,592)	501,195	
Total pension liability - beginning	2,836,111	2,375,268	1,855,114	1,867,706	1,366,511	
Total pension liability - ending (a)	<u>\$ 3,408,752</u>	<u>\$ 2,836,111</u>	<u>\$ 2,375,268</u>	<u>\$ 1,855,114</u>	<u>\$ 1,867,706</u>	
Plan fiduciary net position						
Contributions - employer	\$ 116,524	\$ 78,303	\$ 102,757	\$ 73,750	\$ 54,893	
Contributions - employee	183,842	22,637	28,900	23,970	20,682	
Net investment income	94,474	139,969	6,642	34,927	102,886	
Benefit payments, including refunds of employee contributions	(145,942)	(189,149)	(81,444)	(72,415)	(67,802)	
Hall/Parker Settlement	(36,275)	-	-	-	-	
Administrative expense	(2,138)	(1,638)	(1,355)	(1,230)	-	
Other changes	242,109	(4,533)	179,853	(725)	144,664	
Net change in plan fiduciary net position	452,594	45,589	235,353	58,277	255,323	
Plan fiduciary net position - beginning	1,288,747	1,243,158	1,007,805	949,528	694,205	
Plan fiduciary net position - ending (b)	<u>\$ 1,741,341</u>	<u>\$ 1,288,747</u>	<u>\$ 1,243,158</u>	<u>\$ 1,007,805</u>	<u>\$ 949,528</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,667,411</u>	<u>\$ 1,547,364</u>	<u>\$ 1,132,110</u>	<u>\$ 847,309</u>	<u>\$ 918,178</u>	
Plan fiduciary net position as a percentage of the total pension liability	51.08%	45.44%	52.34%	54.33%	50.84%	
Covered payroll	\$ 84,762	\$ 230,296	\$ 258,449	\$ 252,448	\$ 225,092	
Town's net pension (asset) liability as a percentage of covered payroll	1967.17%	671.90%	438.04%	335.64%	407.91%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			Information
Service cost	\$ 500	\$ 1,589	not
Interest on the total OPEB liability	4,015	4,773	available
Differences between expected and actual experience in the measurement of the OPEB liability	(7,590)	(10,743)	
Changes of assumptions or other inputs	-	(2,940)	
Benefit payments	(2,002)	(1,050)	
Net change in total OPEB liability	(5,077)	(8,371)	
Total OPEB liability - beginning	55,004	63,375	
Total OPEB liability - ending (a)	<u>\$ 49,927</u>	<u>\$ 55,004</u>	
Plan fiduciary net position			
Contributions - employer	\$ 559	\$ 774	
Net investment income	4,675	7,165	
Benefit payments	(2,002)	(1,050)	
Administrative expense	(71)	(64)	
Net change in plan fiduciary net position	3,161	6,825	
Plan fiduciary net position - beginning	67,525	60,700	
Plan fiduciary net position - ending (b)	<u>\$ 70,686</u>	<u>\$ 67,525</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (20,759)</u>	<u>\$ (12,521)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	141.58%	122.76%	
Covered payroll	\$ 84,762	\$ 230,296	
Town's net OPEB (asset) liability as a percentage of covered payroll	-24.49%	-5.44%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Town's Pension/OPEB Contributions
June 30, 2019

ASRS-Pension

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 114,565	\$ 104,962	\$ 89,457	\$ 83,847	\$ 81,589	\$ 63,586	Information not available
Town's contributions in relation to the statutorily required contribution	(114,565)	(104,962)	(89,457)	(83,847)	(81,589)	(63,586)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 1,024,732	\$ 962,954	\$ 829,842	\$ 772,783	\$ 749,210	\$ 594,262	
Town's contributions as a percentage of covered payroll	11.18%	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 4,714	\$ 4,237	\$ 4,647	Information not available
Town's contributions in relation to the statutorily required contribution	(4,714)	(4,237)	(4,647)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 1,024,732	\$ 962,954	\$ 829,842	
Town's contributions as a percentage of covered payroll	0.46%	0.44%	0.56%	

ASRS-Long-Term Disability

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 1,640	\$ 1,540	\$ 1,162	Information not available
Town's contributions in relation to the statutorily required contribution	(1,640)	(1,540)	(1,162)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 1,024,732	\$ 962,954	\$ 829,842	
Town's contributions as a percentage of covered payroll	0.16%	0.16%	0.14%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Town's Pension/OPEB Contributions
June 30, 2019

PSPRS-Pension

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 87,772	\$ 116,524	\$ 78,303	\$ 102,757	\$ 73,750	\$ 54,893	Information not available
Town's contributions in relation to the actuarially determined contribution	(87,772)	(116,524)	(78,303)	(102,757)	(73,750)	(54,893)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered-employee payroll	\$ 148,029	\$ 84,762	\$ 230,296	\$ 258,449	\$ 252,448	\$ 225,092	
Town's contributions as a percentage of covered payroll	59.29%	137.47%	34.00%	39.76%	29.21%	24.39%	

PSPRS-Health Insurance Premium

	Reporting Fiscal Year				2016 through 2010
	2019	2018	2017	2016	
Actuarially determined contribution	\$ 265	\$ 559	\$ 774	Information not available	
Town's contributions in relation to the actuarially determined contribution	(265)	(559)	(774)		
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -		
Town's covered payroll	\$ 148,029	\$ 84,762	\$ 230,296		
Town's contributions as a percentage of covered payroll	0.69%	0.66%	0.34%		

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

NOTE 1 – ACTUARIALLY 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 method	Level percent-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS. In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.