

TOWN OF MIAMI, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report**

June 30, 2016

TABLE OF CONTENTS

Independent Auditors' Report	1
Government-wide Statements	
Statement of Net Assets	5
Statement of Activities.....	6
Fund Statements	
Governmental Funds	
Balance Sheet.....	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenue, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	10
Proprietary Funds	
Statement of Net Position	11
Statement of Revenue, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows	13
Fiduciary Funds	
Statement of Fiduciary Net Position	15
Statement of Changes in Fiduciary Net Position	16
Notes to Financial Statements	17
Other Required Supplementary Information	
Schedule of Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans	46
Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios -Agent Pension Plans	47
Schedule of Town Pension Contributions.....	48
Schedule of Agent OPEB Plans' Funding Progress	50



**COLBY &
POWELL, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business-type activities and enterprise fund.

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.

Except for the matter described in the “Basis for Disclaimer of Opinion” paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Disclaimer
General Fund	Unmodified
HURF Fund	Unmodified
Senior Center Fund	Unmodified
Grants Fund	Unmodified
Library Fund	Unmodified
Transit Fund	Unmodified
Utility Enterprise Fund	Disclaimer
Fiduciary Fund	Unmodified

Basis for Disclaimer of Opinion

Due to the absence of adequate internal controls and the inadequacy of accounting records over accounts receivable and revenue in the Business-Type Activities and the Utility Enterprise Fund, we were unable to satisfy ourselves neither that all assets and revenues of the Business-Type Activities and the Utility Enterprise Fund had been recorded nor that the recorded transactions were proper. As a result we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets, and the components making up the statements of activity, changes in net assets and cash flow.

Disclaimer of Opinion

Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Business-Type Activities and Utility Enterprise Fund. Accordingly, we do not express an opinion on those financial statements.

Other Matters

Required Supplementary Information

The Town of Miami has not presented the Management’s Discussion and Analysis and the Budgetary Comparison Schedules 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 Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 47, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 48, Schedule of Town Pension Contributions on page 49, and Schedule of Agent OPEB Plans' Funding Progress on page 51, 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.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, except as noted in the following paragraph, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

We noted that the Town has loaned \$844,605 of highway user revenue fund and other dedicated transportation revenue monies to other funds for various purposes that may not be related to highways and streets. We do not consider such loans in compliance with Arizona Revised Statutes.

The communication related to compliance over the use of highway user revenue fund and other dedicated transportation revenue monies in the preceding paragraph 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2017, 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 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 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.

Colby & Powell

April 19, 2017
Gilbert, Arizona

TOWN OF MIAMI, ARIZONA
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 112,574	\$ 112,574
Cash and cash equivalents, restricted	-	43,500	43,500
Receivables, net	-	239,126	239,126
Taxes receivable	49,314	-	49,314
Other receivables	-	74,927	74,927
Due from other governments	240,684	758,755	999,439
Interfund balances	(1,245,835)	1,245,835	-
Capital assets, not being depreciated	447,463	9,450,692	9,898,155
Capital assets, being depreciated, net	2,283,276	3,655,065	5,938,341
Total assets	1,774,902	15,580,474	17,355,376
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	591,492	44,012	635,504
LIABILITIES			
Accounts payable	552,053	781,677	1,333,730
Accrued expenses	571,166	2,422	573,588
Interest payable	-	58,936	58,936
Refundable deposits	-	16,172	16,172
Noncurrent liabilities			
Due within one year	34,395	21,066	55,461
Due in more than one year	1,935,746	5,064,310	7,000,056
Total liabilities	3,093,360	5,944,583	9,037,943
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	206,515	18,847	225,362
NET POSITION			
Net investment in capital assets	2,730,739	8,214,499	10,945,238
Restricted for:			
Highways and streets	1,105,614	-	1,105,614
Unrestricted (deficit)	(4,769,834)	1,446,557	(3,323,277)
Total net position	\$ (933,481)	\$ 9,661,056	\$ 8,727,575

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Activities
Year Ended June 30, 2016

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	\$ 682,385	\$ 9,924	\$ 260,800	\$ -	\$ (411,661)	\$ (411,661)	
Public safety	792,883	17,669	-	-	(775,214)	(775,214)	
Public works	477,867	-	215,038	-	(262,829)	(262,829)	
Welfare	437,184	-	436,027	-	(1,157)	(1,157)	
Culture and recreation	221,634	11,440	53,494	5,000	(151,700)	(151,700)	
Total governmental activities	2,611,953	39,033	965,359	5,000	(1,602,561)	(1,602,561)	
Business-type activities							
Utilities	553,171	942,238	-	2,508,429	-	2,897,496	
Total business-type activities	553,171	942,238	-	2,508,429	-	2,897,496	
Total primary government	\$ 3,165,124	\$ 981,271	\$ 965,359	\$ 2,513,429	(1,602,561)	1,294,935	
General revenue:							
Taxes:							
Property taxes, levied for general purposes				195,155		195,155	
Local sales taxes				424,350		424,350	
Franchise tax				45,601		45,601	
Share of state sales taxes				168,854		168,854	
Share of county auto lieu taxes				109,880		109,880	
State urban revenue sharing				221,175		221,175	
Other				237,281		237,281	
Total general revenue				1,402,296		1,402,296	
Change in net position				(200,265)	2,897,496	2,697,231	
Net position, July 1, 2015				(733,216)	6,763,560	6,030,344	
Net position, June 30, 2016				\$ (933,481)	\$ 9,661,056	\$ 8,727,575	

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
ASSETS							
Taxes receivable	\$ 49,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,314
Due from other governments	23,237	26,607	37,464	126,332	-	27,044	240,684
Due from other funds	-	844,605	-	165,846	-	133,046	1,143,497
Total assets	\$ 72,551	\$ 871,212	\$ 37,464	\$ 292,178	\$ -	\$ 160,090	\$ 1,433,495

LIABILITIES AND FUND BALANCES

Liabilities							
Accounts payable	\$ 400,980	\$ 7,355	\$ 8,494	\$ 126,332	\$ 1,168	\$ 7,724	\$ 552,053
Accrued expenses	566,609	265	-	-	714	3,578	571,166
Due to other funds	1,367,479	-	522,581	-	499,272	-	2,389,332
Total liabilities	2,335,068	7,620	531,075	126,332	501,154	11,302	3,512,551

Fund balances

Restricted for:							
Highways and streets	-	863,592	-	165,846	-	76,176	1,105,614
Unassigned	(2,262,517)	-	(493,611)	-	(501,154)	72,612	(3,184,670)
Total fund balances	(2,262,517)	863,592	(493,611)	165,846	(501,154)	148,788	(2,079,056)
Total liabilities and fund balances	\$ 72,551	\$ 871,212	\$ 37,464	\$ 292,178	\$ -	\$ 160,090	\$ 1,433,495

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
Year Ended June 30, 2016

Fund balances-total governmental funds	\$ (2,079,056)
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.	2,730,739
Long-term liabilities, such as net pension liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(1,970,141)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>384,977</u>
Net position of governmental activities	<u><u>\$ (933,481)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2016

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
Revenue							
Intergovernmental	\$ 504,910	\$ 343,619	\$ 81,661	\$ 257,650	\$ 53,803	\$ 200,224	\$ 1,441,867
Taxes	665,106	-	-	-	-	-	665,106
Other revenue	244,065	-	-	-	-	-	244,065
Charges for services	11,130	-	-	-	-	14,603	25,733
Contributions	4,150	-	9,958	-	-	-	14,108
Fines and forfeitures	12,032	-	-	-	-	-	12,032
Rents	2,617	-	-	-	-	-	2,617
Licenses and permits	6,160	-	-	-	-	-	6,160
Total revenue	1,450,170	343,619	91,619	257,650	53,803	214,827	2,411,688
Expenditures							
Current							
General government	637,972	-	-	-	-	-	637,972
Public safety	735,158	-	-	-	-	-	735,158
Public works	288,810	106,409	-	-	-	-	395,219
Welfare	87,582	-	70,859	-	-	241,480	399,921
Culture and recreation	162,705	-	-	-	44,537	-	207,242
Capital outlay	-	-	-	257,650	-	-	257,650
Total expenditures	1,912,227	106,409	70,859	257,650	44,537	241,480	2,633,162
Net change in fund balances	(462,057)	237,210	20,760	-	9,266	(26,653)	(221,474)
Fund balances, July 1, 2015	(1,800,460)	626,382	(514,371)	165,846	(510,420)	175,441	(1,857,582)
Fund balances, June 30, 2016	\$ (2,262,517)	\$ 863,592	\$ (493,611)	\$ 165,846	\$ (501,154)	\$ 148,788	\$ (2,079,056)

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balance to the Statement of Activities
Governmental Funds
Year Ended June 30, 2016

Net change in fund balances-total governmental funds \$ (221,474)

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

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

Current year capital acquisitions	257,650	
Current year depreciation expense	<u>(167,899)</u>	
		89,751

Town pension 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 liability is measured a year before the Town's
report date. Pension expense, which is the change in
the net pension liability adjusted for changes in deferred
outflows and inflows of resources related to pensions,
is reported in the Statement of Activities.

Town pension contributions	151,583	
PSPRS health insurance transfer	37,027	
Pension expense	<u>(258,151)</u>	
		(69,541)

Some expenses reported in the Statement of Activities
do not require the use of current financial resources
and therefore, are not reported as expenditures in
governmental funds.

Decrease in compensated absences payable		<u>999</u>
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Change in net position of governmental activities \$ (200,265)

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities Enterprise Funds
	Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 112,574
Cash and cash equivalents, restricted	43,500
Accounts receivable, net	239,126
Other receivables	74,927
Due from other governments	758,755
Due from other funds	1,245,835
Total current assets	2,474,717
Noncurrent assets	
Capital assets:	
Sewer system and equipment	6,561,882
Construction in progress	9,450,692
Less accumulated depreciation	(2,906,817)
Total noncurrent assets	13,105,757
Total assets	15,580,474
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	44,012
LIABILITIES	
Current liabilities	
Accounts payable	781,677
Accrued expenses	2,422
Interest payable	58,936
Refundable deposits	16,172
Notes payable, current portion	17,503
Compensated absences, current portion	3,048
Total current liabilities	879,758
Noncurrent liabilities	
Compensated absences, net of current portion	1,016
Notes payable, net of current portion	4,873,755
Net pension liability	190,054
Total noncurrent liabilities	5,064,825
Total liabilities	5,944,583
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	18,847
NET POSITION	
Net investment in capital assets	8,214,499
Unrestricted	1,446,557
Total net position	\$ 9,661,056

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities Enterprise Funds
	Utilities Fund
Operating revenue	
Charges for services	\$ 942,238
Operating expenses	
Personnel	135,790
Depreciation	191,424
Professional services	119,208
Utilities	63,573
Materials and supplies	38,053
Other	5,123
Total operating expenses	553,171
Operating income (loss)	389,067
Nonoperating revenue (expense)	
Interest revenue	200
Income (loss) before capital grants	389,267
Capital grants	2,508,229
Increase in net position	2,897,496
Total net position, July 1, 2015	6,763,560
Total net position, June 30, 2016	\$ 9,661,056

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities
	Enterprise Funds
	Utilities
	Fund
Cash flows from operating activities	
Receipts from customers	\$ 711,765
Payments to suppliers and providers of goods and services	(305,201)
Payments to employees	(142,395)
	264,169
Cash flows from noncapital financing activities	
Advances to other funds	(270,341)
	(270,341)
Cash flows from capital financing activities	
Proceeds from capital grants	1,749,474
Proceeds from issuance of debt	3,953,000
Repayment of debt	(2,556,865)
Purchase of capital assets	(3,054,448)
	91,161
Cash flows from investing activities:	
Interest received on investments	200
	200
Net change in cash	85,189
Cash and cash equivalents, July 1, 2015	70,885
Cash and cash equivalents, June 30, 2016	\$ 156,074
 Noncash capital financing activities	
Capital assets purchased on account	\$ 757,566

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016
(Continued)

	Business-type Activities
	Enterprise Funds
	Utilities
	Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 389,067
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	191,424
Pension expense	20,105
Employer pension contributions	(12,663)
(Increase) decrease in:	
Accounts receivable	(245,195)
Increase (decrease) in:	
Accounts payable	(86,686)
Accrued expenses	437
Refundable deposits	14,722
Compensated absences	(7,042)
	(210,329)
Net cash provided by operating activities	\$ 264,169

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Investment Trust Fund
ASSETS	
Cash and cash equivalents	<u>\$ 38,281</u>
NET POSITION	
Held in trust for pension benefits	<u><u>\$ 38,281</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	<u>Investment Trust Fund</u>
Additions	
Contributions	<u>\$ 2,460</u>
Change in net position	2,460
Net position, July 1, 2015	<u>35,821</u>
Net position, June 30, 2016	<u>\$ 38,281</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

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 blended component unit discussed below has a June 30 year-end. The Town has no discretely presented component units.

The Town of Miami Municipal Property Corporation is an Arizona nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the Corporation 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 Corporation's board of directors is appointed by the Miami Town Council.

Separate financial statements of the blended component unit are not prepared.

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, 2016

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, 2016

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 funds:

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 reports the following fund types:

The ***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.

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. 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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 Investments

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. 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.

The Town levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's office at June 30, 2016.

F. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

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 reported in the government-wide statements and proprietary funds are as follows:

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

	<u>Capitalization</u> <u>Threshold</u>	<u>Depreciation</u> <u>Method</u>	<u>Estimated</u> <u>Useful Life</u>
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

G. Investment Income

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

H. 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.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the town council,
4. *Assigned* fund balances are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

The Town's policy for committed fund balances is through formal resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process.

The Town's policy for assigned fund balances is through motions passed by the elected town council. Assigned fund balances do not require a formal resolution.

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

K. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the Utility Fund are estimated by the Town. The amount recorded as uncollectible at June 30, 2016, totaled approximately \$511,000.

L. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the financial statements and has determined that there are no significant subsequent events requiring disclosure.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Impact of Recently Issued Accounting Principles

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Town implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension 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.

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; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits—At June 30, 2016, the carrying amount of the Town's total cash in bank was \$156,074, and the bank balance was \$375,066. The fiduciary fund cash account balance and bank balance was \$38,281. Of the bank balances, all was covered by federal depository insurance or assets pledged by the Town's banks.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Restricted Cash – Cash and cash equivalents in the Utilities Fund in the amount of \$43,500 has been restricted for a debt service reserve fund and a short lived assets replacement fund under the requirements of agreements with the U.S. Department of Agriculture.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2016 included \$26,607 in state-shared revenue from highway user revenue fund (HURF) taxes, \$13,327 in state-shared revenue from sales taxes, \$4,721 in county-shared revenue from auto lieu taxes, \$5,189 in miscellaneous revenue, \$37,464 in federal and state-shared revenue from senior program grants, \$126,322 in Community Development Block grant funds, and \$27,044 in federal and state-shared revenue from transit grants.

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	447,463	-	-	\$ 447,463
Construction-in-progress	-	-	-	-
Total capital assets not being depreciated	447,463	-	-	447,463
Capital assets being depreciated:				
Buildings	1,056,545	-	-	1,056,545
Equipment	2,298,112	-	-	2,298,112
Infrastructure	2,808,503	257,650	-	3,066,153
	6,163,160	257,650	-	6,420,810
Less accumulated depreciation for:				
Buildings	435,443	38,022	-	473,465
Equipment	1,614,877	55,463	-	1,670,340
Infrastructure	1,919,315	74,414	-	1,993,729
	3,969,635	167,899	-	4,137,534
Total capital assets being depreciated, net	2,193,525	89,751	-	2,283,276
Governmental activities capital assets, net	\$ 2,640,988	\$ 89,751	\$ -	\$ 2,730,739

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 4 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 5,638,678	\$3,812,014	\$ -	\$ 9,450,692
Total capital assets not being depreciated	<u>5,638,678</u>	<u>3,812,014</u>	<u>-</u>	<u>9,450,692</u>
Capital assets being depreciated:				
Equipment	32,806	-	-	32,806
Infrastructure	6,720,500	-	-	6,720,500
Total	<u>6,753,306</u>	<u>-</u>	<u>-</u>	<u>6,753,306</u>
Less accumulated depreciation for:				
Equipment	19,698	2,722	-	22,420
Infrastructure	2,887,119	188,702	-	3,075,821
Total	<u>2,906,817</u>	<u>191,424</u>	<u>-</u>	<u>3,098,241</u>
Total capital assets being depreciated, net	<u>3,846,489</u>	<u>(191,424)</u>	<u>-</u>	<u>3,655,065</u>
Business-type activities capital assets, net	<u>\$ 9,485,167</u>	<u>\$3,620,590</u>	<u>\$ -</u>	<u>\$ 13,105,757</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 28,167
Public works	74,414
Welfare	34,511
Public safety	19,168
Culture and recreation	<u>11,639</u>
Total governmental activities depreciation expense	<u>\$ 167,899</u>
Business-type activities:	
Utilities	<u>\$ 191,424</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2016.

	Balance <u>July 1, 2015</u>	Additions	Reductions	Balance <u>June 30, 2016</u>	Due within <u>one year</u>
Governmental activities:					
Net pension liability	\$ 1,747,311	\$ 176,970	\$ -	\$ 1,924,281	\$ -
Compensated absences	46,859		999	45,860	34,395
Total governmental activities:	<u>\$ 1,794,170</u>	<u>\$ 176,970</u>	<u>\$ 999</u>	<u>\$ 1,970,141</u>	<u>\$ 34,395</u>
Business-type activities:					
Notes payable	\$ 3,495,123	\$ 3,953,000	\$ 2,556,865	\$ 4,891,258	\$ 17,503
Net pension liability	146,317	43,737	-	190,054	-
Compensated absences	11,106	-	7,042	4,064	3,048
Total business-type activities:	<u>\$ 3,506,229</u>	<u>\$ 3,996,737</u>	<u>\$ 2,563,907</u>	<u>\$ 5,085,376</u>	<u>\$ 20,551</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 5 – LONG-TERM LIABILITIES – Continued

Notes payable at June 30, 2016, consists of the following:

	Business-type Activities
	Utilities Fund
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.	\$ 938,258
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.	
	3,953,000
	\$ 4,891,258

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2016.

Year Ending June 30	Business-type Activities	
	Notes Payable	
	Principal	Interest
2017	17,503	88,340
2018	30,134	99,508
2019	92,637	86,259
2020	94,318	84,578
2021	96,029	82,867
2022-2026	506,920	387,560
2027-2031	554,620	339,860
2032-2036	606,822	287,658
2037-2041	663,953	230,527
2042-2046	726,483	167,997
2047-2051	794,923	99,557
2052-2056	706,916	28,642
Total	\$ 4,891,258	\$ 1,983,353

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2016, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 1,924,281	\$ 190,054	\$ 2,114,335
Deferred outflows of resources	591,492	44,012	635,504
Deferred inflows of resources	206,515	18,847	225,362
Pension expense	258,151	20,105	278,256

The Town reported \$151,583 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

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 Web site at www.azasrs.gov.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 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 survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions – – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2016, were \$82,629.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-term Disability Fund
Year ended June 30,		
2016	\$ 3,617	\$ 868
2015	3,708	890
2014	2,971	1,426

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follows: 63.29 percent from the General Fund, 1.90 percent from the HURF Fund, 1.72 percent from the Senior Center Fund, 14.73 percent from the Transit Fund, 3.36 percent from the Library Fund, and 15.00 percent from the Utilities Fund.

Pension Liability – At June 30, 2016, the Town reported a liability of \$1,267,026 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2014. The Town’s proportion measured as of June 30, 2015, was .008130 percent, which was an increase of .000154 from its proportion measured as of June 30, 2014.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the Town recognized pension expense for ASRS of \$134,036. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,574	\$ 66,393
Net difference between projected and actual earnings on pension plan investments	-	40,605
Changes in proportion and differences between Town contributions and proportionate share of contributions	176,208	18,647
Town contributions subsequent to the measurement date	<u>82,629</u>	<u>-</u>
Total	<u>\$ 293,411</u>	<u>\$ 125,645</u>

The \$82,629 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	30,285
2018	(13,323)
2019	29,313
2020	-
Thereafter	-

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

ASRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	58%	3.94%
Fixed income	25%	0.93%
Real estate	10%	0.42%
Multi-asset class	5%	0.17%
Commodities	2%	0.08%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. 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 pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 1,660,237	\$ 1,267,026	\$ 997,548

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s 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). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 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%	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% of retired member's pension benefit	
Active Members	80% if 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 excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2016, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	6
Total	9

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police
Active Members - Pension	11.05%
Town Pension	30.08%
Health insurance premium	1.58%

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Pension	<u>PSPRS Police</u>	
Contributions Made	\$	93,536
 Health Insurance Premium Benefit		
Annual OPEB cost		1,929
Contributions made		1,929

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

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

	Net Pension Liability	
	<u>(Asset)</u>	
PSPRS Police	\$	847,309

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	<u>PSPRS Police</u>
Discount rates	7.85%

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

PSPRS	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 1,867,706	\$ 949,528	\$ 918,178
Changes for the year			
Service Cost	39,926	-	39,926
Interest on the total pension liability	145,340	-	145,340
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	(125,443)	-	(125,443)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	73,750	(73,750)
Contributions-employee	-	23,970	(23,970)
Net investment income	-	34,927	(34,927)
Benefit payments, including refunds of employee contributions	(72,415)	(72,415)	-
Administrative expense	-	(1,230)	1,230
Other changes	-	(725)	725
Net changes	(12,592)	58,277	(70,869)
Balances at June 30, 2016	\$ 1,855,114	\$ 1,007,805	\$ 847,309

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities (assets) calculated using the discount rate of 7.85 percent, as well as what the Town’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

PSPRS	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 1,075,142	\$ 847,309	\$ 656,037

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension Expense	
PSPRS Police	\$	144,220

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

PSPRS	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 67,750	\$ 97,173	
Changes of assumptions or other inputs	146,465	-	
Net difference between projected and actual earnings on pension plan investments	32,422	2,544	
Town contributions subsequent to the measurement date	95,456	-	
Total	\$ 342,093	\$ 99,717	

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	PSPRS Police	
2017	\$	56,423
2018		56,423
2019		15,430
2020		(4,256)
2021		-
Thereafter		-

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent Plan OPEB Trend Information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2016	\$ 1,929	100%	\$ (2,451)
2015	1,038	100%	(16,705)
2014	536	0%	(10,437)

Agent Plan OPEB Funded Status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	<u>PSPRS Police</u>
Actuarial value of assets (a)	\$ 65,826
Actuarial accrued liability (b)	\$ 63,375
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$ (2,451)
Funded ratio (a)/(b)	103.87%
Annual covered payroll (c)	\$ 258,449
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.00%

The actuarial methods and assumptions for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables - Interfund balances at June 30, 2016, were as follows:

Payable from	Payable to				Total
	HURF Fund	Grants Fund	Transit Fund	Utility Fund	
General Fund	\$ 844,605	\$ 165,846	\$ 133,046	\$ 223,982	\$ 1,367,479
Senior Center Fund	-	-	-	522,581	522,581
Library Fund	-	-	-	499,272	499,272
Total	\$ 844,605	\$ 165,846	\$ 133,046	\$ 1,245,835	\$ 2,389,332

The interfund receivables and payables above were necessary in order to fund the ongoing activities of the General, Senior Center, and Library Funds in the current and prior periods.

NOTE 8 – RISK MANAGEMENT

The Town is routinely exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.008130%	0.006592%	Information not available
Town's proportionate share of the net pension liability	\$ 1,267,026	\$ 975,450	
Town's covered-employee payroll	\$ 723,378	\$ 741,586	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.15%	131.54%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

See accompanying notes to pension plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2016

PSPRS

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Total pension liability			Information not available
Service cost	\$ 39,926	\$ 27,547	
Interest on the total pension liability	145,340	105,691	
Changes of benefit terms	-	51,404	
Differences between expected and actual experience in the measurement of the pension liability	(125,443)	121,562	
Changes of assumptions or other inputs	-	262,793	
Benefit payments, including refunds of employee contributions	(72,415)	(67,802)	
Net change in total pension liability	(12,592)	501,195	
Total pension liability - beginning	1,867,706	1,366,511	
Total pension liability - ending (a)	<u>\$ 1,855,114</u>	<u>\$ 1,867,706</u>	
Plan fiduciary net position			
Contributions - employer	\$ 73,750	\$ 54,893	
Contributions - employee	23,970	20,682	
Net investment income	34,927	102,886	
Benefit payments, including refunds of employee contributions	(72,415)	(67,802)	
Administrative expense	(1,230)	-	
Other changes	(725)	144,664	
Net change in plan fiduciary net position	58,277	255,323	
Plan fiduciary net position - beginning	949,528	694,205	
Plan fiduciary net position - ending (b)	<u>\$ 1,007,805</u>	<u>\$ 949,528</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 847,309</u>	<u>\$ 918,178</u>	
Plan fiduciary net position as a percentage of the total pension liability	54.33%	50.84%	
Covered-employee payroll	\$ 252,448	\$ 225,092	
Town's net pension liability (asset) as a percentage of covered-employee payroll	335.64%	407.91%	

See accompanying notes to pension plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2016

Arizona State Retirement System

	<u>Reporting Fiscal Year</u>			2013 through 2006
	2016	2016	2014	
Statutorily required contribution	\$ 82,629	\$ 79,794	\$ 63,586	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(82,629)</u>	<u>(79,794)</u>	<u>(63,586)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 723,378</u>	<u>\$ 741,586</u>	<u>\$ 594,262</u>	
Town's contributions as a percentage of covered-employee payroll	11.42%	10.76%	10.70%	

PSPRS

	<u>Reporting Fiscal Year</u>			2013 through 2006
	2015	2015	2014	
Actuarially determined contribution	\$ 95,456	\$ 73,750	\$ 54,893	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(95,456)</u>	<u>(73,750)</u>	<u>(54,893)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 252,448</u>	<u>\$ 252,448</u>	<u>\$ 225,092</u>	
Town's contributions as a percentage of covered-employee payroll	37.81%	29.21%	24.39%	

See accompanying notes to pension plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2016

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 closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2016

Health Insurance Premium Benefit - PSPRS

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
06/30/16	\$ 65,826	\$ 63,375	\$ (2,451)	103.9 %	\$ 258,449	(0.95)
06/30/15	61,151	44,446	(16,705)	137.6	252,448	(6.62)
06/30/14	55,198	44,761	(10,437)	123.3	225,093	(4.64)

See accompanying notes to schedule of agent OPEB plans' funding progress.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2016

NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

TOWN OF MIAMI, ARIZONA

**Report on Examination of
Annual Expenditure Limitation Report**

June 30, 2016

TABLE OF CONTENTS

Independent Accountants' Report 1

Annual Expenditure Limitation Report – Part I 2

Annual Expenditure Limitation Report – Part II 3

Annual Expenditure Limitation Report – Reconciliation 4

Notes to Annual Expenditure Limitation Report 5



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and Town Council of the
Town of Miami, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Miami, Arizona, for the year ended June 30, 2016. The Town's management is responsible for this report. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the Town of Miami, Arizona referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

Colby & Powell

April 19, 2017
Gilbert, Arizona

TOWN OF Miami, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2016

Voter-approved alternative expenditure limitation (approved May 15, 2012)	\$ 25,854,284
Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>9,356,346</u>
Amount under (in excess of) the expenditure limitation	<u><u>\$ 16,497,938</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: _____

Telephone Number: _____ Date: _____

See accompanying notes to report.

TOWN OF Miami, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2016

Description	Governmental Funds	Enterprise Fund	Fiduciary Fund	Total
A. Amounts reported on the Reconciliation, Line D	\$ 2,633,162	\$ 6,723,184	\$ -	\$9,356,346
B. Less exclusions claimed	-	-	-	-
C. Amounts subject to the expenditure limitation	<u>\$ 2,633,162</u>	<u>\$ 6,723,184</u>	<u>\$ -</u>	<u>\$9,356,346</u>

See accompanying notes to report.

TOWN OF Miami, ARIZONA
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2016

Description	Governmental Funds	Enterprise Fund	Fiduciary Fund	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 2,633,162	\$ 553,171	\$ -	\$ 3,186,333
B. Subtractions				
Items not requiring use of working capital:				
Depreciation	-	191,424	-	191,424
Pension expense	-	20,105	-	20,105
Total subtractions	-	211,529	-	211,529
C. Additions				
Principal payments on long-term debt	-	2,556,865	-	2,556,865
Acquisition of capital assets	-	3,812,014	-	3,812,014
Pension contributions paid	-	12,663	-	12,663
Total additions	-	6,381,542	-	6,381,542
D. Amounts reported on Part II, Line A	\$ 2,633,162	\$ 6,723,184	\$ -	\$ 9,356,346

See accompanying notes to report.

TOWN OF Miami, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System (UERS)*, as required by Arizona Revised Statutes Section 41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted May 15, 2012, as authorized by the Arizona Constitution, Article IX, §20(9).

In accordance with the UERS requirements, a note to the AELR is presented for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds, and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Using a voter approved alternative expenditure limitation there are no constitutionally allowed exclusions available to the Town in determining the amount subject to the expenditure limitation. Therefore, there are no exclusions taken in Part II of the Annual Expenditure Limitation Report.

NOTE 2 – PENSION EXPENSE AND CONTRIBUTIONS

The subtraction of \$20,105 for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise Fund. The addition of \$12,663 for pension contributions paid in the current year consists of the pension contributions made to the Arizona State Retirement System for the Enterprise Fund

NOTE 3 – PRINCIPAL PAYMENTS ON LONG-TERM DEBT

The addition of \$2,556,865 for principal payments on long-term debt in the Enterprise Fund consists of \$2,539,710 paid to the Water Infrastructure Finance Authority of Arizona and \$17,155 paid to the USDA Rural Development.