

TOWN OF MIAMI, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1
Government-wide Statements	
Statement of Net Position	4
Statement of Activities.....	5
Fund Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of the Balance Sheet to the Statement of Net Position.....	7
Statement of Revenue, Expenditures, and Changes in Fund Balance	8
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenue, Expenses, and Changes in Net Position.....	11
Statement of Cash Flows	12
Fiduciary Funds	
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Net Position	15
Notes to Financial Statements	16
Other Required Supplementary Information	
Schedule of Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans	47
Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios -Agent Pension Plans	48
Schedule of Town Pension Contributions.....	49
Schedule of Agent OPEB Plans' Funding Progress	51



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, 2017, 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, 2017, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, 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

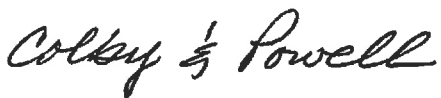
In connection with our audit, except as noted in the following paragraph, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated 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 \$718,173 of highway user revenue funds 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



March 28, 2018
Gilbert, Arizona

TOWN OF MIAMI, ARIZONA
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 204,135	\$ 204,135
Cash and cash equivalents, restricted	-	62,498	62,498
Receivables, net	-	266,020	266,020
Taxes receivable	85,918	-	85,918
Other receivables	-	85,184	85,184
Due from other governments	100,619	217,670	318,289
Interfund balances	(832,459)	832,459	-
Capital assets, not being depreciated	447,463	12,040,918	12,488,381
Capital assets, being depreciated, net	2,174,656	3,466,911	5,641,567
Total assets	1,976,197	17,175,795	19,151,992
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	887,308	53,308	940,616
LIABILITIES			
Accounts payable	376,349	300,952	677,301
Accrued expenses	694,233	6,201	700,434
Interest payable	-	58,936	58,936
Refundable deposits	-	19,048	19,048
Noncurrent liabilities			
Due within one year	38,919	32,861	71,780
Due in more than one year	2,276,971	5,402,550	7,679,521
Total liabilities	3,386,472	5,820,548	9,207,020
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	210,312	24,955	235,267
NET POSITION			
Net investment in capital assets	2,622,119	10,275,799	12,897,918
Restricted for:			
Highways and streets	980,717	-	980,717
Unrestricted (deficit)	(4,336,115)	1,107,801	(3,228,314)
Total net position	\$ (733,279)	\$ 11,383,600	\$ 10,650,321

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

TOWN OF MIAMI, ARIZONA
Statement of Activities
Year Ended June 30, 2017

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	\$ 279,809	\$ 13,917	\$ 76,922	\$ -	\$ (188,970)	\$ -	\$ (188,970)
Public safety	865,866	26,454	-	-	(839,412)	-	(839,412)
Public works	437,290	-	189,023	-	(248,267)	-	(248,267)
Welfare	787,442	-	635,895	-	(151,547)	-	(151,547)
Culture and recreation	246,174	15,904	54,400	-	(175,870)	-	(175,870)
Total governmental activities	2,616,581	56,275	956,240	-	(1,604,066)	-	(1,604,066)
Business-type activities							
Utilities	866,669	879,097	-	2,259,791	-	2,272,219	2,272,219
Total business-type activities	866,669	879,097	-	2,259,791	-	2,272,219	2,272,219
Total primary government	\$ 3,483,250	\$ 935,372	\$ 956,240	\$ 2,259,791	(1,604,066)	2,272,219	668,153
General revenue:							
Taxes:							
Property taxes, levied for general purposes					190,152	-	190,152
Local sales taxes					394,420	-	394,420
Franchise tax					42,313	-	42,313
Share of state sales taxes					159,547	-	159,547
Share of county auto lieu taxes					112,334	-	112,334
State urban revenue sharing					218,137	-	218,137
Other					183,174	-	183,174
Total general revenue					1,300,077	-	1,300,077
Change in net position					(303,989)	2,272,219	1,968,230
Net position, beginning of year (restated)					(429,290)	9,111,381	8,682,091
Net position, end of year					\$ (733,279)	\$ 11,383,600	\$ 10,650,321

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

TOWN OF MIAMI, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
ASSETS							
Taxes receivable	\$ 85,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,918
Due from other governments	18,484	28,450	37,464	-	-	16,221	100,619
Due from other funds	-	718,173	-	165,846	-	-	884,019
Total assets	\$ 104,402	\$ 746,623	\$ 37,464	\$ 165,846	\$ -	\$ 16,221	\$ 1,070,556
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	354,149	7,331	3,868	-	1,687	9,314	376,349
Accrued expenses	683,912	597	2,383	-	2,063	5,278	694,233
Due to other funds	29,657	-	812,755	-	544,923	329,143	1,716,478
Total liabilities	1,067,718	7,928	819,006	-	548,673	343,735	2,787,060
Fund balances							
Restricted for:							
Highways and streets	-	738,695	-	165,846	-	-	904,541
Unassigned	(963,316)	-	(781,542)	-	(548,673)	(327,514)	(2,621,045)
Total fund balances	(963,316)	738,695	(781,542)	165,846	(548,673)	(327,514)	(1,716,504)
Total liabilities and fund balances	\$ 104,402	\$ 746,623	\$ 37,464	\$ 165,846	\$ -	\$ 16,221	\$ 1,070,556

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, 2017

Fund balances-total governmental funds	\$ (1,716,504)
 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.	2,622,119
Long-term liabilities, such as net pension liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(2,315,890)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>676,996</u>
Net position of governmental activities	<u>\$ (733,279)</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, 2017

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
Revenue							
Intergovernmental	\$ 490,019	\$ 314,974	\$ 113,243	\$ 65,722	\$ 55,108	\$ 373,147	\$ 1,412,213
Taxes	626,885	-	-	-	-	-	626,885
Other revenue	190,279	-	-	-	-	-	190,279
Charges for services	15,195	-	-	-	-	14,879	30,074
Fines and forfeitures	10,200	-	9,676	-	-	-	19,876
Contributions	24,861	-	-	-	-	-	24,861
Licenses and permits	2,333	-	-	-	-	-	2,333
Rents	6,069	-	-	-	-	-	6,069
Total revenue	1,365,841	314,974	122,919	65,722	55,108	388,026	2,312,590
Expenditures							
Current							
General government	236,065	-	-	-	-	-	236,065
Public safety	824,691	-	-	-	-	-	824,691
Public works	178,293	169,565	-	-	-	-	347,858
Welfare	39,440	-	222,180	-	-	487,523	749,143
Culture and recreation	128,123	-	-	-	102,627	-	230,750
Capital outlay	-	-	-	65,722	-	-	65,722
Total expenditures	1,406,612	169,565	222,180	65,722	102,627	487,523	2,454,229
Net change in fund balances	(40,771)	145,409	(99,261)	-	(47,519)	(99,497)	(141,639)
Fund balances, beginning of year (restated)	(922,545)	593,286	(682,281)	165,846	(501,154)	(228,017)	(1,574,865)
Fund balances, end of year	\$ (963,316)	\$ 738,695	\$ (781,542)	\$ 165,846	\$ (548,673)	\$ (327,514)	\$ (1,716,504)

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, 2017

Net change in fund balances-total governmental funds \$ (141,639)

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	65,722	
Current year depreciation expense	<u>(174,342)</u>	
		(108,620)

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	131,628	
Pension expense	<u>(179,326)</u>	
		(47,698)

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.

Increase in compensated absences payable	<u>(6,032)</u>	
--	----------------	--

Change in net position of governmental activities \$ (303,989)

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

TOWN OF MIAMI, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities Enterprise Funds
	Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 204,135
Cash and cash equivalents, restricted	62,498
Accounts receivable, net	266,020
Other receivables	85,184
Due from other governments	217,670
Due from other funds	832,459
Total current assets	1,667,966
Noncurrent assets	
Capital assets:	
Sewer system and equipment	6,741,806
Construction in progress	12,040,918
Less accumulated depreciation	(3,274,895)
Total noncurrent assets	15,507,829
Total assets	17,175,795
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	53,308
LIABILITIES	
Current liabilities	
Accounts payable	300,952
Accrued expenses	6,201
Interest payable	58,936
Refundable deposits	19,048
Compensated absences, current portion	2,727
Notes payable, current portion	30,134
Total current liabilities	417,998
Noncurrent liabilities	
Compensated absences, net of current portion	909
Notes payable, net of current portion	5,201,896
Net pension liability	199,745
Total noncurrent liabilities	5,402,550
Total liabilities	5,820,548
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	24,955
NET POSITION	
Net investment in capital assets	10,275,799
Unrestricted	1,107,801
Total net position	\$ 11,383,600

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, 2017

	Business-type Activities Enterprise Funds
	Utilities Fund
Operating revenue	
Charges for services	\$ 879,097
Operating expenses	
Personnel	209,197
Depreciation	191,654
Professional services	165,054
Other	164,249
Utilities	62,486
Materials and supplies	50,873
Repairs and maintenance	23,156
Total operating expenses	866,669
Operating income (loss)	12,428
Nonoperating revenue (expense)	
Interest revenue	18,560
Income (loss) before contributions, gains, losses, and transfers	30,988
Capital grants	2,241,231
Increase in net position	2,272,219
Total net position, beginning of year (restated)	9,111,381
Total net position, end of year	\$ 11,383,600

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, 2017

	Business-type Activities Enterprise Funds
	Utilities Fund
Cash flows from operating activities	
Receipts from customers	\$ 844,822
Payments to suppliers and providers of goods and services	(398,955)
Payments to employees	(205,846)
Net cash provided (used) by operating activities	240,021
Cash flows from noncapital financing activities	
Advances to other funds	(136,299)
Cash flows from capital financing activities	
Proceeds from capital grants	2,241,231
Proceeds from issuance of debt	358,844
Repayment of debt	(18,072)
Purchase of capital assets	(2,593,726)
Net cash provided by (used for) capital and related financing	(11,723)
Cash flows from investing activities:	
Interest received on investments	18,560
Net increase (decrease) in cash and cash equivalents	110,559
Cash and cash equivalents, beginning of year	156,074
Cash and cash equivalents, end of year	\$ 266,633
Cash and cash equivalents	\$ 204,135
Cash and cash equivalents, restricted	62,498
Cash and cash equivalents, end of year	\$ 266,633

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, 2017
(Continued)

	Business-type Activities	
	Enterprise Funds	
	Utilities	
	Fund	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	12,428
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		191,654
Pension expense		20,748
Employer pension contributions		(14,245)
(Increase) decrease in:		
Accounts receivable		(37,151)
Increase (decrease) in:		
Accounts payable		60,360
Accrued expenses		3,779
Refundable deposits		2,876
Compensated absences		(428)
Net cash provided (used for) operating activities	\$	240,021
Non-cash capital financing activities:		
Capital assets purchased on account	\$	217,670

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

TOWN OF MIAMI, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Investment Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 39,902</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 39,902</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, 2017

	<u>Investment Trust Fund</u>
Additions	
Investment earnings	<u>\$ 1,621</u>
Change in net position	1,621
Net position, July 1, 2016	<u>38,281</u>
Net position, June 30, 2017	<u><u>\$ 39,902</u></u>

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2017

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, 2017

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.

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, 2017

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. 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 Investments

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

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, 2017.

F. 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:

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

	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

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

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 revenue in future periods.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Fund Balance Reporting

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.

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.

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, 2017, totaled approximately \$452,602.

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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Impact of Recently Issued Accounting Principles

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 December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. 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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

O. Administrative Overhead

The General Fund charges other funds and programs for centralized expenses. These charges consist of administrative overhead which is included as direct expenses in these funds.

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. 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, 2017

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, 2017, the carrying amount of the Town’s total cash in bank was \$266,308, and the bank balances were \$301,193. The fiduciary fund cash account balance and bank balance was \$39,902. Of the bank balances, all was covered by federal depository insurance or assets pledged by the Town’s banks.

Restricted cash – Restricted cash in the Utility Fund consists of monies restricted for refundable customer deposits in the amount of \$19,048, monies restricted for debt service reserve fund and short lived assets replacement funds under the requirement agreements with the U.S. Department of Agriculture in the amount of \$43,450.

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

	Business-type activities	Volunteer Firefighters' Relief and Pension	Total
Cash and cash equivalents:			
Cash on hand	\$ 325	\$ -	\$ 325
Amount of deposits	266,308	39,902	306,210
Total	<u>\$ 266,633</u>	<u>\$ 39,902</u>	<u>\$ 306,535</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due at June 30, 2017 from other governments in the Governmental Funds consisted of the following:

Description	General Fund	HURF Fund	Other Governmental Funds	Total
State of Arizona:				
Highway user revenue	\$ -	\$ 28,450	\$ -	\$ 28,450
Grants	-	-	53,685	53,685
State sales tax	13,992	-	-	13,992
Vehicle license tax	4,492	-	-	4,492
	<u>\$ 18,484</u>	<u>\$ 28,450</u>	<u>\$ 53,685</u>	<u>\$ 100,619</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 447,463	-	-	\$ 447,463
Capital assets being depreciated:				
Buildings	1,056,545	-	-	1,056,545
Equipment	2,298,112	-	(93,422)	2,204,690
Infrastructure	3,066,153	65,722	-	3,131,875
Total capital assets being depreciated	<u>6,420,810</u>	<u>65,722</u>	<u>(93,422)</u>	<u>6,393,110</u>
Less accumulated depreciation for:				
Buildings	473,465	38,022	-	511,487
Equipment	1,670,340	55,465	(93,422)	1,632,383
Infrastructure	1,993,729	80,855	-	2,074,584
Total accumulated depreciation	<u>4,137,534</u>	<u>174,342</u>	<u>(93,422)</u>	<u>4,218,454</u>
Total capital assets being depreciated, net	<u>2,283,276</u>	<u>(108,620)</u>	<u>-</u>	<u>2,174,656</u>
Governmental activities capital assets, net	<u>\$ 2,730,739</u>	<u>\$ (108,620)</u>	<u>\$ -</u>	<u>\$ 2,622,119</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 4 – CAPITAL ASSETS – Continued

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 9,450,692	\$ 2,590,226	\$ -	\$ 12,040,918
Capital assets being depreciated:				
Equipment	32,806	3,500	(15,000)	21,306
Infrastructure	6,720,500	-	-	6,720,500
Total capital assets being depreciated	<u>6,753,306</u>	<u>3,500</u>	<u>(15,000)</u>	<u>6,741,806</u>
Less accumulated depreciation for:				
Equipment	22,420	-	(15,000)	7,420
Infrastructure	3,075,821	191,654	-	3,267,475
Total accumulated depreciation	<u>3,098,241</u>	<u>191,654</u>	<u>(15,000)</u>	<u>3,274,895</u>
Total capital assets being depreciated, net	<u>3,655,065</u>	<u>(188,154)</u>	<u>-</u>	<u>3,466,911</u>
Business-type activities capital assets, net	<u>\$ 13,105,757</u>	<u>\$ 2,402,072</u>	<u>\$ -</u>	<u>\$ 15,507,829</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 28,167
Public safety	19,170
Public works	80,855
Welfare	34,511
Culture and recreation	<u>11,639</u>
Total governmental activities depreciation expense	<u>\$ 174,342</u>
Business-type activities:	
Utilities	<u>\$ 191,654</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Governmental activities:					
Compensated absences	\$ 45,860	\$ 6,032	\$ -	\$ 51,892	\$ 38,919
Net pension liability	1,924,281	339,717	-	2,263,998	-
Total governmental activities:	\$ 1,970,141	\$ 345,749	\$ -	\$ 2,315,890	\$ 38,919
Business-type activities:					
Compensated absences	\$ 4,064	\$ -	\$ 428	\$ 3,636	\$ 2,727
Notes payable	4,891,258	358,844	18,072	5,232,030	30,134
Net pension liability	190,054	9,691	-	199,745	-
Total business-type activities:	\$ 5,085,376	\$ 368,535	\$ 18,500	\$ 5,435,411	\$ 32,861

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM LIABILITIES – Continued

Notes payable at June 30, 2017, 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.	\$ 920,755
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.	3,952,431
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.	358,844
	\$ 5,232,030

The following schedule details debt service requirements to maturity for the Town's notes payable at June 30, 2017.

Year Ending June 30	Business-type Activities	
	Notes Payable	
	Principal	Interest
2018	30,134	105,838
2019	92,637	92,589
2020	101,088	90,804
2021	102,918	88,974
2022	104,782	87,110
2023-2027	553,074	406,385
2028-2032	605,017	354,441
2033-2037	661,855	297,602
2038-2042	724,049	235,408
2043-2047	792,108	167,351
2048-2052	866,584	92,872
2053-2057	597,784	20,041
Total	\$ 5,232,030	\$ 2,039,415

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2017, 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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 2,263,998	\$ 199,745	\$ 2,463,743
Deferred outflows of resources	887,308	53,308	940,616
Deferred inflows of resources	210,312	24,955	235,267
Pension expense	179,326	20,748	200,074

The Town reported \$131,628 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, 2017

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	
	<u>Initial membership date:</u>	
	<u>Before July 1, 2011</u>	<u>On or after July 1, 2011</u>
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, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 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, 2017 were \$93,748.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

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,		
2017	\$ 4,051	\$ 1,013
2016	3,708	890
2015	3,506	713

During fiscal year 2017, 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, 2017, the Town reported a liability of \$1,331,633 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2016. The Town’s proportion measured as of June 30, 2016, was .00825 percent, which was an increase of .00012 from its proportion measured as of June 30, 2015.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2017, the Town recognized pension expense for ASRS of \$138,319. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,092	\$ 91,607
Changes of assumptions or other inputs	-	70,454
Net difference between projected and actual earnings on pension plan investments	144,305	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	109,239	4,303
Town contributions subsequent to the measurement date	<u>93,748</u>	<u>-</u>
Total	<u>\$ 355,384</u>	<u>\$ 166,364</u>

The \$93,748 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, 2018. 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,	
2018	19,098
2019	(24,279)
2020	59,991
2021	40,462

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2015
Actuarial roll forward date	June 30, 2016
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, 2015, 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 8.75 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 Arithmetic Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

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 8.75 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, 2017

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	\$ 1,697,933	\$ 1,331,633	\$ 1,037,940

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, 2017

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:

	<u>Initial membership date:</u>	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 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 earnings. In addition, 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, 2017

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	6
Total	10

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, 2017, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police
Active Members - Pension	11.65%
Town	
Pension	34.05%
Health insurance premium	0.38%

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2017, were:

Pension	<u>PSPRS Police</u>	
Contributions Made	\$	66,494
 Health Insurance Premium Benefit		
Annual OPEB cost		1,050
Contributions made		1,050

During fiscal year 2017, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Pension Liability (Asset) – At June 30, 2017, the Town reported a net pension liability of \$1,132,110. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date the following net pension liability:

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- 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 Town’s net pension liability as a result of the statutory adjustment is not known.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town’s net pension liabilities as a result of these changes is not known.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2016
Actuarial cost method	Entry age normal
Discount rate	7.50%
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, 2016, 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 7.50 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 Arithmetic Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. 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 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, 2017

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset) – The following tables present changes in the Town’s net pension liability for the PSPRS pension plan as follows:

	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 1,855,114	\$ 1,007,805	\$ 847,309
Changes for the year			
Service Cost	54,610	-	54,610
Interest on the total pension liability	144,573	-	144,573
Changes of benefit terms	(8,865)	-	(8,865)
Differences between expected and actual experience in the measurement of the pension liability	321,107	-	321,107
Changes of assumptions or other inputs	90,173	-	90,173
Contributions-employer	-	102,757	(102,757)
Contributions-employee	-	28,900	(28,900)
Net investment income	-	6,642	(6,642)
Benefit payments, including refunds of employee contributions	(81,444)	(81,444)	-
Administrative expense	-	(1,355)	1,355
Other changes	-	179,853	(179,853)
Net changes	520,154	235,353	284,801
Balances at June 30, 2017	\$ 2,375,268	\$ 1,243,158	\$ 1,132,110

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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	Current Discount Rate		
	1% Decrease (6.50%)	(7.50%)	1% Increase (8.50%)
PSPRS Police			
Net pension liability	\$ 1,427,262	\$ 1,132,110	\$ 885,571

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, 2017

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2017, the Town recognized a pension expense of \$61,755.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2017, 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	\$ 288,395	\$ 68,903
Changes of assumptions or other inputs	157,818	-
Net difference between projected and actual earnings on pension plan investments	72,513	-
Town contributions subsequent to the measurement date	66,506	-
Total	\$ 585,232	\$ 68,903

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

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, 2018. 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
2018	\$ 166,925
2019	125,932
2020	106,246
2021	50,720
2022	-
Thereafter	-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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, 2017

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 2017 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

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	4.5%-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			
2017	\$ 1,050	100%	\$ -
2016	536	100%	-
2015	2,613	100%	-

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2017, along with the actuarial assumptions and methods used in those valuations follow.

	<u>PSPRS Police</u>	
Actuarial value of assets (a)	\$	69,975
Actuarial accrued liability (b)	\$	55,004
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	(14,971)
Funded ratio (a)/(b)		127.22%
Annual covered payroll (c)	\$	230,296
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, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 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	7.50%
Projected salary increases	4%-8%
Wage growth	4%

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables - Interfund balances at June 30, 2017, were as follows:

Payable from	Payable to			Total
	HURF Fund	Grants Fund	Utility Fund	
General Fund	\$ 29,657	\$ -	\$ -	\$ 29,657
Senior Center Fund	359,373	165,846	287,536	812,755
Library Fund	-	-	544,923	544,923
Transit Fund	329,143	-	-	329,143
Total	\$ 718,173	\$ 165,846	\$ 832,459	\$ 1,716,478

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.

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.

NOTE 9 – RESTATEMENT OF BEGINNING FUND BALANCES/NET POSITION

During the current year it was discovered that \$45,828 of General Fund payroll liabilities had not been properly accrued in the prior year. Management also determined that the administrative overhead component of General Fund centralized expenses of \$1,385,800 had not been properly charged to other funds in prior years. An adjustment to beginning net position/fund balance has been made to correct this oversight.

Beginning net position/fund balance of the Utilities Fund, HURF Fund, Senior Center Fund and Transit Fund has been decreased by \$550,019, \$270,306, \$188,670 and \$376,805, respectively. A corresponding increase in the beginning fund balance of the General Fund has been recorded of \$1,385,800. The General Fund beginning fund balance has been reduced by \$45,828 to reflect the unrecorded payroll liability mentioned above.

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, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.008250%	0.008130%	0.006592%	Information not available
Town's proportionate share of the net pension liability	\$ 1,331,633	\$ 1,267,026	\$ 975,450	
Town's covered-employee payroll	\$ 772,783	\$ 749,210	\$ 594,262	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.32%	169.11%	164.14%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	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, 2017

PSPRS

	Reporting Fiscal Year			
	(Measurement Date)			
	2017	2016	2015	2014
	(2016)	(2015)	(2014)	through
				2008
Total pension liability				Information not available
Service cost	\$ 54,610	\$ 39,926	\$ 27,547	
Interest on the total pension liability	144,573	145,340	105,691	
Changes of benefit terms	(8,865)	-	51,404	
Differences between expected and actual experience in the measurement of the pension liability	321,107	(125,443)	121,562	
Changes of assumptions or other inputs	90,173	-	262,793	
Benefit payments, including refunds of employee contributions	(81,444)	(72,415)	(67,802)	
Net change in total pension liability	520,154	(12,592)	501,195	
Total pension liability - beginning	1,855,114	1,867,706	1,366,511	
Total pension liability - ending (a)	<u>\$ 2,375,268</u>	<u>\$ 1,855,114</u>	<u>\$ 1,867,706</u>	
Plan fiduciary net position				
Contributions - employer	\$ 102,757	\$ 73,750	\$ 54,893	
Contributions - employee	28,900	23,970	20,682	
Net investment income	6,642	34,927	102,886	
Benefit payments, including refunds of employee contributions	(81,444)	(72,415)	(67,802)	
Administrative expense	(1,355)	(1,230)	-	
Other changes	179,853	(725)	144,664	
Net change in plan fiduciary net position	235,353	58,277	255,323	
Plan fiduciary net position - beginning	1,007,805	949,528	694,205	
Plan fiduciary net position - ending (b)	<u>\$ 1,243,158</u>	<u>\$ 1,007,805</u>	<u>\$ 949,528</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,132,110</u>	<u>\$ 847,309</u>	<u>\$ 918,178</u>	
Plan fiduciary net position as a percentage of the total pension liability	52.34%	54.33%	50.84%	
Covered-employee payroll	\$ 258,449	\$ 252,448	\$ 225,092	
Town's net pension liability (asset) as a percentage of covered-employee payroll	438.04%	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, 2017

Arizona State Retirement System

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 93,748	\$ 83,847	\$ 81,589	\$ 63,586	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(93,748)</u>	<u>(83,847)</u>	<u>(81,589)</u>	<u>(63,586)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 869,647</u>	<u>\$ 772,783</u>	<u>\$ 749,210</u>	<u>\$ 594,262</u>	
Town's contributions as a percentage of covered- employee payroll	10.78%	10.85%	10.89%	10.70%	

PSPRS

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 66,506	\$ 102,757	\$ 73,750	\$ 54,893	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(66,506)</u>	<u>(102,757)</u>	<u>(73,750)</u>	<u>(54,893)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 230,296</u>	<u>\$ 258,449</u>	<u>\$ 252,448</u>	<u>\$ 225,093</u>	
Town's contributions as a percentage of covered- employee payroll	28.88%	39.76%	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, 2017

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	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	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, 2017

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 ((b-a)/c)
06/30/17	\$ 69,975	\$ 55,004	\$ (14,971)	127.2 %	\$ 230,296	0.00
06/30/16	65,826	63,375	(2,451)	103.9	258,449	0.00
06/30/15	61,151	44,446	(16,705)	137.6	252,448	0.00

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, 2017

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

**Annual Expenditure Limitation Report
and Independent Accountants' Report
June 30, 2017**

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

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Miami, Arizona for the year ended June 30, 2017, and the related notes to the report. The Town's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the annual expenditure limitation report referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.


Colby & Powell

March 28, 2017

TOWN OF MIAMI, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2017

1. Voter-approved alternative expenditure limitation (approved May 15, 2012)	\$ 17,219,622
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>5,734,539</u>
3. Amount under the expenditure limitation	<u>\$ 11,485,083</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: JOSEPH PENITELY TOWN MANAGER

Telephone Number: 928-473-4403 Date: 4/15/18

See accompanying notes to report.

TOWN OF MIAMI, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2017

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Amounts reported on the reconciliation, line D	\$2,454,229	\$3,280,310	\$ -	\$5,734,539
B. Total exclusions claimed	-	-	-	-
C. Amounts subject to the expenditure limitation	<u>\$2,454,229</u>	<u>\$3,280,310</u>	<u>\$ -</u>	<u>\$5,734,539</u>

See accompanying notes to report.

TOWN OF MIAMI, ARIZONA
Annual Expenditure Limitation Report – Reconciliation
Year Ended June 30, 2017

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 2,454,229	\$ 866,669	\$ -	\$ 3,320,898
B. Subtractions:				
Items not requiring use of current financial resources:				
Depreciation	-	191,654	-	191,654
Pension expense	-	20,748	-	20,748
Total subtractions	-	212,402	-	212,402
C. Additions:				
Principal payments on long-term debt	-	18,072	-	18,072
Capital asset acquisitions	-	2,593,726	-	2,593,726
Pension contributions paid in the current year	-	14,245	-	14,245
Total additions	-	2,626,043	-	2,626,043
D. Amounts reported on Part II, Line A	\$ 2,454,229	\$ 3,280,310	\$ -	\$ 5,734,539

See accompanying notes to report.

TOWN OF MIAMI, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2017

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 §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted May 12, 2012, as authorized by the Arizona Constitution, Article IX, §20(9).

In accordance with the UERS, a note to the AELR is presented below 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 balances 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.

NOTE 2 – PENSION EXPENSE AND CONTRIBUTIONS

The subtraction of \$20,748 for pension expense consists of the change in the net pension liability recognized in the current year in the enterprise funds. The addition of \$14,245 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the enterprise funds.

NOTE 3 – PRINCIPAL PAYMENTS ON LONG-TERM DEBT

The addition of \$18,072 for principal payments on long-term debt in the enterprise funds consists of principal payments made on notes payable to the United States Department of Agriculture.

TOWN OF MIAMI, ARIZONA

**Government Auditing Standards
and
Uniform Guidance Reports**

June 30, 2017

TABLE OF CONTENTS

Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs.....	8



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'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council
Town of Miami, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Miami, Arizona's, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Miami, Arizona's, basic financial statements, and have issued our report thereon dated March 28, 2018

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Miami, Arizona's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Miami, Arizona's, internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Miami, Arizona's, internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs item 2017-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs item 2011-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Miami, Arizona's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Town of Miami, Arizona's Response to Findings

The Town of Miami, Arizona's, response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



March 28, 2018
Gilbert, Arizona



**COLBY &
POWELL, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Town Council
Town of Miami, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Town of Miami, Arizona's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Miami, Arizona's, major federal programs for the year ended June 30, 2017. Town of Miami, Arizona's, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Miami, Arizona's, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Miami, Arizona's, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Miami, Arizona's, compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Miami, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town of Miami, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Miami, Arizona, internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Miami, Arizona, internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report of Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Miami, Arizona's basic financial statements. We issued our report thereon dated March __, 2018, which contained opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of

additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole

Colby & Powell

March 28, 2018
Gilbert, Arizona

TOWN OF MIAMI, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor or/Pass Through Grant or/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through Pinal-Gila Council for Senior Citizens			
Aging Cluster			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Cntr	93.044	0010-0253	\$ 3,188
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	0010-0253	53,418
Nutrition Services Incentive Program	93.053	0010-0253	<u>11,323</u>
Total Aging Cluster			<u>67,929</u>
Social Services Block Grant	93.667	0010-0253	<u>7,462</u>
			<u>75,391</u>
U.S. Department of Housing and Urban Development			
Passed Through Arizona Department of Housing			
Community Development Block Grants	14.218	133-14	<u>65,721</u>
U.S. Department of Transportation			
Passed through Arizona Department of Transportation			
Formula Grants for Rural Areas	20.509	5311	<u>131,090</u>
U.S. Department of Agriculture			
Rural Development			
Water and Waste Disposal Systems for Rural Communities	10.760	00-03	466,625
Water and Waste Disposal Systems for Rural Communities	10.760	00-05	2,315,691
Water and Waste Disposal Systems for Rural Communities	10.760	92.07	<u>358,844</u>
			<u>3,141,160</u>
Total Federal Assistance			<u>\$ 3,413,362</u>

The accompanying notes are an integral part of this schedule

TOWN OF MIAMI, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant and loan activity of the Town of Miami, Arizona, for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the two digit federal agency identifier and the federal contract number were used.

NOTE 4 – FEDERAL LOAN PROGRAM

The Town of Miami, Arizona has received loans from the U.S. Department of Agriculture (CFDA Number 10.760) for a sewer system rehabilitation project. The transactions relating to these loans are included in the Town of Miami, Arizona's basic financial statements. The federal portion of the outstanding USDA loan balance at June 30, 2017, was \$5,232,030.

**Town of Miami, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

SECTION I	SUMMARY OF AUDITORS' RESULTS
------------------	---

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|--------------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. Identification of major program: | |
| <u>Name of Federal Program</u> | <u>CFDA Number</u> |
| Water and Waste Disposal Systems for Rural Communities | 10.760 |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under the uniform Guidance? | No |

**Town of Miami, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year Findings

Finding 2017-01

Restatement of Beginning Fund Balance

Condition and Context– Management recorded material adjustments to the beginning fund balance of several funds. During the current year management determined that the administrative overhead component of centralized activities should have been allocated to individual funds in prior years. The beginning fund balance of several funds was restated to account for allocations that should have been made in prior years.

Criteria - Good internal control procedures would include a vehicle to ensure that administrative overhead allocations are made on a consistent basis.

Cause - Insufficient internal control over financial reporting prevented management from allocating these costs in prior years thereby misstating beginning fund balance.

Effect - When internal controls are inadequate overhead costs may not be allocated on a consistent basis which may lead to inconsistent financial reporting.

Recommendation - Management should implement internal controls such as a year-end checklist or other device to verify that overhead costs are properly, consistently and timely allocated each year.

Response – Management will incorporate internal controls over financial reporting to ensure that the administrative overhead component of centralized activities is properly recorded each year in accordance with management policy.

TOWN OF MIAMI, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2017

Prior Year Findings

Finding 2011-02
Preparation of the General Ledger and Trial Balance

Condition - The year-end general ledger and trial balance was not prepared or reconciled on a timely basis.

The general ledger is the backbone of the financial reporting system and is vital to the proper safeguarding of assets.

Although the general ledger prepared for audit was more complete than in prior years, staff should continue to devote its efforts to the preparation and maintenance of the general ledger.

Management should assess the adequacy of the design of its policies and procedures related to preparation of the general ledger and design appropriate controls and procedures as necessary. When developing control policies and procedures for a process, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies or procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. Special care should be taken to include all financial transactions in the general ledger.

Employees should be instructed and properly trained to perform appropriate activities, such as an accuracy and completeness check, approval, and review, as part of their daily activities, and appropriate, timely investigations and corrective actions should be taken if errors are identified by the check and review process. The policies and procedures management develops, documents, and communicates should include routine transaction processing and recording matters as well as non-routine matters such as journal entries and revenue recognition. The policies and procedures should also include the identification of those positions responsible for the policy and for performing the steps or procedures.

This is a repeat finding.

Response - The Town is continuing to develop daily, weekly, and monthly procedures to reconcile and balance all account activities to ensure the general ledger is in balance and utilized as a financial management tool. The Town has already developed several worksheets and forms to improve the cash management and documentation process. In addition we are establishing a monthly close cycle, and procedures for credit card usage, time keeping, cash receiving, bank reconciliations, utility billing and collections, travel expense and reimbursements, accounts payable processing, procurement, issuance of business licenses, and building permits

TOWN OF MIAMI, ARIZONA
Summary Schedule of Prior Audit Findings
June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Section IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Status of Financial Statement Findings

The Town should improve internal control over cash receipts

Finding 2016-01

Status: Corrected

The Town has implemented daily internal control procedures for cash and bank deposits.

The Town should improve year-end general ledger and trial balance preparation

Finding 2011-02

Status: Partially corrected

The Town has performed the following:

- New procedures to balance and reconcile account activities have been established and are ongoing.
- Forms have been developed to enhance the monthly close cycle.
- New procedures for processing recurring transactions have been established.
- The importance of a monthly close process is being emphasized.

The reason for the finding's recurrence is the extended time frame between the year-end and the time the general and trial balance were prepared for audit.

Reconciling general ledger accounts to supporting documents

Finding 2011-03

Status: Corrected

The Town is reconciling general ledger accounts on a regular basis.

Status of Federal Award Findings and Questioned Costs

None

