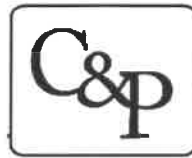


**TOWN OF MIAMI, ARIZONA**

Annual Financial Statements  
and  
Independent Auditors' Report  
June 30, 2018

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**COLBY &  
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CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Miami, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Miami, Arizona, as of and for the year ended June 30, 2018, 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, 2018, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, for the year ended June 30, 2018, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75. Our opinions are not modified with respect to this matter.

## **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 net pension liability (asset) and other post-employment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by 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 \$488,183 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 April 22, 2019, 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.



April 22, 2019

**FINANCIAL SECTION**

**TOWN OF MIAMI, ARIZONA**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 191,843	\$ -	\$ 191,843
Cash and cash equivalents, restricted	-	55,335	55,335
Receivables, net	-	226,144	226,144
Taxes receivable	37,426	-	37,426
Other receivables	-	57,490	57,490
Due from other governments	118,203	879,635	997,838
Interfund balances	(531,232)	531,232	-
Net OPEB asset	16,514	705	17,219
Capital assets, not being depreciated	447,463	7,626,667	8,074,130
Capital assets, being depreciated, net	2,109,686	8,772,677	10,882,363
<b>Total assets</b>	<u>2,389,903</u>	<u>18,149,885</u>	<u>20,539,788</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions and other postemployment benefits	864,029	34,605	898,634
<b>LIABILITIES</b>			
Accounts payable	133,702	890,638	1,024,340
Accrued expenses	722,719	5,270	727,989
Due to other governments	418,414	-	418,414
Refundable deposits	-	6,855	6,855
Noncurrent liabilities			
Due within one year	32,465	96,507	128,972
Due in more than one year	2,687,656	5,450,592	8,138,248
<b>Total liabilities</b>	<u>3,994,955</u>	<u>6,449,862</u>	<u>10,444,817</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions and other postemployment benefits	125,375	12,772	138,147
<b>NET POSITION</b>			
Net investment in capital assets	2,557,149	11,055,729	13,612,878
Restricted for:			
Debt service	-	13,812	13,812
Repairs and replacements	-	34,668	34,668
Highways and streets	989,105	-	989,105
Unrestricted (deficit)	(4,412,652)	617,647	(3,795,005)
<b>Total net position</b>	<u>\$ (866,398)</u>	<u>\$ 11,721,856</u>	<u>\$ 10,855,458</u>

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

**TOWN OF MIAMI, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2018**

Functions / Programs	Program Revenue			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities							
General government	\$ 936,501	\$ 41,943	\$ 54,389	\$ -	\$ (840,169)	\$ -	\$ (840,169)
Public safety	1,006,227	40,212	-	-	(966,015)	-	(966,015)
Public works	469,236	-	354,277	-	(114,959)	-	(114,959)
Welfare	522,570	-	415,688	-	(106,882)	-	(106,882)
Culture and recreation	233,596	15,993	62,969	121,500	(33,134)	-	(33,134)
<b>Total governmental activities</b>	<b>3,168,130</b>	<b>98,148</b>	<b>887,323</b>	<b>121,500</b>	<b>(2,061,159)</b>	<b>-</b>	<b>(2,061,159)</b>
Business-type activities							
Utilities	829,612	941,484	32,000	1,187,206	-	1,331,078	1,331,078
<b>Total primary government</b>	<b>\$ 3,997,742</b>	<b>\$ 1,039,632</b>	<b>\$ 919,323</b>	<b>\$ 1,308,706</b>	<b>(2,061,159)</b>	<b>1,331,078</b>	<b>(730,081)</b>
<b>General revenue:</b>							
Taxes:							
Property taxes, levied for general purposes					180,066	-	180,066
Local sales taxes					375,588	-	375,588
Franchise tax					43,261	-	43,261
Share of state sales taxes					170,995	-	170,995
Share of county auto lieu taxes					119,658	-	119,658
State urban revenue sharing					147,063	-	147,063
Interest revenue					-	362	362
Gain on disposal of capital assets					22,621	-	22,621
Other					146,049	-	146,049
<b>Transfers</b>					992,935	(992,935)	-
Total general revenue and transfers					2,198,236	(992,573)	1,205,663
Change in net position					137,077	338,505	475,582
Net position, beginning of year, as restated					(1,003,475)	11,383,351	10,379,876
Net position, end of year					\$ (866,398)	\$ 11,721,856	\$ 10,855,458

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



**TOWN OF MIAMI, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 191,843	\$ -	\$ -	\$ -	\$ -	\$ 191,843
Taxes receivable	37,426	-	-	-	-	-	37,426
Due from other governments	33,006	27,178	15,268	26,352	-	16,399	118,203
Due from other funds	1,310,339	488,183	-	165,846	-	-	1,964,368
<b>Total assets</b>	<b>1,380,771</b>	<b>707,204</b>	<b>15,268</b>	<b>192,198</b>	<b>-</b>	<b>16,399</b>	<b>2,311,840</b>
<b>LIABILITIES</b>							
Accounts payable	84,571	7,589	7,085	26,352	816	7,289	133,702
Accrued expenses	709,527	1,452	2,798	-	2,455	6,487	722,719
Deferred revenue	8,480	-	-	-	-	-	8,480
Due to other governments	418,414	-	-	-	-	-	418,414
Due to other funds	-	-	1,100,586	-	604,405	790,609	2,495,600
<b>Total liabilities</b>	<b>1,220,992</b>	<b>9,041</b>	<b>1,110,469</b>	<b>26,352</b>	<b>607,676</b>	<b>804,385</b>	<b>3,778,915</b>
<b>FUND BALANCES</b>							
Restricted for:							
Highways and streets	-	823,259	-	165,846	-	-	989,105
Unassigned	159,779	(125,096)	(1,095,201)	-	(607,676)	(787,986)	(2,456,180)
<b>Total fund balances</b>	<b>159,779</b>	<b>698,163</b>	<b>(1,095,201)</b>	<b>165,846</b>	<b>(607,676)</b>	<b>(787,986)</b>	<b>(1,467,075)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,380,771</b>	<b>\$ 707,204</b>	<b>\$ 15,268</b>	<b>\$ 192,198</b>	<b>\$ -</b>	<b>\$ 16,399</b>	<b>\$ 2,311,840</b>

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, 2018.**

Fund balances-total governmental funds	\$ (1,467,075)
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.	2,557,149
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	8,480
Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds	16,514
Long-term liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(2,720,120)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	738,654
<b>Net position of governmental activities</b>	<u><u>\$ (866,398)</u></u>

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

**TOWN OF MIAMI, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2018**

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
<b>Revenue</b>							
Intergovernmental	\$ 559,216	\$ 303,185	\$ 68,366	\$ 105,181	\$ 60,984	\$ 321,155	\$ 1,418,087
Taxes	590,436	-	-	-	-	-	590,436
Other revenue	146,141	-	-	-	3,000	-	149,141
Contributions	40,120	-	-	-	-	-	40,120
Rents	29,477	-	-	-	-	-	29,477
Charges for services	14,978	-	-	-	-	13,937	28,915
Fines and forfeitures	300	-	12,229	-	-	-	12,529
Licenses and permits	12,466	-	-	-	-	-	12,466
<b>Total revenue</b>	<b>1,393,134</b>	<b>303,185</b>	<b>80,595</b>	<b>105,181</b>	<b>63,984</b>	<b>335,092</b>	<b>2,281,171</b>
<b>Expenditures</b>							
Current							
General government	794,594	-	-	105,181	-	-	899,775
Public safety	674,708	-	-	-	-	-	674,708
Public works	231,232	151,020	-	-	-	-	382,252
Welfare	-	-	157,027	-	-	328,436	485,463
Culture and recreation	97,400	-	-	-	122,987	-	220,387
Capital outlay	233,736	-	-	-	-	10,268	244,004
<b>Total expenditures</b>	<b>2,031,670</b>	<b>151,020</b>	<b>157,027</b>	<b>105,181</b>	<b>122,987</b>	<b>338,704</b>	<b>2,906,589</b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b>(638,536)</b>	<b>152,165</b>	<b>(76,432)</b>	<b>-</b>	<b>(59,003)</b>	<b>(3,612)</b>	<b>(625,418)</b>
<b>Other financing sources</b>							
Sale of assets	150,701	-	-	-	-	-	150,701
Transfers	1,879,719	(192,697)	(237,227)	-	-	(456,860)	992,935
<b>Total other financing sources (uses)</b>	<b>2,030,420</b>	<b>(192,697)</b>	<b>(237,227)</b>	<b>-</b>	<b>-</b>	<b>(456,860)</b>	<b>1,143,636</b>
<b>Net change in fund balances</b>	<b>1,391,884</b>	<b>(40,532)</b>	<b>(313,659)</b>	<b>-</b>	<b>(59,003)</b>	<b>(460,472)</b>	<b>518,218</b>
Fund balances, beginning of year, as restated	(1,232,105)	738,695	(781,542)	165,846	(548,673)	(327,514)	(1,985,293)
<b>Fund balances, end of year</b>	<b>\$ 159,779</b>	<b>\$ 698,163</b>	<b>\$ (1,095,201)</b>	<b>\$ 165,846</b>	<b>\$ (607,676)</b>	<b>\$ (787,986)</b>	<b>\$ (1,467,075)</b>

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, 2018**

Net change in fund balances-total governmental funds \$ 518,218

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.

Capital outlay	244,004	
Depreciation expense	<u>(180,894)</u>	63,110

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold. (128,080)

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

Property taxes		8,480
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Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Town pension/OPEB contributions	198,625	
Pension/OPEB expense	<u>(531,882)</u>	(333,257)

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

Decrease in compensated absences payable		<u>8,606</u>
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<b>Change in net position of governmental activities</b>		<b><u><u>\$ 137,077</u></u></b>
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*The accompanying notes are an integral part of these financial statements.*

**TOWN OF MIAMI, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**, June 30, 2018**

	Business-type Activities
	Utilities Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents, restricted	\$ 55,335
Accounts receivable, net	226,144
Other receivables	57,490
Due from other governments	879,635
Due from other funds	531,232
<b>Total current assets</b>	<b>1,749,836</b>
Noncurrent assets	
Net OPEB asset	705
Capital assets, not being depreciated	7,626,667
Capital assets, being depreciated, net	8,772,677
<b>Total noncurrent assets</b>	<b>16,400,049</b>
<b>Total assets</b>	<b>18,149,885</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions and other postemployment benefits	34,605
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	890,638
Accrued expenses	5,270
Refundable deposits	6,855
Compensated absences, current portion	3,125
Notes payable, current portion	93,382
<b>Total current liabilities</b>	<b>999,270</b>
Noncurrent liabilities	
Compensated absences, net of current portion	1,041
Notes payable, net of current portion	5,250,233
Net pension/OPEB liability	199,318
<b>Total noncurrent liabilities</b>	<b>5,450,592</b>
<b>Total liabilities</b>	<b>6,449,862</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions and other postemployment benefits	12,772
<b>NET POSITION</b>	
Net investment in capital assets	11,055,729
Restricted for:	
Debt service	13,812
Repairs and replacements	34,668
Unrestricted (deficit)	617,647
<b>Total net position</b>	<b>\$ 11,721,856</b>

*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, 2018**

	Business-type Activities
	Utilities Fund
<b>Operating revenue</b>	
Charges for services (net of bad debts of \$5,415)	\$ 941,484
<b>Operating expenses</b>	
Depreciation	332,912
Personnel	133,349
Professional services	120,999
Utilities	60,850
Repairs and maintenance	35,345
Materials and supplies	34,153
Other	3,113
<b>Total operating expenses</b>	720,721
<b>Operating income (loss)</b>	220,763
<b>Nonoperating revenue (expense)</b>	
Interest revenue	362
Noncapital grants	32,000
Interest expense	(108,891)
<b>Total nonoperating revenue (expense)</b>	(76,529)
<b>Income (loss) before contributions and transfers</b>	144,234
Capital contributions	1,187,206
Transfers out	(992,935)
<b>Increase (decrease) in net position</b>	338,505
Total net position, beginning of year, as restated	11,383,351
<b>Total net position, end of year</b>	\$ 11,721,856

*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, 2018**

	Business-type Activities	
	Utilities	
	Fund	
<b>Cash flows from operating activities</b>		
Receipts from customers	\$	996,861
Payments to suppliers and providers of goods and services		(310,108)
Payments to employees		(133,750)
<b>Net cash provided (used) by operating activities</b>		<b>553,003</b>
<b>Cash flows from noncapital financing activities</b>		
Proceeds from noncapital grants		32,000
Advances to other funds		301,227
Transfers out		(992,935)
<b>Net cash provided (used) by noncapital         financing activities</b>		<b>(659,708)</b>
<b>Cash flows from capital financing activities</b>		
Proceeds from capital grants		525,241
Proceeds from issuance of debt		141,156
Principal paid on long-term debt		(29,571)
Interest paid on long-term debt		(167,827)
Purchase of capital assets		(573,954)
<b>Net cash provided (used) by capital         financing activities</b>		<b>(104,955)</b>
<b>Cash flows from investing activities:</b>		
Interest received		362
<b>Net increase (decrease) in cash and cash         equivalents</b>		<b>(211,298)</b>
Cash and cash equivalents, beginning of year		266,633
<b>Cash and cash equivalents, end of year</b>	<b>\$</b>	<b>55,335</b>
Cash and cash equivalents	\$	-
Cash and cash equivalents, restricted		55,335
<b>Cash and cash equivalents, end of year</b>	<b>\$</b>	<b>55,335</b>

*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, 2018**  
*(Continued)*

		Business-type Activities
		Utilities Fund
<b>Reconciliation of operating income</b>		
<b>(loss) to net cash provided by</b>		
<b>(used by) operating activities:</b>		
Operating income (loss)	\$	220,763
Adjustments to reconcile operating		
income (loss) to net cash provided		
by (used by) operating activities:		
Depreciation		332,912
Changes in assets, deferred outflows of resources,		
liabilities, and deferred inflows of resources:		
Accounts receivable		39,876
Contracts receivable		27,694
Net other postemployment benefits asset		(705)
Deferred outflows of resources related		
to pensions and other postemployment		
benefits		19,690
Accounts payable		(60,787)
Accrued expenses		(931)
Refundable deposits		(12,193)
Compensated absences		530
Net pension and other		
postemployment benefits		
liability		(1,663)
Deferred inflows of resources		
related to pensions and other		
postemployment benefits		(12,183)
<b>Net cash provided by (used by)</b>		
<b>operating activities</b>	<b>\$</b>	<b>553,003</b>

**Non-cash capital financing activities** - The Town purchased \$868,143 of capital assets on account.

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



**TOWN OF MIAMI, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<u>Investment Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 41,607</u>
<b>NET POSITION</b>	
Held in trust for pension benefits	<u><u>\$ 41,607</u></u>

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

**TOWN OF MIAMI, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2018**

	<u>Investment Trust Fund</u>
<b>Additions</b>	
Contributions from participants	<u>\$ 1,705</u>
Change in net position	1,705
Net position, July 1, 2017	<u>39,902</u>
Net position, June 30, 2018	<u><u>\$ 41,607</u></u>

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

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***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.

For the year ended June 30, 2018, the Town implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, as amended by GASB Statement No. 85, Omnibus 2017. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

**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.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

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.

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.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

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.

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 fiduciary 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.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

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.

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. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the Utilities Fund are estimated by the Town. The amount recorded as uncollectible at June 30, 2018 totaled \$423,710.

**F. Compensated Absences**

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

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

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

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**G. Capital Assets**

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

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

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

**H. 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, 2018.

**I. Investment Income**

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

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**J. 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 a revenue in future periods.

**K. Pensions and Other Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. Fund Balance 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.



**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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.

**NOTE 2 – RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION**

During the year ended June 30, 2018, the Town discovered that for approximately four years, the State of Arizona distributed transaction privileges taxes to the Town that should have been distributed to the City of Globe. The total amount of distributions to the Town in error was \$268,789. The beginning fund balance in the General Fund and net position of the Governmental Activities has been reduced by \$268,789 to reflect the liability due to the City of Globe.

Net position as of July 1, 2017, has also been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

	Governmental Activities	Business-type Activities	Total
Net position at June 30, 2017, as restated	\$ (1,002,068)	\$ 11,383,600	\$ 10,381,532
Prior period adjustments-implementation of GASB 75:			
Net OPEB liability	(7,003)	(1,236)	(8,239)
Deferred outflows	5,596	987	6,583
Total prior period adjustment	(1,407)	(249)	(1,656)
Net position, as restated, July 1, 2017	\$ (1,003,475)	\$ 11,383,351	\$ 10,379,876

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 3 – DEPOSITS AND INVESTMENTS***

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

*Credit risk*

Statutes have the following requirements for credit risk:

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

*Custodial credit risk*

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

*Concentration of credit risk*

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

*Interest rate risk*

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

*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.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 3 – DEPOSITS AND INVESTMENTS - Continued**

*Deposits*—At June 30, 2018, the carrying amount of the Town’s total cash in bank was \$269,656, and the bank balances were \$263,744. 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 \$6,855, 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 \$48,480.

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

	Governmental activities	Business-type activities	Investment Trust Fund	Total
Statement of net position:				
Cash on hand	\$ 325	\$ -	\$ -	\$ 325
Amount of deposits	191,518	55,335	22,803	269,656
Money market funds	-	-	18,804	18,804
<b>Total</b>	<b>\$ 191,843</b>	<b>\$ 55,335</b>	<b>\$ 41,607</b>	<b>\$ 288,785</b>

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments in the governmental funds at June 30, 2018 consisted of the following:

Description	General Fund	Utilities Fund	Other Governmental Funds	Total
<u>Due from other governments</u>				
Sales tax	\$ 28,558	\$ -	\$ -	\$ 28,558
Vehicle license tax	4,448	-	-	4,448
Highway user revenue	-	-	27,178	27,178
U.S. Department of Housing and Urban Development			26,352	26,352
Arizona Department of Transportation	-	-	16,399	16,399
Pinal-Gila County - Council for Senior Citizens			15,268	15,268
U.S. Department of Agriculture and Rural Development	-	879,635	-	879,635
	<b>\$ 33,006</b>	<b>\$ 879,635</b>	<b>\$ 85,197</b>	<b>\$ 997,838</b>

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 447,463	-	-	\$ 447,463
Capital assets being depreciated:				
Buildings	1,056,545	121,500	-	1,178,045
Equipment	2,204,690	122,504	(312,137)	2,015,057
Infrastructure	3,131,875	-	-	3,131,875
<b>Total capital assets being depreciated</b>	<u>6,393,110</u>	<u>244,004</u>	<u>(312,137)</u>	<u>6,324,977</u>
Less accumulated depreciation for:				
Buildings	(511,487)	(38,022)	-	(549,509)
Equipment	(1,632,383)	(60,373)	184,057	(1,508,699)
Infrastructure	(2,074,584)	(82,499)	-	(2,157,083)
<b>Total accumulated depreciation</b>	<u>(4,218,454)</u>	<u>(180,894)</u>	<u>184,057</u>	<u>(4,215,291)</u>
<b>Total capital assets being depreciated, net</b>	<u>2,174,656</u>	<u>63,110</u>	<u>(128,080)</u>	<u>2,109,686</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,622,119</u>	<u>\$ 63,110</u>	<u>\$ (128,080)</u>	<u>\$ 2,557,149</u>
	Balance July 01, 2017	Increases	Decreases	Balance June 30, 2018
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction-in-progress	\$ 12,040,918	\$ 1,224,427	\$ (5,638,678)	\$ 7,626,667
Capital assets being depreciated:				
Equipment	21,306	-	-	21,306
Infrastructure	6,720,500	5,638,678	-	12,359,178
<b>Total capital assets being depreciated</b>	<u>6,741,806</u>	<u>5,638,678</u>	<u>-</u>	<u>12,380,484</u>
Less accumulated depreciation for:				
Equipment	(10,372)	(3,244)	-	(13,616)
Infrastructure	(3,264,523)	(329,668)	-	(3,594,191)
<b>Total accumulated depreciation</b>	<u>(3,274,895)</u>	<u>(332,912)</u>	<u>-</u>	<u>(3,607,807)</u>
<b>Total capital assets being depreciated, net</b>	<u>3,466,911</u>	<u>5,305,766</u>	<u>-</u>	<u>8,772,677</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 15,507,829</u>	<u>\$ 6,530,193</u>	<u>\$ (5,638,678)</u>	<u>\$ 16,399,344</u>

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 5 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	27,980
Public safety		23,239
Public works		82,499
Welfare		35,537
Culture and recreation		<u>11,639</u>
Total governmental activities depreciation expense	\$	<u>180,894</u>
Business-type activities:		
Utilities	\$	<u>332,912</u>

**NOTE 6 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2018.

	Balance July 01, 2017	Additions	Reductions	Balance June 30, 2018	Due within one year
Governmental activities:					
Compensated absences	\$ 51,892	\$ -	\$ 8,606	\$ 43,286	\$ 32,465
Net pension/OPEB liability	2,263,998	412,836	-	2,676,834	-
Total governmental activities:	<u>\$ 2,315,890</u>	<u>\$ 412,836</u>	<u>\$ 8,606</u>	<u>\$ 2,720,120</u>	<u>\$ 32,465</u>
Business-type activities:					
Compensated absences	\$ 3,636	\$ 530	\$ -	\$ 4,166	\$ 3,125
Notes payable	5,232,030	141,156	29,571	5,343,615	93,382
Net pension/OPEB liability	199,745	-	427	199,318	-
Total business-type activities:	<u>\$ 5,435,411</u>	<u>\$ 141,686</u>	<u>\$ 29,998</u>	<u>\$ 5,547,099</u>	<u>\$ 96,507</u>

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 6 – LONG-TERM LIABILITIES – Continued**

Notes payable at June 30, 2018, 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.	\$ 902,900
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.	3,940,743
Note payable to U.S. Department of Agriculture Rural Development, interest only installments through May 2019 with interest at 2.0%, monthly principal and interest payments beginning June 2019, matures June 2057.	499,972
	\$ 5,343,615

The following schedule details debt service requirements to maturity for the Town's notes payable at June 30, 2018.

Year Ending June 30	Business-type Activities	
	Notes Payable	
	Principal	Interest
2019	\$ 93,382	\$ 97,084
2020	103,262	94,474
2021	105,154	92,582
2022	107,080	90,656
2023	109,042	88,694
2024-2028	575,925	412,755
2029-2033	630,675	358,005
2034-2038	690,653	298,027
2039-2043	756,356	232,324
2044-2048	828,338	160,342
2049-2053	896,232	81,508
2054-2058	447,516	12,017
Total	\$ 5,343,615	\$ 2,018,468

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS***

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

At June 30, 2018, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net OPEB assets	\$ 16,514	\$ 705	\$ 17,219
Net pension and OPEB liabilities	2,676,834	199,318	2,876,152
Deferred outflows of resources related to pension and OPEB	864,029	34,605	898,634
Deferred inflows of resources related to pension and OPEB	125,375	12,772	138,147
Pension and OPEB expense	531,882	21,504	553,386

The Town reported \$198,625 of pension and OPEB contributions as expenditures in the governmental funds related to all 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 website at [www.azasrs.gov](http://www.azasrs.gov).

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – 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:

	Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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



**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.01 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$105,667, \$4,265 and \$1,551, respectively.

During fiscal year 2018, the Town paid for ASRS pension and OPEB contributions as follows: 85 percent from the General Fund and 15 percent from the Utilities Fund.

**Liability** - At June 30, 2018, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	<b>Net Pension/OPEB (Asset) Liability</b>
Pension	\$ 1,325,692
Health insurance premium benefit	(4,698)
Long-term disability	3,096

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2018, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The Town’s proportion of the net asset or net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2017. The Town’s proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	<u>Proportion June 30, 2017</u>	<u>Increase (decrease) from June 30, 2016</u>
Pension	0.00851%	0.00026%
Health insurance premium benefit	0.00863%	0.00000%
Long-term disability	0.00854%	0.00000%

The net asset and net liabilities measured as of June 30, 2018, 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 asset and net liabilities as a result of these changes is not known.

**Expense** – For the year ended June 30, 2018, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	138,962
Health insurance premium benefit	2,748
Long-term disability	1,652

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Deferred Outflows/Inflows of Resources**—At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 39,752	\$ -	\$ -
Changes of assumptions or other inputs	57,578	39,641	-	-
Net difference between projected and actual earnings on pension plan investments	9,518	-	-	5,290
Changes in proportion and differences between Town contributions and proportionate share of contributions	52,123	-	-	4
Town contributions subsequent to the measurement date	105,667	-	4,265	-
<b>Total</b>	<u>\$ 224,886</u>	<u>\$ 79,393</u>	<u>\$ 4,265</u>	<u>\$ 5,294</u>

	<u>Long-Term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 463
Town contributions subsequent to the measurement date	1,551	-
<b>Total</b>	<u>\$ 1,551</u>	<u>\$ 463</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2019	\$ (18,067)	\$ (1,323)	\$ (116)
2020	69,514	(1,323)	(116)
2021	18,874	(1,323)	(116)
2022	(30,495)	(1,323)	(116)
2023	-	-	-
Thereafter	-	-	-

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

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, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic 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>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

**Discount Rate** – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 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 plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

Town’s Proportionate share of the	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability	\$ 1,701,549	\$ 1,325,692	\$ 1,011,632
Net insurance premium benefit liability (asset)	7,802	(4,698)	(15,321)
Net long-term disability liability	3,702	3,096	2,582

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

**B. Public Safety Personnel Retirement System**

**Plan Descriptions** – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://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, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. 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, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

**Employees Covered by Benefit Terms** – At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
Inactive employees or beneficiaries currently receiving benefits	4	4
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	5	5
Total	10	9

**Contributions and Annual OPEB Cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<b>Active Member- Pension</b>	<b>Town-Pension</b>	<b>Town-Health Insurance Premium Benefit</b>
PSPRS Police	7.65% - 11.65%	41.91%	0.69%
PSPRS Tier 3 Risk Pool	9.94%	9.68%	0.26%

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

	<b>Pension</b>	<b>Health Insurance Premium Benefit</b>
PSPRS Police	26.85%	0.00%

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The Town’s contributions to the plans for the year ended June 30, 2018, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 93,952	\$ 1,361
PSPRS Tier 3 Risk Pool	670	18

**Liability** – At June 30, 2018, the Town reported the following liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 1,547,364	\$ (12,521)

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the Town’s PSPRS net pension liabilities as a result of the refunds is not known.

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

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



**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

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

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

**Discount Rates** – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Changes in the Net Pension/OPEB Liability (Asset)**

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2017	\$ 2,375,268	\$ 1,243,158	\$ 1,132,110
Changes for the year			
Service Cost	52,300	-	52,300
Interest on the total liability	173,013	-	173,013
Changes of benefit terms	25,146	-	25,146
Differences between expected and actual experience in the measurement of the liability	304,235	-	304,235
Changes of assumptions or other inputs	95,298	-	95,298
Contributions-employer	-	78,303	(78,303)
Contributions-employee	-	22,637	(22,637)
Net investment income	-	139,969	(139,969)
Benefit payments, including refunds of employee contributions	(189,149)	(189,149)	-
Administrative expense	-	(1,638)	1,638
Other changes	-	(4,533)	4,533
Net changes	460,843	45,589	415,254
Balances at June 30, 2018	\$ 2,836,111	\$ 1,288,747	\$ 1,547,364
	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Asset) Liability (a) - (b)</b>
Balances at June 30, 2017	\$ 63,375	\$ 60,700	\$ 2,675
Changes for the year			
Service Cost	1,589	-	1,589
Interest on the total liability	4,773	-	4,773
Differences between expected and actual experience in the measurement of the liability	(10,743)	-	(10,743)
Changes of assumptions or other inputs	(2,940)	-	(2,940)
Contributions-employer	-	774	(774)
Net investment income	-	7,165	(7,165)
Benefit payments, including refunds of employee contributions	(1,050)	(1,050)	-
Administrative expense	-	(64)	64
Net changes	(8,371)	6,825	(15,196)
Balances at June 30, 2018	\$ 55,004	\$ 67,525	\$ (12,521)

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Sensitivity of the Town’s Net Pension/OPEB Liability to Changes in the Discount Rate –**

The following table presents the Town’s net pension/OPEB (asset) liabilities calculated using the discount rate of 7.4 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<u>1% Decrease (6.4%)</u>	<u>Current Discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PSPRS Police			
Net pension (asset) liability	\$ 1,903,082	\$ 1,547,364	\$ 1,253,492
Net OPEB (asset) liability	(6,868)	(12,521)	(17,345)

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

**Expense** – For the year ended June 30, 2018, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Police	\$ 412,082	\$ (2,058)

**Deferred Outflows/Inflows of Resources** – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 407,708	\$ 40,633	\$ -	\$ 8,059
Changes of assumptions or other inputs	147,840	-	-	2,205
Net difference between projected and actual earnings on pension plan investments	16,383	-	-	2,100
Town contributions subsequent to the measurement date	94,622	-	1,379	-
Total	<u>\$ 666,553</u>	<u>\$ 40,633</u>	<u>\$ 1,379</u>	<u>\$ 12,364</u>

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police	
	Pension	Health
2019	\$ 226,794	\$ (3,944)
2020	207,108	(3,944)
2021	107,451	(3,944)
2022	(10,055)	(532)
2023	-	-
Thereafter	-	-

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivables and payables - Interfund balances at June 30, 2018, were as follows:

Payable from	Payable to				Total
	General Fund	HURF Fund	Grants Fund	Utility Fund	
Senior Center Fund	\$ 1,100,586	\$ -	\$ -	\$ -	\$ 1,100,586
Library Fund	-	488,183	-	116,222	604,405
Transit Fund	209,753	-	165,846	415,010	790,609
	\$ 1,310,339	\$ 488,183	\$ 165,846	\$ 531,232	\$ 2,495,600

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.

Interfund transfers – The interfund transfer from the HURF Fund, Senior Center Fund, Transit Fund, and Utilities Fund was to reimburse the General Fund for administrative costs.

**TOWN OF MIAMI, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2018**

***NOTE 9 – 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF MIAMI, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Pension Plans**  
**June 30, 2018**

<b>ASRS-Pension</b>	<b>Reporting Fiscal Year (Measurement Date)</b>				
	<b>2018 (2017)</b>	<b>2017 (2016)</b>	<b>2016 (2015)</b>	<b>2015 (2014)</b>	<b>2014 through 2009</b>
Town's proportion of the net pension liability	0.008510%	0.008250%	0.008130%	0.006592%	Information not available
Town's proportionate share of the net pension liability	\$ 1,325,692	\$ 1,331,633	\$ 1,267,026	\$ 975,450	
Town's covered payroll	\$ 829,842	\$ 772,783	\$ 749,210	\$ 594,262	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.75%	172.32%	169.11%	164.14%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

<b>ASRS-Health Insurance</b>	<b>Reporting Fiscal Year (Measurement Date)</b>	
	<b>2018 (2017)</b>	<b>2017 through 2009</b>
Town's proportion of the net OPEB asset	0.008630%	Information not available
Town's proportionate share of the net OPEB asset	\$ (4,698)	
Town's covered payroll	\$ 829,842	
Town's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	-0.57%	
Plan fiduciary net position as a percentage of the total pension liability	103.57%	

<b>ASRS-Long-Term Disability</b>	<b>Reporting Fiscal Year (Measurement Date)</b>	
	<b>2018 (2017)</b>	<b>2017 through 2009</b>
Town's proportion of the net OPEB liability	0.008540%	Information not available
Town's proportionate share of the net OPEB liability	\$ 3,096	
Town's covered payroll	\$ 829,842	
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.37%	
Plan fiduciary net position as a percentage of the total pension liability	84.44%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF MIAMI, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2018**

**PSPRS - Pension**

	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
Total pension liability					Information not available
Service cost	\$ 52,300	\$ 54,610	\$ 39,926	\$ 27,547	
Interest on the total pension liability	173,013	144,573	145,340	105,691	
Changes of benefit terms	25,146	(8,865)	-	51,404	
Differences between expected and actual experience in the measurement of the pension	304,235	321,107	(125,443)	121,562	
Changes of assumptions or other inputs	95,298	90,173	-	262,793	
Benefit payments, including refunds of employee contributions	(189,149)	(81,444)	(72,415)	(67,802)	
Net change in total pension liability	460,843	520,154	(12,592)	501,195	
Total pension liability - beginning	2,375,268	1,855,114	1,867,706	1,366,511	
Total pension liability - ending (a)	<u>\$ 2,836,111</u>	<u>\$ 2,375,268</u>	<u>\$ 1,855,114</u>	<u>\$ 1,867,706</u>	
Plan fiduciary net position					
Contributions - employer	\$ 78,303	\$ 102,757	\$ 73,750	\$ 54,893	
Contributions - employee	22,637	28,900	23,970	20,682	
Net investment income	139,969	6,642	34,927	102,886	
Benefit payments, including refunds of employee contributions	(189,149)	(81,444)	(72,415)	(67,802)	
Administrative expense	(1,638)	(1,355)	(1,230)	-	
Other changes	(4,533)	179,853	(725)	144,664	
Net change in plan fiduciary net position	45,589	235,353	58,277	255,323	
Plan fiduciary net position - beginning	1,243,158	1,007,805	949,528	694,205	
Plan fiduciary net position - ending (b)	<u>\$ 1,288,747</u>	<u>\$ 1,243,158</u>	<u>\$ 1,007,805</u>	<u>\$ 949,528</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,547,364</u>	<u>\$ 1,132,110</u>	<u>\$ 847,309</u>	<u>\$ 918,178</u>	
Plan fiduciary net position as a percentage of the total pension liability	45.44%	52.34%	54.33%	50.84%	
Covered payroll	\$ 230,296	\$ 258,449	\$ 252,448	\$ 225,092	
Town's net pension (asset) liability as a percentage of covered payroll	671.90%	438.04%	335.64%	407.91%	

*See accompanying notes to pension/OPEB plan schedules.*



**TOWN OF MIAMI, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2018**

**PSPRS - Health Insurance Premium Benefit**

	<u>Reporting Fiscal Year</u> <u>(Measurement Date)</u>	
	<u>2018</u> <u>(2017)</u>	<u>2017 through</u> <u>2009</u>
Total OPEB liability		
Service cost	\$ 1,589	Information not available
Interest on the total OPEB liability	4,773	
Differences between expected and actual experience in the measurement of the OPEB liability	(10,743)	
Changes of assumptions or other inputs	(2,940)	
Benefit payments	<u>(1,050)</u>	
Net change in total OPEB liability	(8,371)	
Total OPEB liability - beginning	<u>63,375</u>	
Total OPEB liability - ending (a)	<u>\$ 55,004</u>	
Plan fiduciary net position		
Contributions - employer	\$ 774	
Net investment income	7,165	
Benefit payments	(1,050)	
Administrative expense	<u>(64)</u>	
Net change in plan fiduciary net position	6,825	
Plan fiduciary net position - beginning	<u>60,700</u>	
Plan fiduciary net position - ending (b)	<u>\$ 67,525</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (12,521)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	122.76%	
Covered payroll	\$ 230,296	
Town's net OPEB (asset) liability as a percentage of covered payroll	-5.44%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF MIAMI, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town's Pension/OPEB Contributions**  
**June 30, 2018**

**ASRS-Pension**

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 105,667	\$ 89,457	\$ 83,847	\$ 81,589	\$ 63,586	Information not available
Town's contributions in relation to the statutorily required contribution	(105,667)	(89,457)	(83,847)	(81,589)	(63,586)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 969,421</u>	<u>\$ 829,842</u>	<u>\$ 772,783</u>	<u>\$ 749,210</u>	<u>\$ 594,262</u>	
Town's contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%	10.70%	

**ASRS-Health Insurance Premium**

	Reporting Fiscal Year		2016 through 2009
	2018	2017	
Statutorily required contribution	\$ 4,265	\$ 4,647	Information not available
Town's contributions in relation to the statutorily required contribution	(4,265)	(4,647)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 969,421</u>	<u>\$ 829,842</u>	
Town's contributions as a percentage of covered payroll	0.44%	0.56%	

**ASRS-Long-Term Disability**

	Reporting Fiscal Year		2016 through 2009
	2018	2017	
Statutorily required contribution	\$ 1,551	\$ 1,162	Information not available
Town's contributions in relation to the statutorily required contribution	(1,551)	(1,162)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 969,421</u>	<u>\$ 829,842</u>	
Town's contributions as a percentage of covered payroll	0.16%	0.14%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF MIAMI, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town's Pension/OPEB Contributions**  
**June 30, 2018**

**PSPRS-Pension**

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 94,622	\$ 78,303	\$ 102,757	\$ 73,750	\$ 54,893	Information not available
Town's contributions in relation to the actuarially determined contribution	(94,622)	(78,303)	(102,757)	(73,750)	(54,893)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered-employee payroll	\$ 246,209	\$ 230,296	\$ 258,449	\$ 252,448	\$ 225,092	
Town's contributions as a percentage of covered payroll	38.43%	34.00%	39.76%	29.21%	24.39%	

**PSPRS-Health Insurance Premium**

	Reporting Fiscal Year		2016 through 2009
	2018	2017	
Actuarially determined contribution	\$ 1,379	\$ 774	Information not available
Town's contributions in relation to the actuarially determined contribution	(1,379)	(774)	
Town's contribution deficiency (excess)	\$ -	\$ -	
Town's covered payroll	\$ 246,209	\$ 230,296	
Town's contributions as a percentage of covered payroll	0.69%	0.34%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF MIAMI, ARIZONA**  
**Required Supplementary Information**  
**Notes to Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2018**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. 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 increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
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)

***NOTE 2 – FACTORS THAT AFFECT TRENDS***

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

**TOWN OF MIAMI, ARIZONA**

**Annual Expenditure Limitation Report  
and Independent Accountants' Report  
June 30, 2018**

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**COLBY &  
POWELL, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2018, 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*

May 31, 2019

**TOWN OF MIAMI, ARIZONA**  
**Annual Expenditure Limitation Report – Part I**  
**Year Ended June 30, 2018**

1. Voter-approved alternative expenditure limitation (approved August 30, 2016)	\$ 17,766,134
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>4,652,505</u>
3. Amount under the expenditure limitation	<u><u>\$ 13,113,629</u></u>

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

Signature of Chief Fiscal Officer: Joseph L. Heatherly

Name and Title: Joseph Heatherly, Town Manager

Telephone Number: 928-473-4403 Date: 6/13/19

*See accompanying notes to report.*



**TOWN OF MIAMI, ARIZONA**  
**Annual Expenditure Limitation Report – Part II**  
**Year Ended June 30, 2018**

Description	Governmental Funds	Enterprise Funds	Total
A. Amounts reported on the reconciliation, line D	\$ 2,906,589	\$ 1,745,916	\$ 4,652,505
B. Total exclusions claimed	-	-	-
C. Amounts subject to the expenditure limitation	<u>\$ 2,906,589</u>	<u>\$ 1,745,916</u>	<u>\$ 4,652,505</u>

*See accompanying notes to report.*

**TOWN OF MIAMI, ARIZONA**  
**Annual Expenditure Limitation Report – Reconciliation**  
**Year Ended June 30, 2018**

Description	Governmental Funds	Enterprise Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 2,906,589	\$ 829,612	\$ 3,736,201
B. Subtractions:			
1. Items not requiring use of current financial resources:			
a. Depreciation	-	332,912	332,912
b. Pension and other postemployment benefits (OPEB) expense	-	21,504	21,504
Total subtractions	-	354,416	354,416
C. Additions:			
1. Principal payments on long-term debt	-	29,571	29,571
2. Capital asset acquisitions	-	1,224,427	1,224,427
3. Pension and OPEB contributions paid in the current year	-	16,722	16,722
Total additions	-	1,270,720	1,270,720
D. Amounts reported on Part II, Line A	\$ 2,906,589	\$ 1,745,916	\$ 4,652,505

*See accompanying notes to report.*

**TOWN OF MIAMI, ARIZONA**  
**Notes to Annual Expenditure Limitation Report**  
**Year Ended June 30, 2018**

***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 August 30, 2016, 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 AND OTHER POST-EMPLOYMENT BENEFITS EXPENSE AND CONTRIBUTIONS***

The subtraction of \$21,504 for pension and other post-employment benefit (OPEB) expense consists of changes in the net pension and OPEB liabilities, changes in deferred outflows related to pensions and OPEB, and changes in deferred inflows related to pensions and OPEB, recognized in the current year in the enterprise funds.

The addition of \$16,722 for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds.

***NOTE 3 – PRINCIPAL PAYMENTS ON LONG-TERM DEBT***

The addition of \$29,571 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, 2018**

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**COLBY &  
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**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, 2018, 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 April 22, 2019

**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 2018-01 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.

*Colby J. Powell*

April 22, 2019  
Gilbert, Arizona



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**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, 2018. 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, 2018.

### **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, 2018, 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 April 22, 2019, 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*

April 22, 2019  
Gilbert, Arizona

**TOWN OF MIAMI, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor or/Pass Through Grant or/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
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	\$ 2,665
Special Programs for the Aging Title III, Part C			
Nutrition Services	93.045	0010-0253	49,334
Nutrition Services Incentive Program	93.053	0010-0253	9,905
Total Aging Cluster			<u>61,904</u>
Social Services Block Grant	93.667	0010-0253	<u>6,635</u>
			<u>68,539</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Arizona Department of Housing			
Community Development Block Grants	14.218	143-17	<u>51,092</u>
<b>U.S. Department of Transportation</b>			
Passed through Arizona Department of Transportation			
Formula Grants for Rural Areas	20.509	160005594T	<u>199,150</u>
<b>U.S. Department of Agriculture</b>			
Rural Development			
Water and Waste Disposal Systems for			
Rural Communities	10.760	00-05	1,187,206
Water and Waste Disposal Systems for			
Rural Communities	10.760	92.07	<u>141,156</u>
			<u>1,328,362</u>
<b>Total Federal Assistance</b>			<u>\$ 1,647,143</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, 2018**

***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, 2018. 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). Because the Schedule presents only a selected portion of the operations of the Town of Miami, Arizona, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Miami, Arizona.

***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 – 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, 2018, was \$5,343,615.

**Town of Miami, Arizona  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

<b>SECTION I</b>	<b>SUMMARY OF AUDITORS' RESULTS</b>
<i>Financial Statements</i>	
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
<i>Federal Awards</i>	
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, 2018**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Current Year Findings**

**Finding 2018-01**

**Cash Account Reconciliation**

*Condition and Context* – The Town’s checking accounts are not being reconciled to the general ledger on a timely basis.

*Criteria* – Good internal control procedures would require that all checking accounts be reconciled to the trial balance in a timely manner each month.

*Cause* – Insufficient monitoring of internal control did not detect that the checking accounts were not reconciled to the general ledger on a timely basis.

*Effect* – When internal controls over the cash reconciliation process are inadequate or not monitored, intentional or unintentional errors or omissions may not be detected in a timely manner. In time systematic errors and omissions may lead to uncorrected material errors in the general ledger and financial statements. Also, the lack of a timely reconciliation of the cash accounts may allow intentional errors or frauds to go undetected.

*Recommendation* – Management should implement internal controls requiring that all checking accounts be reconciled to the general ledger within a reasonable time after the end of each month.

*Response* – Effective in October of 2018 the Town has contracted with Caselle to complete the monthly bank reconciliation for all Town bank accounts and to prepare adjusting journal entries. The Town forwards to Caselle, on a monthly basis, all bank statements for the previous month activity and the reconciliation is complete prior to the end of that month. Thus all reconciliations are completed within 30 days of the past months activities.

**TOWN OF MIAMI, ARIZONA**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2018**

**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.

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

*Cause* – 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.

*Effect* – 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.

*Recommendation* – 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* – Effective May of 2019 the Town has improved the monthly review and reconciliation process to include the following areas, cash receiving, account receivables, utility receivables, utility account shutoffs, fixed assets for additions and depositions, and credit card activities. We are reviewing activities and recording appropriate journal entries to book necessary adjustments for overpayments, credits, ACH or electronic transfers, bad debt or inactive accounts. The Town will continue evaluating procedures for procurement, building permits and business licenses with new procedures to be completed before the start of new fiscal year.

**TOWN OF MIAMI, ARIZONA**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2018**

**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 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.

**Status of Federal Award Findings and Questioned Costs**

None