

TOWN OF MIAMI, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Miami, Arizona

Report on the Financial Statements

We have audited the accompanying 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 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Miami, Arizona'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, each major fund, and the aggregate remaining fund information of the Town of Miami, Arizona, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Miami, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Miami, Arizona's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as

required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2023, on our consideration of the Town of Miami, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Miami, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Miami, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, we noted that the Town spent \$302,248 of Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, which was not for authorized transportation purposes. Our audit was not directed primarily toward obtaining knowledge as to whether the Town failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for these monies. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Town's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Town Council, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Colby & Powell, PLC

August 15, 2023

TOWN OF MIAMI, ARIZONA
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,052,796	\$ -	\$ 1,052,796
Cash and cash equivalents, restricted	-	178,745	178,745
Receivables, net	-	73,569	73,569
Taxes receivable	105,509	-	105,509
Internal balances	(1,270,262)	1,270,262	-
Due from other governments	243,918	-	243,918
Net pension and other postemployment benefits asset	51,879	1,142	53,021
Capital assets, not being depreciated	447,463	-	447,463
Capital assets, being depreciated, net	2,452,490	25,802,563	28,255,053
Total assets	<u>3,083,793</u>	<u>27,326,281</u>	<u>30,410,074</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions and other postemployment benefits	569,928	59,277	629,205
LIABILITIES			
Accounts payable	56,867	43,123	99,990
Accrued expenses	663,960	7,926	671,886
Due to other governments	101,236	-	101,236
Grant advance	137,000	-	137,000
Refundable deposits	-	38,039	38,039
Noncurrent liabilities			
Due within one year	52,693	115,969	168,662
Due in more than one year	3,525,376	5,211,609	8,736,985
Total liabilities	<u>4,537,132</u>	<u>5,416,666</u>	<u>9,953,798</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions and other postemployment benefits	13,735	2,289	16,024
NET POSITION			
Net investment in capital assets	2,763,498	20,760,679	23,524,177
Restricted for:			
Debt service	-	71,370	71,370
Repairs and replacements	-	69,336	69,336
Highways and streets	1,317,853	-	1,317,853
Unrestricted (deficit)	(4,978,497)	1,065,218	(3,913,279)
Total net position	<u>\$ (897,146)</u>	<u>\$ 21,966,603</u>	<u>\$ 21,069,457</u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Activities
Year Ended June 30, 2021

Functions / Programs	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:						
Governmental activities						
General government	\$ 816,284	\$ 548,132	\$ -	\$ (246,053)	\$ -	\$ (246,053)
Public safety	1,091,048	3,780	-	(1,024,468)	-	(1,024,468)
Public works	412,049	397,064	258,044	243,059	-	243,059
Welfare	676,269	677,191	-	12,755	-	12,755
Culture and recreation	236,270	63,458	-	(171,346)	-	(171,346)
Interest	6,409	-	-	(6,409)	-	(6,409)
Total governmental activities	3,238,329	1,689,625	258,044	(1,192,462)	-	(1,192,462)
Business-type activities						
Utilities	1,486,399	-	144,515	-	(436,311)	(436,311)
Total business-type activities	1,486,399	-	144,515	-	(436,311)	(436,311)
Total primary government	\$ 4,724,728	\$ 1,689,625	\$ 402,559	(1,192,462)	(436,311)	(1,628,773)
General revenues:						
Taxes:						
Property taxes				211,522	-	211,522
Local sales taxes				479,622	-	479,622
Franchise tax				105,164	-	105,164
Shared revenue - State sales taxes				211,167	-	211,167
Shared revenue - State vehicle license tax				147,650	-	147,650
Shared revenue- Urban revenue				254,387	-	254,387
Miscellaneous				242,339	-	242,339
Transfers				28,221	(28,221)	-
Total general revenues and transfers				1,680,072	(28,221)	1,651,851
Change in net position				487,610	(464,532)	23,078
Net position, beginning of year, as restated				(1,384,756)	22,431,135	21,046,379
Net position, end of year				\$ (897,146)	\$ 21,966,603	\$ 21,069,457

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	HURF Fund	Transit Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 883,675	\$ 4,412	\$ 164,709	\$ 1,052,796
Taxes receivable	105,509	-	-	-	105,509
Due from other governments	69,726	134,716	21,820	17,656	243,918
Due from other funds	-	302,248	-	-	302,248
Total assets	\$ 175,235	\$ 1,320,639	\$ 26,232	\$ 182,365	\$ 1,704,471
LIABILITIES					
Accounts payable	\$ 9,095	\$ -	\$ 16,676	\$ 31,096	\$ 56,867
Accrued expenses	644,826	2,786	9,556	6,792	663,960
Due to other governments	101,236	-	-	-	101,236
Grant advance	-	-	-	137,000	137,000
Due to other funds	1,565,033	-	-	7,477	1,572,510
Total liabilities	2,320,190	2,786	26,232	182,365	2,531,573
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	23,376	113,024	-	-	136,400
FUND BALANCES					
Restricted for:					
Highways and streets	-	1,204,829	-	-	1,204,829
Unassigned	(2,168,331)	-	-	-	(2,168,331)
Total fund balances	(2,168,331)	1,204,829	-	-	(963,502)
Total liabilities, deferred inflows of resources and fund balances	\$ 175,235	\$ 1,320,639	\$ 26,232	\$ 182,365	\$ 1,704,471

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
Year Ended June 30, 2021

Fund balances-total governmental funds \$ (963,502)

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. 2,899,953

Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. 136,400

Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds. 51,879

Long-term liabilities, such as net pension/OPEB liabilities and capital leases payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds. (3,578,069)

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. 556,193

Net position of governmental activities \$ (897,146)

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021

	General Fund	HURF Fund	Transit Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental	\$ 1,118,582	\$ 284,040	\$ 532,415	\$ 434,206	\$ 2,369,243
Taxes	799,431	-	-	-	799,431
Miscellaneous	249,945	-	-	-	249,945
Contributions	41,618	-	-	31,309	72,927
Fines and forfeitures	61,669	-	-	-	61,669
Charges for services	11,830	-	11,833	-	23,663
Licenses and permits	9,540	-	-	-	9,540
Rents	1,400	-	-	-	1,400
Total revenues	2,294,015	284,040	544,248	465,515	3,587,818
Expenditures					
Current					
General government	752,511	-	-	-	752,511
Public safety	758,810	-	-	-	758,810
Public works	174,845	141,701	-	-	316,546
Welfare	-	-	405,608	217,678	623,286
Culture and recreation	113,948	-	-	90,882	204,830
Debt service					
Principal	-	17,974	-	-	17,974
Interest	-	6,409	-	-	6,409
Capital outlay	-	-	-	251,970	251,970
Total expenditures	1,800,114	166,084	405,608	560,530	2,932,336
Excess (deficiency) of revenues over (under) expenditures	493,901	117,956	138,640	(95,015)	655,482
Other financing sources (uses)					
Transfers	82,895	(11,049)	(138,640)	95,015	28,221
Net change in fund balances	576,796	106,907	-	-	683,703
Fund balances, beginning of year	(2,745,127)	1,097,922	-	-	(1,647,205)
Fund balances, end of year	\$ (2,168,331)	\$ 1,204,829	\$ -	\$ -	\$ (963,502)

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2021

Net change in fund balances-total governmental funds \$ 683,703

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

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

Capital outlay	251,970	
Depreciation expense	<u>(164,164)</u>	87,806

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

Property taxes	(3,124)	
Gila County Excise Taxes	<u>113,024</u>	109,900

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	212,122	
Pension/OPEB expense	<u>(637,791)</u>	(425,669)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Capital lease principal repaid		17,974
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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>13,896</u>
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Change in net position of governmental activities		<u><u>\$ 487,610</u></u>
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See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities
	Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents, restricted	\$ 178,745
Accounts receivable, net	73,569
Due from other funds	1,270,262
Total current assets	1,522,576
Noncurrent assets	
Net other postemployment benefits asset	1,142
Capital assets, being depreciated, net	25,802,563
Total noncurrent assets	25,803,705
Total assets	27,326,281
DEFERRED OUTFLOWS OF RESOURCES	
Pensions and other postemployment benefits	59,277
LIABILITIES	
Current liabilities	
Accounts payable	43,123
Accrued expenses	7,926
Refundable deposits	38,039
Compensated absences payable, current portion	8,889
Notes payable, current portion	107,080
Total current liabilities	205,057
Noncurrent liabilities	
Compensated absences payable	2,963
Notes payable	4,934,804
Net pension and other postemployment benefits liability	273,842
Total noncurrent liabilities	5,211,609
Total liabilities	5,416,666
DEFERRED INFLOWS OF RESOURCES	
Pensions and other postemployment benefits	2,289
NET POSITION	
Net investment in capital assets	20,760,679
Restricted for:	
Debt service	71,370
Repairs and replacements	69,336
Unrestricted	1,065,218
Total net position	\$ 21,966,603

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities
	Utilities Fund
Operating revenues	
Charges for services (net of bad debts of \$15,386)	\$ 905,573
Operating expenses	
Depreciation	779,642
Personnel	257,668
Professional services	226,576
Utilities	61,399
Materials and supplies	44,063
Repairs and maintenance	12,247
Other	12,222
Total operating expenses	1,393,817
Operating income (loss)	(488,244)
Nonoperating revenues (expenses)	
Interest expense	(92,582)
Income (loss) before contributions and transfers	(580,826)
Capital contributions	144,515
Transfers out	(28,221)
Increase (decrease) in net position	(464,532)
Net position, beginning of year, as restated	22,431,135
Net position, end of year	\$ 21,966,603

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities
	Utilities Fund
Cash flows from operating activities	
Receipts from customers	\$ 948,431
Payments to suppliers and providers of goods and services	(364,931)
Payments to employees	(227,660)
Net cash provided by (used for) operating activities	355,840
Cash flows from noncapital financing activities	
Advances to other funds	(199,716)
Transfers out	(28,221)
Net cash provided by (used for) noncapital financing activities	(227,937)
Cash flows from capital financing activities	
Proceeds from capital grants	998,240
Principal paid on long-term debt	(105,154)
Interest paid on long-term debt	(92,582)
Cash paid for capital assets	(890,905)
Net cash provided by (used for) capital financing activities	(90,401)
Net increase (decrease) in cash and cash equivalents	37,502
Cash and cash equivalents, beginning of year	141,243
Cash and cash equivalents, end of year	\$ 178,745
Cash and cash equivalents	\$ -
Cash and cash equivalents, restricted	178,745
Cash and cash equivalents, end of year	\$ 178,745

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities
	Utilities Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (488,244)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	779,642
Bad debts	15,386
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	15,314
Other receivable	5,974
Net other postemployment benefits asset	(713)
Deferred outflows of resources related to pensions and other postemployment benefits	(16,696)
Accounts payable	(8,424)
Accrued expenses	1,183
Refundable deposits	6,184
Compensated absences	6,423
Net pension and other postemployment benefits liability	52,390
Deferred outflows of resources related to pensions and other postemployment benefits	(12,579)
Net cash provided by (used for) operating activities	\$ 355,840

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Firemen Investment Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 28,600
Investments	<u>47,838</u>
Total assets	<u><u>76,438</u></u>
 NET POSITION	
Held in trust for pension benefits	<u><u>\$ 76,438</u></u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2021

	<u>Firemen Investment Trust Fund</u>
Additions:	
Contributions	\$ 2,024
Investment earnings	<u>5,103</u>
Total additions	<u>7,127</u>
 Net position, beginning of year	 <u>69,311</u>
 Net position, end of year	 <u><u>\$ 76,438</u></u>

See accompanying notes to financial statements

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units. The following is a discussion of the Town's blended component unit.

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

B. Basis of Presentation

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The Town reports the following major enterprise fund:

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

The Town also reports the following fiduciary fund types:

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

C. Basis of Accounting

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

D. Cash and Cash Equivalents

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

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the Utilities Fund are estimated by the Town. The amount recorded as uncollectible at June 30, 2021 totaled \$95,985.

F. Property Tax Calendar

Property taxes are recognized as revenue in the fund financial statements in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred revenue.

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

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's office at June 30, 2021.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Capital Assets

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

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

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

H. Deferred Outflows and Inflows of Resources

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

I. Compensated Absences

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

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Investment Earnings

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

K. Postemployment Benefits

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

L. Fund Balance Classifications

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

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

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

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Foreign currency risk

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

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

Deposits—At June 30, 2021, the carrying amount of the Town’s total cash in bank was \$1,259,727, and the bank balance was \$1,345,825. Of the bank balances, \$250,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

Restricted cash – At June 30, 2021, the Town had restricted cash and cash equivalents of \$178,745 in the Utility Fund. \$38,039 was restricted for refundable customer deposits. \$140,706 was restricted for debt service and short-lived assets replacements under the requirements with the U.S. Department of Agriculture.

Investments – The Town Firemen Investment Trust Fund had investments in mutual funds of \$47,838 at June 30, 2021, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

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

	Governmental Activities	Business-type Activities	Firemen Investment Trust Fund	Total
Cash and cash equivalents:				
Cash on hand	\$ 414	\$ -	\$ -	\$ 414
Amount of deposits	1,052,382	178,745	28,600	1,259,727
Mutual funds	-	-	47,838	47,838
Total	<u>\$ 1,052,796</u>	<u>\$ 178,745</u>	<u>\$ 76,438</u>	<u>\$ 1,307,979</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 3 – DUE FROM OTHER GOVERNMENTS

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

Description	Governmental Activities				Total
	General Fund	HURF Fund	Senior Center Fund	Transit Fund	
Due from state government	\$ 69,726	\$ 134,716	\$ -	\$ 21,820	\$ 226,262
Due from county government	-	-	17,656	-	17,656
	<u>\$ 69,726</u>	<u>\$ 134,716</u>	<u>\$ 17,656</u>	<u>\$ 21,820</u>	<u>\$ 243,918</u>

NOTE 4 – INTERFUND BALANCES AND TRANSACTIONS

Interfund receivables and payables - Interfund balances at June 30, 2021, were as follows:

Due from	Due to		
	HURF Fund	Utility Fund	Total
General Fund	\$ 302,248	\$ 1,262,785	\$ 1,565,033
Senior Center Fund (nonmajor fund)	-	7,477	7,477
	<u>\$ 302,248</u>	<u>\$ 1,270,262</u>	<u>\$ 1,572,510</u>

The interfund receivables and payables above were necessary in order to fund the ongoing activities of the General and Senior Center Funds in the current and prior periods. All balances are not expected to be repaid within one year.

Interfund transfers – Interfund transfers for the year ended June 30, 2021, were as follows:

Transfers from	Transfers to		
	General Fund	Other Govt Funds	Total
General Fund	\$ -	\$ 95,015	\$ 95,015
HURF Fund	11,049	-	11,049
Transit Fund	138,640	-	138,640
Utility Fund	28,221	-	28,221
	<u>\$ 177,910</u>	<u>\$ 95,015</u>	<u>\$ 272,925</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 4 – INTERFUND BALANCES AND TRANSACTIONS – Continued

Transfers from the General Fund to the Senior Center and Library Funds (Other Govt Funds) were to subsidize those programs for excess expenditures over revenues. Transfers from the HURF, Transit, and Utility Funds were made to reimburse the General Fund for administrative costs.

NOTE 5 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool (Pool). The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its' members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 01, 2020	Increases	Decreases	Balance June 30, 2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 447,463	-	-	\$ 447,463
Capital assets being depreciated:				
Buildings	1,178,045	-	-	1,178,045
Equipment	2,049,445	6,390	-	2,055,835
Infrastructure	3,505,500	245,580	-	3,751,080
Total	<u>6,732,990</u>	<u>251,970</u>	<u>-</u>	<u>6,984,960</u>
Less accumulated depreciation for:				
Buildings	(642,386)	(46,812)	-	(689,198)
Equipment	(1,475,272)	(60,410)	-	(1,535,682)
Infrastructure	(2,250,648)	(56,942)	-	(2,307,590)
Total	<u>(4,368,306)</u>	<u>(164,164)</u>	<u>-</u>	<u>(4,532,470)</u>
Total capital assets being depreciated, net	<u>2,364,684</u>	<u>87,806</u>	<u>-</u>	<u>2,452,490</u>
Governmental activities capital assets, net	<u>\$ 2,812,147</u>	<u>\$ 87,806</u>	<u>\$ -</u>	<u>\$ 2,899,953</u>
	Balance July 1, 2020, as restated	Increases	Decreases	Balance June 30, 2021
Business-type activities:				
Capital assets not being depreciated:				
Construction-in-progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Equipment	21,307	15,484	-	36,791
Infrastructure	31,317,957	-	(97,877)	31,220,080
Total	<u>31,339,264</u>	<u>15,484</u>	<u>(97,877)</u>	<u>31,256,871</u>
Less accumulated depreciation for:				
Equipment	(4,316)	(4,871)	-	(9,187)
Infrastructure	(4,768,227)	(774,771)	97,877	(5,445,121)
Total	<u>(4,772,543)</u>	<u>(779,642)</u>	<u>97,877</u>	<u>(5,454,308)</u>
Total capital assets being depreciated, net	<u>26,566,721</u>	<u>(764,158)</u>	<u>-</u>	<u>25,802,563</u>
Business-type activities capital assets, net	<u>\$ 26,566,721</u>	<u>\$ (764,158)</u>	<u>\$ -</u>	<u>\$ 25,802,563</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 6 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 26,596
Public safety	16,796
Public works	79,473
Welfare	21,560
Culture and recreation	19,739
Total governmental activities depreciation expense	<u>\$ 164,164</u>
Business-type activities:	
Utilities	<u>\$ 779,642</u>

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2021.

	Balance July 01, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Governmental activities:					
Compensated absences payable	\$ 59,193	\$ -	\$ 13,896	\$ 45,297	\$ 33,973
Capital lease payable	154,429	-	17,974	136,455	18,720
Net pension and other postemployment benefits liability	3,084,116	312,201	-	3,396,317	-
Total governmental activities long-term liabilities	<u>\$ 3,297,738</u>	<u>\$ 312,201</u>	<u>\$ 31,870</u>	<u>\$ 3,578,069</u>	<u>\$ 52,693</u>
Business-type activities:					
Compensated absences payable	\$ 5,429	\$ 6,423	\$ -	\$ 11,852	\$ 8,889
Notes payable from direct borrowings and direct placements	5,147,038	-	105,154	5,041,884	107,080
Net pension and other postemployment benefits liability	221,452	52,390	-	273,842	-
Total business-type activities long-term liabilities	<u>\$ 5,373,919</u>	<u>\$ 58,813</u>	<u>\$ 105,154</u>	<u>\$ 5,327,578</u>	<u>\$ 115,969</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – LONG-TERM LIABILITIES – Continued

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

	Business-type Activities
Note payable to U.S. Department of Agriculture Rural Development, interest only installments through April 2015 with interest at 2.00%, monthly principal and interest payments beginning May 2015, matures April 2053.	\$ 847,141
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.	3,713,517
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.	481,226
	\$ 5,041,884

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2021.

Year Ending June 30	Business-type Activities	
	Notes payable from direct borrowings and direct placements	
	Principal	Interest
2022	\$ 107,080	\$ 90,656
2023	109,042	88,694
2024	111,040	86,696
2025	113,075	84,661
2026	115,147	82,589
2027-2031	608,174	380,506
2032-2036	666,004	322,676
2037-2041	729,353	259,327
2042-2046	798,755	189,925
2047-2051	874,787	113,893
2052-2056	794,763	34,579
2057	14,664	126
Total	\$ 5,041,884	\$ 1,734,328

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 7 – LONG-TERM LIABILITIES – Continued

Capital leases—The Town has acquired equipment under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities
Equipment	\$ 178,811
Less: accumulated depreciation	(35,762)
Carrying value	\$ 143,049

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2021:

Year Ending June 30	Governmental Activities
2022	\$ 24,382
2023	24,382
2024	24,382
2025	24,382
2026	24,382
2027	36,202
Total minimum lease payments	158,112
Less amount representing interest	(21,657)
Present value of net minimum lease payments	\$ 136,455

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 8 – RESTATEMENT OF NET POSITION

The Town did not accrue USDA grant revenues for certain reimbursable expenditures in the prior period in the amount of \$140,103. In addition, the Town had not accrued certain USDA grant expenditures in the prior period in the amount of \$94,491, \$94,158 of which were capital asset additions. The result is an increase to the beginning net position in the Utilities Fund of \$139,771.

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2021, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension and OPEB asset	\$ 51,879	\$ 1,142	\$ 53,021
Net pension and OPEB liability	3,396,317	273,842	3,670,159
Deferred outflows of resources related to pensions and OPEB	569,928	59,277	629,205
Deferred inflows of resources related to pensions and OPEB	13,735	2,289	16,024
Pension and OPEB expense	637,791	42,047	679,838

The Town reported \$212,122 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits.

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.41 percent for retirement and 0.07 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, 2021, were \$124,857, \$4,180, and \$1,929, respectively.

During fiscal year 2021, 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, 2021, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability
Pension	\$ 1,817,552
Health insurance premium benefit	(7,611)
Long-term disability	8,064

The net asset and net liabilities were measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020. 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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

year ended June 30, 2020. The Town’s proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

	Proportion June 30, 2020	Increase (decrease) from June 30, 2019
Pension	0.01049%	0.00039%
Health insurance premium benefit	0.01075%	0.00040%
Long-term disability	0.01063%	0.00038%

Expense – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ 275,245
Health insurance premium benefit	2,409
Long-term disability	2,662

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,443	\$ -	\$ -	\$ 14,997	\$ 702	\$ 208
Changes of assumptions or other inputs	-	-	4,219	-	869	-
Net difference between projected and actual earnings on plan investments	175,305	-	7,787	-	888	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	57,322	-	35	53	644	-
Town contributions subsequent to the measurement date	124,857	-	4,180	-	1,929	-
Total	\$ 373,927	\$ -	\$ 16,221	\$ 15,050	\$ 5,032	\$ 208

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2022	\$ 59,453	\$ (1,616)	\$ 480
2023	71,986	32	625
2024	63,410	382	652
2025	54,221	(428)	597
2026	-	(1,379)	367
Thereafter	-	-	174

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS	
Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - Interest rate sensitive	10%	0.22%
Real estate	20%	5.85%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's Proportionate share of the Net pension liability	\$ 2,485,478	\$ 1,817,552	\$ 1,259,200
Net insurance premium benefit liability (asset)	9,986	(7,611)	(22,587)
Net long-term disability liability	8,805	8,064	7,345

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 officers participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-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.

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, 2021

NOTE 9 – 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
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	6	6
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	1	1
Total	8	7

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police-Tier 1 & 2	7.65% - 11.65%	64.48%	0.00%
PSPRS Police-Tier 3	9.21%	69.69%	0.14%

The Town’s contributions to the plans for the year ended June 30, 2021, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 135,174	\$ -

During fiscal year 2021, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2021, the Town reported the following asset and liability:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 1,844,543	\$ (45,410)

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS	
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 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:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
Total	100%	

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

	Pension Increase (Decrease)			Health Insurance Premium Benefit Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset) Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2020	\$ 3,536,532	\$ 1,707,309	\$ 1,829,223	\$ 27,594	\$ 73,130	\$ (45,536)
Adjustment to beginning of year	-	(16,953)	16,953	-	-	-
Changes for the year						
Service Cost	5,887	-	5,887	286	-	286
Interest on the total liability	245,906	-	245,906	2,011	-	2,011
Differences between expected and actual experience in the	(30,869)	-	(30,869)	(1,334)	-	(1,334)
Contributions-employer	-	206,657	(206,657)	-	-	-
Contributions-employee	-	(2,509)	2,509	-	-	-
Net investment income	-	20,044	(20,044)	-	911	(911)
Benefit payments, including refunds of employee contributions	(347,694)	(347,694)	-	(1,416)	(1,416)	-
Administrative expense	-	(1,635)	1,635	-	(74)	74
Net changes	(126,770)	(142,090)	15,320	(453)	(579)	126
Balances at June 30, 2021	<u>\$ 3,409,762</u>	<u>\$ 1,548,266</u>	<u>\$ 1,861,496</u>	<u>\$ 27,141</u>	<u>\$ 72,551</u>	<u>\$ (45,410)</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – 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 (assets) liabilities calculated using the discount rate of 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Police			
Net pension (asset) liability	\$ 2,233,718	\$ 1,844,543	\$ 1,519,943
Net OPEB (asset) liability	(42,829)	(45,410)	(47,619)

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, 2021, the Town recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense/(Income)
PSPRS Police	\$ 408,785	\$ (9,263)

Deferred Outflows/Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ 766
Net difference between projected and actual earnings on plan investments	94,932	-	3,919	-
Town contributions subsequent to the measurement date	135,174	-	-	-
Total	\$ 230,106	\$ -	\$ 3,919	\$ 766

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2021

NOTE 9 – 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, 2022. 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
2022	\$ 19,347	\$ (84)
2023	29,401	1,208
2024	26,573	1,154
2025	19,611	875
2026	-	-
Thereafter	-	-

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 591,350	\$ 591,350	\$ 1,118,582	\$ 527,232
Taxes	730,000	730,000	799,431	69,431
Miscellaneous	169,655	169,655	249,945	80,290
Contributions	-	-	41,618	41,618
Investment earnings	75,000	75,000	-	(75,000)
Fines and forfeitures	211,583	211,583	61,669	(149,914)
Charges for services	9,200	9,200	11,830	2,630
Licenses and permits	37,000	37,000	9,540	(27,460)
Rents	14,000	14,000	1,400	(12,600)
Total revenues	<u>1,837,788</u>	<u>1,837,788</u>	<u>2,294,015</u>	<u>456,227</u>
Expenditures				
Finance/Administration	150,445	150,445	629,768	(479,323)
Executive	12,412	12,412	13,648	(1,236)
Development services	33,000	33,000	108,800	(75,800)
Public works	49,200	49,200	174,847	(125,647)
Police	1,040,463	1,040,463	713,738	326,725
Parks and recreation	73,877	73,877	114,241	(40,364)
Magistrate	35,583	35,583	30,576	5,007
Others	1,428,020	1,428,020	-	1,428,020
City of Globe	96,000	96,000	-	96,000
Gila County	24,000	24,000	-	24,000
COVID	-	-	14,496	(14,496)
Total expenditures	<u>2,943,000</u>	<u>2,943,000</u>	<u>1,800,114</u>	<u>1,142,886</u>
Excess (deficiency) of revenues over expenditures	<u>(1,105,212)</u>	<u>(1,105,212)</u>	<u>493,901</u>	<u>1,599,113</u>
Other financing sources (uses)				
Transfers	<u>(415,808)</u>	<u>(415,808)</u>	<u>82,895</u>	<u>498,703</u>
Net changes in fund balances	<u>(1,521,020)</u>	<u>(1,521,020)</u>	<u>576,796</u>	<u>2,097,816</u>
Fund balances, beginning of year	<u>(2,745,127)</u>	<u>(2,745,127)</u>	<u>(2,745,127)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$(4,266,147)</u></u>	<u><u>\$(4,266,147)</u></u>	<u><u>\$(2,168,331)</u></u>	<u><u>\$ 2,097,816</u></u>

See accompanying notes to budgetary comparison schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 323,524	\$ 323,524	\$ 284,040	\$ (39,484)
Expenditures				
Streets - HURF	821,374	821,374	166,084	655,290
Excess (deficiency) of revenues over expenditures	(497,850)	(497,850)	117,956	615,806
Other financing sources (uses)				
Transfers	165,240	165,240	(11,049)	(176,289)
Net changes in fund balances	(332,610)	(332,610)	106,907	439,517
Fund balances, beginning of year	1,097,922	1,097,922	1,097,922	-
Fund balances, end of year	<u>\$ 765,312</u>	<u>\$ 765,312</u>	<u>\$ 1,204,829</u>	<u>\$ 439,517</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Transit Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 536,716	\$ 536,716	\$ 532,415	\$ (4,301)
Charges for services	17,000	17,000	11,833	(5,167)
Total revenues	<u>553,716</u>	<u>553,716</u>	<u>544,248</u>	<u>(9,468)</u>
Expenditures				
Transit	<u>626,716</u>	<u>626,716</u>	<u>405,608</u>	<u>221,108</u>
Excess (deficiency) of revenues over expenditures	<u>(73,000)</u>	<u>(73,000)</u>	<u>138,640</u>	<u>211,640</u>
Other financing sources (uses)				
Transfers	<u>73,000</u>	<u>73,000</u>	<u>(138,640)</u>	<u>(211,640)</u>
Net changes in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2021

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2021, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Finance/Administration, Executive, Development Services, Public Works, Parks and Recreation, and COVID departments of the General Fund.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2021

	Reporting Fiscal Year (Measurement Date)						2014 through 2012 Information not available
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	
ASRS-Pension							
Town's proportion of the net pension liability	0.010490%	0.010100%	0.009690%	0.008510%	0.008250%	0.008130%	0.006592%
Town's proportionate share of the net pension liability	\$ 1,817,552	\$ 1,469,668	\$ 1,351,414	\$ 1,325,692	\$ 1,331,633	\$ 1,267,026	\$ 975,450
Town's covered payroll	\$ 1,146,991	\$ 1,065,385	\$ 962,954	\$ 829,842	\$ 772,783	\$ 749,210	\$ 594,262
Town's proportionate share of the net pension liability as a percentage of its covered payroll	158.46%	137.95%	140.34%	159.75%	172.32%	169.11%	164.14%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

ASRS-Health Insurance

	Reporting Fiscal Year (Measurement Date)				2017 through 2012 Information not available
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB liability (asset)	0.010750%	0.010350%	0.009870%	0.008630%	Information not available
Town's proportionate share of the net OPEB liability (asset)	\$ (7,611)	\$ (2,860)	\$ (3,554)	\$ (4,698)	Information not available
Town's covered payroll	\$ 1,146,991	\$ 1,065,385	\$ 962,954	\$ 829,842	Information not available
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-0.66%	-0.27%	-0.37%	-0.57%	Information not available
Plan fiduciary net position as a percentage of the total pension liability	104.33%	101.62%	102.20%	103.57%	Information not available

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)				2017 through 2012 Information not available
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB liability (asset)	0.010630%	0.010250%	0.009710%	0.008540%	Information not available
Town's proportionate share of the net OPEB liability (asset)	\$ 8,064	\$ 6,677	\$ 5,074	\$ 3,096	Information not available
Town's covered payroll	\$ 1,146,991	\$ 1,065,385	\$ 962,954	\$ 829,842	Information not available
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.70%	0.63%	0.53%	0.37%	Information not available
Plan fiduciary net position as a percentage of the total pension liability	68.01%	72.85%	77.83%	84.44%	Information not available

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2021

PSPRS - Pension

	Reporting Fiscal Year (Measurement Date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability								Information not available
Service cost	\$ 5,887	\$ 15,876	\$ 18,410	\$ 52,300	\$ 54,610	\$ 39,926	\$ 27,547	
Interest on the total pension liability	245,906	245,555	205,154	173,013	144,573	145,340	105,691	
Changes of benefit terms	-	-	-	25,146	(8,865)	-	51,404	
Differences between expected and actual experience in the measurement of the pension liability	(30,869)	20,986	495,019	304,235	321,107	(125,443)	121,562	
Changes of assumptions or other inputs	-	58,009	-	95,298	90,173	-	262,793	
Benefit payments, including refunds of employee contributions	(347,694)	(212,646)	(145,942)	(189,149)	(81,444)	(72,415)	(67,802)	
Net change in total pension liability	(126,770)	127,780	572,641	460,843	520,154	(12,592)	501,195	
Total pension liability - beginning	3,536,532	3,408,752	2,836,111	2,375,268	1,855,114	1,867,706	1,366,511	
Total pension liability - ending (a)	<u>\$ 3,409,762</u>	<u>\$ 3,536,532</u>	<u>\$ 3,408,752</u>	<u>\$ 2,836,111</u>	<u>\$ 2,375,268</u>	<u>\$ 1,855,114</u>	<u>\$ 1,867,706</u>	
Plan fiduciary net position								
Contributions - employer	\$ 206,657	\$ 86,457	\$ 116,524	\$ 78,303	\$ 102,757	\$ 73,750	\$ 54,893	
Contributions - employee	(2,509)	6,094	183,842	22,637	28,900	23,970	20,682	
Net investment income	20,044	89,510	94,474	139,969	6,642	34,927	102,886	
Benefit payments, including refunds of employee contributions	(347,694)	(212,646)	(145,942)	(189,149)	(81,444)	(72,415)	(67,802)	
Hall/Parker Settlement	-	-	(36,275)	-	-	-	-	
Administrative expense	(1,635)	(2,546)	(2,138)	(1,638)	(1,355)	(1,230)	-	
Other changes	-	-	242,109	(4,533)	179,853	(725)	144,664	
Net change in plan fiduciary net position	(125,137)	(33,131)	452,594	45,589	235,353	58,277	255,323	
Plan fiduciary net position - beginning	1,707,309	1,741,341	1,288,747	1,243,158	1,007,805	949,528	694,205	
Adjustment to beginning of year	(16,953)	(901)	-	-	-	-	-	
Plan fiduciary net position - ending (b)	<u>\$ 1,565,219</u>	<u>\$ 1,707,309</u>	<u>\$ 1,741,341</u>	<u>\$ 1,288,747</u>	<u>\$ 1,243,158</u>	<u>\$ 1,007,805</u>	<u>\$ 949,528</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,844,543</u>	<u>\$ 1,829,223</u>	<u>\$ 1,667,411</u>	<u>\$ 1,547,364</u>	<u>\$ 1,132,110</u>	<u>\$ 847,309</u>	<u>\$ 918,178</u>	
Plan fiduciary net position as a percentage of the total pension liability	45.90%	48.28%	51.08%	45.44%	52.34%	54.33%	50.84%	
Covered payroll	\$ 216,056	\$ 148,029	\$ 246,209	\$ 230,296	\$ 258,449	\$ 252,448	\$ 225,092	
Town's net pension (asset) liability as a percentage of covered payroll	853.73%	1235.72%	677.23%	671.90%	438.04%	335.64%	407.91%	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2021

PSPRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)				2017 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability					Information not available
Service cost	\$ 286	\$ 364	\$ 500	\$ 1,589	
Interest on the total OPEB liability	2,011	3,640	4,015	4,773	
Differences between expected and actual experience in the measurement of the OPEB liability	(1,334)	(24,375)	(7,590)	(10,743)	
Changes of assumptions or other inputs	-	253	-	(2,940)	
Benefit payments	(1,416)	(2,215)	(2,002)	(1,050)	
Net change in total OPEB liability	(453)	(22,333)	(5,077)	(8,371)	
Total OPEB liability - beginning	27,594	49,927	55,004	63,375	
Total OPEB liability - ending (a)	<u>\$ 27,141</u>	<u>\$ 27,594</u>	<u>\$ 49,927</u>	<u>\$ 55,004</u>	
Plan fiduciary net position					
Contributions - employer	\$ -	\$ 69	\$ 559	\$ 774	
Net investment income	911	3,754	4,675	7,165	
Benefit payments	(1,416)	(2,215)	(2,002)	(1,050)	
Administrative expense	(74)	(65)	(71)	(64)	
Net change in plan fiduciary net position	(579)	1,543	3,161	6,825	
Plan fiduciary net position - beginning	73,130	70,686	67,525	60,700	
Adjustment to beginning of year	-	901	-	-	
Plan fiduciary net position - ending (b)	<u>\$ 72,551</u>	<u>\$ 73,130</u>	<u>\$ 70,686</u>	<u>\$ 67,525</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (45,410)</u>	<u>\$ (45,536)</u>	<u>\$ (20,759)</u>	<u>\$ (12,521)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	267.31%	265.02%	141.58%	122.76%	
Covered payroll	\$ 216,056	\$ 148,029	\$ 246,209	\$ 230,296	
Town's net OPEB (asset) liability as a percentage of covered payroll	-21.02%	-30.76%	-8.43%	-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, 2021

	Reporting Fiscal Year							2013 through 2012 Information not available	
	2021	2020	2019	2018	2017	2016	2015		2014
ASRS-Pension									
Statutorily required contribution	\$ 124,857	\$ 131,332	\$ 119,110	\$ 104,962	\$ 89,457	\$ 83,847	\$ 81,589	\$ 63,586	
Town's contributions in relation to the statutorily required contribution	(124,857)	(131,332)	(119,110)	(104,962)	(89,457)	(83,847)	(81,589)	(63,586)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 1,086,820	\$ 1,146,991	\$ 1,065,385	\$ 962,954	\$ 829,842	\$ 772,783	\$ 749,210	\$ 594,262	
Town's contributions as a percentage of covered payroll	11.49%	11.45%	11.18%	10.90%	10.78%	10.85%	10.89%	10.70%	
ASRS-Health Insurance Premium									
Statutorily required contribution	\$ 4,180	\$ 5,620	\$ 4,901	\$ 4,237	\$ 4,647	Information not available	Information not available	Information not available	
Town's contributions in relation to the statutorily required contribution	(4,180)	(5,620)	(4,901)	(4,237)	(4,647)				
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -				
Town's covered payroll	\$ 1,086,820	\$ 1,146,991	\$ 1,065,385	\$ 962,954	\$ 829,842				
Town's contributions as a percentage of covered payroll	0.38%	0.49%	0.46%	0.44%	0.56%				
ASRS-Long-Term Disability									
Statutorily required contribution	\$ 1,929	\$ 1,949	\$ 1,704	\$ 1,540	\$ 1,162	Information not available	Information not available	Information not available	
Town's contributions in relation to the statutorily required contribution	(1,929)	(1,949)	(1,704)	(1,540)	(1,162)				
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -				
Town's covered payroll	\$ 1,086,820	\$ 1,146,991	\$ 1,065,385	\$ 962,954	\$ 829,842				
Town's contributions as a percentage of covered payroll	0.18%	0.17%	0.16%	0.16%	0.14%				

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Town's Pension/OPEB Contributions
June 30, 2021

	Reporting Fiscal Year							2013 through 2012 Information not available	
	2021	2020	2019	2018	2017	2016	2015		2014
Actuarially determined contribution	\$ 135,174	\$ 206,657	\$ 86,457	\$ 116,524	\$ 78,303	\$ 102,757	\$ 73,750	\$ 54,893	
Town's contributions in relation to the actuarially determined contribution	(135,174)	(206,657)	(86,457)	(116,524)	(78,303)	(102,757)	(73,750)	(54,893)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered-employee payroll	\$ 219,611	\$ 216,056	\$ 148,029	\$ 246,209	\$ 230,296	\$ 258,449	\$ 252,448	\$ 225,092	
Town's contributions as a percentage of covered payroll	61.55%	95.65%	58.41%	47.33%	34.00%	39.76%	29.21%	24.39%	

PSPRS-Health Insurance Premium

	Reporting Fiscal Year							2016 through 2012 Information not available	
	2021	2020	2019	2018	2017	2016	2015		2014
Actuarially determined contribution	\$ -	\$ -	\$ 69	\$ 559	\$ 774	\$ -	\$ -	\$ -	
Town's contributions in relation to the actuarially determined contribution	-	-	(69)	(559)	(774)	-	-	-	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 219,611	\$ 216,056	\$ 148,029	\$ 246,209	\$ 230,296	\$ -	\$ -	\$ -	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.05%	0.23%	0.34%	-	-	-	

See accompanying notes to pension/OPEB plan schedules.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2021

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 2019 actuarial valuation	17 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS. In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2021

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

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

REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS AND
UNIFORM GUIDANCE



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**INDEPENDENT AUDITORS' 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Miami, Arizona's basic financial statements and have issued our report thereon dated August 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Town of Miami, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Miami, Arizona's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items **2021-001**, **2021-002**, and **2021-004** that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Miami, Arizona's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item **2021-003**.

The 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. Town of Miami, Arizona'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.



August 15, 2023



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
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, 2021. The 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 each of its major federal programs for the year ended June 30, 2021.

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's 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's 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 the first paragraph of this section 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.

Lobby & Powell, PLC

August 15, 2023

TOWN OF MIAMI, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor or/Pass Through Grant or/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Arizona Department of Housing Community Development Block Grant	14.228	135-20	\$ 258,044
U.S. Department of Health and Human Services			
Passed Through Pinal-Gila Council for Senior Citizens Aging Cluster			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Cntr	93.044	0010-0253	3,500
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	0010-0253	78,504
Nutrition Services Incentive Program	93.053	0010-0253	7,962
Total Aging Cluster			89,966
Social Services Block Grant	93.667	0010-0253	24,964
			114,930
U.S. Department of the Treasury			
Passed through Arizona Office of the Governor COVID-Coronavirus Relief Fund	21.019		204,356
U.S. Department of Transportation			
Passed through Arizona Department of Transportation			
Formula Grants for Rural Areas	20.509	GRT-18-0007109-T	99,088
COVID-Formula Grants for Rural Areas	20.509	GRT-18-0007109-T	268,319
			367,407
U.S. Department of Agriculture			
Rural Development			
Water and Waste Disposal Systems for Rural Communities	10.760	00-06	144,515
Total Federal Assistance			\$ 1,089,252

The accompanying notes are an integral part of this schedule.

TOWN OF MIAMI, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Town of Miami, Arizona under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). 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/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. The Town of Miami, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2021 was \$5,041,884.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of major federal programs:

CFDA Number	Name of Federal Program
14.228	Community Development Block Grant
21.019	COVID-Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Town of Miami, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Financial Statement Findings

Item: 2021-001

Subject: Bank reconciliations.

Condition: During our audit it was noted that cash bank reconciliations performed by the Finance Director were not reviewed on a monthly basis.

Recommendation: Management should assign someone to review all cash bank reconciliations each month and initial and date the reconciliation to evidence the review.

Response: Management agrees with this finding and has updated Town procedure related to bank reconciliation review and approvals.

Item: 2021-002

Subject: Billing adjustments.

Condition: During our audit, we noted that the same person has the ability to adjust utility accounts and collect payments.

Recommendation: If the ability to adjust utility accounts cannot be segregated from the ability to collect payments, we recommend that billing and payment adjustments be reviewed regularly by someone not responsible for cash collections. We recommend that the review be documented by printing out the adjustments from the accounting programs and initialed and dated by the person performing the review.

Response: Management agrees with this finding and will begin review of all utility adjustments posted in the accounting program and will document the review by printing, initialing, and dating the report.

Item: 2021-003

Subject: Highway User Revenue Fund (HURF) and County Excise Tax spending

Criteria/Specific Requirements: Spending of HURF and County Excise Tax monies is restricted to "highway and street purposes."

Condition: In previous years, the Town spent monies restricted to highway and street purposes to fund operations of the Town's other funds. As of June 30, 2021, the Town's unreimbursed balance owed to the HURF fund totaled \$302,248.

Town of Miami, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Cause and Effect: The Town pools cash resources from all areas of unrestricted and restricted sources to pay for the Town's operating, capital, and debt service expenditures. Although restricted monies are pooled with unrestricted monies, restricted monies are accounted for through the restriction of fund balances. Due to cash shortages in the Town's unrestricted funds, cash resources from restricted highways and streets monies have been borrowed. The loan of these monies constitutes "spending" which is not allowable under the Arizona Revised Statutes.

Recommendation: Management should implement a formal plan to pay back the HURF Fund for unallowed borrowings.

Management's Response: The operations and capital improvement of the Town's enterprise systems are intended to be paid from charges to customers that directly benefit from such services. The Town's enterprise fund operations and capital improvements have been supported partially by charges to customers and grants; however, cash shortages have required the Town use unrestricted governmental funds to the extent available and lastly restricted funds such as HURF. The Town has increased rates for sewer and sanitation service in the enterprise fund in an effort to pay back amounts borrowed over the years.

Item: 2021-004

Subject: Recognizing expenditures in the proper period.

Condition: During our audit, we noted that prior period grant expenditures had been recognized in the current period therefore necessitating an adjustment to prior period net position in the Utilities Fund.

Recommendation: Expenditures should be recorded in the period in which goods are received and services are rendered in order to reflect proper cutoff and ensure that the financial statements are complete with respect to expenditures and payables. In year end closing procedures, we recommend that the Town identify all unmatched purchase orders, receiving reports, and invoices to determine expenditures for which a payable should be recorded.

Response: Management agrees with this finding and during year end closing procedures, identify all unmatched purchase orders, receiving reports, and invoices to determine expenditures for which a payable should be recorded.

Federal Award Findings

There were no current year federal award findings.

Town of Miami, Arizona
Summary Schedule of Prior Year Audit Findings
June 30, 2021

The status of audit findings from the prior year is as follows:

Item: 2020-001

Subject: Bank reconciliations.

Condition: During our audit it was noted that cash bank reconciliations performed by the Finance Director were not reviewed on a monthly basis.

Recommendation: Management should assign someone to review all cash bank reconciliations each month and initial and date the reconciliation to evidence the review.

Management has yet to implement procedures for the review of all monthly cash bank reconciliations. See Item **2021-001**.

Item: 2020-002

Subject: Billing adjustments.

Condition: During our audit, we noted that the same person has the ability to adjust utility accounts and collect payments.

Recommendation: If the ability to adjust utility accounts cannot be segregated from the ability to collect payments, we recommend that billing and payment adjustments be reviewed regularly by someone not responsible for cash collections. We recommend that the review be documented by printing out the adjustments from the accounting programs and initialed and dated by the person performing the review.

Management has yet to implement procedures for the review of all billing and payment adjustments. See Item **2021-002**.

Item: 2020-003

Subject: Formal written accounting policies and procedures.

Condition: During our audit, it was noted that there are no written accounting policies and procedures.

Subsequent to our prior audit, the Town has developed, approved, and implemented written accounting policies and procedures.

Town of Miami, Arizona
Summary Schedule of Prior Year Audit Findings
June 30, 2021

Item: 2020-004

Subject: Highway User Revenue Fund (HURF) and County Excise Tax spending

Criteria/Specific Requirements: Spending of HURF and County Excise Tax monies is restricted to “highway and street purposes.”

Condition: In previous years, the Town spent monies restricted to highway and street purposes to fund operations of the Town’s other funds. As of June 30, 2020, the Town’s unreimbursed balance owed to the HURF fund totaled \$683,720.

As of June 30, 2021, the Town still is not in compliance with State statutes. the Town still has an outstanding HURF Fund loan balance of \$302,248. See Item **2021-003** for further information.

Item: 2020-005

<i>CFDA No. and Name:</i>	<i>20.509 Formula Grants for Rural Areas</i>
<i>Award Number and Years:</i>	<i>GRT-18-0007109-T FY19-20</i>
<i>Federal Agency:</i>	<i>US Department of Transportation</i>
<i>Compliance Requirement:</i>	<i>Cash Management</i>
<i>Questioned Cost:</i>	<i>None</i>

Criteria: Program requirements call for the Town to be reimbursed for expenditures incurred.

Condition and context: In April 2020, the Town submitted a request for reimbursement which included administrative overhead in excess of allowable grant amounts. The Town was reimbursed \$75,397 in excess of allowable amounts up to that period of time. In subsequent periods, in order to correct the over-reimbursement, the Arizona Department of Transportation reduced the reimbursement amounts for subsequent periods to correct the \$75,397 excess.

During the year, the Town had repaid the Arizona Department of Transportation the entirety of the excess reimbursed unallowed administrative overhead costs.