

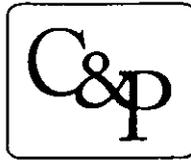
TOWN OF MIAMI, ARIZONA

**Government Auditing Standards
Reports**

June 30, 2012

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COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

**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 were engaged to audit the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Miami, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 15, 2015. We did not express an opinion on the Town of Miami's financial statements because the scope of our work was not sufficient to enable us to express such an opinion. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

Management of the Town of Miami, Arizona is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Miami, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Miami, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Miami, Arizona's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all of the deficiencies described in the accompanying schedule of findings and responses 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-02 and 2012-03.

The Town of Miami, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Miami, Arizona's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Colby & Powell

June 15, 2015
Gilbert, Arizona

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

Finding 2012-01 – Lack of Internal Account Controls

Condition: - There is a general lack of internal control over the Town's accounting and financial reporting system.

The numerous and repeat findings in the Schedule of Findings and Responses indicate that either the Town has an inadequate system of internal control over the accounting and financial reporting process or that the system in place is not being implemented. We particularly emphasize findings 2011-01, 2011-02, and 2011-03 below.

Management is responsible for the preparation and fair presentation of 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 misstatements, whether due to fraud or error.

Management must take responsibility for the design and implementation of a system of internal control which will allow for proper accounting and safeguarding of assets, financial reporting, and compliance with applicable laws, regulations, and agreements.

This deficiency is considered to be a material internal control weakness.

Response - The Town will improve the accounting controls by developing and instituting clear operating and financial procedures, procurement procedures, monthly accounting close cycles and filing and record retention for all operating statistics and financial record keeping.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

**Finding 2012-02 – Water Infrastructure Finance Authority of Arizona Loan 7101142-10
Debt Service Payments**

Condition – The Town failed to timely remit an interest payment on a loan obtained from the Water Infrastructure Finance Authority of Arizona (WIFA).

The Town has entered into a loan agreement with WIFA for a sewer system rehabilitation project. That loan agreement requires semi-annual interest payments. The Town did not make its required interest payments until months after the due date. Late payment of debt obligations may put the Town at risk of default.

We recommend that the Town closely monitor its debt service obligations placing the payment due dates on a master calendar and assigning a responsible management level employee to be accountable for informing the finance department of upcoming payment obligations.

This deficiency is considered to be a material internal control weakness.

Response – Staff has established automatic credit transfers for the payment of scheduled loan payments. In addition staff has established a list of ongoing payments and due dates to assist in cash management for all bank accounts.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

**Finding 2012-03 – Water Infrastructure Finance Authority of Arizona Loan 7101142-10
Funds Request Documentation**

Condition – The Town has entered into a loan agreement with the Water Infrastructure Finance Authority of Arizona for a sewer system rehabilitation project. The Town periodically requests a drawdown of funds from the authorized balance in order to pay for expenditures associated with the project. A former management level employee has disputed the inclusion of his time and expense on drawdown requests. The Town has amended drawdown requests modifying, but not eliminating, the former employee's time from the requests.

The Town may only request a drawdown reimbursement for allowable expenditures associated with the sewer system rehabilitation project.

We recommend that management pay special attention to which expenditures are allowed for reimbursement under the loan agreement. Attention should be given to matching supporting documentation such as an employee timesheet or other supporting document to the expenditures listed on the drawdown request.

This deficiency is considered to be a material internal control weakness.

Response – Staff has established procedures for the review and approval of all payments and reimbursement requests for all grant and other financial activities.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

Finding 2011-01 – Records Storage and Retrieval

Condition - During our audit we noted that important accounting records could not be located when needed for audit purposes. These records included detailed supporting documents and subsidiary ledgers and journals.

The causes of the problem appear to be (a) lack of a clearly specified system for filing records, (b) failure of those who removed records from the files to indicate who took the record, (c) failure to return the record to the files or misfiling it when it was returned, and (d) lack of specific policies for removing prior year records from the files to a designated storage space. The result was that employees spent nonproductive time searching for need documents. In several instances needed documents were unable to be located. This condition could also present problems when documents are needed in support of tax returns and other reports subject to audit by us or other governmental agencies.

While the Town has made improvement in its recordkeeping since the prior audit, there were still items that could not be located during the audit process. We recommend that the following steps be taken: (1) Decide on a systematic manner of filing documents, for example, vendor bills alphabetically by vendor name, journal entries by month, and so on. Describe the system in an accounting manual or post a description on the filing cabinets or in the storage room so that employees will know how to find and refile documents. (2) Also, decide on when records should be removed from more accessible files to other storage areas. For example, some organizations keep current and prior year records in the accounting department or in storage rooms on the Organization's premises and store older records at an off-premise secure location. (3) Assign personnel the responsibility to periodically clean out the files in accordance with the established policy.

We also noted that various accounting records, such as monthly accounts receivable detail reports could not be provided. It is our understanding that the Town's computer system does not allow for some accounting reports to be generated after the month end date has passed. Therefore, it is important to produce certain detailed reports at specific time periods, and to maintain these records for possible analysis by users such as management, independent auditors, or other governmental bodies.

This deficiency is considered to be a material internal control weakness. This is a repeat finding.

Response - Since early 2014 and through late 2015 the Town has improved the file retention and record keeping and will further develop procedures for all files and record storage both for the short and long term. This will be broken into legal records, operating statistics, financial records, and personnel records.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

Finding 2011-02 –Preparation of the General Ledger

Condition - The year-end general ledger was not prepared or reconciled on a timely basis. The year-end general ledger prepared and presented to us for audit was incomplete and contained errors, inconsistencies, and omissions.

The general ledger is the backbone of the financial reporting system and is key to the proper safeguarding of assets. The importance of a properly reconciled and timely prepared general ledger cannot be overstated.

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

Employees should be instructed and properly trained to perform appropriate activities, such as an accuracy and completeness check, approval, and review, as part of their daily activities, and appropriate, timely investigations and corrective actions should be taken if errors are identified by the check and review process. The policies and procedures management develops, documents, and communicates should include routine transaction processing and recording matters as well as nonroutine matters such as journal entries and revenue recognition. The policies and procedures should also include the identification of those positions responsible for the policy and for performing the steps or procedures; and for handling questions about, or exceptions to, the policy. The policies and procedures can be documented in a number of ways, including narratives, flowcharts, or checklists.

This deficiency is considered to be a material internal control weakness. This is a repeat finding.

Response - The Town is developing daily, weekly, and monthly procedures to reconcile and balance all account activities to ensure general ledger is in balance and utilized as a financial management tool. We have already developed: cash management worksheet, new time sheets, and forms for; payment request authorization, purchase requisitions, purchase orders, fund transfers, and journal entry. In addition we are establishing a monthly close cycle, and procedures for credit card usage, time keeping, cash receiving, bank reconciliations, utility billing and collections, travel expense and reimbursements, accounts payable processing, procurement, issuance of business licenses, and building permits. This will all be completed by the end of 2015.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

Finding 2011-03 – Reconciling Accounts to Supporting Documentation

Condition - Few of the general ledger accounts were reconciled to supporting documents or subsidiary ledgers.

In order to make the financial reports generated by the accounting system as meaningful as possible, the Town should reconcile the general ledger accounts to supporting documentation or subsidiary ledgers on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Bank statements were not reconciled to the appropriate general ledger accounts until long after the end of the audit period. Timely preparation of complete and accurate bank reconciliations is a key to insuring that cash receipts and disbursements are properly recorded. Other account balances, such as accounts receivable, accounts payable, loan balances, etc., should also be adjusted to the correct balances on a monthly basis. These reconciliations and adjustments will ensure meaningful and accurate financial statements.

This deficiency is considered to be a material internal control weakness. This is a repeat finding.

Response - Effective July 2015 Town staff has hired an independent financial consultant to assist in reconciling all bank accounts and to develop key daily, weekly and monthly procedures to ensure that all subsidiary ledger accounts are balanced on a monthly and that there is a monthly closing cycle complete on a monthly basis.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

Finding 2011-04 –Debit Card Transactions

Condition - We noted during the audit that debit card transactions are not being properly authorized before used to purchase goods or services. We also noted that the receipts supporting the debit card purchases are given to finance personnel with no indication as to the purpose of the expenditure or which department made the transaction.

Debit card transactions are similar to other cash transactions, such as petty cash, and require strong internal control procedures to prevent errors or misuse.

We recommend that preapproval, such as a purchase order by the department head, be used for all debit card purchases. This type of preapproval will not only help in the prevention of errors and irregularities but also in the proper classification of expenditures. Employees should be held accountable for their use of Town debit cards.

This deficiency is considered to be a material internal control weakness. This is a repeat finding.

Response – In late 2014 Town staff has eliminated the use of its debit cards. Staff has also implemented the use of purchase requisitions for the approval of goods which must be approved by the Town manager. Staff has implemented the use of credit cards with controls in place restricting the time and day of usage coupled with cards issued to specific individuals which will be held accountable for all charges on each card.

TOWN OF MIAMI, ARIZONA
Schedule of Findings and Responses
June 30, 2012

Finding 2011-05 – Control the Numerical Sequence of Checks Used

Condition - During our audit testing of the cash accounts, we noted that checks were not used in numerical sequence.

To prevent unauthorized use and ensure that all checks issued are recorded in the proper period, we recommend that all checks be used in order. Additionally, tight control should be maintained over used and unused checks to prevent misuse and to make sure that all checks issued are recorded in the appropriate period

We recommend that management periodically review the cash disbursement journal to determine that checks are being written in numerical sequence. Also, the sequence of used and unused check numbers should be accounted for periodically.

This deficiency is considered to be a material internal control weakness. This is a repeat finding.

Response - Effective in late 2014 staff has eliminated the use of several bank accounts and associated checking accounts in order to facilitate the improved control on the disbursement of Town funds. Staff will also be developing account payable policy and procedures for additional control improvements.

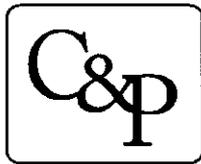
TOWN OF MIAMI, ARIZONA

Annual Financial Statements
and Independent Auditors' Report

June 30, 2012

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**COLBY &
POWELL, PLC**
CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Miami, Arizona

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Miami, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Miami, Arizona's management.

Due to an absence of adequate internal controls, and the inadequacy of accounting records, we were unable to satisfy ourselves that all assets, liabilities, revenues and expenditures of the Town had been recorded nor that the recorded transactions were proper. As a result we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statements of activity, changes in net assets and cash flow. In addition, as required by generally accepted auditing standards, we were unable to obtain written representations from the Town's management concerning transactions during the year ended June 30, 2012, which took place under substantially different management.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Management has omitted the management's discussion and analysis and the budgetary comparison schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that Schedule of Agent Retirement Plan Funding Progress on page 28 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Town of Miami, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Colby & Powell

June 15, 2015
Gilbert, Arizona

TOWN OF MIAMI, ARIZONA
Statement of Net Position
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 147,848	\$ 37,392	\$ 185,240
Receivables, net	3,846	54,709	58,555
Taxes receivable	81,281	-	81,281
Due from other governments	52,892	-	52,892
Interfund balances	(900,114)	900,114	-
Capital assets, not being depreciated	447,463	2,784,688	3,232,151
Capital assets, being depreciated, net	2,061,040	4,406,094	6,467,134
Total assets	<u>1,894,256</u>	<u>8,182,997</u>	<u>10,077,253</u>
LIABILITIES			
Accounts payable	611,396	61,061	672,457
Accrued expenses	467,492	48,000	515,492
Noncurrent liabilities			
Due within one year	36,093	10,474	46,567
Due in more than one year	19,434	2,738,197	2,757,631
Total liabilities	<u>1,134,415</u>	<u>2,857,732</u>	<u>3,992,147</u>
NET POSITION			
Invested in capital assets, net of related debt	2,508,503	4,455,203	6,963,706
Restricted for:			
Streets	1,003,713	-	1,003,713
Unrestricted (deficit)	(2,752,375)	870,062	(1,882,313)
Total net position	<u>\$ 759,841</u>	<u>\$ 5,325,265</u>	<u>\$ 6,085,106</u>

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

TOWN OF MIAMI, ARIZONA
Statement of Activities
Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 806,073	\$ 35,665	\$ -	\$ -	\$ (770,408)	\$ -	\$ (770,408)
Public safety	838,998	74,786	-	-	(764,212)	-	(764,212)
Public works	198,454	-	-	-	(198,454)	-	(198,454)
Highways and streets	144,351	-	152,522	-	8,171	-	8,171
Welfare	350,189	25,570	245,130	-	(79,489)	-	(79,489)
Culture and recreation	157,810	2,000	45,004	-	(110,806)	-	(110,806)
Total governmental activities	2,495,875	138,021	442,656	-	(1,915,198)	-	(1,915,198)
Business-type activities							
Utilities	568,823	392,411	-	-	-	(176,412)	(176,412)
Total business-type activities	568,823	392,411	-	-	-	(176,412)	(176,412)
Total primary government	\$ 3,064,698	\$ 530,432	\$ 442,656	\$ -	(1,915,198)	(176,412)	(2,091,610)
General revenue:							
Taxes:							
Property taxes, levied for general purposes					165,782	-	165,782
Local sales taxes					340,724	-	340,724
Franchise tax					119,575	-	119,575
Share of state sales taxes					143,544	-	143,544
Share of county auto lieu taxes					109,223	-	109,223
State urban revenue sharing					155,044	-	155,044
Other					510,530	-	510,530
Total general revenue					1,544,422	-	1,544,422
Change in net position					(370,776)	(176,412)	(547,188)
Net position, July 1, 2011					1,130,617	5,501,677	6,632,294
Net position, June 30, 2012					\$ 759,841	\$ 5,325,265	\$ 6,085,106

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

TOWN OF MIAMI, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ 147,848	\$ -	\$ -	\$ -	\$ -	\$ 147,848
Taxes receivable	81,281	-	-	-	-	-	81,281
Accounts receivable	3,846	-	-	-	-	-	3,846
Due from other governments	20,133	16,741	14,799	-	-	1,219	52,892
Due from other funds	-	666,311	-	172,873	-	-	839,184
Total assets	\$ 105,260	\$ 830,900	\$ 14,799	\$ 172,873	\$ -	\$ 1,219	\$ 1,125,051
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 594,026	\$ 60	\$ 4,377	\$ -	\$ 173	\$ 12,760	\$ 611,396
Accrued expenses	465,816	-	692	-	-	984	467,492
Deferred revenue	17,702	-	-	-	-	-	17,702
Due to other funds	740,252	-	438,197	-	504,444	56,405	1,739,298
Total liabilities	1,817,796	60	443,266	-	504,617	70,149	2,835,888
Fund balances							
Restricted for:							
Highways and streets	-	830,840	-	172,873	-	-	1,003,713
Unassigned	(1,712,536)	-	(428,467)	-	(504,617)	(68,930)	(2,714,550)
Total fund balances	(1,712,536)	830,840	(428,467)	172,873	(504,617)	(68,930)	(1,710,837)
Total liabilities and fund balances	\$ 105,260	\$ 830,900	\$ 14,799	\$ 172,873	\$ -	\$ 1,219	\$ 1,125,051

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

TOWN OF MIAMI, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
Year Ended June 30, 2012

Fund balances--total governmental funds	\$ (1,710,837)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,508,503
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	17,702
Some liabilities are not due and payable in the current period, and therefore, are not reported in the funds	<u>(55,527)</u>
Net position of governmental activities	<u><u>\$ 759,841</u></u>

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

TOWN OF MIAMI, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2012

	General Fund	HURF Fund	Senior Center Fund	Grants Fund	Library Fund	Transit Fund	Total Governmental Fund
Revenue							
Taxes							
Sales	\$ 340,724	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 340,724
Property	162,374	-	-	-	-	-	162,374
Franchise	119,575	-	-	-	-	-	119,575
Intergovernmental	412,038	152,522	83,947	-	45,004	161,183	854,694
Fines and forfeitures	70,559	-	-	-	-	-	70,559
Licenses and permits	4,025	-	-	-	-	-	4,025
Charges for services	14,404	-	14,805	-	2,000	10,765	41,974
Rents	17,236	-	-	-	-	-	17,236
Other revenue	510,530	-	-	-	-	-	510,530
Total revenue	1,651,465	152,522	98,752	-	47,004	171,948	2,121,691
Expenditures							
Current							
General government	702,159	-	-	-	-	-	702,159
Public safety	816,244	-	-	-	-	-	816,244
Public works	198,454	-	-	-	-	-	198,454
Highways and streets	5,046	70,225	-	-	-	-	75,271
Welfare	-	-	136,210	-	-	188,111	324,321
Culture and recreation	105,883	-	-	-	48,332	-	154,215
Total expenditures	1,827,786	70,225	136,210	-	48,332	188,111	2,270,664
Net change in fund balances	(176,321)	82,297	(37,458)	-	(1,328)	(16,163)	(148,973)
Fund balances, July 1, 2011	(1,536,215)	748,543	(391,009)	172,873	(503,289)	(52,767)	(1,561,864)
Fund balances, June 30, 2012	\$ (1,712,536)	\$ 830,840	\$ (428,467)	\$ 172,873	\$ (504,617)	\$ (68,930)	\$ (1,710,837)

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

TOWN OF MIAMI, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balance to the Statement of Activities
Governmental Funds
Year Ended June 30, 2012

Net change in fund balances--total governmental funds \$ (148,973)

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of
those assets is allocated over their estimated useful
lives and reported as depreciation expense.

(224,122)

Current year depreciation

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

3,408

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

(1,089)

Change in net position of governmental activities

\$ (370,776)

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

TOWN OF MIAMI, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2012

	Business-type Activities <u>Enterprise Funds</u> Utilities Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 37,392
Accounts receivable - net	54,709
Due from other funds	<u>900,114</u>
Total current assets	<u>992,215</u>
Noncurrent assets	
Capital assets:	
Sewer system and plant	6,735,500
Construction in progress	2,784,688
Less accumulated depreciation	<u>(2,329,406)</u>
Total noncurrent assets	<u>7,190,782</u>
Total assets	<u>8,182,997</u>
LIABILITIES	
Current liabilities	
Accounts payable	61,061
Accrued expenses	48,000
Compensated absences, current portion	<u>10,474</u>
Total current liabilities	<u>119,535</u>
Noncurrent liabilities	
Compensated absences	2,618
Notes payable	<u>2,735,579</u>
Total noncurrent liabilities	<u>2,738,197</u>
Total liabilities	<u>2,857,732</u>
Net position	
Invested in capital assets, net of related debt	4,444,729
Unrestricted	<u>880,536</u>
Total net position	<u>\$ 5,325,265</u>

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

TOWN OF MIAMI, ARIZONA
Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities <u>Enterprise Funds</u> Utilities <u>Fund</u>
Operating revenue	
Charges for services (net of bad debts of \$9,718)	<u>\$ 392,411</u>
Operating expenses	
General operating expenses	329,917
Depreciation	<u>190,845</u>
Total operating expenses	<u>520,762</u>
Operating income (loss)	(128,351)
Nonoperating revenue (expenses)	
Interest expense	<u>(48,061)</u>
Decrease in net position	(176,412)
Total net position, July 1, 2011	<u>5,501,677</u>
Total net position, June 30, 2012	<u><u>\$ 5,325,265</u></u>

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

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities
	Enterprise Funds
	Utilities
	Fund
Cash flows from operating activities	
Receipts from customers	\$ 391,338
Payments to suppliers and providers of goods and services	(150,036)
Payments to employees	(170,470)
Net cash provided by operating activities	70,832
Cash flows from noncapital financing activities	
Advances to other funds	(65,778)
Net cash used by noncapital financing activities	(65,778)
Cash flows from capital and related financing activities:	
Proceeds from notes payable	738,996
Principal paid on long-term debt	(4,874)
Construction costs paid	(705,615)
Interest paid	(61)
Net cash provided by capital and related financing activities	28,446
Net change in cash	33,500
Cash and cash equivalents, July 1, 2011	3,892
Cash and cash equivalents, June 30, 2012	\$ 37,392
 Noncash capital financing activities	
Accrued interest	\$ 48,000

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

TOWN OF MIAMI, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012
(Continued)

		Business-type Activities
		<u>Enterprise Funds</u>
		Utilities
		<u>Fund</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$	(128,351)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		190,845
Provision for bad debts		9,718
(Increase) decrease in:		
Accounts receivable		(10,791)
Increase (decrease) in:		
Accounts payable		9,154
Accrued expenses		(3,433)
Compensated absences		<u>3,690</u>
Net cash provided by operating activities	\$	<u>70,832</u>

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

TOWN OF MIAMI, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2012

	<u>Investment Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 32,592</u>
NET POSITION	
Held in trust for investment trust participants	<u>\$ 32,592</u>

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

TOWN OF MIAMI, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2012

	<u>Investment Trust Fund</u>
Additions	
Investment income	<u>\$ 829</u>
Change in net position	829
Net position, July 1, 2011	<u>31,763</u>
Net position, June 30, 2012	<u><u>\$ 32,592</u></u>

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

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. 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).

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 assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 financial 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 operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues, such as investment earnings.

The Town reports the following major governmental funds:

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

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

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

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

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

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major enterprise funds:

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

The Town reports the following fund types:

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

C. Basis of Accounting

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

The Town's business-type activities and enterprise funds follow FASB Statements and Interpretations issued before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Investments

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

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

E. Property Tax Calendar

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

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

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's office at June 30, 2012.

F. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the Utility fund is estimated by the Town. The amount recorded as uncollectible at June 30, 2012, was \$208,179.

G. Capital Assets

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings	5,000	Straight-line	40
Equipment	5,000	Straight-line	15
Infrastructure	5,000	Straight-line	25

H. Investment Income

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

I. Compensated Absences

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

Employees may accumulate 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 up to 1,040 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.

J. Fund Balance Reporting

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

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the town council,

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Assigned* fund balances are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

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

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

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

K. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants'(AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 with early adoption permitted. The Town has chosen to implement GASB 62 during the current year. The adoption of GASB 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 with early adoption permitted. The Town has chosen to implement GASB 63 during the current year.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits—At June 30, 2012, the carrying amount of the Town's total cash in bank was \$184,945 and the bank balance was \$197,245. The fiduciary fund cash account balance and bank balance was \$32,592. Of the bank balances, all was covered by federal depository insurance or assets pledged by the Town's banks.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2012 included \$16,742 in state-shared revenue from highway user revenue fund (HURF) taxes, \$12,190 in state-shared revenue from sales taxes, \$7,942 in county-shared revenue from auto lieu taxes, \$14,799 in federal and state shared revenue from senior program grants, and \$1,219 from a municipality for transportation assistance.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 447,463	\$ -	\$ -	\$ 447,463
Capital assets being depreciated:				
Buildings	1,056,545	-	-	1,056,545
Equipment	1,807,366	-	-	1,807,366
Infrastructure	2,522,956	-	-	2,522,956
Total	<u>5,386,867</u>	<u>-</u>	<u>-</u>	<u>5,386,867</u>
Less accumulated depreciation for:				
Buildings	313,918	27,260	-	341,178
Equipment	1,156,793	127,782	-	1,284,575
Infrastructure	1,630,994	69,080	-	1,700,074
Total	<u>3,101,705</u>	<u>224,122</u>	<u>-</u>	<u>3,325,827</u>
Total capital assets being depreciated, net	<u>2,285,162</u>	<u>(224,122)</u>	<u>-</u>	<u>2,061,040</u>
Governmental activities capital assets, net	<u>\$ 2,732,625</u>	<u>\$ (224,122)</u>	<u>\$ -</u>	<u>\$ 2,508,503</u>

	Balance <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
Business-type activities:				
Capital assets not being depreciated:				
Sewer rehab work-in-process	\$ 2,520,692	\$ 263,996	\$ -	\$ 2,784,688
Capital assets being depreciated:				
Utility systems	6,735,500	-	-	6,735,500
Less accumulated depreciation for:				
Utility systems	2,138,561	190,845	-	2,329,406
Total capital assets being depreciated, net	<u>4,596,939</u>	<u>(190,845)</u>	<u>-</u>	<u>4,406,094</u>
Business-type activities capital assets, net	<u>\$ 7,117,631</u>	<u>\$ 73,151</u>	<u>\$ -</u>	<u>\$ 7,190,782</u>

Depreciation expense was charged to functions as follows:

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 4 – CAPITAL ASSETS – Continued

Governmental activities:	
General government	\$ 102,825
Highways and streets	69,080
Welfare	25,868
Public safety	22,754
Culture and recreation	<u>3,595</u>
Total governmental activities depreciation expense	<u>\$ 224,122</u>
Business-type activities:	
Utilities	<u>\$ 190,845</u>

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2012.

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Compensated absences	<u>\$ 54,438</u>	<u>\$ 21,775</u>	<u>\$ 20,686</u>	<u>\$ 55,527</u>	<u>\$ 36,093</u>
Business-type activities:					
Notes payable	\$2,001,457	\$ 738,996	\$ 4,874	\$ 2,735,579	\$ -
Compensated absences	<u>9,402</u>	<u>3,690</u>	<u>-</u>	<u>13,092</u>	<u>10,474</u>
Total business-type activities:	<u>\$2,010,859</u>	<u>\$ 742,686</u>	<u>\$ 4,874</u>	<u>\$ 2,748,671</u>	<u>\$ 10,474</u>

Notes payable at June 30, 2012, consists of the following:

	<u>Business-type</u> <u>Activities</u>
	<u>Utilities Fund</u>
Note payable to the Water Infrastructure Finance Authority of Arizona, semi-annual interest only installments with interest at 0.427%, balloon principal payment due July 2016.	<u>\$ 2,735,579</u>

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 5 – LONG-TERM LIABILITIES, Continued

The following schedule details debt service requirements to maturity for the Town's notes payable at June 30, 2012.

Year Ending June 30	<u>Business-type Activities</u>	
	Notes Payable	
	Principal	Interest
2013	-	13,878
2014	-	13,878
2015	-	13,878
2016	2,735,579	13,878
Total	\$2,735,579	\$ 55,512

NOTE 6 – RISK MANAGEMENT

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

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 7 – RETIREMENT PLANS

Plan Descriptions—The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS	PSPRS
P.O. Box 33910	3010 E. Camelback Rd., Ste 200
Phoenix, AZ 85067-3910	Phoenix, AZ 85016
(602) 240-2000 or (800) 621-3778	(602) 255-5575

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates.

Cost-sharing plans—For the year ended June 30, 2012, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2012, 2011, and 2010, were approximately \$56,400, \$58,200, and \$62,200 respectively, which were equal to the required contributions for the year.

Agent plans—For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 23.51 percent.

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 7 – RETIREMENT PLANS – Continued

Annual Pension Cost—The Town’s pension cost for the agent plan for the year ended June 30, 2012, and related information follows.

	PSPRS
Contribution rates:	
Town	23.51%
Plan members	7.65%
Annual pension cost	\$ 49,528
Contributions made	\$ 49,528

The current-year annual required contributions for the PSPRS were determined as part of its June 30, 2010, actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 7.85 percent investment rate of return and (b) projected salary increases ranging from 4.5 percent to 8.5 percent per year. Both (a) and (b) included an inflation component of 5.0 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 24 years.

Trend Information—Annual pension cost information for the current and 2 preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2012	\$ 49,528	100 %	-
	2011	49,086	100	-
	2010	42,291	100	-

TOWN OF MIAMI, ARIZONA
Notes to Financial Statements
June 30, 2012

NOTE 8 – DEFICIT FUND BALANCES AND INTERFUND BALANCES AND ACTIVITY

At June 30, 2012, deficit fund balances existed in the General Fund, Senior Center Fund, Library Fund, and Transit Fund of \$1,712,536, \$428,467, \$504,617, and \$68,930, respectively.

Interfund receivable and payable balances at June 30, 2012, were as follows:

Payable from	Payable to			Total
	HURF Fund	Grants Fund	Utility Fund	
General Fund	\$ 666,311	\$ 73,941	\$ -	\$ 740,252
Senior Center Fund	-	98,932	339,265	438,197
Library Fund	-	-	504,444	504,444
Transit Fund	-	-	56,405	56,405
Total	\$ 666,311	\$ 172,873	\$ 900,114	\$ 1,739,298

These deficit fund balances and interfund receivable and payable balances exist in order to fund General Fund and other general government expenditures.

TOWN OF MIAMI, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2012

Public Safety Personnel Retirement System
Schedule of Funding Progress

Year Ended June 30	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percent of Covered Payroll ((b-a)/c)
2012	\$ 760,833	\$ 1,230,867	470,034	61.8 %	\$ 168,104	279.6 %
2011	771,814	1,077,984	306,170	71.6 %	154,955	197.6
2010	756,603	1,101,140	344,537	68.7 %	249,153	138.3 %



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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE USES OF HIGHWAY USER
REVENUE FUND MONIES IN ACCORDANCE WITH ARS TITLE 28,
CHAPTER 18, ARTICLE 2**

To the Town Council
Town of Miami, Arizona

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Town of Miami as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 15, 2015. We did not express an opinion on the Town of Miami's financial statements because the scope of our work was not sufficient to enable us to express such an opinion.

In connection with our audit, we were unable to determine if the Town used highway user revenue fund monies received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, we noted that the Town has loaned \$666,311 of highway user revenue to other funds for various purposes that may not be related to highways and streets. We do not consider such loans in compliance with Arizona Revised Statutes.

This report is intended solely for the information and use of management, the Town Council, and members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Colby & Powell

June 15, 2015
Gilbert, Arizona

TOWN OF MIAMI, ARIZONA

Report on Examination of
Annual Expenditure Limitation Report

June 30, 2012

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INDEPENDENT ACCOUNTANTS' REPORT

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

We were engaged to examine the accompanying Annual Expenditure Limitation Report of the Town of Miami, Arizona, for the year ended June 30, 2012. This report is the responsibility of the Town of Miami, Arizona management.

As required by attestation standards established by the American Institute of Certified Public Accountants we were unable to obtain representations from the Town's management concerning transactions during the year ended June 30, 2012. Also, because of the inadequacy of accounting records we were not able to satisfy ourselves about the amounts at which certain assets, liabilities, revenues, and expenditures are recorded in the Town's financial statements.

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Annual Expenditure Limitation Report referred to in the first paragraph.

Colby & Powell

December 11, 2015
Gilbert, Arizona

TOWN OF Miami, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2012

Economic Estimates Commission expenditure limitation	\$ 1,687,209
Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>1,958,852</u>
Amount under (in excess of) the expenditure limitation	<u>\$ (271,643)</u>

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

Signature of Chief Fiscal Officer: Joseph Heatherly

Name and Title: Joseph Heatherly Town Manager

Telephone Number: 928-473-4403 Date: 12/29/15

See accompanying notes to report.

TOWN OF Miami, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2012

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 2,270,664	\$ 637,130	\$ -	\$ 2,907,794
B. Less exclusions claimed:				
1. Bond proceeds	-	-	-	-
Debt service requirements on bonded indebtedness	-	-	-	-
Proceeds from other long-term obligations	-	637,130	-	637,130
Debt service requirements on other long-term obligations	-	-	-	-
2. Dividends, interest, and gains on the sale or redemption of investment securities	-	-	-	-
3. Trustee or custodian	-	-	-	-
4. Grants and aid from the federal government	69,950	-	-	69,950
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	-	-	-	-
6. Amounts received from the State of Arizona	132,535	-	-	132,535
7. Quasi-external interfund transactions	-	-	-	-
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	19,179	-	-	19,179
10. Contracts with other political subdivisions	90,148	-	-	90,148
11. Refunds, reimbursements, and other recoveries	-	-	-	-
12. Voter approved exclusions not identified above (attach resolution)	-	-	-	-
13. Prior years carry forward	-	-	-	-
14. Total exclusions claimed	<u>311,812</u>	<u>637,130</u>	<u>-</u>	<u>948,942</u>
C. Amounts subject to the expenditure limitation	<u>\$ 1,958,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,958,852</u>

See accompanying notes to report.

TOWN OF Miami, ARIZONA
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2012

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 2,270,664	\$ 568,823	\$ -	\$ 2,839,487
B. Subtractions				
1. Items not requiring use of working capital:				
Depreciation	-	190,845	-	190,845
Loss on disposal of capital assets	-	-	-	-
Bad debt expense	-	9,718	-	9,718
Other postemployment benefits expense	-	-	-	-
Claims incurred but not recorded	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-
4. Involuntary court judgments	-	-	-	-
5. Total subtractions	-	200,563	-	200,563
C. Additions				
1. Principal payments on long-term debt	-	4,874	-	4,874
2. Acquisition of capital assets	-	263,996	-	263,996
3. Other postemployment benefits paid in the current year but reported as expenses in previous years	-	-	-	-
4. Claims paid in the current year but reported as expenses incurred but not reported in previous years	-	-	-	-
5. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	-	-	-	-
6. Total additions	-	268,870	-	268,870
D. Amounts reported on Part II, Line A	\$ 2,270,664	\$ 637,130	\$ -	\$ 2,907,794

See accompanying notes to report.

TOWN OF Miami, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes Section 41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, Section 20 from the total expenditures, expenses, or deductions reported in the fund financial statements.

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

NOTE 3 – PROCEEDS FROM OTHER LONG-TERM OBLIGATIONS

The exclusion claimed for proceeds from other long-term obligations consists of the excludable portion of proceeds from notes payable in the Enterprise Funds.

NOTE 2 – INTERGOVERNMENTAL REVENUES

The following schedule presents revenues from which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, highway user revenues, and contracts with other political subdivisions in the Governmental Funds.

Grants and aid from the federal government	\$ 69,950
Amounts received from the State of Arizona	132,535
Highway user revenues in excess of those received in fiscal year 1979-80	19,179
Amounts received from Gila County	79,748
Amounts received from the City of Globe	14,627
Other revenues (nonexcludable)	<u>538,655</u>
Total intergovernmental revenue as reported in the fund financial statements	<u>\$ 854,694</u>

NOTE 3 – ADDITIONS TO FUND EXPENDITURES

The addition of \$4,874 for principal payments on long-term debt in the Enterprise Funds consists of payments made on loan obligations to the Pinal Sanitary District of \$2,166, and to the Southern Gila County Economic Development Corporation of \$2,708.