

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2014

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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 Mammoth, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Mammoth, Arizona, as of June 30, 2014, 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 Mammoth, 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 information and schedule of agent retirement plans' funding progress on pages 27 to 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2016, on our consideration of the Town of Mammoth, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mammoth, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, we noted that over time, the Town had loaned \$1,290,778 of highway user revenue fund monies to other Town funds. The loan proceeds were expended in the other funds for various purposes which were not related to highways and streets. We do not consider such a loan in compliance with 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

A handwritten signature in cursive script that reads "Colby & Powell".

September 7, 2016

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 68,340	\$ -	\$ 68,340
Restricted cash	-	32,398	32,398
Accounts receivable - net	-	56,452	56,452
Taxes receivable	783	-	783
Due from other governments	41,207	-	41,207
Interactivity balances	315,204	(315,204)	-
Capital assets, not being depreciated	213,718	33,470	247,188
Capital assets, being depreciated, net	2,092,033	338,855	2,430,888
Total assets	2,731,285	145,971	2,877,256
LIABILITIES			
Cash deficit	55,853	-	55,853
Accounts payable	32,306	28,217	60,523
Accrued expenses	82,205	3,805	86,010
Refundable deposits	-	32,398	32,398
Compensated absences	20,971	9,071	30,042
Noncurrent liabilities			
Due within one year	20,823	-	20,823
Due in more than one year	141,544	-	141,544
Total liabilities	353,702	73,491	427,193
NET POSITION			
Net investment in capital assets	2,143,384	372,325	2,515,709
Restricted			
Highways and streets	1,362,043	-	1,362,043
Unrestricted	(1,127,844)	(299,845)	(1,427,689)
Total net position	\$ 2,377,583	\$ 72,480	\$ 2,450,063

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 129,417	\$ 26,536	\$ -	\$ -	\$ (102,881)	\$ -	\$ (102,881)
Public safety	534,660	33,605	-	-	(501,055)	-	(501,055)
Highways and streets	365,362	-	151,842	-	(213,520)	-	(213,520)
Culture and recreation	226,765	6,702	3,177	-	(216,886)	-	(216,886)
Interest	11,073	-	-	-	(11,073)	-	(11,073)
Total governmental activities	1,267,277	66,843	155,019	-	(1,045,415)	-	(1,045,415)
Business-type activities							
Water	208,915	198,714	-	185,339	-	175,138	175,138
Sewer	122,826	107,693	-	-	-	(15,133)	(15,133)
Sanitation	81,682	97,150	-	-	-	15,468	15,468
Cemetery	21,175	20,472	-	-	-	(703)	(703)
Total business-type activities	434,598	424,029	-	185,339	-	174,770	174,770
Total primary government	\$ 1,701,875	\$ 490,872	\$ 155,019	\$ 185,339	(1,045,415)	174,770	(870,645)
General revenue:							
Taxes:							
Local sales taxes					91,274	-	91,274
Property taxes, levied for general purposes					49,482	-	49,482
Franchise tax					5,289	-	5,289
Share of state sales taxes					124,123	-	124,123
Share of county auto lieu taxes					66,436	-	66,436
State urban revenue sharing					167,194	-	167,194
Investment earnings, net					1,608	-	1,608
Total general revenue					505,406	-	505,406
Change in net position					(540,009)	174,770	(365,239)
Net position, beginning of year					2,917,592	(102,290)	2,815,302
Net position, end of year					\$ 2,377,583	\$ 72,480	\$ 2,450,063

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	HURF/Road Tax Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 68,340	\$ -	\$ 68,340
Taxes receivable	783	-	-	783
Due from other governments	27,765	13,442	-	41,207
Due from other funds	-	1,290,778	-	1,290,778
	Total assets	\$ 1,372,560	\$ -	\$ 1,401,108
LIABILITIES				
Cash deficit	\$ 55,853	\$ -	\$ -	\$ 55,853
Accounts payable	25,271	7,035	-	32,306
Accrued expenses	78,723	3,482	-	82,205
Due to other funds	975,574	-	-	975,574
	Total liabilities	10,517	-	1,145,938
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	7,224	-	-	7,224
FUND BALANCES				
Restricted				
Highways and streets	-	1,362,043	-	1,362,043
Unassigned	(1,114,097)	-	-	(1,114,097)
	Total fund balances	1,362,043	-	247,946
	Total liabilities, deferred inflows of resources, and fund balances	\$ 1,372,560	\$ -	\$ 1,401,108

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2014

Fund balances--total governmental funds	\$ 247,946
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.	2,305,751
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	7,224
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(183,338)</u>
Net position of governmental activities	<u><u>\$ 2,377,583</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General Fund	HURF/Road Tax Fund	Grants Fund	Total Governmental Funds
Revenue				
Intergovernmental	\$ 357,860	\$ 151,842	\$ -	\$ 509,702
Taxes	147,141	-	-	147,141
Fines and forfeitures	31,950	-	-	31,950
Rental income	25,605	-	-	25,605
Charges for services	6,064	-	-	6,064
Licenses and permits	3,223	-	-	3,223
Contributions	3,070	-	-	3,070
Investment income	1,608	-	-	1,608
Total revenue	<u>576,521</u>	<u>151,842</u>	<u>-</u>	<u>728,363</u>
Expenditures				
Current				
General government	119,654	-	-	119,654
Public safety	493,794	-	-	493,794
Highways and streets	-	316,333	-	316,333
Culture and recreation	146,662	-	19,850	166,512
Debt service				
Principal	9,213	12,687	-	21,900
Interest	4,431	6,642	-	11,073
Capital outlay	-	4,899	-	4,899
Total expenditures	<u>773,754</u>	<u>340,561</u>	<u>19,850</u>	<u>1,134,165</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(197,233)</u>	<u>(188,719)</u>	<u>(19,850)</u>	<u>(405,802)</u>
Other financing sources (uses)				
Transfers in	-	-	22,844	22,844
Transfers out	(22,844)	-	-	(22,844)
Total other financing sources and uses	<u>(22,844)</u>	<u>-</u>	<u>22,844</u>	<u>-</u>
Net change in fund balance	<u>(220,077)</u>	<u>(188,719)</u>	<u>2,994</u>	<u>(405,802)</u>
Fund balances, beginning of year	<u>(894,020)</u>	<u>1,550,762</u>	<u>(2,994)</u>	<u>653,748</u>
Fund balances, end of year	<u>\$ (1,114,097)</u>	<u>\$ 1,362,043</u>	<u>\$ -</u>	<u>\$ 247,946</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2014

Net change in fund balances--total governmental funds		\$ (405,802)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Current year capital acquisitions	4,899	
Current year depreciation	<u>(154,692)</u>	
		(149,793)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(1,096)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Principal repaid		21,900
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as revenue or expenditures in governmental funds.</p>		
Increase in compensated absences payable		<u>(5,218)</u>
Change in net position of governmental activities		<u><u>\$ (540,009)</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash-restricted	\$ 32,398	\$ -	\$ -	\$ -	\$ 32,398
Accounts receivable - net	21,519	18,794	8,748	7,391	56,452
Due from other funds	-	281,775	5,672	-	287,447
Total current assets	<u>53,917</u>	<u>300,569</u>	<u>14,420</u>	<u>7,391</u>	<u>376,297</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	336,307	1,274	-	-	337,581
Equipment, net	1,274	-	-	-	1,274
Capital assets, net	<u>345,417</u>	<u>22,165</u>	<u>-</u>	<u>4,743</u>	<u>372,325</u>
Total noncurrent assets	<u>345,417</u>	<u>22,165</u>	<u>-</u>	<u>4,743</u>	<u>372,325</u>
Total assets	<u>399,334</u>	<u>322,734</u>	<u>14,420</u>	<u>12,134</u>	<u>748,622</u>
LIABILITIES					
Current liabilities					
Accounts payable	15,270	3,027	7,249	2,671	28,217
Accrued expenses	2,059	1,647	-	99	3,805
Refundable deposits	32,398	-	-	-	32,398
Compensated absences	5,302	3,504	-	265	9,071
Due to other funds	342,181	-	-	260,470	602,651
Total current liabilities	<u>397,210</u>	<u>8,178</u>	<u>7,249</u>	<u>263,505</u>	<u>676,142</u>
Net position					
Net investment in capital assets	345,417	22,165	-	4,743	372,325
Unrestricted (deficit)	<u>(343,293)</u>	<u>292,391</u>	<u>7,171</u>	<u>(256,114)</u>	<u>(299,845)</u>
Total net position	<u>\$ 2,124</u>	<u>\$ 314,556</u>	<u>\$ 7,171</u>	<u>\$ (251,371)</u>	<u>\$ 72,480</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Operating revenue					
Water	\$ 198,714	\$ -	\$ -	\$ -	\$ 198,714
Sewer	-	107,693	-	-	107,693
Sanitation	-	-	97,150	-	97,150
Cemetery	-	-	-	20,472	20,472
	<u>198,714</u>	<u>107,693</u>	<u>97,150</u>	<u>20,472</u>	<u>424,029</u>
Operating expenses					
Personnel	124,113	101,594	-	9,542	235,249
Landfill fees	-	-	81,582	-	81,582
Utilities	12,978	16,045	-	-	29,023
Materials and supplies	25,413	-	-	2,070	27,483
Repairs and maintenance	21,036	634	-	29	21,699
Other	16,423	160	100	-	16,683
Depreciation	8,952	4,393	-	-	13,345
Insurance	-	-	-	8,014	8,014
Professional services	-	-	-	1,520	1,520
Total operating expenses	<u>208,915</u>	<u>122,826</u>	<u>81,682</u>	<u>21,175</u>	<u>434,598</u>
Operating income (loss)	<u>(10,201)</u>	<u>(15,133)</u>	<u>15,468</u>	<u>(703)</u>	<u>(10,569)</u>
Income (loss) before capital contributions	(10,201)	(15,133)	15,468	(703)	(10,569)
Capital contribution	<u>185,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,339</u>
Increase (decrease) in net position	175,138	(15,133)	15,468	(703)	174,770
Total net position, beginning of year	<u>(173,014)</u>	<u>329,689</u>	<u>(8,297)</u>	<u>(250,668)</u>	<u>(102,290)</u>
Total net position, end of year	<u>\$ 2,124</u>	<u>\$ 314,556</u>	<u>\$ 7,171</u>	<u>\$ (251,371)</u>	<u>\$ 72,480</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Cash flows from operating activities:					
Receipts from customers	\$ 193,891	\$ 107,154	\$ 97,106	\$ 19,523	\$ 417,674
Payments to suppliers and providers of goods and services	(69,284)	(15,061)	(76,219)	(18,960)	(179,524)
Payments to employees	(122,858)	(101,148)	-	(10,121)	(234,127)
Net cash provided (used) by operating activities	<u>1,749</u>	<u>(9,055)</u>	<u>20,887</u>	<u>(9,558)</u>	<u>4,023</u>
Cash flows from noncapital financing activities:					
Advances (to) from other funds	26,648	9,055	(20,887)	9,558	24,374
Cash flows from capital and related financing activities:					
Purchase of capital assets	(259,417)	-	-	-	(259,417)
Capital contributions received	231,956	-	-	-	231,956
Net cash provided by (used by) capital and related financing activities	<u>(27,461)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,461)</u>
Net increase (decrease) in cash	936	-	-	-	936
Cash, beginning of year	<u>31,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,462</u>
Cash, end of year	<u><u>\$ 32,398</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,398</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014
(Continued)

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (10,201)	\$ (15,133)	\$ 15,468	\$ (703)	\$ (10,569)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	8,952	4,393	-	-	13,345
(Increase) decrease in:					
Accounts receivable	(5,759)	(540)	(43)	(948)	(7,290)
Increase (decrease) in:					
Accounts payable	6,566	1,779	5,462	(7,329)	6,478
Accrued expenses	(95)	(166)	-	(155)	(416)
Refundable deposits	936	-	-	-	936
Compensated absences payable	1,350	612	-	(423)	1,539
Net cash provided (used) by operating activities	<u>\$ 1,749</u>	<u>\$ (9,055)</u>	<u>\$ 20,887</u>	<u>\$ (9,558)</u>	<u>\$ 4,023</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Mammoth, Arizona have been prepared in conformity with U.S. 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).

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund statements. The government-wide statements focus on the Town as a whole, while the fund 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. 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 each 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 for goods or services, operating grants, 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund statements provide information about the Town's funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund 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.

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 and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

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/Road Tax Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and Pinal County ½ cent road tax that is legally restricted to expenditures for specified purposes.

The ***Grants fund*** accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor. The Town's grants include governmental fund Community Development Block Grants (CDBG), Energy Efficiency Block Grants, and some public safety grants.

The Town reports the following major enterprise funds:

The ***Water, Sewer, Sanitation, and Cemetery Funds*** account 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.

C. Basis of Accounting

The government-wide and proprietary fund 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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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, compensated absences, and landfill closure and post closure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

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

E. Investment Income

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

F. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2014, is \$11,100 for water, \$12,600 for sewer, and \$6,300 for sanitation.

G. Property Tax Calendar

Property taxes are recognized as revenue 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. 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:

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

I. Compensated Absences

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

Employees may accumulate up to 120 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of 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. Deferred Outflows/Inflows of Resources

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

K. 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's town council,
4. *Assigned* fund balances are intended to be used by the Town 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 Town 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Impact of Recently Issued Accounting Principles

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and proprietary funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; 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, 2014, the carrying amount of the Town's deposits was a net deficit of \$53,343. The bank balance was \$23,846. The entire bank balance was covered by federal depository insurance.

Restricted cash – Restricted cash in the Utilities Fund consists of monies restricted for refundable customer deposits.

Investments – The Town reported investments in State Treasurer's investment pool with a reported amount of \$98,228. The Standard and Poor's credit quality rating of the pool is AAA. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 213,718	\$ -	\$ -	\$ 213,718
Capital assets being depreciated:				
Buildings	1,206,699	-	-	1,206,699
Equipment	1,201,778	-	-	1,201,778
Infrastructure	4,484,083	4,899	-	4,488,982
Total	<u>6,892,560</u>	<u>4,899</u>	<u>-</u>	<u>6,897,459</u>
Less accumulated depreciation for:				
Buildings	205,971	43,574	-	249,545
Equipment	801,148	59,104	-	860,252
Infrastructure	3,643,615	52,014	-	3,695,629
Total	<u>4,650,734</u>	<u>154,692</u>	<u>-</u>	<u>4,805,426</u>
Total capital assets being depreciated, net	<u>2,241,826</u>	<u>(149,793)</u>	<u>-</u>	<u>2,092,033</u>
Governmental activities capital assets, net	<u>\$ 2,455,544</u>	<u>\$ (149,793)</u>	<u>\$ -</u>	<u>\$ 2,305,751</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	55,098	-	55,098	-
Total capital assets not being depreciated	<u>88,568</u>	<u>-</u>	<u>55,098</u>	<u>33,470</u>
Capital assets being depreciated:				
Buildings	65,244	-	-	65,244
Utility systems	1,470,035	267,898	-	1,737,933
Equipment	237,574	-	-	237,574
Total	<u>1,772,853</u>	<u>267,898</u>	<u>-</u>	<u>2,040,751</u>
Less accumulated depreciation for:				
Buildings	65,243	-	-	65,243
Utility systems	1,396,393	5,233	-	1,401,626
Equipment	226,915	8,112	-	235,027
Total	<u>1,688,551</u>	<u>13,345</u>	<u>-</u>	<u>1,701,896</u>
Total capital assets being depreciated, net	<u>84,302</u>	<u>254,553</u>	<u>-</u>	<u>338,855</u>
Business-type activities capital assets, net	<u>\$ 172,870</u>	<u>\$ 254,553</u>	<u>\$ 55,098</u>	<u>\$ 372,325</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 3 – CAPITAL ASSETS - Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 10,312
Public safety	37,300
Highways and streets	46,828
Culture and recreation	<u>60,252</u>
Total governmental activities depreciation expense	<u>\$ 154,692</u>
Business-type activities:	
Water	\$ 8,952
Sewer	<u>4,393</u>
Total business-type activities depreciation expense	<u>\$ 13,345</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2014 consisted of \$10,538 in state-shared revenue from sales taxes, \$2,892 in state-shared revenue from auto lieu taxes, and \$5,389 in local sales taxes collected by the State of Arizona and \$8,946 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/Road Tax Fund at June 30, 2014 consisted of \$4,857 in county-shared revenue from county road taxes and \$8,585 in state-shared revenue from highway user revenue fund (HURF) taxes.

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2014.

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within one year
Governmental activities:					
Compensated absences	\$ 15,753	\$ 5,218	\$ -	\$ 20,971	\$ 20,971
Note payable	97,895	-	9,213	88,682	8,832
Capital lease payable	<u>86,372</u>	<u>-</u>	<u>12,687</u>	<u>73,685</u>	<u>11,991</u>
	<u>\$ 200,020</u>	<u>\$ 5,218</u>	<u>\$ 21,900</u>	<u>\$ 183,338</u>	<u>\$ 41,794</u>
Business-type activities:					
Compensated absences	<u>\$ 7,532</u>	<u>\$ 1,539</u>	<u>\$ -</u>	<u>\$ 9,071</u>	<u>\$ 9,071</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 5 – LONG-TERM LIABILITIES - Continued

Notes payable—The Town has acquired a building under a note agreement. Under the agreement, the Town pays 120 monthly payments of \$1,062 beginning December 30, 2012.

Additional terms are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Principal</u>
Note payable	<u>\$ 101,500</u>	11/30/2022	4.640%	<u>\$ 88,682</u>

The following schedule details debt service requirements to maturity for the Town’s note payable at June 30, 2014.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	8,832	3,912
2016	9,250	3,494
2017	9,689	3,055
2018	10,148	2,596
2019	10,629	2,115
2020-23	<u>40,134</u>	<u>3,277</u>
Total	<u>\$ 88,682</u>	<u>\$ 18,449</u>

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:

	<u>Governmental Activities</u>
Equipment	\$ 95,879
Less: accumulated depreciation	<u>(10,121)</u>
Carrying value	<u>\$ 85,758</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 5 – LONG-TERM LIABILITIES – Continued

The following schedule details the minimum lease payment requirements to maturity for the Town’s capital lease payable at June 30, 2014:

Year Ending June 30	Governmental Activities
2015	\$ 15,266
2016	15,266
2017	15,266
2018	15,266
2019	15,266
2020	5,089
Total minimum lease payments	81,418
Less amount representing interest	(7,733)
Present value of net minimum lease payments	\$ 73,685

NOTE 6 – 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; injuries to employees; and natural disasters. The Town’s insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 7 – RETIREMENT PLANS

Plan Description – The Town contributes to the plan described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree’s health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover 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. The PSPRS issues a

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 7 – RETIREMENT PLANS – Continued

publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates for PSPRS.

For the year ended June 30, 2014, 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 18.03 percent, of which 1.53 percent was the health insurance premium portion.

The contribution requirement for the year ended June 30, 2014, was established by the June 30, 2012 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as understood by the Town of Mammoth, Arizona and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2014 contribution requirements are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for underfunded actuarial liability,
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% - 9.00%
Payroll growth	5.00%

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 7 – RETIREMENT PLANS – Continued

Trend Information – Annual pension cost information for the current and two 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				
Pension	2014	\$ 24,746	100 %	\$ -
	2013	27,590	100	-
	2012	44,986	100	-
Health Insurance	2014	\$ 2,295	100 %	\$ -
	2013	3,375	100	-
	2012	4,702	100	-

Schedules of Funded Status and Funding Progress – Following are the schedule of funded status and funding progress for PSPRS as of the most recent valuation date, June 30, 2014, and the previous two fiscal years. The fiscal year 2012 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2011 actuarial methods.

Pension

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 340,858	\$ 606,967	\$ 266,109	56.2 %	\$ 165,424	160.9 %
6/30/2013	336,620	415,839	79,219	80.9	143,296	55.3
6/30/2012	367,699	446,632	78,933	82.3	136,033	58.0

Health Insurance

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 31,970	\$ 11,568	\$ (20,402)	276.4 %	\$ 165,424	0.0 %
6/30/2013	-	11,685	11,685	0.0	143,296	8.2
6/30/2012	-	15,509	15,509	0.0	136,033	11.4

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund balances at June 30, 2014, were as follows:

Payable from	Payable to			Total
	HURF/Road Tax Fund	Sewer Fund	Sanitation Fund	
General Fund	\$ 969,902	\$ -	\$ 5,672	\$ 975,574
Water Fund	320,876	21,305	-	342,181
Cemetery Fund	-	260,470	-	260,470
	<u>\$ 1,290,778</u>	<u>\$ 281,775</u>	<u>\$ 5,672</u>	<u>\$ 1,578,225</u>

The interfund receivables and payables above were necessary in order to fund the ongoing activities of the General, Water, and Cemetery Funds in current and prior years.

Transfers – During the year ended June 30, 2014, the Town transferred \$22,844 from the General Fund to the Grants Fund to cover unreimbursed grant expenditures.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Property taxes	\$ 52,066	\$ 52,066	\$ 50,578	\$ (1,488)
Sales taxes	80,000	80,000	91,274	11,274
Franchise taxes	5,000	5,000	5,289	289
Intergovernmental	356,084	356,084	357,860	1,776
Fines and forfeitures	74,600	74,600	31,950	(42,650)
Rental income	16,000	16,000	25,605	9,605
Investment income	-	-	1,608	1,608
Charges for services	4,000	4,000	6,064	2,064
Licenses and permits	5,000	5,000	3,223	(1,777)
Contributions	750	750	3,070	2,320
Total revenue	<u>593,500</u>	<u>593,500</u>	<u>576,521</u>	<u>(16,979)</u>
Expenditures				
Current				
General government	159,291	159,291	119,654	39,637
Public safety	446,295	446,295	493,794	(47,499)
Culture and recreation	78,200	78,200	146,662	(68,462)
Debt service				
Principal	-	-	9,213	(9,213)
Interest	-	-	4,431	(4,431)
Total expenditures	<u>683,786</u>	<u>683,786</u>	<u>773,754</u>	<u>(89,968)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(90,286)</u>	<u>(90,286)</u>	<u>(197,233)</u>	<u>(106,947)</u>
Other financing sources (uses):				
Transfer out	<u>-</u>	<u>-</u>	<u>(22,844)</u>	<u>(22,844)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(22,844)</u>	<u>(22,844)</u>
Net change in fund balance	(90,286)	(90,286)	(220,077)	(129,791)
Fund balance, beginning of year	<u>(894,020)</u>	<u>(894,020)</u>	<u>(894,020)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (984,306)</u>	<u>\$ (984,306)</u>	<u>\$(1,114,097)</u>	<u>\$ (129,791)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/Road Tax Fund
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ 85,000	\$ 85,000	151,842	\$ 66,842
Expenditures				
Current				
Highways and streets	427,698	427,698	316,333	111,365
Debt service				
Principal	-	-	12,687	(12,687)
Interest	-	-	6,642	(6,642)
Capital outlay	-	-	4,899	(4,899)
Total expenditures	<u>427,698</u>	<u>427,698</u>	<u>340,561</u>	<u>87,137</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(342,698)</u>	<u>(342,698)</u>	<u>(188,719)</u>	<u>153,979</u>
Net change in fund balance	(342,698)	(342,698)	(188,719)	153,979
Fund balance, beginning of year	<u>1,550,762</u>	<u>1,550,762</u>	<u>1,550,762</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,208,064</u>	<u>\$ 1,208,064</u>	<u>\$ 1,362,043</u>	<u>\$ 153,979</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Culture and recreation	500,000	500,000	19,850	480,150
Total expenditures	500,000	500,000	19,850	480,150
Excess (deficiency) of revenue over (under) expenditures	(500,000)	(500,000)	(19,850)	480,150
Other financing sources (uses):				
Transfer in	-	-	22,844	22,844
Total other financing sources (uses)	-	-	22,844	22,844
Net change in fund balance	(500,000)	(500,000)	2,994	502,994
Fund balances, beginning of year	(2,994)	(2,994)	(2,994)	-
Fund balance, end of year	<u>\$ (502,994)</u>	<u>\$ (502,994)</u>	<u>\$ -</u>	<u>\$ 502,994</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2014

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

A.R.S. requires 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. prohibits 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. With the exception of the General Fund, each fund includes only one department.

The Town has exceeded appropriations in various departments in the General Fund for the year ended June 30, 2014.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2014

Public Safety Personnel Retirement System

Pension

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 340,858	\$ 606,967	\$ 266,109	56.2 %	\$ 165,424	160.9 %
6/30/2013	336,620	415,839	79,219	80.9	143,296	55.3
6/30/2012	367,699	446,632	78,933	82.3	136,033	58.0

Health Insurance

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 31,970	\$ 11,568	\$ (20,402)	276.4 %	\$ 165,424	0.0 %
6/30/2013	-	11,685	11,685	0.0	143,296	8.2
6/30/2012	-	15,509	15,509	0.0	136,033	11.4



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 Mammoth, 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, and each major fund of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements and, which collectively comprise the Town of Mammoth, Arizona's basic financial statements and have issued our report thereon dated September 7, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of finding and responses **14-01**, **14-02**, **14-03**, **14-04** and **14-05** to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mammoth, 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 **14-06**, **14-07**, and **14-08**.

The Town of Mammoth, Arizona's Response to Findings

Town of Mammoth, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Mammoth, Arizona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



September 7, 2016

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2014

Audit findings and responses are as follows:

Financial Statement Findings

Item: 14-01

Subject: Cemetery lot sales.

Condition: Lot sales to the Cemetery Fund are recorded as revenue only when the cash is received and are not being recorded when earned (date of sale). The recording of revenue “cash basis” is not an accounting principle generally accepted in the United States. The Town should use the accrual basis of accounting when recording cemetery lot sales.

Recommendation: Lot sales should be recorded in the general ledger for the amount of the sale on the day the sale is made. A corresponding account receivable should be set up for the amount of the sale for the amount owed to the Town by the customer. Payments received from the lot sale should reduce the account receivable.

Response: Management agrees with this finding and will implement procedures to ensure that all cemetery lot sales will be recorded on the accrual basis.

Item: 14-02

Subject: Formal written accounting policies and procedures.

Condition: During our audit, it was noted that written accounting policies and procedures are outdated.

Recommendation: We recommend that the Town update their accounting policies and procedures to methodically identify and document its significant accounting processes. Accounting processes, in particular, are procedure to initiate, authorize, record, process, and report transactions. Processes include activities and procedures involved in repeatable accounting transactions or events, such as paying invoices, processing payroll, taking physical inventory, preparing journal entries, etc.

Response: Management will work on documenting its significant accounting processes.

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2014

Financial Statement Findings – Continued

Item: 14-03

Subject: Record keeping and retention.

Condition: During our audit, it was noted that supporting documentation that support receipts, expenditures and grant agreements were unaccounted for.

Recommendation: We recommend the Town update their policies and procedures over record keeping and retention to ensure that all receipts, expenditures, and grant agreements are properly retained.

Response: Management will work on improving their record keeping and retention.

Item: 14-04

Subject: Bank reconciliations

Condition: During our audit it was noted that cash bank reconciliations were not prepared on a timely basis. Bank reconciliations for the fiscal year under audit were not reconciled over two years.

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 has hired an outside accounting firm to perform all account and bank reconciliations in order to bring the reconciliations current. Management will perform reviews of bank reconciliations and will initial and date the reconciliation to evidence the review.

Item: 14-05

Subject: Utility billing adjustments.

Condition: During our audit, it was noted that the same person who receives cash payments for utilities has the ability to perform billing and payment adjustments.

Recommendation: Management should segregate these duties. If segregating these duties is not possible, management should designate a responsible employee to review all utility billing adjustments posted in the billing software on a monthly basis.

Response: Management is working on ways to review all adjustments. Management is investigating functions in the accounting software that will improve controls.

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2014

Compliance Findings

Item: 14-06

Subject: Pinal County Half-Cent Road Tax and HURF Revenue.

Condition: HURF and Half-Cent Road Tax revenue is required to be spent solely for highway and street related purposes. As of June 30, 2014, the Town had borrowed monies of HURF and Half-Cent Road Tax revenue to fund operations of other funds.

Recommendation: Management should cease borrowing from the HURF/Road Tax Fund and implement a formal plan to pay the monies back.

Response: Management agrees with this finding and will cease borrowing from the HURF/Road Tax Fund and implement a formal plan to pay the monies back.

Item: 14-07

Subject: Control of Expenditures.

Condition: Arizona State law stipulates that no expenditure may be made for a purpose not authorized in the annual budget. Inadequate monitoring of budgeting requirements during year allowed the Town to exceed its budget appropriations in the General Fund.

Recommendation: Management should monitor actual expenses to budget on a routine basis.

Response: Management agrees with this finding and will monitor actual expenses to budget on a routine basis.

Item: 14-08

Subject: Cash Advance Timely Disbursement under CDBG Grants

Condition: CDBG grant monies are passed through the Arizona Department of Housing (ADOH). Under ADOH policy cash advances made by ADOH to a secondary recipient (Town) must be timely disbursed within ten (10) days from the receipt of the ADOH advance. During the year ended June 30, 2014, the Town had received ten (10) ADOH advances for which six (6) were disbursed later than ADOH's policy of ten days.

Recommendation: Management should implement procedures to ensure it is in compliance with ADOH's grant requirements.

Response: Management agrees with this finding and will implement procedures to ensure compliance over the ADOH policy of timely grant disbursements.