

**TOWN OF MAMMOTH, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2010

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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Mammoth, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2010, 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 Mammoth, Arizona's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010, 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 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.

The Town of Mammoth has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Budgetary Comparison Schedules on pages 23 through 26 and the Schedule of Agent Retirement Plans' Funding Progress on page 27 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

December 16, 2010

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,526,953	\$ 30,568	\$ 1,557,521
Restricted cash	-	24,828	24,828
Accounts receivable - net	24,055	52,419	76,474
Taxes receivable	8,326	-	8,326
Contract receivable	-	36,054	36,054
Due from other governments	77,680	-	77,680
Capital assets, not being depreciated	184,718	33,470	218,188
Capital assets, being depreciated, net	2,151,174	126,520	2,277,694
<b>Total assets</b>	<b>3,972,906</b>	<b>303,859</b>	<b>4,276,765</b>
<b>LIABILITIES</b>			
Accounts payable	42,214	15,774	57,988
Accrued expenses	22,905	8,259	31,164
Refundable deposits	-	24,828	24,828
Noncurrent liabilities			
Due within one year	29,348	7,894	37,242
Due in more than one year	8,735	1,972	10,707
<b>Total liabilities</b>	<b>103,202</b>	<b>58,727</b>	<b>161,929</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,331,754	159,990	2,491,744
Unrestricted	1,537,950	85,142	1,623,092
<b>Total net assets</b>	<b>\$ 3,869,704</b>	<b>\$ 245,132</b>	<b>\$ 4,114,836</b>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2010**

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		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities							
General government	\$ 540,618	\$ 18,115	\$ 218,211	\$ -	\$ (304,292)	\$ -	\$ (304,292)
Public safety	507,556	52,066	106,761	27,071	(321,658)	-	(321,658)
Highways and streets	191,819	-	277,931	-	86,112	-	86,112
Culture and recreation	126,281	4,936	23,282	71,061	(27,002)	-	(27,002)
<b>Total governmental activities</b>	<u>1,366,274</u>	<u>75,117</u>	<u>626,185</u>	<u>98,132</u>	<u>(566,840)</u>	<u>-</u>	<u>(566,840)</u>
Business-type activities							
Water	211,834	169,219	-	-	-	(42,615)	(42,615)
Sewer	117,977	114,466	-	-	-	(3,511)	(3,511)
Sanitation	103,803	90,961	-	-	-	(12,842)	(12,842)
Cemetery	60,764	26,123	-	-	-	(34,641)	(34,641)
<b>Total business-type activities</b>	<u>494,378</u>	<u>400,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,609)</u>	<u>(93,609)</u>
<b>Total primary government</b>	<u>\$ 1,860,652</u>	<u>\$ 475,886</u>	<u>\$ 626,185</u>	<u>\$ 98,132</u>	<u>(566,840)</u>	<u>(93,609)</u>	<u>(660,449)</u>
<b>General revenue:</b>							
Taxes:							
Property taxes, levied for general purposes					43,249	-	43,249
Local sales taxes					78,888	-	78,888
Franchise tax					5,884	-	5,884
Share of state sales taxes					129,305	-	129,305
Share of county auto lieu taxes					227,493	-	227,493
State urban revenue sharing					110,349	-	110,349
Investment earnings, net					2,144	865	3,009
Miscellaneous					24,940	-	24,940
Transfers					-	-	-
Total general revenue					<u>622,252</u>	<u>865</u>	<u>623,117</u>
Change in net assets					55,412	(92,744)	(37,332)
Net assets, July 1, 2009					3,814,292	337,876	4,152,168
Net assets, June 30, 2010					<u>\$ 3,869,704</u>	<u>\$ 245,132</u>	<u>\$ 4,114,836</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 1,526,953	\$ -	\$ 1,526,953
Accounts receivable - net	24,055	-	-	24,055
Taxes receivable	8,326	-	-	8,326
Due from other governments	21,025	23,126	33,529	77,680
Due from other funds	-	338,766	-	338,766
<b>Total assets</b>	<b>\$ 53,406</b>	<b>\$ 1,888,845</b>	<b>\$ 33,529</b>	<b>\$ 1,975,780</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 31,928	\$ 3,359	\$ 6,927	\$ 42,214
Accrued expenses	20,330	2,575	-	22,905
Due to other funds	334,571	-	4,195	338,766
<b>Total liabilities</b>	<b>386,829</b>	<b>5,934</b>	<b>11,122</b>	<b>403,885</b>
<b>Fund balances</b>				
Unreserved, reported in:				
General fund	(333,423)	-	-	(333,423)
Special revenue funds	-	1,882,911	22,407	1,905,318
<b>Total fund balances</b>	<b>(333,423)</b>	<b>1,882,911</b>	<b>22,407</b>	<b>1,571,895</b>
<b>Total liabilities and fund balances</b>	<b>\$ 53,406</b>	<b>\$ 1,888,845</b>	<b>\$ 33,529</b>	<b>\$ 1,975,780</b>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**June 30, 2010**

Fund balances--total governmental funds	\$ 1,571,895
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.	2,335,892
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(38,083)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 3,869,704</u></u></b>

*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, 2010**

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
<b>Revenue</b>				
Taxes	\$ 128,021	\$ -	\$ -	\$ 128,021
Intergovernmental	467,147	277,931	366,540	1,111,618
Fines and forfeitures	35,840	-	-	35,840
Licenses and permits	4,540	-	-	4,540
Charges for services	168,568	-	-	168,568
Investment income	-	2,696	-	2,696
Other revenue	26,452	-	-	26,452
<b>Total revenue</b>	<u>830,568</u>	<u>280,627</u>	<u>366,540</u>	<u>1,477,735</u>
<b>Expenditures</b>				
Current				
General government	158,719	-	218,211	376,930
Public safety	471,354	-	-	471,354
Highways and streets	-	158,319	-	158,319
Culture and recreation	82,768	-	11,165	93,933
Debt service				
Principal	1,975	-	-	1,975
Interest	549	-	-	549
Capital outlay	15,401	-	71,061	86,462
<b>Total expenditures</b>	<u>730,766</u>	<u>158,319</u>	<u>300,437</u>	<u>1,189,522</u>
<b>Net change in fund balances</b>	99,802	122,308	66,103	288,213
Fund balances, July 1, 2009	<u>(433,225)</u>	<u>1,760,603</u>	<u>(43,696)</u>	<u>1,283,682</u>
<b>Fund balances, June 30, 2010</b>	<u><u>\$ (333,423)</u></u>	<u><u>\$ 1,882,911</u></u>	<u><u>\$ 22,407</u></u>	<u><u>\$ 1,571,895</u></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, 2010**

Net change in fund balances--total governmental funds \$ 288,213

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

Governmental funds report capital outlays as expenditures.

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

Current year capital acquisitions	86,462	
Current year depreciation	<u>(265,738)</u>	(179,276)

Debt proceeds provide current financial resources to  
governmental funds, but issuing debt increases long-term  
liabilities in the Statement of Net Assets.

Repayment of debt principal is an expenditure in the  
governmental funds, but the repayment reduces  
long-term liabilities in the Statement of Net Assets.

Principal repaid		1,975
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Some revenue and 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.

Decrease in deferred grant revenue		<u>(55,500)</u>
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**Change in net assets of governmental activities \$ 55,412**

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ -	\$ 27,463	\$ 3,105	\$ -	\$ 30,568
Restricted cash - refundable deposits	24,828	-	-	-	24,828
Accounts receivable - net	18,460	15,355	9,287	9,317	52,419
Contract receivable	36,054	-	-	-	36,054
Due from other funds	-	323,877	-	-	323,877
<b>Total current assets</b>	<u>79,342</u>	<u>366,695</u>	<u>12,392</u>	<u>9,317</u>	<u>467,746</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	89,341	-	-	-	89,341
Equipment, net	17,149	20,030	-	-	37,179
Capital assets, net	<u>114,326</u>	<u>40,921</u>	<u>-</u>	<u>4,743</u>	<u>159,990</u>
<b>Total assets</b>	<u>193,668</u>	<u>407,616</u>	<u>12,392</u>	<u>14,060</u>	<u>627,736</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	3,014	2,034	8,217	2,509	15,774
Accrued expenses	5,354	1,736	-	1,169	8,259
Refundable deposits	24,828	-	-	-	24,828
Due to other funds	116,238	-	-	207,639	323,877
Compensated absences - current portion	3,908	2,810	-	1,176	7,894
<b>Total current liabilities</b>	<u>153,342</u>	<u>6,580</u>	<u>8,217</u>	<u>212,493</u>	<u>380,632</u>
<b>Noncurrent liabilities</b>					
Compensated absences - net of current portion	977	702	-	293	1,972
<b>Total liabilities</b>	<u>154,319</u>	<u>7,282</u>	<u>8,217</u>	<u>212,786</u>	<u>382,604</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	114,326	40,921	-	4,743	159,990
Unrestricted (deficit)	<u>(74,977)</u>	<u>359,413</u>	<u>4,175</u>	<u>(203,469)</u>	<u>85,142</u>
<b>Total net assets</b>	<u>\$ 39,349</u>	<u>\$ 400,334</u>	<u>\$ 4,175</u>	<u>\$ (198,726)</u>	<u>\$ 245,132</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Operating revenue</b>					
Charges for services (net of bad debts)	169,219	114,466	90,961	26,123	400,769
<b>Total operating revenue</b>	<u>169,219</u>	<u>114,466</u>	<u>90,961</u>	<u>26,123</u>	<u>400,769</u>
<b>Operating expenses:</b>					
Personnel	128,901	65,704	-	37,545	232,150
Landfill fees	-	-	99,445	-	99,445
Repairs and maintenance	22,778	10,898	-	-	33,676
Insurance	24,214	7,205	2,358	12,126	45,903
Materials and supplies	12,954	4,754	-	6,751	24,459
Utilities	3,285	19,502	-	220	23,007
Other	7,485	2,220	-	3,265	12,970
Professional services	2,500	2,857	2,000	857	8,214
Depreciation	9,717	4,837	-	-	14,554
<b>Total operating expenses</b>	<u>211,834</u>	<u>117,977</u>	<u>103,803</u>	<u>60,764</u>	<u>494,378</u>
<b>Operating income (loss)</b>	<u>(42,615)</u>	<u>(3,511)</u>	<u>(12,842)</u>	<u>(34,641)</u>	<u>(93,609)</u>
<b>Nonoperating revenue (expenses)</b>					
Investment income	355	510	-	-	865
<b>Total nonoperating revenue (expenses)</b>	<u>355</u>	<u>510</u>	<u>-</u>	<u>-</u>	<u>865</u>
<b>Increase (decrease) in net assets</b>	(42,260)	(3,001)	(12,842)	(34,641)	(92,744)
Total net assets, July 1, 2009	<u>81,609</u>	<u>403,335</u>	<u>17,017</u>	<u>(164,085)</u>	<u>337,876</u>
<b>Total net assets, June 30, 2010</b>	<u>\$ 39,349</u>	<u>\$ 400,334</u>	<u>\$ 4,175</u>	<u>\$ (198,726)</u>	<u>\$ 245,132</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2010**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 173,464	\$ 110,594	\$ 89,923	\$ 28,857	\$ 402,838
Payments to suppliers and providers of goods and services	(71,854)	(47,914)	(95,962)	(20,730)	(236,460)
Payments to employees	(124,995)	(63,968)	-	(36,376)	(225,339)
<b>Net cash provided by (used by) operating activities</b>	<u>(23,385)</u>	<u>(1,288)</u>	<u>(6,039)</u>	<u>(28,249)</u>	<u>(58,961)</u>
<b>Cash flows from noncapital financing activities:</b>					
Advances (to) from other funds	27,566	(55,815)	-	28,249	-
<b>Net cash provided by (used by) noncapital financing activities</b>	<u>27,566</u>	<u>(55,815)</u>	<u>-</u>	<u>28,249</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Interest received on investments	355	510	-	-	865
<b>Net cash provided by (used by) investing activities</b>	<u>355</u>	<u>510</u>	<u>-</u>	<u>-</u>	<u>865</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	4,536	(56,593)	(6,039)	-	(58,096)
Cash and cash equivalents, July 1, 2009	20,292	84,056	9,144	-	113,492
<b>Cash and cash equivalents, June 30, 2010</b>	<u>\$ 24,828</u>	<u>\$ 27,463</u>	<u>\$ 3,105</u>	<u>\$ -</u>	<u>\$ 55,396</u>
Cash	\$ -	\$ 27,463	\$ 3,105	\$ -	\$ 30,568
Cash - restricted	24,828	-	-	-	24,828
<b>Cash and cash equivalents, June 30, 2010</b>	<u>\$ 24,828</u>	<u>\$ 27,463</u>	<u>\$ 3,105</u>	<u>\$ -</u>	<u>\$ 55,396</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2010**  
*(Continued)*

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:</b>					
Operating income (loss)	\$ (42,615)	\$ (3,511)	\$ (12,842)	\$ (34,641)	\$ (93,609)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Depreciation	9,717	4,837	-	-	14,554
(Increase) decrease in:					
Accounts receivable	(291)	(3,872)	(1,038)	2,734	(2,467)
Increase (decrease) in:					
Accounts payable	1,362	(478)	7,841	2,489	11,214
Accrued expenses	3,906	1,736	-	1,169	6,811
Refundable deposits	4,536	-	-	-	4,536
<b>Net cash provided by (used by) operating activities</b>	<b><u>\$ (23,385)</u></b>	<b><u>\$ (1,288)</u></b>	<b><u>\$ (6,039)</u></b>	<b><u>\$ (28,249)</u></b>	<b><u>\$ (58,961)</u></b>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

***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 assets 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 segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

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

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

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

interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund statements provide information about the Town's funds. 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/LTAF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and Local Transportation Assistance Fund 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 two Community Development Block Grants (CDBG), an Arizona Office of Tourism Grant, 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.



**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

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

**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 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 postclosure 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.

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

**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. 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, 2010, is \$5,450 for water, \$3,933 for sewer, and \$2,462 for sanitation.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

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

**F. 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.

**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:

	<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

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

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

**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 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.

***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, 2010, the carrying amount of the Town's total nonpooled cash in bank was \$849,503, and the bank balance was \$862,467. All of the Town's deposits were covered by federal depository insurance or by collateral held by the Town or its agent in the Town's name.

The Town reported investments in State Treasurer's investment pool with a reported amount of \$732,846. 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.

*Restricted deposits* – Of the total deposits in bank, \$24,828 is restricted for refundable customer deposits in the Water Fund.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2010, included \$13,285 in state-shared revenue from highway user revenue fund (HURF) taxes, \$11,057 in state-shared revenue from sales taxes, \$9,969 in state-shared revenue from auto lieu taxes, \$9,840 in county-shared revenue from county road taxes, and \$33,529 in state-reimbursed CDBG grants.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 184,718	\$ -	\$ -	\$ 184,718
Construction in progress	216,529	-	216,529	-
<b>Total capital assets not being depreciated</b>	<b>401,247</b>	<b>-</b>	<b>216,529</b>	<b>184,718</b>
Capital assets being depreciated:				
Buildings	349,091	302,991	-	652,082
Equipment	1,026,025	-	-	1,026,025
Infrastructure	4,355,645	-	-	4,355,645
<b>Total</b>	<b>5,730,761</b>	<b>302,991</b>	<b>-</b>	<b>6,033,752</b>
Less accumulated depreciation for:				
Buildings	96,561	9,051	-	105,612
Equipment	528,947	77,254	-	606,201
Infrastructure	2,991,332	179,433	-	3,170,765
<b>Total</b>	<b>3,616,840</b>	<b>265,738</b>	<b>-</b>	<b>3,882,578</b>
<b>Total capital assets being depreciated, net</b>	<b>2,113,921</b>	<b>37,253</b>	<b>-</b>	<b>2,151,174</b>
Governmental activities capital assets, net	<u>\$ 2,515,168</u>	<u>\$ 37,253</u>	<u>\$ 216,529</u>	<u>\$ 2,335,892</u>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 4 – CAPITAL ASSETS - Continued**

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	-	-	-	-
<b>Total capital assets not being depreciated</b>	<u>33,470</u>	<u>-</u>	<u>-</u>	<u>33,470</u>
Capital assets being depreciated:				
Buildings	65,243	-	-	65,243
Utility systems	1,470,035	-	-	1,470,035
Equipment	237,574	-	-	237,574
<b>Total</b>	<u>1,772,852</u>	<u>-</u>	<u>-</u>	<u>1,772,852</u>
Less accumulated depreciation for:				
Buildings	65,243	-	-	65,243
Utility systems	1,375,461	5,233	-	1,380,694
Equipment	191,074	9,321	-	200,395
<b>Total</b>	<u>1,631,778</u>	<u>14,554</u>	<u>-</u>	<u>1,646,332</u>
<b>Total capital assets being depreciated, net</b>	<u>141,074</u>	<u>(14,554)</u>	<u>-</u>	<u>126,520</u>
Business-type activities capital assets, net	<u>\$ 174,544</u>	<u>\$ (14,554)</u>	<u>\$ -</u>	<u>\$ 159,990</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 163,688
Public safety	36,202
Highways and streets	33,500
Culture and recreation	<u>32,348</u>
Total governmental activities depreciation expense	<u>\$ 265,738</u>
Business-type activities:	
Water	\$ 9,717
Sewer	<u>4,837</u>
Total business-type activities depreciation expense	<u>\$ 14,554</u>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 5 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2010.

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due within one year
Governmental activities:					
Compensated absences	\$ 33,945	\$ 37,383	\$ 37,383	\$ 33,945	\$ 27,156
Capital lease payable	6,113	-	1,975	4,138	2,192
	<u>\$ 40,058</u>	<u>\$ 37,383</u>	<u>\$ 39,358</u>	<u>\$ 38,083</u>	<u>\$ 29,348</u>
Business-type activities:					
Compensated absences	<u>\$ 9,866</u>	<u>\$ 10,933</u>	<u>\$ 10,933</u>	<u>\$ 9,866</u>	<u>\$ 7,894</u>

Capital leases—The Town acquired a copy machine under a capital lease totaling \$9,870. As of June 30, 2010 accumulated depreciation on the copy machine totaled \$4,606 and the carrying value totaled \$5,264.

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2010:

Year Ending June 30	Governmental Activities
2011	\$ 2,524
2012	<u>2,029</u>
Total minimum lease payments	4,553
Less amount representing interest	<u>(415)</u>
Present value of net minimum lease payments	<u>\$ 4,138</u>

**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 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 MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

**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 *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.

The 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 plan.

PSPRS  
 1020 E. Missouri Ave.  
 Phoenix, AZ 85014  
 (602) 255-5575

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

Agent plans—For the year ended June 30, 2010, 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 12.56 percent.

Annual Pension Cost—The Town’s pension cost for the agent plan for the year ended June 30, 2010, and related information follows.

	PSPRS
Contribution rates:	
Town	13.54%
Plan members	7.65%
Annual pension cost	\$ 21,373
Contributions made	\$ 21,373

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2010**

**NOTE 7 – RETIREMENT PLANS – Continued**

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) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 8.50 percent per year. Both (a) and (b) included an inflation component of 5.50 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, 2010, was 27 years for unfunded actuarial accrued liability, 20 years for excess.

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	2010	\$ 21,373	100 %	\$ -
	2009	18,948	100	-
	2008	20,836	100	-

**NOTE 8 – INTERFUND BALANCES AND ACTIVITY**

Interfund balances at June 30, 2010, were as follows:

Payable from	Payable to		Total
	HURF/LTAF Fund	Sewer Fund	
General Fund	\$334,571	\$ -	\$334,571
Grants Fund	4,195	-	4,195
Water Fund	-	116,238	116,238
Cemetery Fund	-	207,639	207,639
	<u>\$338,766</u>	<u>\$323,877</u>	<u>\$662,643</u>

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



**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Property taxes	\$ 51,297	\$ 51,297	\$ 43,249	\$ (8,048)
Sales taxes	76,000	76,000	78,888	2,888
Franchise taxes	10,500	10,500	5,884	(4,616)
Intergovernmental	574,745	574,745	467,147	(107,598)
Fines and forfeitures	25,600	25,600	35,840	10,240
Licenses and permits	5,250	5,250	4,540	(710)
Charges for services	251,629	251,629	168,568	(83,061)
Investment income	1,000	1,000	-	(1,000)
Other revenue	94,550	94,550	26,452	(68,098)
<b>Total revenue</b>	<u>1,090,571</u>	<u>1,090,571</u>	<u>830,568</u>	<u>(260,003)</u>
<b>Expenditures</b>				
Current				
General government	254,708	254,708	158,719	95,989
Public safety	806,560	806,560	471,354	335,206
Culture and recreation	108,540	108,540	82,768	25,772
Debt service				
Principal	-	-	1,975	(1,975)
Interest	-	-	549	(549)
Capital outlay	-	-	15,401	(15,401)
<b>Total expenditures</b>	<u>1,169,808</u>	<u>1,169,808</u>	<u>730,766</u>	<u>439,042</u>
Excess (deficiency) of revenue over (under) expenditures	(79,237)	(79,237)	99,802	179,039
Other financing sources (uses):				
Transfers in	55,000	55,000	-	(55,000)
<b>Total other financing sources (uses)</b>	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>
Net change in fund balance	(24,237)	(24,237)	99,802	124,039
Fund balance, July 1, 2009	(433,225)	(433,225)	(433,225)	-
<b>Fund balance, June 30, 2010</b>	<u>\$ (457,462)</u>	<u>\$ (457,462)</u>	<u>\$ (333,423)</u>	<u>\$ 124,039</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF/LTAF Fund**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 347,300	\$ 347,300	\$ 277,931	\$ (69,369)
Investment income	-	-	2,696	2,696
Other revenue	165,493	165,493	-	(165,493)
<b>Total revenue</b>	<u>512,793</u>	<u>512,793</u>	<u>280,627</u>	<u>(232,166)</u>
<b>Expenditures</b>				
Current				
Highways and streets	515,254	515,254	158,319	356,935
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>515,254</u>	<u>515,254</u>	<u>158,319</u>	<u>356,935</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,461)</u>	<u>(2,461)</u>	<u>122,308</u>	<u>124,769</u>
Net change in fund balance	(2,461)	(2,461)	122,308	124,769
Fund balance, July 1, 2009	<u>1,760,603</u>	<u>1,760,603</u>	<u>1,760,603</u>	<u>-</u>
<b>Fund balance, June 30, 2010</b>	<u><u>\$ 1,758,142</u></u>	<u><u>\$ 1,758,142</u></u>	<u><u>\$ 1,882,911</u></u>	<u><u>\$ 124,769</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 373,709	\$ 373,709	\$ 366,540	\$ (7,169)
<b>Total revenue</b>	<u>373,709</u>	<u>373,709</u>	<u>366,540</u>	<u>(7,169)</u>
<b>Expenditures</b>				
Current				
General government	373,709	373,709	218,211	155,498
Culture and recreation	-	-	11,165	(11,165)
Capital outlay	-	-	71,061	(71,061)
<b>Total expenditures</b>	<u>373,709</u>	<u>373,709</u>	<u>300,437</u>	<u>73,272</u>
Excess (deficiency) of revenue over (under) expenditures	-	-	66,103	66,103
Net change in fund balance	-	-	66,103	66,103
Fund balance, July 1, 2009	<u>(43,696)</u>	<u>(43,696)</u>	<u>(43,696)</u>	<u>-</u>
<b>Fund balance, June 30, 2010</b>	<u>\$ (43,696)</u>	<u>\$ (43,696)</u>	<u>\$ 22,407</u>	<u>\$ 66,103</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2010**

***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 Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department.

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plans' Funding Progress**  
**June 30, 2010**

Public Safety Personnel Retirement System

Actuarial Valuation Date June 30	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2010	\$ 288,505	\$ 376,504	\$ 87,999	76.6%	\$ 272,538	32.3%
2009	251,539	333,969	82,430	75.3%	132,142	62.4%
2008	271,034	291,822	20,788	92.9%	127,410	16.3%

**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 the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2010, which collectively comprise the Town of Mammoth, Arizona's basic financial statements and have issued our report thereon dated December 16, 2010. 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**

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting (**07-01, 07-02**). A significant deficiency is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Mammoth, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Mammoth, 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, Town Council, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

December 16, 2010

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2010**

**Financial Statement Findings**

Audit findings and responses are as follows:

**Item: 07-01**

*Subject:* Cemetery lot sales.

*Criteria/Specific Requirements:* The Town should use the accrual basis of accounting when recording cemetery lot sales.

*Condition:* Cemetery lot sales are recorded on an Excel spreadsheet and only payments received from lot sales receivable are recorded in the general ledger.

*Cause and Effect:* 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.

*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 any 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: 07-02**

*Subject:* Internal controls over segregation of duties.

*Criteria/Specific Requirements:* Management is responsible for maintaining internal controls sufficient to allow for management and employees to prevent or detect misstatements on a timely basis. A fundamental concept in a good system of internal control is the basic premise that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected.

*Condition:* Due to limitations in the number of staff available and due to the cost effectiveness of having a multi-functional staff, certain internal controls over the segregation of duties have been insufficient and may not detect a misstatement on a timely basis.

*Cause and Effect:* The Town is working with limited staff where better procedures could be applied to help reduce risks of fraud and error. Currently this lack of segregation of duties



**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2010**

without the use of compensating controls could result in an error or misstatement of the financial statements that could occur and not be prevented or detected by the internal controls currently in place.

*Recommendation:* We recommend that management apply additional internal controls by: (1) separating duties of the preparation and the mailing of checks; and (2) separate review of billing adjustments, journal entries, and bank reconciliations.

*Response:* Management agrees with this finding and will implement procedures over the segregation of duties.



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**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 Mammoth, Arizona

We have audited, 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, each major fund, and aggregate remaining fund information of the Town of Mammoth as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 16, 2010.

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the 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.

December 16, 2010