

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2011

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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, and each major fund of Town of Mammoth, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, and each major fund of the Town of Mammoth, Arizona, as of June 30, 2011, 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.

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 24 through 27, and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2012, 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.

A handwritten signature in cursive script that reads "Colby & Powell". The signature is written in black ink and is positioned above the date.

April 6, 2012

TOWN OF MAMMOTH, ARIZONA
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,363,842	\$ -	\$ 1,363,842
Restricted cash	-	25,898	25,898
Accounts receivable - net	-	55,409	55,409
Taxes receivable	788	-	788
Contract receivable	-	36,054	36,054
Due from other governments	198,192	-	198,192
Interactivity balances	94,942	(94,942)	-
Capital assets, not being depreciated	263,939	33,470	297,409
Capital assets, being depreciated, net	<u>1,942,864</u>	<u>112,879</u>	<u>2,055,743</u>
Total assets	<u>3,864,567</u>	<u>168,768</u>	<u>4,033,335</u>
LIABILITIES			
Accounts payable	96,342	12,053	108,395
Accrued expenses	27,294	6,871	34,165
Refundable deposits	-	25,898	25,898
Noncurrent liabilities			
Due within one year	20,878	5,869	26,747
Due in more than one year	<u>4,734</u>	<u>-</u>	<u>4,734</u>
Total liabilities	<u>149,248</u>	<u>50,691</u>	<u>199,939</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,204,858	146,349	2,351,207
Restricted			
Highways and Streets	2,005,995	-	2,005,995
Library	24,663	-	24,663
Unrestricted	<u>(520,197)</u>	<u>(28,272)</u>	<u>(548,469)</u>
Total net assets	<u>\$ 3,715,319</u>	<u>\$ 118,077</u>	<u>\$ 3,833,396</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2011

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 410,957	\$ 16,990	\$ 115,314	\$ 30,875	\$ (247,778)	\$ -	\$ (247,778)
Public safety	553,904	32,625	3,522	32,179	(485,578)	-	(485,578)
Highways and streets	180,847	-	263,599	-	82,752	-	82,752
Culture and recreation	142,209	6,262	27,970	48,345	(59,632)	-	(59,632)
Total governmental activities	<u>1,287,917</u>	<u>55,877</u>	<u>410,405</u>	<u>111,399</u>	<u>(710,236)</u>	<u>-</u>	<u>(710,236)</u>
Business-type activities							
Water	237,197	165,043	-	-	-	(72,154)	(72,154)
Sewer	119,740	112,872	-	-	-	(6,868)	(6,868)
Sanitation	106,214	86,451	-	-	-	(19,763)	(19,763)
Cemetery	42,843	14,426	-	-	-	(28,417)	(28,417)
Total business-type activities	<u>505,994</u>	<u>378,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,202)</u>	<u>(127,202)</u>
Total primary government	<u>\$ 1,793,911</u>	<u>\$ 434,669</u>	<u>\$ 410,405</u>	<u>\$ 111,399</u>	<u>(710,236)</u>	<u>(127,202)</u>	<u>(837,438)</u>
General revenue:							
Taxes:							
Property taxes, levied for general purposes					57,136	-	57,136
Local sales taxes					59,564	-	59,564
Franchise tax					4,930	-	4,930
Share of state sales taxes					132,571	-	132,571
Share of county auto lieu taxes					111,445	-	111,445
State urban revenue sharing					171,500	-	171,500
Investment earnings, net					1,323	147	1,470
Miscellaneous					18,243	-	18,243
Total general revenue					<u>556,712</u>	<u>147</u>	<u>556,859</u>
Change in net assets					<u>(153,524)</u>	<u>(127,055)</u>	<u>(280,579)</u>
Net assets, July 1, 2010					<u>3,868,843</u>	<u>245,132</u>	<u>4,113,975</u>
Net assets, June 30, 2011					<u>\$ 3,715,319</u>	<u>\$ 118,077</u>	<u>\$ 3,833,396</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,338,868	\$ 24,974	\$ 1,363,842
Taxes receivable	788	-	-	788
Due from other governments	30,696	18,365	149,131	198,192
Due from other funds	-	646,795	-	646,795
	-	646,795	-	646,795
Total assets	\$ 31,484	\$ 2,004,028	\$ 174,105	\$ 2,209,617
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 31,311	\$ 3,814	\$ 61,217	\$ 96,342
Accrued expenses	26,122	1,172	-	27,294
Deferred revenue	7,317	-	-	7,317
Due to other funds	463,628	-	88,225	551,853
	463,628	-	88,225	551,853
Total liabilities	528,378	4,986	149,442	682,806
Fund balances				
Restricted				
Highways and streets	-	1,999,042	-	1,999,042
Library	-	-	24,663	24,663
Unassigned	(496,894)	-	-	(496,894)
	(496,894)	-	-	(496,894)
Total fund balances	(496,894)	1,999,042	24,663	1,526,811
Total liabilities and fund balances	\$ 31,484	\$ 2,004,028	\$ 174,105	\$ 2,209,617

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, 2011

Fund balances--total governmental funds	\$ 1,526,811
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.	2,206,803
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	7,317
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(25,612)</u>
Net assets of governmental activities	<u><u>\$ 3,715,319</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, 2011

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
Revenue				
Intergovernmental	\$ 415,517	\$ 263,599	\$ 258,206	\$ 937,322
Taxes	114,312	-	-	114,312
Charges for services	33,714	-	-	33,714
Fines and forfeitures	18,372	-	-	18,372
Other revenue	18,243	-	-	18,243
Licenses and permits	3,790	-	-	3,790
Investment income	-	1,323	-	1,323
Total revenue	<u>603,948</u>	<u>264,922</u>	<u>258,206</u>	<u>1,127,076</u>
Expenditures				
Current				
Public safety	514,119	-	3,522	517,641
General government	131,996	-	118,779	250,775
Highways and streets	-	148,791	-	148,791
Culture and recreation	77,178	-	15,296	92,474
Debt service				
Principal	2,193	-	-	2,193
Interest	331	-	-	331
Capital outlay	48,555	-	111,400	159,955
Total expenditures	<u>774,372</u>	<u>148,791</u>	<u>248,997</u>	<u>1,172,160</u>
Net change in fund balances	(170,424)	116,131	9,209	(45,084)
Fund balances, July 1, 2010	(333,423)	1,882,911	22,407	1,571,895
Transfers	6,953	-	(6,953)	-
Fund balances, June 30, 2011	<u>\$ (496,894)</u>	<u>\$ 1,999,042</u>	<u>\$ 24,663</u>	<u>\$ 1,526,811</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, 2011

Net change in fund balances--total governmental funds \$ (45,084)

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	159,955	
Current year depreciation	<u>(288,183)</u>	
		(128,228)

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		2,193
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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 compensated absences payable	10,278	
Increase in deferred grant revenue	<u>7,317</u>	
		<u>17,595</u>

Change in net assets of governmental activities \$ (153,524)

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash-restricted	\$ 25,898	\$ -	\$ -	\$ -	\$ 25,898
Accounts receivable - net	18,425	20,630	10,528	5,826	55,409
Contract receivable	36,054	-	-	-	36,054
Due from other funds	-	341,284	-	-	341,284
Total current assets	<u>80,377</u>	<u>361,914</u>	<u>10,528</u>	<u>5,826</u>	<u>458,645</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	84,108	-	-	-	84,108
Equipment, net	13,529	15,242	-	-	28,771
Capital assets, net	<u>105,473</u>	<u>36,133</u>	<u>-</u>	<u>4,743</u>	<u>146,349</u>
Total assets	<u>185,850</u>	<u>398,047</u>	<u>10,528</u>	<u>10,569</u>	<u>604,994</u>
LIABILITIES					
Current liabilities					
Accounts payable	1,697	2,055	8,301	-	12,053
Accrued expenses	5,641	849	-	381	6,871
Refundable deposits	25,898	-	-	-	25,898
Compensated absences	3,354	1,677	-	838	5,869
Due to other funds	181,918	-	17,815	236,493	436,226
Total current liabilities	<u>218,508</u>	<u>4,581</u>	<u>26,116</u>	<u>237,712</u>	<u>486,917</u>
Net assets					
Invested in capital assets, net of related debt	105,473	36,133	-	4,743	146,349
Unrestricted (deficit)	<u>(138,131)</u>	<u>357,333</u>	<u>(15,588)</u>	<u>(231,886)</u>	<u>(28,272)</u>
Total net assets	<u>\$ (32,658)</u>	<u>\$ 393,466</u>	<u>\$ (15,588)</u>	<u>\$ (227,143)</u>	<u>\$ 118,077</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, 2011

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Operating revenue					
Charges for services	165,043	112,872	86,451	14,426	378,792
Operating expenses					
Personnel	131,473	65,434	-	30,824	227,731
Landfill fees	-	-	100,731	-	100,731
Repairs and maintenance	44,355	6,594	-	-	50,949
Insurance	8,113	12,596	4,483	3,843	29,035
Materials and supplies	15,746	4,038	-	5,936	25,720
Other	23,399	2,182	-	-	25,581
Utilities	2,626	21,388	-	240	24,254
Depreciation	9,285	4,788	-	-	14,073
Professional services	2,200	2,720	1,000	2,000	7,920
Total operating expenses	<u>237,197</u>	<u>119,740</u>	<u>106,214</u>	<u>42,843</u>	<u>505,994</u>
Operating loss	<u>(72,154)</u>	<u>(6,868)</u>	<u>(19,763)</u>	<u>(28,417)</u>	<u>(127,202)</u>
Nonoperating revenue					
Investment income	147	-	-	-	147
Decrease in net assets	<u>(72,007)</u>	<u>(6,868)</u>	<u>(19,763)</u>	<u>(28,417)</u>	<u>(127,055)</u>
Total net assets, July 1, 2010	<u>39,349</u>	<u>400,334</u>	<u>4,175</u>	<u>(198,726)</u>	<u>245,132</u>
Total net assets, June 30, 2011	<u>\$ (32,658)</u>	<u>\$ 393,466</u>	<u>\$ (15,588)</u>	<u>\$ (227,143)</u>	<u>\$ 118,077</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Cash flows from operating activities:					
Receipts from customers	\$ 166,148	\$ 107,597	\$ 85,210	\$ 17,917	\$ 376,872
Payments to suppliers and providers of goods and services	(98,188)	(49,497)	(106,130)	(14,528)	(268,343)
Payments to employees	(132,717)	(68,156)	-	(32,243)	(233,116)
Net cash used by operating activities	<u>(64,757)</u>	<u>(10,056)</u>	<u>(20,920)</u>	<u>(28,854)</u>	<u>(124,587)</u>
Cash flows from noncapital financing activities:					
Advances (to) from other funds	65,680	(17,407)	17,815	28,854	94,942
Net cash provided (used) by noncapital financing activities	<u>65,680</u>	<u>(17,407)</u>	<u>17,815</u>	<u>28,854</u>	<u>94,942</u>
Cash flows from investing activities:					
Interest received on investments	147	-	-	-	147
Net increase (decrease) in cash	1,070	(27,463)	(3,105)	-	(29,498)
Cash, July 1, 2010	<u>24,828</u>	<u>27,463</u>	<u>3,105</u>	<u>-</u>	<u>55,396</u>
Cash, June 30, 2011	<u>\$ 25,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,898</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011
(Continued)

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
Reconciliation of operating loss to net cash used by operating activities:					
Operating loss	\$ (72,154)	\$ (6,868)	\$ (19,763)	\$ (28,417)	\$ (127,202)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation	9,285	4,788	-	-	14,073
(Increase) decrease in:					
Accounts receivable	35	(5,275)	(1,241)	3,491	(2,990)
Increase (decrease) in:					
Accounts payable	(1,749)	21	84	(2,509)	(4,153)
Accrued expenses	(1,244)	(2,722)	-	(1,419)	(5,385)
Refundable deposits	1,070	-	-	-	1,070
Net cash used by operating activities	<u>\$ (64,757)</u>	<u>\$ (10,056)</u>	<u>\$ (20,920)</u>	<u>\$ (28,854)</u>	<u>\$ (124,587)</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2011

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 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, 2011

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/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 Energy Efficiency Block 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, 2011

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 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.

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.

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, 2011, is \$5,237 for water, \$3,626 for sewer, and \$2,332 for sanitation.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. 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, 2011

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, 2011, the carrying amount of the Town's total nonpooled cash in bank was \$655,425, and the bank balance was \$666,989. Of the bank balance, \$250,000 was covered by federal depository insurance. The remainder was covered by collateral held by the pledging financial institution in the Town's name.

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 \$734,315. The Standard and Poor's credit quality rating of the pool is AA Af/S1+. 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.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2011 consisted of \$9,448 in state-shared revenue from sales taxes, \$7,732 in state-shared revenue from auto lieu taxes, \$3,845 in local sales taxes collected by the State of Arizona, and \$9,671 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/LTAF Fund at June 30, 2011 consisted of \$8,368 in county-shared revenue from county road taxes and \$9,997 in state-shared revenue from highway user revenue fund (HURF) taxes.

Amounts due from other governments in the Grants Fund at June 30, 2011 consisted grant reimbursements of \$89,039 from Arizona Department of Housing, \$27,913 from Arizona Department of Commerce, and \$32,179 from the Governor's Office of Economic Recovery.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 184,718	\$ -	\$ -	\$ 184,718
Construction in progress	-	79,221	-	79,221
Total capital assets not being depreciated	<u>184,718</u>	<u>79,221</u>	<u>-</u>	<u>263,939</u>
Capital assets being depreciated:				
Buildings	652,081	-	-	652,081
Equipment	1,025,165	80,734	-	1,105,899
Infrastructure	4,355,645	-	-	4,355,645
Total	<u>6,032,891</u>	<u>80,734</u>	<u>-</u>	<u>6,113,625</u>
Less accumulated depreciation for:				
Buildings	105,612	29,251	-	134,863
Equipment	606,201	79,499	-	685,700
Infrastructure	3,170,765	179,433	-	3,350,198
Total	<u>3,882,578</u>	<u>288,183</u>	<u>-</u>	<u>4,170,761</u>
Total capital assets being depreciated, net	<u>2,150,313</u>	<u>(207,449)</u>	<u>-</u>	<u>1,942,864</u>
Governmental activities capital assets, net	<u>\$ 2,335,031</u>	<u>\$ (128,228)</u>	<u>\$ -</u>	<u>\$ 2,206,803</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 4 – CAPITAL ASSETS - Continued

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Total capital assets not being depreciated	<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
Total	<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	1,380,694	5,233	-	1,385,927
Equipment	199,963	8,840	-	208,803
Total	<u>1,645,900</u>	<u>14,073</u>	<u>-</u>	<u>1,659,973</u>
Total capital assets being depreciated, net	<u>126,952</u>	<u>(14,073)</u>	<u>-</u>	<u>112,879</u>
Business-type activities capital assets, net	<u>\$ 160,422</u>	<u>\$ (14,073)</u>	<u>\$ -</u>	<u>\$ 146,349</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 162,180
Public safety	40,657
Highways and streets	33,500
Culture and recreation	<u>51,846</u>
Total governmental activities depreciation expense	<u>\$ 288,183</u>
Business-type activities:	
Water	\$ 9,285
Sewer	<u>4,788</u>
Total business-type activities depreciation expense	<u>\$ 14,073</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2011.

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Compensated absences	\$ 33,945	\$ 26,761	\$ 37,039	\$ 23,667	\$ 18,933
Capital lease payable	4,138	-	2,193	1,945	1,945
	<u>\$ 38,083</u>	<u>\$ 26,761</u>	<u>\$ 39,232</u>	<u>\$ 25,612</u>	<u>\$ 20,878</u>
Business-type activities:					
Compensated absences	<u>\$ 9,866</u>	<u>\$ 4,722</u>	<u>\$ 8,719</u>	<u>\$ 5,869</u>	<u>\$ 5,869</u>

Capital leases—The Town acquired a copy machine under a capital lease totaling \$9,870. As of June 30, 2011 accumulated depreciation on the copy machine totaled \$8,554 and the carrying value totaled \$1,316.

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2011:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>
2012	\$ 2,029
Less amount representing interest	<u>(84)</u>
Present value of net minimum lease payments	<u>\$ 1,945</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, 2011

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, 2011, 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 16.52 percent.

Annual Pension Cost—The Town’s pension cost for the agent plan for the year ended June 30, 2011, and related information follows.

	PSPRS
Contribution rates:	
Town	16.52%
Plan members	7.65%
Annual pension cost	\$ 22,526
Contributions made	\$ 22,526

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2011

NOTE 7 – RETIREMENT PLANS – Continued

The current-year annual required contributions for the PSPRS were determined as part of its June 30, 2011 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8.25 percent investment rate of return and (b) projected salary increases ranging from 5.00 percent to 8.00 percent per year. Both (a) and (b) included an inflation component of 5.00 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 payrolls on an open basis. The remaining amortization period at June 30, 2011, was 25 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	2011	\$ 22,526	100 %	\$ -
	2010	21,373	100	-
	2009	18,948	100	-

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund balances at June 30, 2011, were as follows:

Payable from	Payable to		Total
	HURF/LTAF Fund	Sewer Fund	
General Fund	\$463,628	\$ -	\$ 463,628
Grants Fund	88,225	-	88,225
Water Fund	-	181,918	181,918
Sanitation Fund		17,815	17,815
Cemetery Fund	94,942	141,551	236,493
	<u>\$646,795</u>	<u>\$341,284</u>	<u>\$ 988,079</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.

A transfer of \$6,593 from the Grants Fund to the General fund was to transfer funds from completed grants.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Property taxes	\$ 51,969	\$ 51,969	\$ 49,819	\$ (2,150)
Sales taxes	74,000	74,000	59,563	(14,437)
Franchise taxes	8,500	8,500	4,930	(3,570)
Intergovernmental	492,949	492,949	415,517	(77,432)
Fines and forfeitures	25,000	25,000	33,714	8,714
Licenses and permits	4,750	4,750	18,372	13,622
Charges for services	52,864	52,864	18,243	(34,621)
Investment income	500	500	-	(500)
Other revenue	99,657	99,657	3,790	(95,867)
Total revenue	<u>810,189</u>	<u>810,189</u>	<u>603,948</u>	<u>(206,241)</u>
Expenditures				
Current				
General government	181,092	181,092	131,996	49,096
Public safety	517,460	517,460	514,119	3,341
Culture and recreation	110,626	110,626	77,178	33,448
Debt service				
Principal	-	-	2,193	(2,193)
Interest	-	-	331	(331)
Capital outlay	-	-	48,555	(48,555)
Total expenditures	<u>809,178</u>	<u>809,178</u>	<u>774,372</u>	<u>34,806</u>
Excess (deficiency) of revenue over (under) expenditures	1,011	1,011	(170,424)	(171,435)
Fund balance, July 1, 2010	<u>6,953</u>	<u>6,953</u>	<u>6,953</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 7,964</u>	<u>\$ 7,964</u>	<u>\$ (163,471)</u>	<u>\$ (171,435)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 284,512	\$ 284,512	\$ 263,599	\$ (20,913)
Investment income	-	-	1,323	1,323
Total revenue	<u>284,512</u>	<u>284,512</u>	<u>264,922</u>	<u>(19,590)</u>
Expenditures				
Current				
Highways and streets	<u>295,512</u>	<u>295,512</u>	<u>148,791</u>	<u>146,721</u>
Net change in fund balance	(11,000)	(11,000)	116,131	(166,311)
Fund balance, July 1, 2010	<u>1,882,911</u>	<u>1,882,911</u>	<u>1,882,911</u>	<u>-</u>
Fund balance, June 30, 2011	<u><u>\$ 1,871,911</u></u>	<u><u>\$ 1,871,911</u></u>	<u><u>\$ 1,999,042</u></u>	<u><u>\$ (166,311)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ 1,545,066	\$ 1,545,066	\$ 258,206	\$(1,286,860)
Expenditures				
Current				
General government	-	-	118,779	(118,779)
Public Safety	250,000	250,000	3,522	246,478
Culture and recreation	-	-	15,296	
Capital outlay	999,554	999,554	111,400	888,154
Total expenditures	<u>1,249,554</u>	<u>1,249,554</u>	<u>248,997</u>	<u>1,015,853</u>
Net change in fund balance	295,512	295,512	9,209	(2,302,713)
Fund balance, July 1, 2010	<u>22,407</u>	<u>22,407</u>	<u>22,407</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 317,919</u>	<u>\$ 317,919</u>	<u>\$ 31,616</u>	<u>\$(2,302,713)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2011

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.

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, 2011

Public Safety Personnel Retirement System

Actuarial Valuation Date <u>June 30</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Unfunded Liability (Excess) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>[(a-b)/c]</u>
2011	\$ 349,234	\$ 427,561	\$ 78,327	81.7%	\$ 157,788	49.6%
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%



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

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**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 financial statements of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2011, and have issued our report thereon dated April 6, 2012. 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.

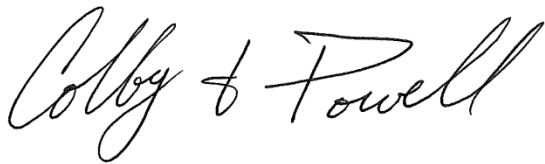
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiency in internal control over financial reporting (**07-01**). 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 instances of noncompliance or other matters that we are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items **11-1** and **11-2**.

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.

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

April 6, 2012

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2011

Audit findings and responses are as follows:

Financial Statement Findings

Item: 07-01 (Repeat finding)

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.

Compliance Findings

Item: 11-01

Subject: Cash Management over Federal Awards

Criteria/Specific Requirements: Cash management requires cash draws of federal funds only be for immediate needs, and a system should be in place to avoid the time lapse between draw of funds and actual disbursement of funds.

Condition: It was discovered though the course of the audit that there were a few instances where the Town drew down funds from a federal grant and did not disburse those funds within in a reasonable time period.

Cause and Effect: The Town did not have effective internal control procedures in place to allow accounting personnel to determine that federal funds were received and not disbursed which resulted in a cash management problem.

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2011

Recommendation: We recommend that management update its policies and procedures over grant reporting to include a reconciliation of reimbursement requests to actual payments to vendors.

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

Item: 11-02

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

Criteria/Specific Requirements: According to an Auditor General Report date June 2011 HURF and Half-Cent Road Tax revenue is required to be spent solely for highway and street related purposes.

Condition: As of June 30, 2011, the Town had borrowed monies of HURF and Half-Cent Road Tax revenue to fund operations of the Sewer Fund.

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

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



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

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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, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 6, 2012.

In connection with our audit, we noted that the Town had loaned funds of highway user revenue monies to the General, Grants, and Cemetery Funds. The loan proceeds were expended in these 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.

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.

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

April 6, 2012