

**TOWN OF MAMMOTH, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2015

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## INDEPENDENT AUDITORS' REPORT

To the Town Council  
Town of Mammoth, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement Nos. 68 and 71. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

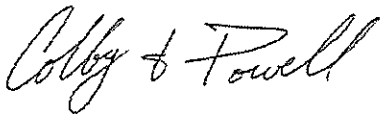
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 34 to 37, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 38, Schedule of Town Pension Contributions on page 39, and Schedule of Agent OPEB Plans' Funding Progress on page 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, on our consideration of the Town of Mammoth, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mammoth, Arizona's internal control over financial reporting and compliance.

### **Other Reporting Required by Arizona Revised Statutes**

In connection with our audit, we noted that over time, the Town had loaned \$1,205,015 of highway user revenue fund monies to other Town funds. The loan proceeds were expended in the other funds for various purposes which were not related to highways and streets. We do not consider such a loan in compliance with Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.



March 8, 2017

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 82,903	\$ -	\$ 82,903
Restricted cash	-	33,862	33,862
Accounts receivable - net	-	56,575	56,575
Taxes receivable	1,589	-	1,589
Due from other governments	44,606	153,872	198,478
Interactivity balances	217,037	(217,037)	-
Capital assets, not being depreciated	213,718	224,824	438,542
Capital assets, being depreciated, net	<u>1,942,573</u>	<u>330,982</u>	<u>2,273,555</u>
<b>Total assets</b>	<u>2,502,426</u>	<u>583,078</u>	<u>3,085,504</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>117,564</u>	<u>-</u>	<u>117,564</u>
<b>LIABILITIES</b>			
Accounts payable	69,174	228,010	297,184
Accrued expenses	123,573	2,940	126,513
Refundable deposits	-	33,862	33,862
Compensated absences	8,432	5,125	13,557
Noncurrent liabilities			
Due within one year	22,774	-	22,774
Due in more than one year	<u>388,425</u>	<u>-</u>	<u>388,425</u>
<b>Total liabilities</b>	<u>612,378</u>	<u>269,937</u>	<u>882,315</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>34,175</u>	<u>-</u>	<u>34,175</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,015,927	555,806	2,571,733
Restricted			
Highways and streets	1,282,354	-	1,282,354
Unrestricted	<u>(1,324,844)</u>	<u>(242,665)</u>	<u>(1,567,509)</u>
<b>Total net position</b>	<u>\$ 1,973,437</u>	<u>\$ 313,141</u>	<u>\$ 2,286,578</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2015**

Functions / Programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities
<b>Primary government:</b>						
Governmental activities						
General government	\$ 132,862	\$ 32,003	\$ -	\$ 10,612	\$ (90,247)	\$ (90,247)
Public safety	527,241	47,561	-	-	(479,680)	(479,680)
Highways and streets	265,533	-	163,226	-	(102,307)	(102,307)
Culture and recreation	191,199	6,373	15,958	-	(168,868)	(168,868)
Interest	5,783	-	-	-	(5,783)	(5,783)
<b>Total governmental activities</b>	<b>1,122,618</b>	<b>85,937</b>	<b>179,184</b>	<b>10,612</b>	<b>(846,885)</b>	<b>(846,885)</b>
Business-type activities						
Water	183,843	193,119	-	191,354	-	200,630
Sewer	93,844	106,407	-	-	-	12,563
Sanitation	88,709	108,287	-	-	-	19,578
Cemetery	17,139	25,029	-	-	-	7,890
<b>Total business-type activities</b>	<b>383,535</b>	<b>432,842</b>	<b>-</b>	<b>191,354</b>	<b>-</b>	<b>240,661</b>
<b>Total primary government</b>	<b>\$ 1,506,153</b>	<b>\$ 518,779</b>	<b>\$ 179,184</b>	<b>\$ 201,966</b>	<b>(846,885)</b>	<b>(606,224)</b>
<b>General revenue:</b>						
Taxes:						
Local sales taxes					100,056	100,056
Property taxes, levied for general purposes					50,268	50,268
Franchise tax					7,680	7,680
Share of state sales taxes					130,320	130,320
Share of county auto lieu taxes					71,308	71,308
State urban revenue sharing					181,584	181,584
Investment earnings, net					773	773
Miscellaneous					15,207	15,207
Total general revenue					557,196	557,196
Change in net position					(289,689)	(49,028)
Net position, beginning of year, as restated					2,263,126	2,335,606
Net position, end of year					\$ 1,973,437	\$ 2,286,578

See accompanying notes to financial statements.

**TOWN OF MAMMOTH, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General Fund	HURF/Road Tax Fund	Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 82,903	\$ -	\$ 82,903
Taxes receivable	1,589	-	-	1,589
Due from other governments	29,733	14,873	-	44,606
Due from other funds	-	1,205,015	-	1,205,015
<b>Total assets</b>	<u>\$ 31,322</u>	<u>\$ 1,302,791</u>	<u>\$ -</u>	<u>\$ 1,334,113</u>
<b>LIABILITIES</b>				
Accounts payable	51,305	17,869	-	69,174
Accrued expenses	121,005	2,568	-	123,573
Due to other funds	987,978	-	-	987,978
<b>Total liabilities</b>	<u>1,160,288</u>	<u>20,437</u>	<u>-</u>	<u>1,180,725</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	6,799	-	-	6,799
<b>FUND BALANCES</b>				
Restricted				
Highways and streets	-	1,282,354	-	1,282,354
Unassigned	(1,135,765)	-	-	(1,135,765)
<b>Total fund balances</b>	<u>(1,135,765)</u>	<u>1,282,354</u>	<u>-</u>	<u>146,589</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 31,322</u>	<u>\$ 1,302,791</u>	<u>\$ -</u>	<u>\$ 1,334,113</u>

*See accompanying notes to financial statements.*



**TOWN OF MAMMOTH, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2015**

Fund balances--total governmental funds	\$ 146,589
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,156,291
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	6,799
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	83,389
Long-term liabilities, such as net pension liabilities, notes payable, and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(419,631)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 1,973,437</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, 2015**

	General Fund	HURF/Road Tax Fund	Grants Fund	Total Governmental Funds
<b>Revenue</b>				
Intergovernmental	\$ 390,861	\$ 163,225	\$ 10,611	\$ 564,697
Taxes	158,431	-	-	158,431
Fines and forfeitures	47,998	-	-	47,998
Rental income	28,605	-	-	28,605
Other revenue	15,207	-	-	15,207
Charges for services	5,937	-	-	5,937
Licenses and permits	3,398	-	-	3,398
Contributions	8,308	-	-	8,308
Investment income	773	-	-	773
<b>Total revenue</b>	<u>659,518</u>	<u>163,225</u>	<u>10,611</u>	<u>833,354</u>
<b>Expenditures</b>				
Current				
General government	123,710	-	-	123,710
Public safety	424,541	-	-	424,541
Highways and streets	-	223,727	-	223,727
Culture and recreation	117,683	-	13,264	130,947
Debt service				
Principal	8,904	13,099	-	22,003
Interest	3,695	2,088	-	5,783
Capital outlay	-	4,000	-	4,000
<b>Total expenditures</b>	<u>678,533</u>	<u>242,914</u>	<u>13,264</u>	<u>934,711</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(19,015)</u>	<u>(79,689)</u>	<u>(2,653)</u>	<u>(101,357)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	2,653	2,653
Transfers out	(2,653)	-	-	(2,653)
<b>Total other financing sources and uses</b>	<u>(2,653)</u>	<u>-</u>	<u>2,653</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>(21,668)</u>	<u>(79,689)</u>	<u>-</u>	<u>(101,357)</u>
Fund balances, beginning of year	<u>(1,114,097)</u>	<u>1,362,043</u>	<u>-</u>	<u>247,946</u>
<b>Fund balances, end of year</b>	<u><u>\$ (1,135,765)</u></u>	<u><u>\$ 1,282,354</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 146,589</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, 2015**

Net change in fund balances--total governmental funds \$ (101,357)

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	4,000	
Current year depreciation	(153,460)	(149,460)

Revenues in the Statement of Activities that do not provide  
current financial resources are not reported as revenues  
in the funds. (425)

Town pension contributions are reported as expenditures in the  
governmental funds when made. However, they are reported  
as deferred outflows of resources in the Statement of Net  
Position because the reported net pension liability is measured  
a year before the Town's report date. Pension expense,  
which is the change in the net pension liability adjusted for  
changes in deferred outflows and inflows of resources  
related to pensions, is reported in the Statement of Activities.

Town pension contributions	15,495	
Pension expense	(88,484)	(72,989)

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

Principal repaid		22,003
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Some expenses reported in the Statement of  
Activities do not require the use of current financial  
resources and therefore, are not reported as revenue  
or expenditures in governmental funds.

Decrease in compensated absences payable		12,539
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**Change in net position of governmental activities \$ (289,689)**

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash-restricted	\$ 33,862	\$ -	\$ -	\$ -	\$ 33,862
Accounts receivable - net	18,275	18,611	11,910	7,779	56,575
Due from other governments	153,872	-	-	-	153,872
Due from other funds	-	292,439	45,453	-	337,892
<b>Total current assets</b>	<u>206,009</u>	<u>311,050</u>	<u>57,363</u>	<u>7,779</u>	<u>582,201</u>
<b>Noncurrent assets</b>					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Construction in progress	191,354	-	-	-	191,354
Utilities systems, net	320,771	1,222	-	-	321,993
Equipment, net	8,989	-	-	-	8,989
Capital assets, net	<u>528,950</u>	<u>22,113</u>	<u>-</u>	<u>4,743</u>	<u>555,806</u>
<b>Total noncurrent assets</b>	<u>528,950</u>	<u>22,113</u>	<u>-</u>	<u>4,743</u>	<u>555,806</u>
<b>Total assets</b>	<u>734,959</u>	<u>333,163</u>	<u>57,363</u>	<u>12,522</u>	<u>1,138,007</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	188,336	2,375	30,614	6,685	228,010
Accrued expenses	1,391	1,549	-	-	2,940
Refundable deposits	33,862	-	-	-	33,862
Compensated absences	3,005	2,120	-	-	5,125
Due to other funds	305,611	-	-	249,318	554,929
<b>Total current liabilities</b>	<u>532,205</u>	<u>6,044</u>	<u>30,614</u>	<u>256,003</u>	<u>824,866</u>
<b>NET POSITION</b>					
Net investment in capital assets	528,950	22,113	-	4,743	555,806
Unrestricted (deficit)	<u>(326,196)</u>	<u>305,006</u>	<u>26,749</u>	<u>(248,224)</u>	<u>(242,665)</u>
<b>Total net position</b>	<u>\$ 202,754</u>	<u>\$ 327,119</u>	<u>\$ 26,749</u>	<u>\$ (243,481)</u>	<u>\$ 313,141</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Operating revenue</b>					
Water	\$ 193,119	\$ -	\$ -	\$ -	\$ 193,119
Sewer	-	106,407	-	-	106,407
Sanitation	-	-	108,287	-	108,287
Cemetery	-	-	-	25,029	25,029
	<u>193,119</u>	<u>106,407</u>	<u>108,287</u>	<u>25,029</u>	<u>432,842</u>
<b>Operating expenses</b>					
Personnel	83,212	71,806	-	2,325	157,343
Landfill fees	-	-	88,559	-	88,559
Utilities	20,436	15,393	-	-	35,829
Materials and supplies	18,539	555	-	5,869	24,963
Repairs and maintenance	23,961	749	-	-	24,710
Insurance	15,866	5,289	-	-	21,155
Depreciation	14,366	52	-	-	14,418
Professional services	-	-	-	8,945	8,945
Other	7,463	-	150	-	7,613
<b>Total operating expenses</b>	<u>183,843</u>	<u>93,844</u>	<u>88,709</u>	<u>17,139</u>	<u>383,535</u>
<b>Operating income (loss)</b>	<u>9,276</u>	<u>12,563</u>	<u>19,578</u>	<u>7,890</u>	<u>49,307</u>
<b>Income (loss) before capital contributions</b>	9,276	12,563	19,578	7,890	49,307
Capital contribution	<u>191,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,354</u>
<b>Increase (decrease) in net position</b>	200,630	12,563	19,578	7,890	240,661
Total net position, beginning of year	<u>2,124</u>	<u>314,556</u>	<u>7,171</u>	<u>(251,371)</u>	<u>72,480</u>
<b>Total net position, end of year</b>	<u>\$ 202,754</u>	<u>\$ 327,119</u>	<u>\$ 26,749</u>	<u>\$ (243,481)</u>	<u>\$ 313,141</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 197,827	\$ 106,590	\$ 105,125	\$ 24,641	\$ 434,183
Payments to suppliers and providers of goods and services	(66,900)	(22,638)	(65,344)	(10,800)	(165,682)
Payments to employees	(86,177)	(73,288)	-	(2,689)	(162,154)
<b>Net cash provided (used) by         operating activities</b>	<u>44,750</u>	<u>10,664</u>	<u>39,781</u>	<u>11,152</u>	<u>106,347</u>
<b>Cash flows from noncapital financing activities:</b>					
Advances (to) from other funds	<u>(36,570)</u>	<u>(10,664)</u>	<u>(39,781)</u>	<u>(11,152)</u>	<u>(98,167)</u>
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(44,198)	-	-	-	(44,198)
Capital contributions received	37,482	-	-	-	37,482
<b>Net cash provided by (used by)         capital and related financing         activities</b>	<u>(6,716)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,716)</u>
<b>Net increase (decrease) in cash</b>	1,464	-	-	-	1,464
Cash, beginning of year	<u>32,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,398</u>
<b>Cash, end of year</b>	<u><u>\$ 33,862</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,862</u></u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2015**  
*(Continued)*

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 9,276	\$ 12,563	\$ 19,578	\$ 7,890	\$ 49,307
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	14,366	52	-	-	14,418
(Increase) decrease in:					
Accounts receivable	3,244	183	(3,162)	(388)	(123)
Increase (decrease) in:					
Accounts payable	19,365	(652)	23,365	4,014	46,092
Accrued expenses	(668)	(98)	-	(99)	(865)
Refundable deposits	1,464	-	-	-	1,464
Compensated absences payable	(2,297)	(1,384)	-	(265)	(3,946)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 44,750</u>	<u>\$ 10,664</u>	<u>\$ 39,781</u>	<u>\$ 11,152</u>	<u>\$ 106,347</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

- charges to customers for goods, 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, 2015**

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

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

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

The Town reports the following major governmental funds:

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

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

The ***Grants fund*** accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor.

The Town reports the following major enterprise funds:

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

**C. Basis of Accounting**

The government-wide and proprietary fund statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

**D. Cash and Investments**

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

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. 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, 2015, is \$11,100 for water, \$12,600 for sewer, and \$6,300 for sanitation.

**G. Property Tax Calendar**

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

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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.

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

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

element, deferred outflows of resources, represents a consumption of net position that applies to a future periods) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**K. Fund Balance Reporting**

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

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Town's town council,
4. *Assigned* fund balances are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

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

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

When expenditures are incurred 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, 2015**

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

**L. Impact of Recently Issued Accounting Principles**

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

**M. Pensions**

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

**N. Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

**TOWN OF MAMMOTH, ARIZONA**

**Notes to Financial Statements**

**June 30, 2015**

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

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual reports as listed in the table of contents present all departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2015, if any.

**O. Subsequent Events**

Management has evaluated subsequent events through the date of issuance of the financial statements, and has determined that there are no significant subsequent events requiring disclosure.

***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, 2015, the carrying amount of the Town's deposits totaled \$87,763. The bank balance was \$98,560. The entire bank balance was covered by federal depository insurance.

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

*Investments* – The Town reported investments in State Treasurer's investment pool with a reported amount of \$29,002. The Standard and Poor's credit quality rating of the pool is AAA. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 213,718	\$ -	\$ -	\$ 213,718
Capital assets being depreciated:				
Buildings	1,206,699	-	-	1,206,699
Equipment	1,201,778	-	-	1,201,778
Infrastructure	4,488,982	4,000	-	4,492,982
<b>Total</b>	<b>6,897,459</b>	<b>4,000</b>	<b>-</b>	<b>6,901,459</b>
Less accumulated depreciation for:				
Buildings	249,545	43,574	-	293,119
Equipment	860,252	57,759	-	918,011
Infrastructure	3,695,629	52,127	-	3,747,756
<b>Total</b>	<b>4,805,426</b>	<b>153,460</b>	<b>-</b>	<b>4,958,886</b>
<b>Total capital assets being depreciated, net</b>	<b>2,092,033</b>	<b>(149,460)</b>	<b>-</b>	<b>1,942,573</b>
Governmental activities capital assets, net	<u>\$ 2,305,751</u>	<u>\$ (149,460)</u>	<u>\$ -</u>	<u>\$ 2,156,291</u>
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	-	191,354	-	191,354
<b>Total capital assets not being depreciated</b>	<b>33,470</b>	<b>191,354</b>	<b>-</b>	<b>224,824</b>
Capital assets being depreciated:				
Buildings	65,244	-	-	65,244
Utility systems	1,737,933	-	-	1,737,933
Equipment	237,574	6,545	-	244,119
<b>Total</b>	<b>2,040,751</b>	<b>6,545</b>	<b>-</b>	<b>2,047,296</b>
Less accumulated depreciation for:				
Buildings	65,243	-	-	65,243
Utility systems	1,401,626	14,314	-	1,415,940
Equipment	235,027	104	-	235,131
<b>Total</b>	<b>1,701,896</b>	<b>14,418</b>	<b>-</b>	<b>1,716,314</b>
<b>Total capital assets being depreciated, net</b>	<b>338,855</b>	<b>(7,873)</b>	<b>-</b>	<b>330,982</b>
Business-type activities capital assets, net	<u>\$ 372,325</u>	<u>\$ 183,481</u>	<u>\$ -</u>	<u>\$ 555,806</u>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 3 – CAPITAL ASSETS - Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 10,312
Public safety	37,100
Highways and streets	45,796
Culture and recreation	<u>60,252</u>
Total governmental activities depreciation expense	<u>\$ 153,460</u>
Business-type activities:	
Water	\$ 14,366
Sewer	<u>52</u>
Total business-type activities depreciation expense	<u>\$ 14,418</u>

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments in the General Fund at June 30, 2015 consisted of \$11,351 in state-shared revenue from sales taxes, \$3,105 in state-shared revenue from auto lieu taxes, and \$5,660 in local sales taxes collected by the State of Arizona and \$9,617 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/Road Tax Fund at June 30, 2015 consisted of \$5,498 in county-shared revenue from county road taxes and \$9,375 in state-shared revenue from highway user revenue fund (HURF) taxes.

**NOTE 5 – LONG-TERM LIABILITIES**

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
Governmental activities:					
Compensated absences	\$ 20,971	\$ -	\$ 12,539	\$ 8,432	\$ 8,432
Note payable	88,682	-	8,904	79,778	9,250
Capital lease payable	73,685	-	13,099	60,586	13,524
Net pension liability	<u>140,763</u>	<u>130,072</u>	<u>-</u>	<u>270,835</u>	<u>-</u>
	<u>\$ 324,101</u>	<u>\$ 130,072</u>	<u>\$ 34,542</u>	<u>\$ 419,631</u>	<u>\$ 31,206</u>
Business-type activities:					
Compensated absences	<u>\$ 9,071</u>	<u>\$ -</u>	<u>\$ 3,946</u>	<u>\$ 5,125</u>	<u>\$ 5,125</u>



**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 5 – LONG-TERM LIABILITIES - Continued**

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

Additional terms are as follows:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Principal</u>
Note payable	<u>\$ 101,500</u>	11/30/2022	4.640%	<u>\$ 79,778</u>

The following schedule details debt service requirements to maturity for the Town's note payable at June 30, 2015.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 9,250	\$ 3,494
2017	9,689	3,055
2018	10,148	2,596
2019	10,629	2,115
2020	11,133	1,611
2021-23	<u>28,929</u>	<u>1,384</u>
Total	<u>\$ 79,778</u>	<u>\$ 14,255</u>

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 95,879
Less: accumulated depreciation	<u>(16,512)</u>
Carrying value	<u>\$ 79,367</u>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 5 – LONG-TERM LIABILITIES – Continued***

The following schedule details the minimum lease payment requirements to maturity for the Town's capital lease payable at June 30, 2015:

Year Ending June 30	Governmental Activities
2016	\$ 15,266
2017	15,266
2018	15,266
2019	15,266
2020	5,089
Total minimum lease payments	66,152
Less amount representing interest	(5,566)
Present value of net minimum lease payments	\$ 60,586

***NOTE 6 – RISK MANAGEMENT***

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

***NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLE***

Net position as of July 1, 2014, has been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities
Net position as previously reported at June 30, 2014	\$ 2,377,583
Prior period adjustments-implementation of GASB 68:	
Net pension liability (measurement date as of June 30, 2013)	(140,763)
Deferred outflows-Town contributions made during fiscal year 2014	26,306
Total prior period adjustment	(114,457)
Net position, as restated, July 1, 2014	\$ 2,263,126

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at [www.psprs.com](http://www.psprs.com).

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

	<u>Initial Membership Date:</u>	
	<u>Before</u>	<u>On or after</u>
<b>Retirement and Disability</b>	<b>January 1, 2012</b>	<b>January 1, 2012</b>
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% if accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**Employees Covered by Benefit Terms** – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

	<b>PSPRS Police</b>
Inactive employees or beneficiaries currently receiving benefits	10
Active employees	4
Total	14

**Contributions and Annual OPEB Cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<b>PSPRS Police</b>
Active Members - Pension	11.05%
Town	
Pension	13.54%
Health insurance premium benefit	1.06%

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	<b>PSPRS Police</b>
Contributions Made	\$ 27,687
<b>Health Insurance Premium Benefit</b>	
Annual OPEB cost	1,659
Contributions made	1,659

During fiscal year 2015, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Net Pension Liability (Asset)** – At June 30, 2015, the Town reported the following net pension liability:

	Net Pension Liability (Asset)
PSPRS Police	\$ 270,835

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

**Pension Discount Rates** – The PSPRS Police uses a discount rate of 7.85% to measure the total pension liabilities.

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

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 415,839	\$ 275,076	\$ 140,763
Changes for the year			
Service Cost	25,131	-	25,131
Interest on the total pension liability	32,932	-	32,932
Changes of benefit terms	28,199	-	28,199
Differences between expected and actual experience in the measurement of the pension liability	(31,725)	-	(31,725)
Changes of assumptions or other inputs	154,368	-	154,368
Contributions-employer	-	26,306	(26,306)
Contributions-employee	-	15,758	(15,758)
Net investment income	-	39,865	(39,865)
Benefit payments, including refunds of employee contributions	(17,777)	(17,777)	-
Other changes	-	(3,096)	3,096
Net changes	191,128	61,056	130,072
Balances at June 30, 2015	\$ 606,967	\$ 336,132	\$ 270,835

**Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate** – The following table presents the Town’s net pension liabilities calculated using the discount rates noted above, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 363,828	\$ 270,835	\$ 197,152

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

**Pension Expense** – For the year ended June 30, 2015, the Town recognized the pension expense of \$88,484.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Pension Deferred Outflows/Inflows of Resources** – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 21,030
Changes of assumptions or other inputs	102,329	-
Net difference between projected and actual earnings on pension plan investments	-	13,145
Town contributions subsequent to the measurement date	15,235	-
<b>Total</b>	<b>\$ 117,564</b>	<b>\$ 34,175</b>

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>PSPRS Police</b>
Year ended June 30,	
2016	\$ 38,058
2017	36,669
2018	(3,286)
2019	(3,287)
2020	-
Thereafter	-

**Agent Plan OPEB Actuarial Assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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



**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

**PSPRS - OPEB Contribution Requirements**

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

**Agent Plan OPEB Trend Information** – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 1,659	100%	\$ -
2014	2,295	100%	-
2013	3,375	100%	-

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Agent Plan OPEB Funded Status** - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

	<b>PSPRS Police</b>	
Actuarial value of assets (a)	\$	34,630
Actuarial accrued liability (b)	\$	-
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	(34,630)
Funded ratio (a)/(b)		0.00%
Annual covered payroll (c)	\$	-
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)		0.00%

The actuarial methods and assumptions for the most recent valuation date are as follows:

**PSPRS - OPEB Funded Status**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

**ICMA Pension Plan** - The Town's full-time employees participate in a defined contribution plan for which the Town contributes seven percent of participating eligible employee's annual covered payroll. Contributions made by the Town vest with the employee at 20% after three years of full-time employment with 100% vesting after six years of full-time employment.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 9 – INTERFUND BALANCES AND ACTIVITY***

Interfund balances at June 30, 2015, were as follows:

Payable from	Payable to			Total
	HURF/Road Tax Fund	Sewer Fund	Sanitation Fund	
General Fund	\$ 987,978	\$ -	\$ -	\$ 987,978
Water Fund	217,037	43,121	45,453	305,611
Cemetery Fund	-	249,318	-	249,318
	<u>\$ 1,205,015</u>	<u>\$ 292,439</u>	<u>\$ 45,453</u>	<u>\$ 1,542,907</u>

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

*Transfers* – During the year ended June 30, 2015, the Town transferred \$2,653 from the General Fund to the Grants Fund to cover unreimbursed grant expenditures.

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Property taxes	\$ 52,854	\$ 52,854	\$ 50,695	\$ (2,159)
Sales taxes	90,000	90,000	100,056	10,056
Franchise taxes	5,000	5,000	7,680	2,680
Intergovernmental	376,745	376,745	390,861	14,116
Fines and forfeitures	73,000	73,000	47,998	(25,002)
Rental income	17,000	17,000	28,605	11,605
Other revenue	75,000	75,000	15,207	(59,793)
Investment income	-	-	773	773
Charges for services	5,500	5,500	5,937	437
Licenses and permits	5,500	5,500	3,398	(2,102)
Contributions	82,500	82,500	8,308	(74,192)
<b>Total revenue</b>	<u>783,099</u>	<u>783,099</u>	<u>659,518</u>	<u>(123,581)</u>
<b>Expenditures</b>				
Current				
General government	265,884	265,884	123,710	142,174
Public safety	517,215	517,215	424,541	92,674
Culture and recreation	-	-	117,683	(117,683)
Debt service				
Principal	-	-	8,904	(8,904)
Interest	-	-	3,695	(3,695)
<b>Total expenditures</b>	<u>783,099</u>	<u>783,099</u>	<u>678,533</u>	<u>104,566</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(19,015)</u>	<u>(19,015)</u>
<b>Other financing sources (uses):</b>				
Transfer out	<u>-</u>	<u>-</u>	<u>(2,653)</u>	<u>(2,653)</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(2,653)</u>	<u>(2,653)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>(21,668)</u>	<u>(21,668)</u>
Fund balance, beginning of year	<u>(1,114,097)</u>	<u>(1,114,097)</u>	<u>(1,114,097)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ (1,114,097)</u></u>	<u><u>\$ (1,114,097)</u></u>	<u><u>\$ (1,135,765)</u></u>	<u><u>\$ (21,668)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF/Road Tax Fund**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Intergovernmental	\$ 153,550	\$ 153,550	163,225	\$ 9,675
Other revenue	50,000	50,000	-	(50,000)
<b>Total revenue</b>	<u>203,550</u>	<u>203,550</u>	<u>163,225</u>	<u>(40,325)</u>
<b>Expenditures</b>				
Current				
Highways and streets	203,550	203,550	223,727	(20,177)
Debt service				
Principal	-	-	13,099	(13,099)
Interest	-	-	2,088	(2,088)
Capital outlay	-	-	4,000	(4,000)
<b>Total expenditures</b>	<u>203,550</u>	<u>203,550</u>	<u>242,914</u>	<u>(39,364)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(79,689)</u>	<u>(79,689)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>(79,689)</u>	<u>(79,689)</u>
Fund balance, beginning of year	<u>1,362,043</u>	<u>1,362,043</u>	<u>1,362,043</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,362,043</u>	<u>\$ 1,362,043</u>	<u>\$ 1,282,354</u>	<u>\$ (79,689)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Intergovernmental	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 10,611</u>	<u>\$ (489,389)</u>
<b>Expenditures</b>				
Current				
Culture and recreation	<u>500,000</u>	<u>500,000</u>	<u>13,264</u>	<u>486,736</u>
<b>Total expenditures</b>	<u>500,000</u>	<u>500,000</u>	<u>13,264</u>	<u>(2,653)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(2,653)</u>	<u>(2,653)</u>
<b>Other financing sources (uses):</b>				
Transfer in	<u>-</u>	<u>-</u>	<u>2,653</u>	<u>2,653</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>2,653</u>	<u>2,653</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2015**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

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

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval. With the exception of the General Fund, each fund includes only one department.

The Town has exceeded appropriations in various departments in the General Fund and HURF/Road Tax Fund for the year ended June 30, 2015.

***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 Changes in the Town's**  
**Net Pension Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2015**

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total pension liability		Information not available
Service cost	\$ 25,131	
Interest on the total pension liability	32,932	
Changes of benefit terms	28,199	
Differences between expected and actual experience in the measurement of the pension liability	(31,725)	
Changes of assumptions or other inputs	154,368	
Benefit payments, including refunds of employee contributions	(17,777)	
Net change in total pension liability	191,128	
Total pension liability - beginning	415,839	
Total pension liability - ending (a)	<u>\$ 606,967</u>	
Plan fiduciary net position		
Contributions - employer	\$ 26,306	
Contributions - employee	15,758	
Net investment income	39,865	
Benefit payments, including refunds of employee contributions	(17,777)	
Other changes	(3,096)	
Net change in plan fiduciary net position	61,056	
Plan fiduciary net position - beginning	275,076	
Plan fiduciary net position - ending (b)	<u>\$ 336,132</u>	
Town's net pension liability (asset) - ending (a) - (b)	270,835	
Plan fiduciary net position as a percentage of the total pension liability	55.38%	
Covered-employee payroll	165,425	
Town's net pension liability (asset) as a percentage of covered-employee payroll	163.72%	



**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension Contributions**  
**June 30, 2015**

	<u>Reporting Fiscal Year</u>		<u>2013 through 2006</u>
	<u>2015</u>	<u>2014</u>	
Actuarially determined contribution	\$ 15,235	\$ 26,306	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(15,235)</u>	<u>(26,306)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ -	\$ 165,425	
Town's contributions as a percentage of covered-employee payroll	0.00%	15.90%	

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2015**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

Actuarial determined contribution rates for PSPRS are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
<u>Actuarial assumptions:</u>	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%
Wage growth	In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2015**

**Health Insurance Premium Benefit - PSPRS**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
06/30/15	\$ 34,630	\$ -	\$ (34,630)	0.00 %	\$ -	0.00 %
06/30/14	31,970	11,568	(20,402)	276.37	165,424	0.00
06/30/13	-	11,685	11,685	0.0	143,296	8.15

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Notes to Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2015**

***NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS***

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.



COLBY &  
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council  
Town of Mammoth, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements and, which collectively comprise the Town of Mammoth, Arizona's basic financial statements and have issued our report thereon dated March 8, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Mammoth, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mammoth, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Mammoth, Arizona's internal control.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of finding and responses **2015-001, 2015-002, 2015-003, and 2015-004** to be material weaknesses.

## **Compliance and Other Matters**

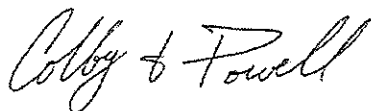
As part of obtaining reasonable assurance about whether the Town of Mammoth, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items **2015-005** and **2015-006**.

## **The Town of Mammoth, Arizona's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



March 8, 2017

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2015**

Audit findings and responses are as follows:

**Financial Statement Findings**

**Item: 2015-001**

*Subject:* Cemetery lot sales.

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

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

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

**Item: 2015-002**

*Subject:* Formal written accounting policies and procedures.

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

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

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

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2015**

**Financial Statement Findings – Continued**

**Item: 2015-003**

*Subject:* Bank reconciliations

*Condition:* During our audit it was noted that cash bank reconciliations were not prepared on a timely basis.

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

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

**Item: 2015-004**

*Subject:* Utility billing adjustments.

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

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

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

**Item: 2015-005**

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

*Condition:* HURF and Half-Cent Road Tax revenue is required to be spent solely for highway and street related purposes. As of June 30, 2015, the Town had borrowed monies of HURF and Half-Cent Road Tax revenue to fund operations of other funds.

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

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



**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2015**

**Financial Statement Findings – *Continued***

**Item: 2015-006**

*Subject:* Control of Expenditures.

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

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

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