

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Mammoth, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Mammoth, Arizona's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of the Town of Mammoth, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, the Budgetary Comparison Schedules on pages 29 through 32, and the Schedule of Agent Retirement Plans' Funding Progress on page 33 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 21, 2008

TOWN OF MAMMOTH, ARIZONA
Management's Discussion and Analysis
June 30, 2008

This segment is a discussion and analysis of the financial reports for the Town of Mammoth for the fiscal year ended June 30, 2008. The analysis focuses on the year's activities and operations and comparisons will be made with the prior year. The MD&A should be read in conjunction with the Independent Auditor's Report and corresponding financial statements.

Report Layout

This report contains the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and supplementary information.

The first several statements present a brief government-wide view of the Town's finances and operations. Town operations are categorized as governmental or business-type activities. Governmental activities include basic services such as public safety, culture and recreation, community services, streets and general government administration. Business-type activities consist of water, sewer, sanitation, and cemetery operations. The government-wide statements include the Statement of Net Assets and Statement of Activities.

Statement of Net Assets

The Statement of Net Assets presents the unrestricted assets of governmental and business-type activities. Governmental activities and business-type activities reflect capital assets including infrastructure and long-term liabilities.

Net assets, the difference between assets and liabilities, provide a measure of the Town's financial position. Over time, changes in net assets can be an indicator of whether the financial status is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's privilege tax or the condition of the roads, parks, libraries, and other infrastructure to accurately assess the overall financial status of the Town.

Statement of Activities

The Statement of Activities presents program costs and matches resources with each. To the extent that direct charges and grants do not recover a program's cost, it is paid from general taxes and other resources. The statement simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the government-wide statements is a section containing fund financial statements. These statements reinforce information in the government-wide financial statements or provide additional information. The Town's major funds are presented. For the general fund and each major special revenue fund, a budgetary comparison is presented. Finally, the report provides a series of other financial and statistical tables.

TOWN OF MAMMOTH, ARIZONA
Management's Discussion and Analysis
June 30, 2008

Town Financial Overview

Table 1 is a condensed version of net assets for the years ended June 30, 2008, and June 30, 2007.

Table 1
Net Assets at Year End

	June 30, 2008			June 30, 2007		
	Governmental Activities	Business-type Activities	Total Government	Government Activities	Business-type Activities	Total Government
Cash and receivables	\$ 1,212,200	\$ 327,502	\$ 1,539,702	\$ 854,050	\$ 422,718	\$ 1,276,768
Other assets	47,106	-	47,106	71,000	-	71,000
Capital assets	2,379,098	134,345	2,513,443	2,602,708	119,704	2,722,412
Total assets	3,638,404	461,847	4,100,251	3,527,758	542,422	4,070,180
Other liabilities	58,670	48,976	107,646	62,435	51,897	114,332
Noncurrent liabilities	41,837	9,866	51,703	47,325	8,922	56,247
Total liabilities	100,507	58,842	159,349	109,760	60,819	170,579
Net assets						
Invested in capital assets, net of debt	2,371,206	134,345	2,505,551	2,593,213	119,704	2,712,917
Unrestricted	1,166,691	268,660	1,435,351	824,785	361,899	1,186,684
Total net assets	\$ 3,537,897	\$ 403,005	\$ 3,940,902	\$ 3,417,998	\$ 481,603	\$ 3,899,601

Statement of Net Assets at June 30, 2008

The Town's overall financial position has improved during the year as reflected in the increase in net assets above. Net assets increased by 1% to a total of \$3,940,902. The primary reason for the increase in the Town's net assets was due to the increase in the Town's cash and receivables from \$1,276,768 as of June 30, 2007, to \$1,539,702 as of June 30, 2008. The increase in the Town's cash and receivables was substantially due to the positive net result of the governmental activities for the year ended June 30, 2008. Additionally, the unrestricted net assets of the combined governmental and business-type activities increased by 21% to a total of \$1,435,351. This provides a useful measure of the Town's net assets at the end of the fiscal year.

Statement of Activities for the Year Ended June 30, 2008

A summary of the governmental and business-type activities for the years ended June 30, 2008, and June 30, 2007, is included in Table 2.

TOWN OF MAMMOTH, ARIZONA
Management's Discussion and Analysis
June 30, 2008

Table 2
Governmental and Business-type Activities
For the fiscal years ending June 30, 2008, and June 30, 2007

	Fiscal Year 2008		Fiscal Year 2007	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenue				
Program revenue				
Charges for services and other	\$ 53,437	\$ 422,870	\$ 49,034	\$ 438,868
Grants and contributions	437,082	74,646	669,151	35,495
Total program revenue	490,519	497,516	718,185	474,363
General revenue				
Taxes	137,049	-	126,670	-
Intergovernmental	529,206	-	477,798	-
Investment earnings	20,441	8,237	24,113	11,204
Other	27,647	-	32,037	-
Total general revenue	714,343	8,237	660,618	11,204
Total revenue	1,204,862	505,753	1,378,803	485,567
Expenses				
General government	280,588	-	288,188	-
Culture and recreation	143,845	-	122,314	-
Public safety	560,722	-	575,546	-
Highways and streets	164,808	-	184,993	-
Water, sewer, cemetery and sanitation	-	519,351	-	445,575
Total expenses	1,149,963	519,351	1,171,041	445,575
Transfers in (out)	65,000	(65,000)	-	-
Change in net assets	119,899	(78,598)	207,762	39,992
Beginning net assets	3,417,998	481,603	3,210,236	441,611
Ending net assets	\$ 3,537,897	\$ 403,005	\$ 3,417,998	\$ 481,603

Governmental Activities

The cost of all governmental activities this year was \$1,149,963 as opposed to \$1,171,041 in FY07. Of this cost, \$53,437 was paid for by those who directly benefited from or contributed to the programs, which was greater than the amount of \$49,034 in FY07; \$437,082 was subsidized by grants received from other governmental organizations for both capital and operating

TOWN OF MAMMOTH, ARIZONA
Management's Discussion and Analysis
June 30, 2008

activities; \$137,049 was financed through general Town taxes. In FY07, \$669,151 was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$126,670 was financed through general Town taxes.

Program and general revenue for governmental activities for fiscal year ended June 30, 2008 totaled \$1,204,862 opposed to \$1,378,803 in FY07. Thus, the Town experienced a \$173,941 decrease in program and general revenue for governmental activities compared to last fiscal year.

The Town's governmental functions include: general government, public safety, highways and streets, and culture and recreation. Each function's net cost, (total cost less revenues generated by the activities) is presented below. This table reflects the extent to which the Town's general revenues support each of the governmental functions.

Table 3
Governmental Activities for the Fiscal Years Ending June 30, 2008, and June 30, 2007

	Fiscal Year 2008		Fiscal Year 2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 280,588	\$ (263,933)	\$ 288,188	\$ (270,042)
Public Safety	560,722	(457,040)	575,546	(542,299)
Highways and streets	164,808	204,219	184,993	186,731
Culture and recreation	143,845	(142,690)	122,314	172,754
Total	\$ 1,149,963	\$ (659,444)	\$ 1,171,041	\$ (452,856)

Business-type Activities

The Town's business-type activities include: water, sewer, sanitation, and cemetery. The programs' net cost (total cost, less revenues generated by the activities) is presented below. The net cost reflects the extent to which the Town's general revenues support each of the Town's business-type activities.

Table 4
Business-type Activities

	Fiscal Year 2008		Fiscal Year 2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Water	\$ 184,457	\$ 28,423	\$ 154,506	\$ 66,463
Sewer	190,088	(22,201)	133,733	(2,465)
Sanitation	103,914	(4,704)	100,712	218
Cemetery	40,892	(23,353)	56,624	(35,428)
Total	\$ 519,351	\$ (21,835)	\$ 445,575	\$ 28,788

TOWN OF MAMMOTH, ARIZONA
Management's Discussion and Analysis
June 30, 2008

The cost of providing all business-type activities this year was \$519,351 which was higher than the \$445,575 for FY07. Water revenues decreased to \$191,005 from \$220,969 for FY 07. Cost of services for water increased by \$29,951 from \$154,506 in FY07 to \$184,457 in FY08. Expenses for sewer services increased from \$133,733 in FY07 to \$190,088 in FY08. The Town earned \$115,116 in charges for services for sewer. The cost to contract sanitation services increased to \$103,914 from \$100,712 in FY07. However, \$99,210 was received in revenue this fiscal year for sanitation. Total costs for services for cemetery equaled \$40,892 but it only earned \$17,539 in revenues. Consistently, the Cemetery Fund ends in a deficit.

2007-2008

The Town relies heavily on its business-type activities (enterprises) to not only be self-sustaining but also to generate revenue to cover the expenses of the general fund. With the increase in costs to run the programs, operational expenses will be closely watched and evaluated to determine cost effectiveness. At year end, the general fund consistently ends with a deficit and relies on inter-fund transfers to cover its expenses.

The Town of Mammoth continues to proceed with its contract with Fairfield Homes to provide water and sewer to the Cielo development. The annexation was completed and recorded in January 2008. Fairfield Homes has gone forward with the plat design for the annexation.

The CDBG fund for the pool renovation is at its last phase and construction on the pool should begin in early November. The renovation for the Community Food Bank should also begin in December 2008.

Economic development has been heavily emphasized over the past year. The Town continues to work closely with the Copper Corridor Economic Development Coalition (CCEDC), a coalition committed to promoting economic development in the area. The Town is presently working on a grant to continue exploring the potential benefits.

Last year, the Council moved to implement the penalty fees on late accounts which has brought revenue to the Town of approximately \$2,200 per month or \$26,400 per year.

Despite the effort to find new sources of revenue, the Town must re-evaluate fees for its business-type activities as well the expenses of its governmental activities. The Town has realized the strength in partnering and regionalization to promote economic development throughout the area.

Financial Contacts

The financial statements are designed to provide citizens, taxpayers, investors, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report please contact the Town Clerk at Mammoth Town Hall, 125 N. Clark Street, P.O. Box 130, Mammoth, AZ 85618.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Assets
June 30, 2008

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 1,183,533	\$ 236,646	\$ 1,420,179
Accounts receivable - net	13,565	53,985	67,550
Taxes receivable	13,060	-	13,060
Interest receivable	2,042	817	2,859
Contract receivable	-	36,054	36,054
Due from other governments	47,106	-	47,106
Capital assets, not being depreciated	184,718	33,470	218,188
Capital assets, being depreciated, net	2,194,380	100,875	2,295,255
Total assets	<u>3,638,404</u>	<u>461,847</u>	<u>4,100,251</u>
LIABILITIES			
Accounts payable	24,410	23,352	47,762
Accrued expenses	34,260	5,503	39,763
Refundable deposits	-	20,121	20,121
Noncurrent liabilities			
Due within one year	28,935	7,894	36,829
Due in more than one year	12,902	1,972	14,874
Total liabilities	<u>100,507</u>	<u>58,842</u>	<u>159,349</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,371,206	134,345	2,505,551
Unrestricted	1,166,691	268,660	1,435,351
Total net assets	<u>\$ 3,537,897</u>	<u>\$ 403,005</u>	<u>\$ 3,940,902</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2008

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 280,588	\$ 16,655	\$ -	\$ -	\$ (263,933)	\$ -	\$ (263,933)
Public safety	560,722	35,627	68,055	-	(457,040)	-	(457,040)
Highways and streets	164,808	-	363,205	5,822	204,219	-	204,219
Culture and recreation	143,845	1,155	-	-	(142,690)	-	(142,690)
Total governmental activities	<u>1,149,963</u>	<u>53,437</u>	<u>431,260</u>	<u>5,822</u>	<u>(659,444)</u>	<u>-</u>	<u>(659,444)</u>
Business-type activities							
Water	184,457	191,005	-	21,875	-	28,423	28,423
Sewer	190,088	115,116	52,771	-	-	(22,201)	(22,201)
Sanitation	103,914	99,210	-	-	-	(4,704)	(4,704)
Cemetery	40,892	17,539	-	-	-	(23,353)	(23,353)
Total business-type activities	<u>519,351</u>	<u>422,870</u>	<u>52,771</u>	<u>21,875</u>	<u>-</u>	<u>(21,835)</u>	<u>(21,835)</u>
Total primary government	<u>\$ 1,669,314</u>	<u>\$ 476,307</u>	<u>\$ 484,031</u>	<u>\$ 27,697</u>	<u>(659,444)</u>	<u>(21,835)</u>	<u>(681,279)</u>
General revenue:							
Taxes:							
Property taxes, levied for general purposes					56,708	-	56,708
Local sales taxes					73,762	-	73,762
Franchise tax					6,579	-	6,579
Share of state sales taxes					161,935	-	161,935
Share of county auto lieu taxes					119,305	-	119,305
State urban revenue sharing					247,966	-	247,966
Investment earnings, net					20,441	8,237	28,678
Miscellaneous					27,647	-	27,647
Transfers					65,000	(65,000)	-
Total general revenue					<u>779,343</u>	<u>(56,763)</u>	<u>722,580</u>
Change in net assets					119,899	(78,598)	41,301
Net assets, July 1, 2007					3,417,998	481,603	3,899,601
Net assets, June 30, 2008					<u>\$ 3,537,897</u>	<u>\$ 403,005</u>	<u>\$ 3,940,902</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash	\$ -	\$ 1,183,533	\$ -	\$ 1,183,533
Accounts receivable - net	13,565	-	-	13,565
Taxes receivable	13,060	-	-	13,060
Interest receivable	-	2,042	-	2,042
Due from other governments	18,594	28,512	-	47,106
Due from other funds	-	458,179	-	458,179
	-	458,179	-	458,179
Total assets	\$ 45,219	\$ 1,672,266	\$ -	\$ 1,717,485
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 22,901	\$ 1,455	\$ 54	\$ 24,410
Accrued expenses	30,597	3,663	-	34,260
Due to other funds	456,526	-	1,653	458,179
	456,526	-	1,653	458,179
Total liabilities	510,024	5,118	1,707	516,849
Fund balances				
Unreserved, reported in:				
General fund	(464,805)	-	-	(464,805)
Special revenue funds	-	1,667,148	(1,707)	1,665,441
	-	1,667,148	(1,707)	1,665,441
Total fund balances	(464,805)	1,667,148	(1,707)	1,200,636
Total liabilities and fund balances	\$ 45,219	\$ 1,672,266	\$ -	\$ 1,717,485

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, 2008

Fund balances--total governmental funds	\$ 1,200,636
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.	2,379,098
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	-
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(41,837)</u>
Net assets of governmental activities	<u><u>\$ 3,537,897</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, 2008

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
Revenue				
Taxes	\$ 139,321	\$ -	\$ -	\$ 139,321
Intergovernmental	597,819	363,205	5,822	966,846
Fines and forfeitures	36,224	-	-	36,224
Licenses and permits	3,775	-	-	3,775
Charges for services	12,880	-	-	12,880
Investment income	-	21,362	-	21,362
Other revenue	27,647	-	-	27,647
Total revenue	<u>817,666</u>	<u>384,567</u>	<u>5,822</u>	<u>1,208,055</u>
Expenditures				
Current				
General government	117,382	-	-	117,382
Public safety	541,607	-	657	542,264
Highways and streets	-	133,577	-	133,577
Culture and recreation	111,018	-	-	111,018
Debt service				
Principal	1,603	-	-	1,603
Interest	921	-	-	921
Capital outlay	25,997	-	-	25,997
Total expenditures	<u>798,528</u>	<u>133,577</u>	<u>657</u>	<u>932,762</u>
Excess (deficiency) of revenue over (under) expenditures	<u>19,138</u>	<u>250,990</u>	<u>5,165</u>	<u>275,293</u>
Other Financing Sources (Uses)				
Transfers in	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
Net change in fund balances	84,138	250,990	5,165	340,293
Fund balances, July 1, 2007	<u>(548,943)</u>	<u>1,416,158</u>	<u>(6,872)</u>	<u>860,343</u>
Fund balances, June 30, 2008	<u>\$ (464,805)</u>	<u>\$ 1,667,148</u>	<u>\$ (1,707)</u>	<u>\$ 1,200,636</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, 2008

Net change in fund balances--total governmental funds \$ 340,293

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	25,997	
Current year depreciation	<u>(248,974)</u>	
		(222,977)

In the Statement of Activities, only the gain/loss on the sale
of capital is reported whereas in the governmental funds,
the proceeds from the sale increase financial resources.
Thus, the change in net assets differ from the change in
fund balance by the book value of the capital assets sold.

Disposition of capital assets in the current year	(3,990)	
Disposition of related accumulated depreciation	<u>3,357</u>	
		(633)

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

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

Principal repaid		1,603
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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.

Increase in compensated absences payable	3,885	
Decrease in deferred property tax revenue	<u>(2,272)</u>	
		<u>1,613</u>

Change in net assets of governmental activities		<u><u>\$ 119,899</u></u>
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See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash	\$ 9,364	\$ 196,194	\$ 31,088	\$ -	\$ 236,646
Accounts receivable - net	9,147	25,452	4,878	14,508	53,985
Interest receivable	285	488	44	-	817
Contract receivable	36,054	-	-	-	36,054
Due from other funds	-	157,019	-	-	157,019
Total current assets	<u>54,850</u>	<u>379,153</u>	<u>36,010</u>	<u>14,508</u>	<u>484,521</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	99,809	-	-	-	99,809
Equipment, net	431	635	-	-	1,066
Capital assets, net	<u>108,076</u>	<u>21,526</u>	<u>-</u>	<u>4,743</u>	<u>134,345</u>
Total noncurrent assets	<u>108,076</u>	<u>21,526</u>	<u>-</u>	<u>4,743</u>	<u>134,345</u>
Total assets	<u>162,926</u>	<u>400,679</u>	<u>36,010</u>	<u>19,251</u>	<u>618,866</u>
LIABILITIES					
Current liabilities					
Accounts payable	13,473	1,740	8,119	20	23,352
Accrued expenses	2,716	1,927	-	860	5,503
Refundable deposits	20,121	-	-	-	20,121
Due to other funds	-	-	-	157,019	157,019
Compensated absences - current portion	3,908	2,810	-	1,176	7,894
Total current liabilities	<u>40,218</u>	<u>6,477</u>	<u>8,119</u>	<u>159,075</u>	<u>213,889</u>
Noncurrent liabilities					
Compensated absences - net of current portion	977	702	-	293	1,972
Total noncurrent liabilities	<u>977</u>	<u>702</u>	<u>-</u>	<u>293</u>	<u>1,972</u>
Total liabilities	<u>41,195</u>	<u>7,179</u>	<u>8,119</u>	<u>159,368</u>	<u>215,861</u>
Net assets					
Invested in capital assets, net of related debt	108,076	21,526	-	4,743	134,345
Unrestricted (deficit)	13,655	371,974	27,891	(144,860)	268,660
Total net assets	<u>\$ 121,731</u>	<u>\$ 393,500</u>	<u>\$ 27,891</u>	<u>\$ (140,117)</u>	<u>\$ 403,005</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, 2008

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Operating Revenue					
Charges for services(net of bad debt)	191,005	115,116	99,210	17,539	422,870
Total operating revenue	<u>191,005</u>	<u>115,116</u>	<u>99,210</u>	<u>17,539</u>	<u>422,870</u>
Operating expenses:					
Personnel	99,079	77,468	-	24,001	200,548
Insurance	17,039	4,731	3,981	9,640	35,391
Professional services	2,917	2,917	1,917	1,917	9,668
Utilities	3,105	14,818	-	240	18,163
Repairs and maintenance	34,256	83,642	-	328	118,226
Materials and supplies	9,707	2,049	532	3,785	16,073
Landfill fees	-	-	97,484	-	97,484
Depreciation	9,323	586	-	-	9,909
Other	9,031	3,877	-	981	13,889
Total operating expenses	<u>184,457</u>	<u>190,088</u>	<u>103,914</u>	<u>40,892</u>	<u>519,351</u>
Operating income (loss)	<u>6,548</u>	<u>(74,972)</u>	<u>(4,704)</u>	<u>(23,353)</u>	<u>(96,481)</u>
Nonoperating revenue (expenses)					
Investment income	2,946	4,847	444	-	8,237
Grants and contributions	-	52,771	-	-	52,771
Total nonoperating revenue (expenses)	<u>2,946</u>	<u>57,618</u>	<u>444</u>	<u>-</u>	<u>61,008</u>
Income (loss) before capital contributions and transfers	9,494	(17,354)	(4,260)	(23,353)	(35,473)
Capital contribution	21,875	-	-	-	21,875
Transfers in (out)	<u>(30,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>
Increase (decrease) in net assets	1,369	(52,354)	(4,260)	(23,353)	(78,598)
Total net assets, July 1, 2007	<u>120,362</u>	<u>445,854</u>	<u>32,151</u>	<u>(116,764)</u>	<u>481,603</u>
Total net assets, June 30, 2008	<u>\$ 121,731</u>	<u>\$ 393,500</u>	<u>\$ 27,891</u>	<u>\$ (140,117)</u>	<u>\$ 403,005</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Cash flows from operating activities:					
Receipts from customers	\$ 194,985	\$ 132,244	\$ 101,590	\$ 17,539	\$ 446,358
Payments to suppliers and providers of goods and services	(78,468)	(130,640)	(105,571)	(16,891)	(331,570)
Payments to employees	(100,263)	(77,426)	-	(23,961)	(201,650)
Net cash provided by (used by) operating activities	<u>16,254</u>	<u>(75,822)</u>	<u>(3,981)</u>	<u>(23,313)</u>	<u>(86,862)</u>
Cash flows from noncapital financing activities:					
Non-capital grants and contributions	-	52,771	-	-	52,771
Transfers to other funds	(30,000)	(35,000)	-	-	(65,000)
Repayments of interfund loans	-	(20,159)	-	-	(20,159)
Advances from other funds	-	-	-	23,313	23,313
Net cash provided by (used by) noncapital financing activities	<u>(30,000)</u>	<u>(2,388)</u>	<u>-</u>	<u>23,313</u>	<u>(9,075)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(24,550)	-	-	-	(24,550)
Capital contributions received	21,875	-	-	-	21,875
Net cash provided by (used by) capital and related financing activities	<u>(2,675)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,675)</u>
Cash flows from investing activities:					
Interest received on investments	3,288	5,633	509	-	9,430
Net cash provided by (used by) investing activities	<u>3,288</u>	<u>5,633</u>	<u>509</u>	<u>-</u>	<u>9,430</u>
Net increase (decrease) in cash and cash equivalents	(13,133)	(72,577)	(3,472)	-	(89,182)
Cash and cash equivalents, July 1, 2007	<u>22,497</u>	<u>268,771</u>	<u>34,560</u>	<u>-</u>	<u>325,828</u>
Cash and cash equivalents, June 30, 2008	<u>\$ 9,364</u>	<u>\$ 196,194</u>	<u>\$ 31,088</u>	<u>\$ -</u>	<u>\$ 236,646</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008
(Continued)

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:					
Operating income (loss)	\$ 6,548	\$ (74,972)	\$ (4,704)	\$ (23,353)	\$ (96,481)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Depreciation	9,323	586	-	-	9,909
Bad debt	1,564	16,993	1,951	-	20,508
(Increase) decrease in assets:					
Accounts receivable	(441)	(16,858)	(1,522)	-	(18,821)
Increase (decrease) in liabilities:					
Accounts payable	(849)	(1,613)	294	-	(2,168)
Accrued expenses	(1,367)	(289)	-	(390)	(2,046)
Refundable deposits	1,293	-	-	-	1,293
Compensated absences payable	183	331	-	430	944
Net cash provided by (used by) operating activities	<u>\$ 16,254</u>	<u>\$ (75,822)</u>	<u>\$ (3,981)</u>	<u>\$ (23,313)</u>	<u>\$ (86,862)</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Mammoth, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

The Town reports the following major governmental funds:

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

The ***HURF/LTAF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and Local Transportation Assistance Fund that is legally restricted to expenditures for specified purposes.

The ***Grants fund*** accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor. The Town's grants include a Community Development Block Grant (CDBG), an Arizona Office of Tourism Grant, and some public safety grants.

The Town reports the following major enterprise funds:

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Basis of Accounting

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

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

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

D. Cash and Investments

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

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

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2008, is \$128,461.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Property Tax Calendar

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

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

G. Capital Assets

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

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

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Investment Income

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

I. Compensated Absences

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

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit fund balances or net assets—At June 30, 2008, the following funds reported deficits in fund balances or net assets.

Fund	Deficit
Governmental funds:	
General fund	\$ 464,805
Grants fund	1,707
Proprietary funds:	
Cemetery fund	\$ 140,117

The governmental deficit fund balance listed above is expected to be recovered through transfers from other funds. The deficit of net assets in the Cemetery fund resulted from cumulative operations of the fund since inception.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 3 – 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, 2008, the carrying amount of the Town’s total nonpooled cash in bank was \$692,138, and the bank balance was \$628,166. Of the bank balance, \$100,000 was covered by federal depository insurance or by collateral held by the Town or its agent in the Town’s name. The remaining bank balance was covered by collateral held by the pledging financial institution’s trust department or agent in the Town’s name.

Investments—At June 30, 2008, the investments consisted of the following.

	Reported Amount	Fair Value
Investment in State Treasurer's investment pool	\$ 728,880	\$ 728,880

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. All other investments were insured or registered in the Town’s name, or were held by the Town or its agent in the Town’s name.

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2008, included \$13,904 in state-shared revenue from highway user revenue fund (HURF) taxes, \$13,356 in state-shared revenue from sales taxes, \$5,237 in state-shared revenue from auto lieu taxes, and \$14,609 in county-shared revenue from county road taxes.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 184,718	\$ -	\$ -	\$ 184,718
Total capital assets not being depreciated	<u>184,718</u>	<u>-</u>	<u>-</u>	<u>184,718</u>
Capital assets being depreciated:				
Buildings	349,091	-	-	349,091
Equipment	828,082	25,997	3,990	850,089
Infrastructure	4,355,645	-	-	4,355,645
Total	<u>5,532,818</u>	<u>25,997</u>	<u>3,990</u>	<u>5,554,825</u>
Less accumulated depreciation for:				
Buildings	78,458	9,051	-	87,509
Equipment	403,904	60,490	3,357	461,037
Infrastructure	2,632,466	179,433	-	2,811,899
Total	<u>3,114,828</u>	<u>248,974</u>	<u>3,357</u>	<u>3,360,445</u>
Total capital assets being depreciated, net	<u>2,417,990</u>	<u>(222,977)</u>	<u>633</u>	<u>2,194,380</u>
Governmental activities capital assets, net	<u>\$ 2,602,708</u>	<u>\$ (222,977)</u>	<u>\$ 633</u>	<u>\$ 2,379,098</u>
	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	65,808	-	65,808	-
Total capital assets not being depreciated	<u>99,278</u>	<u>-</u>	<u>65,808</u>	<u>33,470</u>
Capital assets being depreciated:				
Buildings	65,243	-	-	65,243
Utility systems	1,379,678	90,358	-	1,470,036
Equipment	190,766	-	-	190,766
Total	<u>1,635,687</u>	<u>90,358</u>	<u>-</u>	<u>1,726,045</u>
Less accumulated depreciation for:				
Buildings	65,243	-	-	65,243
Utility systems	1,360,904	9,323	-	1,370,227
Equipment	189,114	586	-	189,700
Total	<u>1,615,261</u>	<u>9,909</u>	<u>-</u>	<u>1,625,170</u>
Total capital assets being depreciated, net	<u>20,426</u>	<u>80,449</u>	<u>-</u>	<u>100,875</u>
Business-type activities capital assets, net	<u>\$ 119,704</u>	<u>\$ 80,449</u>	<u>\$ 65,808</u>	<u>\$ 134,345</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 5 – CAPITAL ASSETS - Continued

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	163,452
Public safety		20,614
Highways and streets		31,461
Culture and recreation		<u>33,447</u>
Total governmental activities depreciation expense	\$	<u><u>248,974</u></u>
Business-type activities:		
Water	\$	9,323
Sewer		<u>586</u>
Total business-type activities depreciation expense	\$	<u><u>9,909</u></u>

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2008.

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
Governmental activities:					
Compensated absences	\$ 37,830	\$ -	\$ 3,885	\$ 33,945	\$ 27,156
Capital lease payable	9,495	-	1,603	7,892	1,779
	<u>\$ 47,325</u>	<u>\$ -</u>	<u>\$ 5,488</u>	<u>\$ 41,837</u>	<u>\$ 28,935</u>
Business-type activities:					
Compensated absences	<u>\$ 8,922</u>	<u>\$ 944</u>	<u>\$ -</u>	<u>\$ 9,866</u>	<u>\$ 7,894</u>

Capital leases—The Town has acquired a copier under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because the present value of the minimum lease payments at the lease inception was greater than 75% of the fair market value of the copier. The Town acquired a copy machine under a capital lease totaling \$9,870. As of June 30, 2008 accumulated depreciation on the copy machine totaled \$2,632 and the carrying value totaled \$7,238.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 6 – LONG-TERM LIABILITIES - Continued

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2008:

Year Ending June 30	Governmental Activities
2009	\$ 2,524
2010	2,524
2011	2,524
2012	2,037
Total minimum lease payments	9,609
Less amount representing interest	(1,717)
Present value of net minimum lease payments	\$ 7,892

NOTE 7 – 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, 2008

NOTE 8 – 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, 2008, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 12.56 percent.

Annual Pension Cost—The Town's pension cost for the agent plan for the year ended June 30, 2008, and related information follows.

	PSPRS
Contribution rates:	
Town	12.56%
Plan members	7.65%
Annual pension cost	\$ 20,836
Contributions made	\$ 20,836

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2008

NOTE 8 – RETIREMENT PLANS – Continued

The current-year annual required contributions for the PSPRS were determined as part of its June 30, 2007, actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 9.00 percent per year. Both (a) and (b) included an inflation component of 5.50 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007, was 29 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	2008	\$ 20,836	100 %	\$ -
	2007	21,111	100	-
	2006	29,589	100	-

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables, payables and transfers balances at June 30, 2008, were as follows:

Payable from	Payable to		Total
	HURF/LTAF Fund	Sewer Fund	
General Fund	\$ 456,526	\$ -	\$ 456,526
Grants Fund	1,653	-	1,653
Cemetery Fund	-	157,019	157,019
	<u>\$ 458,179</u>	<u>\$ 157,019</u>	<u>\$ 615,198</u>

Transfers To	Transfers From		Total
	Water Fund	Sewer Fund	
General Fund	<u>\$ 30,000</u>	<u>\$ 35,000</u>	<u>\$ 65,000</u>

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

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Property taxes	\$ 68,865	\$ 68,865	\$ 58,980	\$ (9,885)
Sales taxes	100,000	100,000	73,762	(26,238)
Franchise taxes	10,500	10,500	6,579	(3,921)
Intergovernmental	530,000	530,000	597,819	67,819
Fines and forfeitures	35,500	35,500	36,224	724
Licenses and permits	4,800	4,800	3,775	(1,025)
Charges for services	31,600	31,600	12,880	(18,720)
Investment income	1,000	1,000	-	(1,000)
Other revenue	73,263	73,263	27,647	(45,616)
Total revenue	855,528	855,528	817,666	(37,862)
Expenditures				
Current				
General government	212,948	212,948	117,382	95,566
Public safety	593,732	593,732	541,607	52,125
Culture and recreation	113,848	113,848	111,018	2,830
Debt service				
Principal	-	-	1,603	(1,603)
Interest	-	-	921	(921)
Capital outlay	-	-	25,997	(25,997)
Total expenditures	920,528	920,528	798,528	122,000
Excess (deficiency) of revenue over (under) expenditures	(65,000)	(65,000)	19,138	84,138
Other financing sources (uses):				
Transfers in	65,000	65,000	65,000	-
Total other financing sources (uses)	65,000	65,000	65,000	-
Net change in fund balance	-	-	84,138	84,138
Fund balance, July 1, 2007	(548,943)	(548,943)	(548,943)	-
Fund balance, June 30, 2008	\$ (548,943)	\$ (548,943)	\$ (464,805)	\$ 84,138

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	240,689	240,689	363,205	122,516
Investment income	-	-	21,362	21,362
Other revenue	5,000	5,000	-	(5,000)
Total revenue	<u>245,689</u>	<u>245,689</u>	<u>384,567</u>	<u>138,878</u>
Expenditures				
Current				
Highways and streets	384,977	384,977	133,577	251,400
Total expenditures	<u>384,977</u>	<u>384,977</u>	<u>133,577</u>	<u>251,400</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(139,288)</u>	<u>(139,288)</u>	<u>250,990</u>	<u>390,278</u>
Net change in fund balance	(139,288)	(139,288)	250,990	390,278
Fund balance, July 1, 2007	<u>1,416,158</u>	<u>1,416,158</u>	<u>1,416,158</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ 1,276,870</u></u>	<u><u>\$ 1,276,870</u></u>	<u><u>\$ 1,667,148</u></u>	<u><u>\$ 390,278</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	298,000	298,000	5,822	(292,178)
Total revenue	298,000	298,000	5,822	(292,178)
Expenditures				
Current				
Public safety	571,709	571,709	657	571,052
Total expenditures	571,709	571,709	657	571,052
Excess (deficiency) of revenue over (under) expenditures	(273,709)	(273,709)	5,165	278,874
Net change in fund balance	(273,709)	(273,709)	5,165	278,874
Other financing sources (uses):				
Transfers in	273,709	273,709	-	(273,709)
Total other financing sources (uses)	273,709	273,709	-	(273,709)
Net change in fund balance	-	-	5,165	5,165
Fund balance, July 1, 2007	(6,872)	(6,872)	(6,872)	-
Fund balance, June 30, 2008	\$ (6,872)	\$ (6,872)	\$ (1,707)	\$ 5,165

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2008

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2008

Public Safety Personnel Retirement System

Actuarial Valuation Date June 30	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2007	\$ 219,413	\$ 287,155	\$ (67,742)	76.4%	\$ 154,036	44.0%
2006	220,872	288,893	(68,021)	76.5%	188,433	36.1%
2005	163,316	316,668	(153,352)	51.6%	178,367	86.0%



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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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2008, which collectively comprise the Town of Mammoth, Arizona's basic financial statements and have issued our report thereon dated November 21, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Town of Mammoth, Arizona's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote

likelihood that a misstatement of Town of Mammoth, Arizona's financial statements that is more than inconsequential will not be prevented or detected by Town of Mammoth, Arizona's internal control. We consider the deficiencies with reference numbers **07-01** and **07-02** described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Town of Mammoth, Arizona's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items **07-01** and **07-02** 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 a certain provisions of laws, regulations, contracts, and loan agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

November 21, 2008

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2008

Financial Statement Findings

Audit findings and responses are as follows:

Item: 07-01

Subject: Cemetery lot sales.

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

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

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

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

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

Item: 07-02

Subject: Internal controls over segregation of duties.

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

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

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2008

Cause and Effect: The Town is working with limited staff where better procedures could be applied to help reduce risks of fraud and error. Currently this lack of segregation of duties without the use of compensating controls could result in an error or misstatement of the financial statements that could occur and not be prevented or detected by the internal controls currently in place.

Recommendation: We recommend that management apply additional internal controls by: (1) Not having the person who prepares checks mail or disperse the payments to the appropriate individuals; (2) Have someone review all billing adjustments, journal entries, and bank reconciliations by those who does not participate in creation of the reports; and (3) Have a different person tie out cash drawers for those who accept payments and make adjustments to accounts.

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



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

To the Town Council
Town of Mammoth, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Mammoth as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 21, 2008.

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

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

November 21, 2008