

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2009

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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, 2009, 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, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the Town of Mammoth, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

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

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

The Budgetary Comparison Schedules on pages 24 through 27, and the Schedule of Agent Retirement Plans' Funding Progress on page 28 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.

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

December 18, 2009

TOWN OF MAMMOTH, ARIZONA
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,319,204	\$ 93,201	\$ 1,412,405
Restricted cash	-	20,292	20,292
Accounts receivable - net	13,565	49,952	63,517
Taxes receivable	26,724	-	26,724
Contract receivable	-	36,054	36,054
Due from other governments	190,223	-	190,223
Capital assets, not being depreciated	401,247	33,470	434,717
Capital assets, being depreciated, net	2,113,921	141,075	2,254,996
Total assets	4,064,884	374,044	4,438,928
LIABILITIES			
Accounts payable	174,752	4,560	179,312
Accrued expenses	35,782	1,448	37,230
Refundable deposits	-	20,292	20,292
Noncurrent liabilities			
Due within one year	29,131	7,894	37,025
Due in more than one year	10,927	1,972	12,899
Total liabilities	250,592	36,166	286,758
NET ASSETS			
Invested in capital assets, net of related debt	2,509,055	174,545	2,683,600
Unrestricted	1,305,237	163,333	1,468,570
Total net assets	\$ 3,814,292	\$ 337,878	\$ 4,152,170

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2009

Functions / Programs	Program Revenue			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities						
General government	\$ 330,292	\$ 17,525	\$ -	\$ (312,767)	\$ -	\$ (312,767)
Public safety	537,693	34,510	21,829	(339,087)	-	(339,087)
Highways and streets	215,908	-	305,476	123,237	-	123,237
Culture and recreation	125,660	5,457	20,000	116,326	-	116,326
Total governmental activities	<u>1,209,553</u>	<u>57,492</u>	<u>347,305</u>	<u>(412,291)</u>	<u>-</u>	<u>(412,291)</u>
Business-type activities						
Water	216,832	176,671	-	-	(40,161)	(40,161)
Sewer	105,161	113,563	-	-	8,402	8,402
Sanitation	105,835	94,925	-	-	(10,910)	(10,910)
Cemetery	48,944	24,976	-	-	(23,968)	(23,968)
Total business-type activities	<u>476,772</u>	<u>410,135</u>	<u>-</u>	<u>-</u>	<u>(66,637)</u>	<u>(66,637)</u>
Total primary government	<u>\$ 1,686,325</u>	<u>\$ 467,627</u>	<u>\$ 347,305</u>	<u>(412,291)</u>	<u>(66,637)</u>	<u>(478,928)</u>
General revenue:						
Taxes:						
Property taxes, levied for general purposes				51,614	-	51,614
Local sales taxes				93,613	-	93,613
Franchise tax				6,083	-	6,083
Share of state sales taxes				132,817	-	132,817
Share of county auto lieu taxes				115,335	-	115,335
State urban revenue sharing				264,102	-	264,102
Investment earnings, net				7,225	1,510	8,735
Miscellaneous				17,897	-	17,897
Transfers				-	-	-
Total general revenue				<u>688,686</u>	<u>1,510</u>	<u>690,196</u>
Change in net assets				<u>276,395</u>	<u>(65,127)</u>	<u>211,268</u>
Net assets, July 1, 2008				<u>3,537,897</u>	<u>403,005</u>	<u>3,940,902</u>
Net assets, June 30, 2009				<u>\$ 3,814,292</u>	<u>\$ 337,878</u>	<u>\$ 4,152,170</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,319,204	\$ -	\$ 1,319,204
Accounts receivable - net	13,565	-	-	13,565
Taxes receivable	26,724	-	-	26,724
Due from other governments	14,389	23,808	152,026	190,223
Due from other funds	-	455,915	-	455,915
	<u>-</u>	<u>455,915</u>	<u>-</u>	<u>455,915</u>
Total assets	<u>\$ 54,678</u>	<u>\$ 1,798,927</u>	<u>\$ 152,026</u>	<u>\$ 2,005,631</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,233	\$ 38,324	\$ 126,195	\$ 174,752
Accrued expenses	35,782	-	-	35,782
Deferred revenue	-	-	55,499	55,499
Due to other funds	441,886	-	14,029	455,915
	<u>441,886</u>	<u>-</u>	<u>14,029</u>	<u>455,915</u>
Total liabilities	<u>487,901</u>	<u>38,324</u>	<u>195,723</u>	<u>721,948</u>
Fund balances				
Unreserved, reported in:				
General fund	(433,223)	-	-	(433,223)
Special revenue funds	-	1,760,603	(43,697)	1,716,906
	<u>-</u>	<u>1,760,603</u>	<u>(43,697)</u>	<u>1,716,906</u>
Total fund balances	<u>(433,223)</u>	<u>1,760,603</u>	<u>(43,697)</u>	<u>1,283,683</u>
Total liabilities and fund balances	<u>\$ 54,678</u>	<u>\$ 1,798,927</u>	<u>\$ 152,026</u>	<u>\$ 2,005,631</u>

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, 2009

Fund balances--total governmental funds	\$ 1,283,683
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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.	2,515,168
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Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	55,499
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Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(40,058)</u>
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Net assets of governmental activities	<u><u>\$ 3,814,292</u></u>
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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, 2009

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
Revenue				
Taxes	\$ 151,310	\$ -	\$ -	\$ 151,310
Intergovernmental	512,284	303,706	236,529	1,052,519
Fines and forfeitures	19,842	-	-	19,842
Licenses and permits	3,630	-	-	3,630
Charges for services	174,987	-	-	174,987
Investment income	-	7,225	-	7,225
Other revenue	21,681	-	-	21,681
Total revenue	<u>883,734</u>	<u>310,931</u>	<u>236,529</u>	<u>1,431,194</u>
Expenditures				
Current				
General government	111,804	-	53,792	165,596
Public safety	510,443	-	-	510,443
Highways and streets	-	183,807	-	183,807
Culture and recreation	85,114	-	8,198	93,312
Debt service				
Principal	1,779	-	-	1,779
Interest	745	-	-	745
Capital outlay	142,267	33,669	216,529	392,465
Total expenditures	<u>852,152</u>	<u>217,476</u>	<u>278,519</u>	<u>1,348,147</u>
Net change in fund balances	31,582	93,455	(41,990)	83,047
Fund balances, July 1, 2008	<u>(464,805)</u>	<u>1,667,148</u>	<u>(1,707)</u>	<u>1,200,636</u>
Fund balances, June 30, 2009	<u>\$ (433,223)</u>	<u>\$ 1,760,603</u>	<u>\$ (43,697)</u>	<u>\$ 1,283,683</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, 2009

Net change in fund balances--total governmental funds \$ 83,047

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	392,465	
Current year depreciation	(256,395)	
	136,070	136,070

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.

Debt issued	-	
Principal repaid	1,779	
	1,779	1,779

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 deferred grant revenue	55,499	
	55,499	55,499

Change in net assets of governmental activities	\$ 276,395	
	276,395	\$ 276,395

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash and cash equivalents	\$ -	\$ 84,056	\$ 9,145	\$ -	\$ 93,201
Restricted cash	20,292	-	-	-	20,292
Accounts receivable - net	18,169	11,483	8,249	12,051	49,952
Contract receivable	36,054	-	-	-	36,054
Due from other funds	-	268,062	-	-	268,062
Total current assets	<u>74,515</u>	<u>363,601</u>	<u>17,394</u>	<u>12,051</u>	<u>467,561</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	94,574	-	-	-	94,574
Equipment, net	21,634	24,867	-	-	46,501
Capital assets, net	<u>124,044</u>	<u>45,758</u>	<u>-</u>	<u>4,743</u>	<u>174,545</u>
Total assets	<u>198,559</u>	<u>409,359</u>	<u>17,394</u>	<u>16,794</u>	<u>642,106</u>
LIABILITIES					
Current liabilities					
Accounts payable	1,652	2,512	376	20	4,560
Accrued expenses	1,448	-	-	-	1,448
Refundable deposits	20,292	-	-	-	20,292
Due to other funds	88,672	-	-	179,390	268,062
Compensated absences - current portion	3,908	2,810	-	1,176	7,894
Total current liabilities	<u>115,972</u>	<u>5,322</u>	<u>376</u>	<u>180,586</u>	<u>302,256</u>
Noncurrent liabilities					
Compensated absences - net of current portion	<u>977</u>	<u>702</u>	<u>-</u>	<u>293</u>	<u>1,972</u>
Total liabilities	<u>116,949</u>	<u>6,024</u>	<u>376</u>	<u>180,879</u>	<u>304,228</u>
Net assets					
Invested in capital assets, net of related debt	124,044	45,758	-	4,743	174,545
Unrestricted (deficit)	<u>(42,434)</u>	<u>357,577</u>	<u>17,018</u>	<u>(168,828)</u>	<u>163,333</u>
Total net assets	<u>\$ 81,610</u>	<u>\$ 403,335</u>	<u>\$ 17,018</u>	<u>\$ (164,085)</u>	<u>\$ 337,878</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, 2009

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
Operating revenue					
Charges for services (net of bad debts)	176,671	113,563	94,925	24,976	410,135
Total operating revenue	<u>176,671</u>	<u>113,563</u>	<u>94,925</u>	<u>24,976</u>	<u>410,135</u>
Operating expenses:					
Personnel	130,168	59,895	-	34,487	224,550
Landfill fees	-	-	98,565	-	98,565
Repairs and maintenance	36,095	10,256	-	2,736	49,087
Insurance	17,449	7,126	5,080	4,251	33,906
Materials and supplies	14,462	6,919	-	4,267	25,648
Utilities	3,713	15,401	-	240	19,354
Other	7,158	2,363	-	773	10,294
Professional services	2,190	2,190	2,190	2,190	8,760
Depreciation	5,597	1,011	-	-	6,608
Total operating expenses	<u>216,832</u>	<u>105,161</u>	<u>105,835</u>	<u>48,944</u>	<u>476,772</u>
Operating income (loss)	<u>(40,161)</u>	<u>8,402</u>	<u>(10,910)</u>	<u>(23,968)</u>	<u>(66,637)</u>
Nonoperating revenue (expenses)					
Investment income	40	1,433	37	-	1,510
Total nonoperating revenue (expenses)	<u>40</u>	<u>1,433</u>	<u>37</u>	<u>-</u>	<u>1,510</u>
Increase (decrease) in net assets	<u>(40,121)</u>	<u>9,835</u>	<u>(10,873)</u>	<u>(23,968)</u>	<u>(65,127)</u>
Total net assets, July 1, 2008	<u>121,731</u>	<u>393,500</u>	<u>27,891</u>	<u>(140,117)</u>	<u>403,005</u>
Total net assets, June 30, 2009	<u>\$ 81,610</u>	<u>\$ 403,335</u>	<u>\$ 17,018</u>	<u>\$ (164,085)</u>	<u>\$ 337,878</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 167,820	\$ 127,532	\$ 91,554	\$ 27,433	\$ 414,339
Payments to suppliers and providers of goods and services	(92,888)	(43,483)	(113,578)	(14,457)	(264,406)
Payments to employees	(131,436)	(61,822)	-	(35,347)	(228,605)
Net cash provided by (used by) operating activities	<u>(56,504)</u>	<u>22,227</u>	<u>(22,024)</u>	<u>(22,371)</u>	<u>(78,672)</u>
Cash flows from noncapital financing activities:					
Transfers to other funds	-	(111,043)	-	-	(111,043)
Advances from other funds	88,672	-	-	22,371	111,043
Net cash provided by (used by) noncapital financing activities	<u>88,672</u>	<u>(111,043)</u>	<u>-</u>	<u>22,371</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(21,565)	(25,243)	-	-	(46,808)
Net cash provided by (used by) capital and related financing activities	<u>(21,565)</u>	<u>(25,243)</u>	<u>-</u>	<u>-</u>	<u>(46,808)</u>
Cash flows from investing activities:					
Interest received on investments	325	1,921	81	-	2,327
Net cash provided by (used by) investing activities	<u>325</u>	<u>1,921</u>	<u>81</u>	<u>-</u>	<u>2,327</u>
Net increase (decrease) in cash and cash equivalents	10,928	(112,138)	(21,943)	-	(123,153)
Cash and cash equivalents, July 1, 2008	9,364	196,194	31,088	-	236,646
Cash and cash equivalents, June 30, 2009	<u>\$ 20,292</u>	<u>\$ 84,056</u>	<u>\$ 9,145</u>	<u>\$ -</u>	<u>\$ 113,493</u>
Cash	\$ -	\$ 84,056	\$ 9,145	\$ -	\$ 93,201
Cash - restricted	20,292	-	-	-	20,292
Cash and cash equivalents, June 30, 2009	<u>\$ 20,292</u>	<u>\$ 84,056</u>	<u>\$ 9,145</u>	<u>\$ -</u>	<u>\$ 113,493</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009
(Continued)

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:					
Operating income (loss)	\$ (40,161)	\$ 8,402	\$ (10,910)	\$ (23,968)	\$ (66,637)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
Depreciation	5,597	1,011	-	-	6,608
Bad debt	-	1,747	-	-	1,747
(Increase) decrease in:					
Accounts receivable	(9,022)	12,222	(3,371)	2,457	2,286
Increase (decrease) in:					
Accounts payable	(11,821)	772	(7,743)	-	(18,792)
Accrued expenses	(1,268)	(1,927)	-	(860)	(4,055)
Refundable deposits	171	-	-	-	171
Net cash provided by (used by) operating activities	<u>\$ (56,504)</u>	<u>\$ 22,227</u>	<u>\$ (22,024)</u>	<u>\$ (22,371)</u>	<u>\$ (78,672)</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Basis of Accounting

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

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

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

D. Cash and Investments

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

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

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2009, is \$5,000 for water, \$4,000 for sewer, and \$2,500 for sanitation.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Investment Income

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

I. Compensated Absences

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Deposits – At June 30, 2009, the carrying amount of the Town's total nonpooled cash in bank was \$703,413, and the bank balance was \$733,683. All of the Town's deposits were covered by federal depository insurance or by collateral held by the Town or its agent in the Town's name.

The Town reported investments in State Treasurer's investment pool with a reported amount of \$729,284. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Restricted deposits – Of the total deposits in bank, \$20,292 is restricted for refundable customer deposits in the Water Fund.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2009, included \$13,395 in state-shared revenue from highway user revenue fund (HURF) taxes, \$4,044 in state-shared revenue from sales taxes, \$10,345 in state-shared revenue from auto lieu taxes, \$10,413 in county-shared revenue from county road taxes, \$152,026 in state-reimbursed CDBG grants.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 184,718	\$ -	\$ -	\$ 184,718
Construction in progress	-	216,529	-	216,529
Total capital assets not being depreciated	<u>184,718</u>	<u>216,529</u>	<u>-</u>	<u>401,247</u>
Capital assets being depreciated:				
Buildings	349,091	-	-	349,091
Equipment	850,089	175,936	-	1,026,025
Infrastructure	4,355,645	-	-	4,355,645
Total	<u>5,554,825</u>	<u>175,936</u>	<u>-</u>	<u>5,730,761</u>
Less accumulated depreciation for:				
Buildings	87,509	9,052	-	96,561
Equipment	461,037	67,910	-	528,947
Infrastructure	2,811,899	179,433	-	2,991,332
Total	<u>3,360,445</u>	<u>256,395</u>	<u>-</u>	<u>3,616,840</u>
Total capital assets being depreciated, net	<u>2,194,380</u>	<u>(80,459)</u>	<u>-</u>	<u>2,113,921</u>
Governmental activities capital assets, net	<u>\$ 2,379,098</u>	<u>\$ 136,070</u>	<u>\$ -</u>	<u>\$ 2,515,168</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 4 – CAPITAL ASSETS - Continued

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>33,470</u>	<u>-</u>	<u>-</u>	<u>33,470</u>
Capital assets being depreciated:				
Buildings	65,243	-	-	65,243
Utility systems	1,470,036	-	-	1,470,036
Equipment	190,766	46,808	-	237,574
Total	<u>1,726,045</u>	<u>46,808</u>	<u>-</u>	<u>1,772,853</u>
Less accumulated depreciation for:				
Buildings	65,243	-	-	65,243
Utility systems	1,370,227	5,233	-	1,375,460
Equipment	189,700	1,375	-	191,075
Total	<u>1,625,170</u>	<u>6,608</u>	<u>-</u>	<u>1,631,778</u>
Total capital assets being depreciated, net	<u>100,875</u>	<u>40,200</u>	<u>-</u>	<u>141,075</u>
Business-type activities capital assets, net	<u><u>\$ 134,345</u></u>	<u><u>\$ 40,200</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 174,545</u></u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 164,696
Public safety	27,250
Highways and streets	32,101
Culture and recreation	32,348
	<hr/>
Total governmental activities depreciation expense	<u>\$ 256,395</u>
Business-type activities:	
Water	\$ 5,597
Sewer	1,011
	<hr/>
Total business-type activities depreciation expense	<u>\$ 6,608</u>

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2009.

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year
Governmental activities:					
Compensated absences	\$ 33,945	\$ -	\$ -	\$ 33,945	\$ 27,156
Capital lease payable	7,892	-	1,779	6,113	1,975
	<u>\$ 41,837</u>	<u>\$ -</u>	<u>\$ 1,779</u>	<u>\$ 40,058</u>	<u>\$ 29,131</u>
Business-type activities:					
Compensated absences	<u>\$ 9,866</u>	<u>\$ -</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. The Town acquired a copy machine under a capital lease totaling \$9,870. As of June 30, 2009 accumulated depreciation on the copy machine totaled \$4,606 and the carrying value totaled \$5,264.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 5 – LONG-TERM LIABILITIES - Continued

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2009:

Year Ending June 30	Governmental Activities
2010	2,524
2011	2,524
2012	<u>2,007</u>
Total minimum lease payments	7,055
Less amount representing interest	<u>(942)</u>
Present value of net minimum lease payments	<u><u>\$ 6,113</u></u>

NOTE 6 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 7 – RETIREMENT PLANS

Plan Description—The Town contributes to the plan described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the plan.

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

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

Agent plans—For the year ended June 30, 2009, 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, 2009, and related information follows.

	<u>PSPRS</u>
Contribution rates:	
Town	12.56%
Plan members	7.65%
Annual pension cost	\$ 18,948
Contributions made	\$ 18,948

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2009

NOTE 7 – RETIREMENT PLANS – Continued

The current-year annual required contributions for the PSPRS were determined as part of its June 30, 2009 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, 2009, was 27 years for unfunded actuarial accrued liability, 20 years for excess.

Trend Information—Annual pension cost information for the current and 2 preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2009	\$ 18,948	100 %	\$ -
	2008	20,836	100	-
	2007	21,111	100	-

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables, payables and transfers balances at June 30, 2009, were as follows:

Payable from	Payable to		
	HURF/LTAF Fund	Sewer Fund	Total
General Fund	\$ 441,886	\$ -	\$ 441,886
Grants Fund	14,029	-	14,029
Water Fund	-	88,672	88,672
Cemetery Fund	-	179,390	179,390
	<u>\$ 455,915</u>	<u>\$ 268,062</u>	<u>\$ 723,977</u>

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

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Property taxes	\$ 51,540	\$ 51,540	\$ 51,614	\$ 74
Sales taxes	76,000	76,000	93,613	17,613
Franchise taxes	10,500	10,500	6,083	(4,417)
Intergovernmental	574,745	574,745	512,284	(62,461)
Fines and forfeitures	25,600	25,600	19,842	(5,758)
Licenses and permits	5,250	5,250	3,630	(1,620)
Charges for services	51,629	51,629	174,987	123,358
Investment income	1,000	1,000	-	(1,000)
Other revenue	340,550	340,550	21,681	(318,869)
Total revenue	<u>1,136,814</u>	<u>1,136,814</u>	<u>883,734</u>	<u>(253,080)</u>
Expenditures				
Current				
General government	225,394	225,394	111,804	113,590
Public safety	836,562	836,562	510,443	326,119
Culture and recreation	107,852	107,852	85,114	22,738
Debt service				
Principal	-	-	1,779	(1,779)
Interest	-	-	745	(745)
Capital outlay	-	-	142,267	(142,267)
Total expenditures	<u>1,169,808</u>	<u>1,169,808</u>	<u>852,152</u>	<u>317,656</u>
Excess (deficiency) of revenue over (under) expenditures	(32,994)	(32,994)	31,582	64,576
Other financing sources (uses):				
Transfers in	55,000	55,000	-	(55,000)
Total other financing sources (uses)	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>
Net change in fund balance	22,006	22,006	31,582	9,576
Fund balance, July 1, 2008	<u>(464,805)</u>	<u>(464,805)</u>	<u>(464,805)</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ (442,799)</u>	<u>\$ (442,799)</u>	<u>\$ (433,223)</u>	<u>\$ 9,576</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 347,300	\$ 347,300	\$ 303,706	\$ (43,594)
Investment income	-	-	7,225	7,225
Other revenue	165,493	165,493	-	(165,493)
Total revenue	<u>512,793</u>	<u>512,793</u>	<u>310,931</u>	<u>(201,862)</u>
Expenditures				
Current				
Highways and streets	515,254	515,254	183,807	331,447
Capital outlay	-	-	217,476	(217,476)
Total expenditures	<u>515,254</u>	<u>515,254</u>	<u>401,283</u>	<u>113,971</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,461)</u>	<u>(2,461)</u>	<u>(90,352)</u>	<u>(87,891)</u>
Net change in fund balance	(2,461)	(2,461)	(90,352)	(87,891)
Fund balance, July 1, 2008	<u>1,667,148</u>	<u>1,667,148</u>	<u>1,667,148</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ 1,664,687</u></u>	<u><u>\$ 1,664,687</u></u>	<u><u>\$ 1,576,796</u></u>	<u><u>\$ (87,891)</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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 292,028	\$ (7,972)
Total revenue	<u>300,000</u>	<u>300,000</u>	<u>292,028</u>	<u>(7,972)</u>
Expenditures				
Current				
General government	573,709	573,709	53,792	519,917
Culture and recreation	-	-	8,198	(8,198)
Capital outlay	<u>-</u>	<u>-</u>	<u>216,529</u>	<u>(216,529)</u>
Total expenditures	<u>573,709</u>	<u>573,709</u>	<u>278,519</u>	<u>295,190</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(273,709)</u>	<u>(273,709)</u>	<u>13,509</u>	<u>287,218</u>
Net change in fund balance	(273,709)	(273,709)	13,509	287,218
Other financing sources (uses):				
Transfers in	<u>273,709</u>	<u>273,709</u>	<u>-</u>	<u>(273,709)</u>
Total other financing sources (uses)	<u>273,709</u>	<u>273,709</u>	<u>-</u>	<u>(273,709)</u>
Net change in fund balance	-	-	13,509	13,509
Fund balance, July 1, 2008	<u>(1,707)</u>	<u>(1,707)</u>	<u>(1,707)</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ (1,707)</u></u>	<u><u>\$ (1,707)</u></u>	<u><u>\$ 11,802</u></u>	<u><u>\$ 13,509</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2009

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

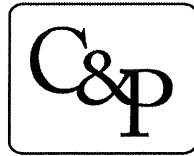
A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax 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, 2009

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)
2009	\$ 251,539	\$ 333,969	\$ (82,430)	75.3%	\$ 132,142	62.4%
2008	271,034	291,822	(20,788)	92.9%	127,410	16.3%
2007	219,413	287,155	(67,742)	76.4%	154,036	44.0%



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Town Council
Town of Mammoth, Arizona

We have audited the 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, 2009, which collectively comprise the Town of Mammoth, Arizona's basic financial statements and have issued our report thereon dated December 18, 2009. 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.

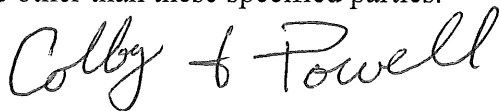
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all 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.

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

December 18, 2009

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2009

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.

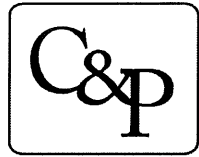
Condition: Due to limitations in the number of staff available and due to the cost effectiveness of having a multi-functional staff, certain internal controls over the segregation of duties have been insufficient and may not detect a misstatement on a timely basis.

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2009

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.



COLBY &
POWELL, PLC

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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, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 18, 2009.

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.

Colby & Powell

December 18, 2009