

**TOWN OF MAMMOTH, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2012

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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Mammoth, Arizona

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2012, 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.

As required by generally accepted auditing standards, we were unable to obtain appropriate audit evidence to support amounts and disclosures in the financial statements due to the inadequacy of the Town of Mammoth, Arizona's accounting records. As such, we were not able to satisfy ourselves about the amounts at which certain assets, liabilities, revenues, and expenditures are recorded in the accompanying financial statements.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of agent retirement plans' funding progress on pages 25 through 28, and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Town of Mammoth, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

December 19, 2014

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Position**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,000,138	\$ -	\$ 1,000,138
Restricted cash	-	28,690	28,690
Accounts receivable - net	-	46,987	46,987
Taxes receivable	771	-	771
Contract receivable	-	36,054	36,054
Due from other governments	42,687	-	42,687
Interactivity balances	219,765	(219,765)	-
Capital assets, not being depreciated	184,718	33,470	218,188
Capital assets, being depreciated, net	2,083,087	98,374	2,181,461
<b>Total assets</b>	<b>3,531,166</b>	<b>23,810</b>	<b>3,554,976</b>
<b>LIABILITIES</b>			
Accounts payable	34,314	24,607	58,921
Accrued expenses	28,151	3,095	31,246
Refundable deposits	-	28,690	28,690
Compensated absences	17,428	5,675	23,103
<b>Total liabilities</b>	<b>79,893</b>	<b>62,067</b>	<b>141,960</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,267,805	131,844	2,399,649
Restricted			
Highways and Streets	1,906,268	-	1,906,268
Library	8,829	-	8,829
Unrestricted	(731,629)	(170,101)	(901,730)
<b>Total net position</b>	<b>\$ 3,451,273</b>	<b>\$ (38,257)</b>	<b>\$ 3,413,016</b>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2012**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities							
General government	\$ 161,038	\$ 16,349	\$ 348,983	\$ -	\$ 204,294	\$ -	\$ 204,294
Public safety	579,615	32,085	-	-	(547,530)	-	(547,530)
Highways and streets	394,977	-	136,523	-	(258,454)	-	(258,454)
Culture and recreation	134,572	5,697	9,920	-	(118,955)	-	(118,955)
<b>Total governmental activities</b>	<u>1,270,202</u>	<u>54,131</u>	<u>495,426</u>	<u>-</u>	<u>(720,645)</u>	<u>-</u>	<u>(720,645)</u>
Business-type activities							
Water	267,554	164,254	-	-	-	(103,300)	(103,300)
Sewer	130,058	105,657	-	-	-	(24,401)	(24,401)
Sanitation	110,157	93,799	-	-	-	(16,358)	(16,358)
Cemetery	38,447	25,973	-	-	-	(12,474)	(12,474)
<b>Total business-type activities</b>	<u>546,216</u>	<u>389,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,533)</u>	<u>(156,533)</u>
<b>Total primary government</b>	<u>\$ 1,816,418</u>	<u>\$ 443,814</u>	<u>\$ 495,426</u>	<u>\$ -</u>	<u>(720,645)</u>	<u>(156,533)</u>	<u>(877,178)</u>
<b>General revenue:</b>							
Taxes:							
Property taxes, levied for general purposes					62,147	-	62,147
Local sales taxes					81,178	-	81,178
Franchise tax					4,052	-	4,052
Share of state sales taxes					111,428	-	111,428
Share of county auto lieu taxes					60,405	-	60,405
State urban revenue sharing					126,601	-	126,601
Investment earnings, net					1,824	199	2,023
Miscellaneous					8,964	-	8,964
<b>Total general revenue</b>					<u>456,599</u>	<u>199</u>	<u>456,798</u>
Change in net position					(264,046)	(156,334)	(420,380)
Net position, beginning of year					3,715,319	118,077	3,833,396
Net position, end of year					<u>\$ 3,451,273</u>	<u>\$ (38,257)</u>	<u>\$ 3,413,016</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 1,000,138	\$ -	\$ 1,000,138
Taxes receivable	771	-	-	771
Due from other governments	30,140	12,547	-	42,687
Due from other funds	-	909,278	-	909,278
<b>Total assets</b>	<b>\$ 30,911</b>	<b>\$ 1,921,963</b>	<b>\$ -</b>	<b>\$ 1,952,874</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 16,311	\$ 13,207	\$ 4,796	\$ 34,314
Accrued expenses	25,663	2,488	-	28,151
Deferred revenue	8,558	-	-	8,558
Due to other funds	664,661	-	24,852	689,513
<b>Total liabilities</b>	715,193	15,695	29,648	760,536
<b>Fund balances</b>				
Restricted				
Highways and streets	-	1,906,268	-	1,906,268
Library	-	-	8,829	8,829
Unassigned	(684,282)	-	(38,477)	(722,759)
<b>Total fund balances</b>	(684,282)	1,906,268	(29,648)	1,192,338
<b>Total liabilities and fund balances</b>	<b>\$ 30,911</b>	<b>\$ 1,921,963</b>	<b>\$ -</b>	<b>\$ 1,952,874</b>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2012**

Fund balances--total governmental funds	\$ 1,192,338
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,267,805
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	8,558
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(17,428)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 3,451,273</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, 2012**

	General Fund	HURF/LTAF Fund	Grants Fund	Total Governmental Funds
<b>Revenue</b>				
Intergovernmental	\$ 298,434	\$ 136,523	\$ 358,753	\$ 793,710
Taxes	146,138	-	-	146,138
Fines and forfeitures	32,793	-	-	32,793
Charges for services	17,347	-	-	17,347
Other revenue	9,365	-	-	9,365
Licenses and permits	3,738	-	-	3,738
Investment income	1,824	-	-	1,824
<b>Total revenue</b>	<u>509,639</u>	<u>136,523</u>	<u>358,753</u>	<u>1,004,915</u>
<b>Expenditures</b>				
Current				
General government	155,864	-	-	155,864
Public safety	481,656	-	-	481,656
Highways and streets	-	229,297	-	229,297
Culture and recreation	57,512	-	25,604	83,116
Debt service				
Principal	1,945	-	-	1,945
Interest	50	-	-	50
Capital outlay	-	-	387,460	387,460
<b>Total expenditures</b>	<u>697,027</u>	<u>229,297</u>	<u>413,064</u>	<u>1,339,388</u>
<b>Net change in fund balances</b>	(187,388)	(92,774)	(54,311)	(334,473)
Fund balances, beginning of year	<u>(496,894)</u>	<u>1,999,042</u>	<u>24,663</u>	<u>1,526,811</u>
<b>Fund balances, end of year</b>	<u><u>\$ (684,282)</u></u>	<u><u>\$ 1,906,268</u></u>	<u><u>\$ (29,648)</u></u>	<u><u>\$ 1,192,338</u></u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Reconciliation of the Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2012**

Net change in fund balances--total governmental funds \$ (334,473)

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	328,397	
Current year depreciation	<u>(267,395)</u>	
		61,002

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

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

Principal repaid		1,945
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Some revenue and expenses reported in the Statement of  
Activities do not require the use of current financial  
resources and therefore, are not reported as revenue  
or expenditures in governmental funds.

Decrease in compensated absences payable	6,239	
Increase in deferred grant revenue	<u>1,241</u>	
		<u>7,480</u>

**Change in net position of governmental activities \$ (264,046)**

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2012**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>ASSETS</b>					
Current assets					
Cash-restricted	\$ 28,690	\$ -	\$ -	\$ -	\$ 28,690
Accounts receivable - net	15,117	17,470	8,574	5,826	46,987
Contract receivable	36,054	-	-	-	36,054
Due from other funds	-	326,770	-	-	326,770
<b>Total current assets</b>	<u>79,861</u>	<u>344,240</u>	<u>8,574</u>	<u>5,826</u>	<u>438,501</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	78,875	-	-	-	78,875
Equipment, net	9,045	10,454	-	-	19,499
<b>Total noncurrent assets</b>	<u>95,756</u>	<u>31,345</u>	<u>-</u>	<u>4,743</u>	<u>131,844</u>
<b>Total assets</b>	<u>175,617</u>	<u>375,585</u>	<u>8,574</u>	<u>10,569</u>	<u>570,345</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	8,560	3,114	12,876	57	24,607
Accrued expenses	1,716	1,261	-	118	3,095
Refundable deposits	28,690	-	-	-	28,690
Compensated absences	3,046	2,145	-	484	5,675
Due to other funds	269,364	-	27,644	249,527	546,535
<b>Total current liabilities</b>	<u>311,376</u>	<u>6,520</u>	<u>40,520</u>	<u>250,186</u>	<u>608,602</u>
<b>Net position</b>					
Invested in capital assets, net of related debt	95,756	31,345	-	4,743	131,844
Unrestricted (deficit)	<u>(231,515)</u>	<u>337,720</u>	<u>(31,946)</u>	<u>(244,360)</u>	<u>(170,101)</u>
<b>Total net position</b>	<u>\$ (135,759)</u>	<u>\$ 369,065</u>	<u>\$ (31,946)</u>	<u>\$ (239,617)</u>	<u>\$ (38,257)</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Operating revenue</b>					
Charges for services	\$ 164,254	\$ 105,657	\$ 93,799	\$ 25,973	\$ 389,683
<b>Operating expenses</b>					
Personnel	162,660	80,836	-	28,748	272,244
Professional services	833	833	107,063	-	108,729
Repairs and maintenance	32,987	14,542	-	129	47,658
Materials and supplies	27,007	4,019	-	3,890	34,916
Utilities	18,034	14,677	-	240	32,951
Insurance	6,081	9,556	3,040	5,277	23,954
Depreciation	9,718	4,788	-	-	14,506
Other	10,234	807	54	163	11,258
<b>Total operating expenses</b>	<u>267,554</u>	<u>130,058</u>	<u>110,157</u>	<u>38,447</u>	<u>546,216</u>
<b>Operating loss</b>	<u>(103,300)</u>	<u>(24,401)</u>	<u>(16,358)</u>	<u>(12,474)</u>	<u>(156,533)</u>
<b>Nonoperating revenue</b>					
Investment income	199	-	-	-	199
<b>Decrease in net position</b>	<u>(103,101)</u>	<u>(24,401)</u>	<u>(16,358)</u>	<u>(12,474)</u>	<u>(156,334)</u>
Total net position, beginning of year	<u>(32,658)</u>	<u>393,466</u>	<u>(15,588)</u>	<u>(227,143)</u>	<u>118,077</u>
<b>Total net position, end of year</b>	<u><u>\$ (135,759)</u></u>	<u><u>\$ 369,065</u></u>	<u><u>\$ (31,946)</u></u>	<u><u>\$ (239,617)</u></u>	<u><u>\$ (38,257)</u></u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 170,354	\$ 108,817	\$ 95,753	\$ 25,973	\$ 400,897
Payments to suppliers and providers of goods and services	(123,132)	(62,989)	(105,582)	(17,174)	(308,877)
Payments to employees	(132,075)	(60,342)	-	(21,833)	(214,250)
<b>Net cash provided (used) by     operating activities</b>	<u>(84,853)</u>	<u>(14,514)</u>	<u>(9,829)</u>	<u>(13,034)</u>	<u>(122,230)</u>
<b>Cash flows from noncapital financing activities:</b>					
Advances (to) from other funds	87,446	14,514	9,829	13,034	124,823
<b>Net cash provided (used) by     noncapital financing activities</b>	<u>87,446</u>	<u>14,514</u>	<u>9,829</u>	<u>13,034</u>	<u>124,823</u>
<b>Cash flows from investing activities:</b>					
Interest received on investments	199	-	-	-	199
<b>Net cash provided (used) by     investing activities</b>	<u>199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199</u>
<b>Net increase (decrease) in cash</b>	2,792	-	-	-	2,792
Cash, beginning of year	25,898	-	-	-	25,898
<b>Cash, end of year</b>	<u>\$ 28,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,690</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2012**  
*(Continued)*

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>					
Operating loss	\$ (103,300)	\$ (24,401)	\$ (16,358)	\$ (12,474)	\$ (156,533)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Depreciation	9,718	4,788	-	-	14,506
Bad debt	5,862	8,973	3,967	-	18,802
(Increase) decrease in:					
Accounts receivable	(2,555)	(5,813)	(2,013)	-	(10,381)
Increase (decrease) in:					
Accounts payable	6,863	1,059	4,575	57	12,554
Accrued expenses	(3,925)	412	-	(263)	(3,776)
Refundable deposits	2,792	-	-	-	2,792
Compensated absences payab	(308)	468	-	(354)	(194)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (84,853)</u>	<u>\$ (14,514)</u>	<u>\$ (9,829)</u>	<u>\$ (13,034)</u>	<u>\$ (122,230)</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

***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 Position and a statement of activities. These statements report the financial activities of the overall government. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

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

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

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

The Town reports the following major governmental funds:

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

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

The ***Grants fund*** accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor. The Town's grants include Community Development Block Grants (CDBG), Energy Efficiency Block Grants, 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.

**C. Basis of Accounting**

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



**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

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

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

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

**D. Cash and Investments**

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

**E. Investment Income**

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

**F. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2012, is \$11,100 for water, \$12,600 for sewer, and \$6,300 for sanitation.

**G. Property Tax Calendar**

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

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.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

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

**H. Capital Assets**

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

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

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

**I. Compensated Absences**

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

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

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

**J. Fund Balance Reporting**

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

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

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

fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),

2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Town's town council,
4. *Assigned* fund balances are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

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

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

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

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

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants'(AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 with early adoption permitted. The Town has chosen to implement GASB 62 during the current year. The adoption of GASB 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

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

the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 with early adoption permitted. The Town has chosen to implement GASB 63 during the current year.

***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, 2012, the carrying amount of the Town's total nonpooled cash in bank was \$292,139, and the bank balance was \$317,630. Of the bank balance, \$250,000 was covered by federal depository insurance. The remainder was covered by collateral held by the pledging financial institution in the Town's name.

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

*Investments* – The Town reported investments in State Treasurer's investment pool with a reported amount of \$736,339. The Standard and Poor's credit quality rating of the pool is AAA. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

***NOTE 3 – DUE FROM OTHER GOVERNMENTS***

Amounts due from other governments in the General Fund at June 30, 2012 consisted of \$9,463 in state-shared revenue from sales taxes, \$2,420 in state-shared revenue from auto lieu taxes, \$7,542 in local sales taxes collected by the State of Arizona, and \$10,715 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/LTAF Fund at June 30, 2012 consisted of \$4,419 in county-shared revenue from county road taxes and \$8,128 in state-shared revenue from highway user revenue fund (HURF) taxes.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 184,718	\$ -	\$ -	\$ 184,718
Construction in progress	79,221	-	79,221	-
<b>Total capital assets not being depreciated</b>	<b>263,939</b>	<b>-</b>	<b>79,221</b>	<b>184,718</b>
Capital assets being depreciated:				
Buildings	652,081	407,618	-	1,059,699
Equipment	1,105,899	-	-	1,105,899
Infrastructure	4,355,645	-	-	4,355,645
<b>Total</b>	<b>6,113,625</b>	<b>407,618</b>	<b>-</b>	<b>6,521,243</b>
Less accumulated depreciation for:				
Buildings	134,863	29,251	-	164,114
Equipment	685,700	58,711	-	744,411
Infrastructure	3,350,198	179,433	-	3,529,631
<b>Total</b>	<b>4,170,761</b>	<b>267,395</b>	<b>-</b>	<b>4,438,156</b>
<b>Total capital assets being depreciated, net</b>	<b>1,942,864</b>	<b>140,223</b>	<b>-</b>	<b>2,083,087</b>
Governmental activities capital assets, net	<b>\$ 2,206,803</b>	<b>\$ 140,223</b>	<b>\$ 79,221</b>	<b>\$ 2,267,805</b>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 4 – CAPITAL ASSETS – Continued**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
<b>Total capital assets not being depreciated</b>	<b>33,470</b>	<b>-</b>	<b>-</b>	<b>33,470</b>
Capital assets being depreciated:				
Buildings	65,244	-	-	65,244
Utility systems	1,470,035	-	-	1,470,035
Equipment	237,574	-	-	237,574
<b>Total</b>	<b>1,772,853</b>	<b>-</b>	<b>-</b>	<b>1,772,853</b>
Less accumulated depreciation for:				
Buildings	65,243	-	-	65,243
Utility systems	1,385,927	5,234	-	1,391,161
Equipment	208,803	9,272	-	218,075
<b>Total</b>	<b>1,659,973</b>	<b>14,506</b>	<b>-</b>	<b>1,674,479</b>
<b>Total capital assets being depreciated, net</b>	<b>112,880</b>	<b>(14,506)</b>	<b>-</b>	<b>98,374</b>
Business-type activities capital assets, net	<u>\$ 146,350</u>	<u>\$ (14,506)</u>	<u>\$ -</u>	<u>\$ 131,844</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 7,656
Public safety	41,143
Highways and streets	166,750
Culture and recreation	51,846
Total governmental activities depreciation expense	<u>\$ 267,395</u>
Business-type activities:	
Water	\$ 9,718
Sewer	4,788
Total business-type activities depreciation expense	<u>\$ 14,506</u>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 5 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2012.

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within one year
Governmental activities:					
Compensated absences	\$ 23,667	\$ -	\$ 6,239	\$ 17,428	\$ 17,428
Capital lease payable	1,945	-	1,945	-	-
	<u>\$ 25,612</u>	<u>\$ -</u>	<u>\$ 8,184</u>	<u>\$ 17,428</u>	<u>\$ 17,428</u>
Business-type activities:					
Compensated absences	\$ 5,869	\$ -	\$ 194	\$ 5,675	\$ 5,675

**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.

**NOTE 7 – RETIREMENT PLANS**

Agent 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 retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree’s health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover 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 PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

***NOTE 7 – RETIREMENT PLANS – Continued***

System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

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

For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 16.38 percent, of which 1.55 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2012, were established by the June 30, 2012 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as understood by the Town of Mammoth, Arizona and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements are as follows:



**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 7 – RETIREMENT PLANS – Continued**

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for underfunded actuarial liability, 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% - 9.00%
Payroll growth	5.00%

Trend Information – Annual pension cost information for the current and two 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
<b>PSPRS</b>				
Pension	2012	\$ 44,986	100 %	\$ -
	2011	21,803	100	-
	2010	21,373	100	-
Health Insurance	2012	\$ 4,702	100 %	\$ -
	2011	2,500	100	-
	2010	2,153	100	-

Schedules of Funded Status and Funding Progress – Following are the schedule of funded status and funding progress for PSPRS as of the most recent valuation date, June 30, 2012, and the previous two fiscal years. The fiscal year 2012 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2011 actuarial methods and assumptions as described above.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 7 – RETIREMENT PLANS – Continued**

**Pension**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2012	\$ 367,699	\$ 446,632	\$ 78,933	82.3 %	\$ 136,033	58.0 %
6/30/2011	349,234	427,561	78,327	81.7	157,788	49.6
6/30/2010	288,505	376,504	87,999	76.6	272,538	32.3

**Health Insurance**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2012	\$ -	\$ 15,509	\$ 15,509	0.0 %	\$ 136,033	11.4 %
6/30/2011	-	22,022	22,022	0.0	157,788	14.0
6/30/2010	-	15,068	15,068	0.0	272,538	5.5

**NOTE 8 – INTERFUND BALANCES AND ACTIVITY**

Interfund balances at June 30, 2012, were as follows:

Payable from	Payable to		Total
	HURF/LTAF Fund	Sewer Fund	
General Fund	\$ 664,661	\$ -	\$ 664,661
Grants Fund	24,852	-	24,852
Water Fund	-	269,364	269,364
Sanitation Fund	-	27,644	27,644
Cemetery Fund	219,765	29,762	249,527
	<u>\$ 909,278</u>	<u>\$ 326,770</u>	<u>\$ 1,236,048</u>

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

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Property taxes	\$ 60,352	\$ 60,352	\$ 60,908	\$ 556
Sales taxes	80,000	80,000	81,178	1,178
Franchise taxes	9,000	9,000	4,052	(4,948)
Intergovernmental	297,486	297,486	298,434	948
Fines and forfeitures	132,500	132,500	32,793	(99,707)
Charges for services	20,000	20,000	17,347	(2,653)
Other revenue	151,000	151,000	9,365	(141,635)
Licenses and permits	6,777	6,777	3,738	(3,039)
Investment income	-	-	1,824	1,824
<b>Total revenue</b>	<u>757,115</u>	<u>757,115</u>	<u>509,639</u>	<u>(247,476)</u>
<b>Expenditures</b>				
Current				
General government	118,412	118,412	155,864	(37,452)
Public safety	594,257	594,257	481,656	112,601
Culture and recreation	44,446	44,446	57,512	(13,066)
Debt service				
Principal	-	-	1,945	(1,945)
Interest	-	-	50	(50)
<b>Total expenditures</b>	<u>757,115</u>	<u>757,115</u>	<u>697,027</u>	<u>60,088</u>
Net change in fund balance	-	-	(187,388)	(187,388)
Fund balance, beginning of year	<u>(496,894)</u>	<u>(496,894)</u>	<u>(496,894)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ (496,894)</u>	<u>\$ (496,894)</u>	<u>\$ (684,282)</u>	<u>\$ (187,388)</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 225,060	\$ 225,060	\$ 136,523	\$ (88,537)
<b>Total revenue</b>	<u>225,060</u>	<u>225,060</u>	<u>136,523</u>	<u>(88,537)</u>
<b>Expenditures</b>				
Current				
Highways and streets	264,980	264,980	229,297	35,683
<b>Total expenditures</b>	<u>264,980</u>	<u>264,980</u>	<u>229,297</u>	<u>35,683</u>
Net change in fund balance	(39,920)	(39,920)	(92,774)	(52,854)
Fund balance, beginning of year	<u>1,999,042</u>	<u>1,999,042</u>	<u>1,999,042</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,959,122</u>	<u>\$ 1,959,122</u>	<u>\$ 1,906,268</u>	<u>\$ (52,854)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 358,753	\$ 158,753
<b>Total revenue</b>	<u>200,000</u>	<u>200,000</u>	<u>358,753</u>	<u>158,753</u>
<b>Expenditures</b>				
Current				
Culture and recreation	200,000	200,000	25,604	174,396
Capital outlay	-	-	387,460	(387,460)
<b>Total expenditures</b>	<u>200,000</u>	<u>200,000</u>	<u>413,064</u>	<u>(213,064)</u>
Net change in fund balance	-	-	(54,311)	(54,311)
Fund balance, beginning of year	<u>24,663</u>	<u>24,663</u>	<u>24,663</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 24,663</u></u>	<u><u>\$ 24,663</u></u>	<u><u>\$ (29,648)</u></u>	<u><u>\$ (54,311)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2012**

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

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

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval. With the exception of the General Fund, each fund includes only one department. The Town has exceeded appropriations in the Grants Fund for the year ended June 30, 2012.

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plans' Funding Progress**  
**June 30, 2012**

Public Safety Personnel Retirement System

**Pension**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2012	\$ 367,699	\$ 446,632	\$ 78,933	82.3 %	\$ 136,033	58.0 %
6/30/2011	349,234	427,561	78,327	81.7	157,788	49.6
6/30/2010	288,505	376,504	87,999	76.6	272,538	32.3

**Health Insurance**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2012	\$ -	\$ 15,509	\$ 15,509	0.0 %	\$ 136,033	11.4 %
6/30/2011	-	22,022	22,022	0.0	157,788	14.0
6/30/2010	-	15,068	15,068	0.0	272,538	5.5

**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 were engaged to audit the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 19, 2014. We did not express an opinion on the Town of Mammoth Arizona's financial statements because the scope of our work was not sufficient to enable us to express such an opinion. Except as discussed in the preceding sentence, 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**

Management of Town of Mammoth, Arizona, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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 the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,



or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. [12-02, 12-04, 12-06].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies. [12-01, 12-03, 12-05]

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Mammoth, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items **12-07 and 12-08**.

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

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



December 19, 2014

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2012**

Audit findings and responses are as follows:

**Financial Statement Findings**

**Item: 12-01**

*Subject:* Cemetery lot sales.

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

*Recommendation:* Lot sales should be recorded in the general ledger for the amount of the sale on the day the sale is made. A corresponding account receivable should be set up for the amount of the sale for 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: 12-02**

*Subject:* Misstatements requiring audit adjustments.

*Condition:* During our audit we noted misstatements that were not identified by the Town’s finance department which required us to propose adjusting journal entries.

*Recommendation:* We recommend that management review all audit entries to help in identifying areas in the accounting system that required adjustment. The finance department should ensure that these areas are complete before each audit.

*Response:* Management agrees with this finding and will work on improving the accounting reconciliations to ensure that there are less audit adjustments.

**Item: 12-03**

*Subject:* Formal written accounting policies and procedures.

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

*Recommendation:* We recommend that the Town update their accounting policies and procedures to methodically identify and document its significant accounting processes. Accounting processes, in particular, are procedure to initiate, authorize, record, process, and report transactions. Processes include activities and procedures involved in repeatable

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2012**

accounting transactions or events, such as paying invoices, processing payroll, taking physical inventory, preparing journal entries, etc.

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

**Item: 12-04**

*Subject:* Record keeping and retention.

*Condition:* During our audit, it was noted that supporting documentation that support receipts, expenditures and grant agreements were unaccounted for.

*Recommendation:* We recommend the Town update their policies and procedures over record keeping and retention to ensure that all receipts, expenditures, and grant agreements are properly retained.

*Response:* Management will work on improving their record keeping and retention.

**Item: 12-05**

*Subject:* Bank reconciliations

*Condition:* During our audit it was noted that cash bank reconciliations performed by the Town Clerk were not reviewed on a monthly basis.

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

*Response:* Management is working on training staff to perform bank reconciliations. Management will review the reconciliation and initial and date to evidence the review. With minimal staff this has been difficult to fulfill.

**Item: 12-06**

*Subject:* Utility billing adjustments.

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

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

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

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2012**

**Compliance Findings**

**Item: 12-07**

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

*Condition:* HURF and Half-Cent Road Tax revenue is required to be spent solely for highway and street related purposes. As of June 30, 2012, the Town had borrowed monies of HURF and Half-Cent Road Tax revenue to fund operations of the Sewer Fund.

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

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

**Item: 12-08**

*Subject:* Control of Expenditures.

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

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

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



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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 were engaged to audit, 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 and each major fund of the Town of Mammoth, Arizona as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 19, 2014. We did not express an opinion on the Town of Mammoth, Arizona's financial statements because the scope of our work was not sufficient to enable us to express such an opinion.

In connection with our audit, we were unable to determine if the Town used highway user revenue fund monies received 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, we noted that the Town had loaned funds of highway user revenue monies to other Town Funds. The loan proceeds were expended in these funds for various purposes which were not related to highways and streets. We do not consider such a loan in compliance with Arizona Revised Statutes.

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

December 19, 2014