

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Mammoth, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Mammoth, Arizona, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

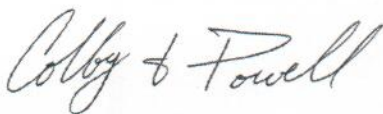
Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 to 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2016, on our consideration of the Town of Mammoth, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mammoth, Arizona's internal control over financial reporting and compliance.



June 15, 2016

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 419,312	\$ -	\$ 419,312
Restricted cash	-	31,462	31,462
Accounts receivable - net	-	49,162	49,162
Taxes receivable	10,245	-	10,245
Due from other governments	33,144	46,617	79,761
Interactivity balances	290,830	(290,830)	-
Capital assets, not being depreciated	213,718	88,568	302,286
Capital assets, being depreciated, net	<u>2,241,826</u>	<u>84,302</u>	<u>2,326,128</u>
Total assets	<u>3,209,075</u>	<u>9,281</u>	<u>3,218,356</u>
LIABILITIES			
Cash deficit	22,939	-	22,939
Accounts payable	34,502	68,356	102,858
Accrued expenses	34,022	4,221	38,243
Refundable deposits	-	31,462	31,462
Compensated absences	15,753	7,532	23,285
Noncurrent liabilities			
Due within one year	20,046	-	20,046
Due in more than one year	<u>164,221</u>	<u>-</u>	<u>164,221</u>
Total liabilities	<u>291,483</u>	<u>111,571</u>	<u>403,054</u>
NET POSITION			
Net investment in capital assets	2,271,277	172,870	2,444,147
Restricted			
Highways and streets	1,550,762	-	1,550,762
Library	10,583	-	10,583
Unrestricted	<u>(915,030)</u>	<u>(275,160)</u>	<u>(1,190,190)</u>
Total net position	<u>\$ 2,917,592</u>	<u>\$ (102,290)</u>	<u>\$ 2,815,302</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2013

Functions / Programs	Program Revenue				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 126,297	\$ 26,645	\$ -	\$ -	\$ (99,652)	\$ -	\$ (99,652)
Public safety	540,439	43,027	-	-	(497,412)	-	(497,412)
Highways and streets	467,256	-	145,589	-	(321,667)	-	(321,667)
Culture and recreation	176,055	7,783	6,638	-	(161,634)	-	(161,634)
Interest	4,364	-	-	-	(4,364)	-	(4,364)
Total governmental activities	1,314,411	77,455	152,227	-	(1,084,729)	-	(1,084,729)
Business-type activities							
Water	232,356	139,310	-	55,098	-	(37,948)	(37,948)
Sewer	147,898	108,522	-	-	-	(39,376)	(39,376)
Sanitation	74,587	98,236	-	-	-	23,649	23,649
Cemetery	33,686	22,635	-	-	-	(11,051)	(11,051)
Total business-type activities	488,527	368,703	-	55,098	-	(64,726)	(64,726)
Total primary government	\$ 1,802,938	\$ 446,158	\$ 152,227	\$ 55,098	(1,084,729)	(64,726)	(1,149,455)
General revenue:							
Taxes:							
					89,242	-	89,242
Local sales taxes					55,149	-	55,149
Property taxes, levied for general purposes					3,734	-	3,734
Franchise tax					116,721	-	116,721
Share of state sales taxes					62,193	-	62,193
Share of county auto lieu taxes					153,222	-	153,222
State urban revenue sharing					8,089	693	8,782
Investment earnings, net					12,898	-	12,898
Miscellaneous					501,248	693	501,941
Total general revenue					(583,481)	(64,033)	(647,514)
Change in net position					3,501,073	(38,257)	3,462,816
Net position, beginning of year, as restated							
Net position, end of year					\$ 2,917,592	\$ (102,290)	\$ 2,815,302

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	HURF/Road Tax Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,577	\$ 405,735	\$ -	\$ 419,312
Taxes receivable	10,245	-	-	10,245
Due from other governments	20,068	13,076	-	33,144
Due from other funds	-	1,148,048	-	1,148,048
Total assets	<u>\$ 43,890</u>	<u>\$ 1,566,859</u>	<u>\$ -</u>	<u>\$ 1,610,749</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash deficit	\$ 22,939	\$ -	\$ -	\$ 22,939
Accounts payable	21,500	13,002	-	34,502
Accrued expenses	30,927	3,095	-	34,022
Deferred revenue	8,320	-	-	8,320
Due to other funds	854,224	-	2,994	857,218
Total liabilities	<u>937,910</u>	<u>16,097</u>	<u>2,994</u>	<u>957,001</u>
Fund balances				
Restricted				
Highways and streets	-	1,550,762	-	1,550,762
Library	-	-	10,583	10,583
Unassigned	(894,020)	-	(13,577)	(907,597)
Total fund balances	<u>(894,020)</u>	<u>1,550,762</u>	<u>(2,994)</u>	<u>653,748</u>
Total liabilities and fund balances	<u>\$ 43,890</u>	<u>\$ 1,566,859</u>	<u>\$ -</u>	<u>\$ 1,610,749</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2013

Fund balances--total governmental funds	\$ 653,748
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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.	2,455,544
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Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	8,320
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Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.	<u>(200,020)</u>
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Net position of governmental activities	<u><u>\$ 2,917,592</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, 2013

	General Fund	HURF/Road Tax Fund	Grants Fund	Total Governmental Funds
Revenue				
Intergovernmental	\$ 332,558	\$ 145,589	\$ 29,170	\$ 507,317
Taxes	148,363	-	-	148,363
Fines and forfeitures	43,384	-	-	43,384
Rental income	22,800	-	-	22,800
Other revenue	12,899	-	-	12,899
Investment income	8,089	-	-	8,089
Charges for services	7,426	-	-	7,426
Licenses and permits	3,845	-	-	3,845
Contributions	1,945	-	-	1,945
Total revenue	<u>581,309</u>	<u>145,589</u>	<u>29,170</u>	<u>756,068</u>
Expenditures				
Current				
General government	117,361	-	-	117,361
Public safety	504,335	-	-	504,335
Highways and streets	-	361,478	-	361,478
Culture and recreation	113,454	-	2,516	115,970
Debt service				
Principal	3,605	9,507	-	13,112
Interest	2,692	1,672	-	4,364
Capital outlay	151,100	224,317	-	375,417
Total expenditures	<u>892,547</u>	<u>596,974</u>	<u>2,516</u>	<u>1,492,037</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(311,238)</u>	<u>(451,385)</u>	<u>26,654</u>	<u>(735,969)</u>
Other financing sources (uses)				
Installment purchase agreement	<u>101,500</u>	<u>95,879</u>	<u>-</u>	<u>197,379</u>
Net change in fund balances	<u>(209,738)</u>	<u>(355,506)</u>	<u>26,654</u>	<u>(538,590)</u>
Fund balances, beginning of year	<u>(684,282)</u>	<u>1,906,268</u>	<u>(29,648)</u>	<u>1,192,338</u>
Fund balances, end of year	<u>\$ (894,020)</u>	<u>\$ 1,550,762</u>	<u>\$ (2,994)</u>	<u>\$ 653,748</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, 2013

Net change in fund balances--total governmental funds			\$ (538,590)
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	375,417		
Current year depreciation	(212,578)		
			162,839
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			(25,138)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.			(197,379)
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			13,112
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as revenue or expenditures in governmental funds.			
Decrease in compensated absences payable			1,675
Change in net position of governmental activities			<u><u>\$ (583,481)</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
ASSETS					
Current assets					
Cash-restricted	\$ 31,462	\$ -	\$ -	\$ -	\$ 31,462
Accounts receivable - net	15,760	18,254	8,705	6,443	49,162
Due from other governments	46,617	-	-	-	46,617
Due from other funds	-	290,830	-	-	290,830
Total current assets	<u>93,839</u>	<u>309,084</u>	<u>8,705</u>	<u>6,443</u>	<u>418,071</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	128,740	5,667	-	-	134,407
Equipment, net	4,993	-	-	-	4,993
Capital assets, net	<u>141,569</u>	<u>26,558</u>	<u>-</u>	<u>4,743</u>	<u>172,870</u>
Total noncurrent assets	<u>141,569</u>	<u>26,558</u>	<u>-</u>	<u>4,743</u>	<u>172,870</u>
Total assets	<u>235,408</u>	<u>335,642</u>	<u>8,705</u>	<u>11,186</u>	<u>590,941</u>
LIABILITIES					
Current liabilities					
Accounts payable	55,321	1,248	1,787	10,000	68,356
Accrued expenses	2,154	1,813	-	254	4,221
Refundable deposits	31,462	-	-	-	31,462
Compensated absences	3,952	2,892	-	688	7,532
Due to other funds	315,533	-	15,215	250,912	581,660
Total current liabilities	<u>408,422</u>	<u>5,953</u>	<u>17,002</u>	<u>261,854</u>	<u>693,231</u>
Net position					
Net investment in capital assets	141,569	26,558	-	4,743	172,870
Unrestricted (deficit)	<u>(314,583)</u>	<u>303,131</u>	<u>(8,297)</u>	<u>(255,411)</u>	<u>(275,160)</u>
Total net position	<u>\$ (173,014)</u>	<u>\$ 329,689</u>	<u>\$ (8,297)</u>	<u>\$ (250,668)</u>	<u>\$ (102,290)</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, 2013

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
Operating revenue					
Water (net of bad debt of \$36054)	\$ 139,310	\$ -	\$ -	\$ -	\$ 139,310
Sewer (net of bad debt of \$0)	-	108,522	-	-	108,522
Sanitation (net of bad debt of \$0)	-	-	98,236	-	98,236
Cemetery (net of bad debt of \$0)	-	-	-	22,635	22,635
	<u>139,310</u>	<u>108,522</u>	<u>98,236</u>	<u>22,635</u>	<u>368,703</u>
Operating expenses					
Personnel	140,425	111,320	-	8,081	259,826
Landfill fees	-	-	71,806	-	71,806
Utilities	16,305	15,689	663	40	32,697
Repairs and maintenance	31,407	1,041	-	106	32,554
Materials and supplies	22,896	699	14	3,650	27,259
Insurance	7,918	9,281	1,861	7,699	26,759
Professional services	93	93	93	14,093	14,372
Depreciation	9,285	4,787	-	-	14,072
Other	4,027	4,988	150	17	9,182
Total operating expenses	<u>232,356</u>	<u>147,898</u>	<u>74,587</u>	<u>33,686</u>	<u>488,527</u>
Operating income (loss)	<u>(93,046)</u>	<u>(39,376)</u>	<u>23,649</u>	<u>(11,051)</u>	<u>(119,824)</u>
Nonoperating revenue					
Investment income	<u>693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693</u>
Income (loss) before capital contributions	<u>(92,353)</u>	<u>(39,376)</u>	<u>23,649</u>	<u>(11,051)</u>	<u>(119,131)</u>
Capital contribution	<u>55,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,098</u>
Increase (decrease) in net position	<u>(37,255)</u>	<u>(39,376)</u>	<u>23,649</u>	<u>(11,051)</u>	<u>(64,033)</u>
Total net position, beginning of year	<u>(135,759)</u>	<u>369,065</u>	<u>(31,946)</u>	<u>(239,617)</u>	<u>(38,257)</u>
Total net position, end of year	<u>\$ (173,014)</u>	<u>\$ 329,689</u>	<u>\$ (8,297)</u>	<u>\$ (250,668)</u>	<u>\$ (102,290)</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities--Enterprise Funds				
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 177,493	\$ 107,738	\$ 98,105	\$ 22,018	\$ 405,354
Payments to suppliers and providers of goods and services	(82,502)	(33,657)	(85,676)	(15,662)	(217,497)
Payments to employees	(139,081)	(110,021)	-	(7,741)	(256,843)
Net cash provided (used) by operating activities	<u>(44,090)</u>	<u>(35,940)</u>	<u>12,429</u>	<u>(1,385)</u>	<u>(68,986)</u>
Cash flows from noncapital financing activities:					
Advances (to) from other funds	<u>46,169</u>	<u>35,940</u>	<u>(12,429)</u>	<u>1,385</u>	<u>71,065</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(8,481)	-	-	-	(8,481)
Capital contributions received	<u>8,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,481</u>
Net cash provided by (used by) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:					
Interest received on investments	<u>693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693</u>
Net increase (decrease) in cash	<u>2,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,772</u>
Cash, beginning of year	<u>28,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,690</u>
Cash, end of year	<u><u>\$ 31,462</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,462</u></u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Cash - restricted	<u>31,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,462</u>
Cash and cash equivalents, end of year	<u><u>\$ 31,462</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,462</u></u>

NONCASH INVESTING, CAPITAL FINANCING, AND NONCAPITAL FINANCING ACTIVITIES

The Town purchased of \$46,617 of capital assets on account in the Water Fund.

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013
(Continued)

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (93,046)	\$ (39,376)	\$ 23,649	\$ (11,051)	\$ (119,824)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	9,285	4,787	-	-	14,072
Bad debt	36,054	-	-	-	36,054
(Increase) decrease in:					
Accounts receivable	(643)	(784)	(131)	(617)	(2,175)
Increase (decrease) in:					
Accounts payable	144	(1,866)	(11,089)	9,943	(2,868)
Accrued expenses	438	552	-	136	1,126
Refundable deposits	2,772	-	-	-	2,772
Compensated absences payable	906	747	-	204	1,857
Net cash provided (used) by operating activities	<u>\$ (44,090)</u>	<u>\$ (35,940)</u>	<u>\$ 12,429</u>	<u>\$ (1,385)</u>	<u>\$ (68,986)</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

The Town reports the following major governmental funds:

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

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

The ***Grants fund*** accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor. The Town's grants include governmental fund 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, 2013

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, 2013, 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, 2013

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:

	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

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, 2013

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, 2013

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 had chosen to implement GASB 63 during the previous year.

NOTE 2 – RESTATEMENT OF BEGINNING NET POSITION

The Town increased beginning net position of the Governmental Activities by \$49,800 for two items. First, net position was increased by \$24,900 for grant revenues not recognized in the prior fiscal year where the Town fulfilled substantially all contractual requirements under the grant agreement. Second, net position was increased by \$24,900 to capitalize expenditures incurred under that same grant. Previously, those expenditures had been expensed.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits – At June 30, 2013, the carrying amount of the Town's total nonpooled cash in bank was \$7,382, and the bank balance was \$32,430. The entire bank balance was covered by federal depository insurance.

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

Investments – The Town reported investments in State Treasurer's investment pool with a reported amount of \$420,103. The Standard and Poor's credit quality rating of the pool is AAA. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2013 consisted of \$10,162 in state-shared revenue from sales taxes, \$2,470 in state-shared revenue from auto lieu taxes, and \$7,436 in local sales taxes collected by the State of Arizona and \$10,245 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/Road Tax Fund at June 30, 2013 consisted of \$4,874 in county-shared revenue from county road taxes and \$8,202 in state-shared revenue from highway user revenue fund (HURF) taxes.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 184,718	\$ 29,000	\$ -	\$ 213,718
Capital assets being depreciated:				
Buildings	1,084,599	122,100	-	1,206,699
Equipment	1,105,899	95,879	-	1,201,778
Infrastructure	4,355,645	128,438	-	4,484,083
Total	<u>6,546,143</u>	<u>346,417</u>	<u>-</u>	<u>6,892,560</u>
Less accumulated depreciation for:				
Buildings	164,114	41,857	-	205,971
Equipment	744,411	56,737	-	801,148
Infrastructure	3,529,631	113,984	-	3,643,615
Total	<u>4,438,156</u>	<u>212,578</u>	<u>-</u>	<u>4,650,734</u>
Total capital assets being depreciated, net	<u>2,107,987</u>	<u>133,839</u>	<u>-</u>	<u>2,241,826</u>
Governmental activities capital assets, net	<u>\$ 2,292,705</u>	<u>\$ 162,839</u>	<u>\$ -</u>	<u>\$ 2,455,544</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	-	55,098	-	55,098
Total capital assets not being depreciated	<u>33,470</u>	<u>55,098</u>	<u>-</u>	<u>88,568</u>
Capital assets being depreciated:				
Buildings	65,244	-	-	65,244
Utility systems	1,470,035	-	-	1,470,035
Equipment	237,574	-	-	237,574
Total	<u>1,772,853</u>	<u>-</u>	<u>-</u>	<u>1,772,853</u>
Less accumulated depreciation for:				
Buildings	65,243	-	-	65,243
Utility systems	1,391,161	5,232	-	1,396,393
Equipment	218,075	8,840	-	226,915
Total	<u>1,674,479</u>	<u>14,072</u>	<u>-</u>	<u>1,688,551</u>
Total capital assets being depreciated, net	<u>98,374</u>	<u>(14,072)</u>	<u>-</u>	<u>84,302</u>
Business-type activities capital assets, net	<u>\$ 131,844</u>	<u>\$ 41,026</u>	<u>\$ -</u>	<u>\$ 172,870</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 9,104
Public safety	36,858
Highways and streets	106,364
Culture and recreation	<u>60,252</u>
Total governmental activities depreciation expense	<u>\$ 212,578</u>
Business-type activities:	
Water	\$ 9,285
Sewer	<u>4,787</u>
Total business-type activities depreciation expense	<u>\$ 14,072</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Governmental activities:					
Compensated absences	\$ 17,428	\$ -	\$ 1,675	\$ 15,753	\$ 15,753
Note payable	-	101,500	3,605	97,895	8,432
Capital lease payable	-	95,879	9,507	86,372	11,614
	<u>\$ 17,428</u>	<u>\$ 197,379</u>	<u>\$ 14,787</u>	<u>\$ 200,020</u>	<u>\$ 35,799</u>
Business-type activities:					
Compensated absences	<u>\$ 5,675</u>	<u>\$ 1,857</u>	<u>\$ -</u>	<u>\$ 7,532</u>	<u>\$ 7,532</u>

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

Description	Original Amount	Maturity	Interest Rate	Outstanding Principal
Note payable	<u>\$ 101,500</u>	11/30/2022	4.640%	<u>\$ 97,895</u>

The following schedule details debt service requirements to maturity for the Town's note payable at June 30, 2013.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 8,432	\$ 4,312
2015	8,832	3,912
2016	9,250	3,494
2017	9,689	3,055
2018	10,148	2,596
2019-23	<u>51,544</u>	<u>5,392</u>
Total	<u>\$ 97,895</u>	<u>\$ 22,761</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 6 – LONG-TERM LIABILITIES – Continued

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 95,879
Less: accumulated depreciation	<u>(3,729)</u>
Carrying value	<u><u>\$ 92,150</u></u>

The following schedule details the minimum lease payment requirements to maturity for the Town's capital lease payable at June 30, 2013:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 15,266
2015	15,266
2016	15,266
2017	15,266
2018	15,266
2019-20	<u>20,355</u>
Total minimum lease payments	96,683
Less amount representing interest	<u>(10,311)</u>
Present value of net minimum lease payments	<u><u>\$ 86,372</u></u>

NOTE 7 – RISK MANAGEMENT

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 8 – 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 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, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 17.80 percent, of which 1.94 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 8 – RETIREMENT PLANS – Continued

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 2013 contribution requirements are as follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	25 years for underfunded actuarial liability, 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.00% - 8.00%
Payroll growth	5.00%

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS				
Pension	2013	\$ 27,590	100 %	\$ -
	2012	44,986	100	-
	2011	21,803	100	-
Health Insurance	2013	\$ 3,375	100 %	\$ -
	2012	4,702	100	-
	2011	2,500	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, 2013, and the previous two fiscal years. The fiscal year 2013 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2012 actuarial methods.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2013

NOTE 8 – 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)
6/30/2013	\$ 336,620	\$ 415,839	\$ 79,219	80.9 %	\$ 143,296	55.3 %
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

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)
6/30/2013	\$ -	\$ 11,685	\$ 11,685	0.0 %	\$ 143,296	8.2 %
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

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund balances at June 30, 2013, were as follows:

Payable from	Payable to		Total
	HURF/Road Tax Fund	Sewer Fund	
General Fund	\$ 854,224	\$ -	\$ 854,224
Grants Fund	2,994	-	2,994
Water Fund	24,703	290,830	315,533
Sanitation Fund	15,215	-	15,215
Cemetery Fund	250,912	-	250,912
	<u>\$ 1,148,048</u>	<u>\$ 290,830</u>	<u>\$ 1,438,878</u>

The interfund receivables and payables above were necessary in order to fund the ongoing activities of the General, Grants, 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Property taxes	\$ 60,352	\$ 60,352	\$ 55,387	\$ (4,965)
Sales taxes	80,000	80,000	89,242	9,242
Franchise taxes	5,000	5,000	3,734	(1,266)
Intergovernmental	399,405	399,405	332,558	(66,847)
Fines and forfeitures	77,700	77,700	43,384	(34,316)
Rental income	18,500	18,500	22,800	4,300
Other revenue	110,600	110,600	12,899	(97,701)
Investment income	-	-	8,089	8,089
Charges for services	3,500	3,500	7,426	3,926
Licenses and permits	5,000	5,000	3,845	(1,155)
Contributions	500	500	1,945	1,445
Total revenue	<u>760,557</u>	<u>760,557</u>	<u>581,309</u>	<u>(179,248)</u>
Expenditures				
Current				
General government	138,938	138,938	117,361	21,577
Public safety	536,039	536,039	504,335	31,704
Culture and recreation	85,580	85,580	113,454	(27,874)
Debt service				
Principal	-	-	3,605	(3,605)
Interest	-	-	2,692	(2,692)
Capital outlay	-	-	151,100	(151,100)
Total expenditures	<u>760,557</u>	<u>760,557</u>	<u>892,547</u>	<u>(131,990)</u>
Excess (deficiency) of revenue over (under) expenditures	-	-	(311,238)	(311,238)
Other financing sources (uses):				
Installment purchase agreement	-	-	101,500	101,500
Net change in fund balance	-	-	(209,738)	(209,738)
Fund balance, beginning of year	(684,282)	(684,282)	(684,282)	-
Fund balance, end of year	<u>\$ (684,282)</u>	<u>\$ (684,282)</u>	<u>\$ (894,020)</u>	<u>\$ (209,738)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/Road Tax Fund
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenue				
Intergovernmental	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,589</u>	<u>\$ 145,589</u>
Expenditures				
Current				
Highways and streets	527,348	527,348	361,478	165,870
Debt service				
Principal	-	-	9,507	(9,507)
Interest	-	-	1,672	(1,672)
Capital outlay	-	-	224,317	(224,317)
Total expenditures	<u>527,348</u>	<u>527,348</u>	<u>596,974</u>	<u>(69,626)</u>
Excess (deficiency) of revenue over (under) expenditures	(527,348)	(527,348)	(451,385)	75,963
Other financing sources (uses):				
Installment purchase agreement	<u>-</u>	<u>-</u>	<u>95,879</u>	<u>95,879</u>
Net change in fund balance	(527,348)	(527,348)	(355,506)	171,842
Fund balance, beginning of year	<u>1,906,268</u>	<u>1,906,268</u>	<u>1,906,268</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,378,920</u></u>	<u><u>\$ 1,378,920</u></u>	<u><u>\$ 1,550,762</u></u>	<u><u>\$ 171,842</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 29,170	\$ 29,170
Expenditures				
Current				
Culture and recreation	500,000	500,000	2,516	497,484
Net change in fund balance	(500,000)	(500,000)	26,654	526,654
Fund balance, beginning of year	(29,648)	(29,648)	(29,648)	-
Fund balance, end of year	<u>\$ (529,648)</u>	<u>\$ (529,648)</u>	<u>\$ (2,994)</u>	<u>\$ 526,654</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2013

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

The Town has exceeded appropriations in various departments in the General Fund the HURF/Road tax Fund for the year ended June 30, 2013.

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, 2013

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)
6/30/2013	\$ 336,620	\$ 415,839	\$ 79,219	80.9 %	\$ 143,296	55.3 %
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

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)
6/30/2013	\$ -	\$ 11,685	\$ 11,685	0.0 %	\$ 143,296	8.2 %
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



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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements and, which collectively comprise the Town of Mammoth, Arizona's basic financial statements and have issued our report thereon dated June 15, 2016.

Internal Control Over Financial Reporting

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

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. 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.

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

consider to be material weaknesses. We consider the all of the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

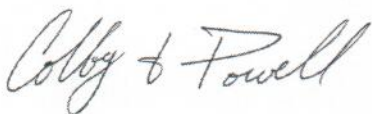
As part of obtaining reasonable assurance about whether the Town of Mammoth, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items **13-07 and 13-08**.

The Town of Mammoth, Arizona's Response to Findings

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

Purpose of this Report

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



June 15, 2016

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2013

Audit findings and responses are as follows:

Financial Statement Findings

Item: 13-01

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 the amount owed to the Town by the customer. Payments received from the lot sale should reduce the account receivable.

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

Item: 13-02

Subject: Misstatements requiring audit adjustments.

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

- Reclass of water fund grant activity from governmental to enterprise fund.
- Record and accrue invoice for CDBG.
- Record and accrue CDBG pay request.
- Record new bank account activity for rental property account.
- Record new bank account activity for money market account.

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.

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2013

Item: 13-03

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 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: 13-04

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: 13-05

Subject: Bank reconciliations

Condition: During our audit it was noted that cash bank reconciliations were not prepared on a timely basis. Bank reconciliations for the fiscal year under audit were not reconciled over three years.

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

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

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2013

Item: 13-06

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.

Compliance Findings

Item: 13-07

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, 2013, the Town had borrowed monies of HURF and Half-Cent Road Tax revenue to fund operations of other funds.

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

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

Item: 13-08

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 General Fund and the HURF/Road Tax Fund

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

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



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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, and each major fund of the Town of Mammoth, Arizona as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 15, 2016.

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.

June 15, 2016