

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Mammoth, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of June 30, 2017, 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 Schedules on pages 38 to 40, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 41, Schedule of Town Pension Contributions on page 42, and Schedule of Agent OPEB Plans' Funding Progress on page 44, 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 April 5, 2018, on our consideration of the Town of Mammoth, Arizona’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mammoth, Arizona’s internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

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



April 5, 2018

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 401,977	\$ -	\$ 401,977
Cash and cash equivalents-restricted	-	35,719	35,719
Accounts receivable - net	-	46,135	46,135
Taxes receivable	1,391	-	1,391
Due from other governments	55,779	5,209	60,988
Interactivity balances	131,045	(131,045)	-
Capital assets, not being depreciated	213,718	33,470	247,188
Capital assets, being depreciated, net	<u>1,687,857</u>	<u>516,061</u>	<u>2,203,918</u>
Total assets	<u>2,491,767</u>	<u>505,549</u>	<u>2,997,316</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>38,918</u>	<u>-</u>	<u>38,918</u>
LIABILITIES			
Accounts payable	31,407	25,449	56,856
Accrued expenses	71,025	5,598	76,623
PSPRS Parker liability	4,730	-	4,730
Customer accounts payable	-	58,893	58,893
Refundable deposits	-	35,719	35,719
Compensated absences	8,424	2,624	11,048
Noncurrent liabilities			
Due within one year	22,166	-	22,166
Due in more than one year	<u>103,083</u>	<u>-</u>	<u>103,083</u>
Total liabilities	<u>240,835</u>	<u>128,283</u>	<u>369,118</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>6,573</u>	<u>-</u>	<u>6,573</u>
NET POSITION			
Net investment in capital assets	1,808,898	549,531	2,358,429
Restricted			
Highways and streets	1,288,963	-	1,288,963
Unrestricted	<u>(814,584)</u>	<u>(172,265)</u>	<u>(986,849)</u>
Total net position	<u>\$ 2,283,277</u>	<u>\$ 377,266</u>	<u>\$ 2,660,543</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2017

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	
Primary government:							
Governmental activities							
General government	\$ 207,456	\$ 41,660	\$ -	\$ -	\$ (165,796)	\$ -	\$ (165,796)
Public safety	202,643	19,084	-	-	(183,559)	-	(183,559)
Highways and streets	201,723	-	177,993	-	(23,730)	-	(23,730)
Culture and recreation	136,734	10,618	5,135	-	(120,981)	-	(120,981)
Interest	6,948	-	-	-	(6,948)	-	(6,948)
Total governmental activities	755,504	71,362	183,128	-	(501,014)	-	(501,014)
Business-type activities							
Water	216,173	175,099	-	20,654	-	(20,420)	(20,420)
Sewer	88,108	103,700	-	-	-	15,592	15,592
Sanitation	85,311	124,414	-	-	-	39,103	39,103
Cemetery	4,794	27,468	-	-	-	22,674	22,674
Total business-type activities	394,386	430,681	-	20,654	-	56,949	56,949
Total primary government	\$ 1,149,890	\$ 502,043	\$ 183,128	\$ 20,654	(501,014)	56,949	(444,065)
General revenue:							
Taxes:							
Local sales taxes					255,907	-	255,907
Property taxes, levied for general purposes					51,895	-	51,895
Franchise tax					7,666	-	7,666
Share of state sales taxes					136,356	-	136,356
Share of county auto lieu taxes					80,221	-	80,221
State urban revenue sharing					183,514	-	183,514
Investment earnings, net					432	-	432
Miscellaneous					8,653	-	8,653
Total general revenue					<u>724,644</u>	<u>-</u>	<u>724,644</u>
Change in net position					223,630	56,949	280,579
Net position, beginning of year					<u>2,059,647</u>	<u>320,317</u>	<u>2,379,964</u>
Net position, end of year					<u>\$ 2,283,277</u>	<u>\$ 377,266</u>	<u>\$ 2,660,543</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>HURF/Road Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 401,977	\$ 401,977
Taxes receivable	1,391	-	1,391
Due from other governments	39,741	16,038	55,779
Due from other funds	-	878,449	878,449
Total assets	<u>\$ 41,132</u>	<u>\$ 1,296,464</u>	<u>\$ 1,337,596</u>
LIABILITIES			
Accounts payable	\$ 26,813	\$ 4,594	\$ 31,407
Accrued expenses	68,118	2,907	71,025
Due to other funds	747,404	-	747,404
Total liabilities	<u>842,335</u>	<u>7,501</u>	<u>849,836</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	7,929	-	7,929
FUND BALANCES			
Restricted			
Highways and streets-HURF	-	900,820	900,820
Highways and streets-Road Tax	-	388,143	388,143
Unassigned	(809,132)	-	(809,132)
Total fund balances	<u>(809,132)</u>	<u>1,288,963</u>	<u>479,831</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,132</u>	<u>\$ 1,296,464</u>	<u>\$ 1,337,596</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, 2017

Fund balances-total governmental funds	\$ 479,831
Amounts reported for governmental activities in the Statement of Net Position are different	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,901,575
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	7,929
Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(138,403)
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>32,345</u>
Net position of governmental activities	<u><u>\$ 2,283,277</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, 2017

	General Fund	HURF/Road Tax Fund	Total Governmental Funds
Revenue			
Intergovernmental	\$ 400,491	\$ 177,995	\$ 578,486
Taxes	314,365	-	314,365
Rental income	37,520	-	37,520
Fines and forfeitures	19,234	-	19,234
Charges for services	10,468	-	10,468
Other revenue	8,652	-	8,652
Contributions	4,735	-	4,735
Licenses and permits	4,140	-	4,140
Investment income	432	-	432
Total revenue	<u>800,037</u>	<u>177,995</u>	<u>978,032</u>
Expenditures			
Current			
General government	196,645	-	196,645
Public safety	373,931	-	373,931
Highways and streets	-	156,687	156,687
Culture and recreation	77,425	-	77,425
Debt service			
Principal	9,716	15,147	24,863
Interest	2,878	2,648	5,526
Total expenditures	<u>660,595</u>	<u>174,482</u>	<u>835,077</u>
Net change in fund balance	139,442	3,513	142,955
Fund balances, beginning of year	<u>(948,574)</u>	<u>1,285,450</u>	<u>336,876</u>
Fund balances, end of year	<u>\$ (809,132)</u>	<u>\$ 1,288,963</u>	<u>\$ 479,831</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, 2017

Net change in fund balances-total governmental funds		\$ 142,955
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Depreciation expense		(116,057)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		1,102
<p>Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Town pension contributions	8,880	
Pension income	<u>168,532</u>	
		177,412
<p>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.</p>		
Debt principal repaid		24,863
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.</p>		
PSPRS Parker liability	(4,730)	
Increase in compensated absences payable	<u>(1,915)</u>	
		<u>(6,645)</u>
Change in net position of governmental activities		\$ <u><u>223,630</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash and cash equivalents-restricted	\$ 35,719	\$ -	\$ -	\$ -	\$ 35,719
Accounts receivable - net	6,685	18,922	11,673	8,855	46,135
Due from other governments	5,209	-	-	-	5,209
Due from other funds	-	321,900	94,959	-	416,859
Total current assets	<u>47,613</u>	<u>340,822</u>	<u>106,632</u>	<u>8,855</u>	<u>503,922</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	502,077	-	-	-	502,077
Equipment, net	12,867	1,117	-	-	13,984
Total noncurrent assets	<u>522,780</u>	<u>22,008</u>	<u>-</u>	<u>4,743</u>	<u>549,531</u>
Total assets	<u>570,393</u>	<u>362,830</u>	<u>106,632</u>	<u>13,598</u>	<u>1,053,453</u>
LIABILITIES					
Current liabilities					
Accounts payable	23,229	1,211	990	19	25,449
Accrued expenses	3,232	2,366	-	-	5,598
Customer accounts payable	58,893	-	-	-	58,893
Refundable deposits	35,719	-	-	-	35,719
Compensated absences	1,480	1,144	-	-	2,624
Due to other funds	339,178	-	-	208,726	547,904
Total current liabilities	<u>461,731</u>	<u>4,721</u>	<u>990</u>	<u>208,745</u>	<u>676,187</u>
NET POSITION					
Net investment in capital assets	522,780	22,008	-	4,743	549,531
Unrestricted (deficit)	(414,118)	336,101	105,642	(199,890)	(172,265)
Total net position	<u>\$ 108,662</u>	<u>\$ 358,109</u>	<u>\$ 105,642</u>	<u>\$ (195,147)</u>	<u>\$ 377,266</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, 2017

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Operating revenue					
Charges for services	\$ 175,099	\$ 103,700	\$ 124,414	\$ 27,468	\$ 430,681
Operating expenses					
Personnel	75,757	71,930	-	-	147,687
Landfill fees	-	-	83,418	-	83,418
Utilities	43,875	8,402	-	-	52,277
Depreciation	24,513	52	-	-	24,565
Repairs and maintenance	22,235	604	-	390	23,229
Professional services	20,654	-	-	-	20,654
Materials and supplies	12,688	756	-	4,153	17,597
Insurance	6,495	6,351	-	-	12,846
Other	9,956	13	1,893	251	12,113
Total operating expenses	<u>216,173</u>	<u>88,108</u>	<u>85,311</u>	<u>4,794</u>	<u>394,386</u>
Operating income (loss)	<u>(41,074)</u>	<u>15,592</u>	<u>39,103</u>	<u>22,674</u>	<u>36,295</u>
Capital contribution	20,654	-	-	-	20,654
Increase (decrease) in net position	(20,420)	15,592	39,103	22,674	56,949
Total net position, beginning of year	<u>129,082</u>	<u>342,517</u>	<u>66,539</u>	<u>(217,821)</u>	<u>320,317</u>
Total net position, end of year	<u><u>\$ 108,662</u></u>	<u><u>\$ 358,109</u></u>	<u><u>\$ 105,642</u></u>	<u><u>\$ (195,147)</u></u>	<u><u>\$ 377,266</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Cash flows from operating activities:					
Receipts from customers	\$ 175,363	\$ 103,635	\$ 124,853	\$ 29,943	\$ 433,794
Payments to suppliers and providers of goods and services	(101,051)	(15,956)	(91,642)	(4,801)	(213,450)
Payments to employees	(73,736)	(71,298)	-	-	(145,034)
Net cash provided (used) by operating activities	<u>576</u>	<u>16,381</u>	<u>33,211</u>	<u>25,142</u>	<u>75,310</u>
Cash flows from noncapital financing activities:					
Due (to) from other funds	(6,732)	(16,381)	(33,211)	(25,142)	(81,466)
Cash flows from capital and related financing activities:					
Purchase of capital assets	(7,494)	-	-	-	(7,494)
Capital contributions received	15,445	-	-	-	15,445
Net cash provided (used) by capital and related financing activities	<u>7,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,951</u>
Net increase (decrease) in cash	1,795	-	-	-	1,795
Cash and cash equivalents, beginning of year	33,924	-	-	-	33,924
Cash and cash equivalents, end of year	<u>\$ 35,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,719</u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents-restricted	35,719	-	-	-	35,719
Cash and cash equivalents, end of year	<u>\$ 35,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,719</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017
(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)	\$ (41,074)	\$ 15,592	\$ 39,103	\$ 22,674	\$ 36,295
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	24,513	52	-	-	24,565
(Increase) decrease in:					
Accounts receivable	(1,531)	(65)	439	2,475	1,318
Increase (decrease) in:					
Accounts payable	14,852	170	(6,331)	(7)	8,684
Accrued expenses	1,780	627	-	-	2,407
Refundable deposits	1,795	-	-	-	1,795
Compensated absences payable	241	5	-	-	246
Net cash provided (used) by operating activities	\$ 576	\$ 16,381	\$ 33,211	\$ 25,142	\$ 75,310

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial 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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund financial statements—provide information about the Town’s funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial 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 non-major funds.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund’s principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

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 highway and street purposes.

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 financial 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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

when the related cash flows take place. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both 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. The Town's major revenue sources that are susceptible to accrual are special assessments, intergovernmental, charges for services, and investment earnings. 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 pollution remediation obligations, 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 the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2017, is \$5,000 for water, \$12,580 for sewer, and \$6,284 for sanitation.

F. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

G. Investment Income

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

H. 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.

I. Subsequent Events

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

K. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Impact of Recently Issued Accounting Principles

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Town implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

M. Pensions

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N. 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.

O. Budgets

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

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual reports as listed in the table of contents present all departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2017, if any.

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; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town’s investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

Deposits—At June 30, 2017, the carrying amount of the Town’s total pooled cash in bank was \$407,548, and the bank balance was \$429,590. The bank balance is covered by federal depository insurance and collateral held by the pledging financial institution’s trust department or agent in the Town’s name.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Investments—At June 30, 2017, the investments consisted of the following:

	S&P Rating	Reported Amount	Fair Value
Investment in State Treasurer's Investment Pool 5	AAA	\$ 29,799	\$ 29,799

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools. The shares are not identified with specific investments and are not subject to custodial credit risk.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

Deposits	
Cash on hand	\$ 350
Cash in bank	407,547
Investments	
State Treasurer's Investment Pool 5	29,799
Total deposits and investments	437,696
Cash and cash equivalents-restricted	(35,719)
Total cash and cash equivalents	\$ 401,977

Cash and cash equivalents-restricted –At June 30, 2017, cash and cash equivalents-restricted consisted of amounts held for refundable deposits in the Water Fund.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 213,718	\$ -	\$ -	\$ 213,718
Capital assets being depreciated:				
Buildings	1,206,699	-	-	1,206,699
Equipment	1,201,778	-	-	1,201,778
Infrastructure	4,492,982	-	-	4,492,982
Total	<u>6,901,459</u>	<u>-</u>	<u>-</u>	<u>6,901,459</u>
Less accumulated depreciation for:				
Buildings	336,693	43,574	-	380,267
Equipment	960,939	20,326	-	981,265
Infrastructure	3,799,913	52,157	-	3,852,070
Total	<u>5,097,545</u>	<u>116,057</u>	<u>-</u>	<u>5,213,602</u>
Total capital assets being depreciated, net	<u>1,803,914</u>	<u>(116,057)</u>	<u>-</u>	<u>1,687,857</u>
Governmental activities capital assets, net	<u>\$ 2,017,632</u>	<u>\$ (116,057)</u>	<u>\$ -</u>	<u>\$ 1,901,575</u>
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Capital assets being depreciated:				
Buildings	65,244	-	-	65,244
Utility systems	1,955,248	-	-	1,955,248
Equipment	244,119	7,494	-	251,613
Total	<u>2,264,611</u>	<u>7,494</u>	<u>-</u>	<u>2,272,105</u>
Less accumulated depreciation for:				
Buildings	65,244	-	-	65,244
Utility systems	1,430,345	22,825	-	1,453,170
Equipment	235,890	1,740	-	237,630
Total	<u>1,731,479</u>	<u>24,565</u>	<u>-</u>	<u>1,756,044</u>
Total capital assets being depreciated, net	<u>533,132</u>	<u>(17,071)</u>	<u>-</u>	<u>516,061</u>
Business-type activities capital assets, net	<u>\$ 566,602</u>	<u>\$ (17,071)</u>	<u>\$ -</u>	<u>\$ 549,531</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 3 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 10,312
Public safety	610
Highways and streets	45,826
Culture and recreation	<u>59,309</u>
Total governmental activities depreciation expense	<u><u>\$ 116,057</u></u>
Business-type activities:	
Water	\$ 24,513
Sewer	<u>52</u>
Total business-type activities depreciation expense	<u><u>\$ 24,565</u></u>

NOTE 4 – DUE TO/FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2017 consisted of \$11,933 in state-shared revenue from sales taxes, \$3,333 in state-shared revenue from auto lieu taxes, and \$14,325 in local sales taxes collected by the State of Arizona and \$10,150 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/Road Tax Fund at June 30, 2017 consisted of \$5,726 in county-shared revenue from county road taxes and \$10,312 in state-shared revenue from highway user revenue fund (HURF) taxes.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Governmental activities:					
Compensated absences	\$ 6,509	\$ 1,915	\$ -	\$ 8,424	\$ 8,424
Note payable	70,478	-	9,716	60,762	10,152
Capital lease payable	47,062	-	15,147	31,915	12,014
Net pension liability	191,865	-	159,293	32,572	-
	<u>\$ 315,914</u>	<u>\$ 1,915</u>	<u>\$ 184,156</u>	<u>\$ 133,673</u>	<u>\$ 30,590</u>
Business-type activities:					
Compensated absences	<u>\$ 2,378</u>	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ 2,624</u>	<u>\$ 2,624</u>

Notes payable—In November of 2012 the Town acquired a building under a note agreement with Bank of the West. 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>\$ 60,762</u>

The following schedule details debt service requirements to maturity for the Town’s note payable at June 30, 2017.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 10,152	\$ 2,443
2019	10,606	1,988
2020	11,081	1,513
2021	11,578	1,017
2022	12,096	498
2023	5,249	49
Total	<u>\$ 60,762</u>	<u>\$ 7,508</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – 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:

	Governmental Activities
Equipment	\$ 95,879
Less: accumulated depreciation	(29,296)
Carrying value	\$ 66,583

The following schedule details the minimum lease payment requirements to maturity for the Town’s capital lease payable at June 30, 2017:

Year Ending June 30	Governmental Activities
2018	\$ 12,721
2019	15,266
2020	5,090
Total minimum lease payments	33,077
Less amount representing interest	(1,162)
Present value of net minimum lease payments	\$ 31,915

NOTE 6 – RISK MANAGEMENT

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the Public Safety Personnel Retirement System (PSPRS). PSPRS is a component unit of the State of Arizona.

At June 30, 2017, the Town reported the following amounts related to PSPRS:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension liabilities	\$ 32,572
Deferred outflows of resources	38,918
Deferred inflows of resources	6,573
Pension expense (income)	(168,532)

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

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	8
Active employees	2
Total	11

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police
Active members - pension	11.65%
Town	
Pension	8.00%
Health insurance premium benefit	0.00%

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	PSPRS Police
Pension:	
Contributions made	\$ 8,870
Health Insurance Premium Benefit:	
Annual OPEB cost	-
Contributions made	-

During fiscal year 2017, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Net Pension Liability (Asset) – At June 30, 2017, the Town reported the following net pension liability:

	Net Pension Liability (Asset)
PSPRS Police	\$ 32,572

The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town’s net pension liabilities as a result of these changes is not known.

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

PSPRS	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Discount rate	7.50%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Pension Discount Rates – At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 538,051	\$ 346,186	\$ 191,865
Changes for the year			
Service cost	-	-	-
Interest on the total pension liability	41,398	-	41,398
Changes of benefit terms	(131,109)	-	(131,109)
Differences between expected and actual experience in the measurement of the pension liability	(14,329)	-	(14,329)
Changes of assumptions or other	21,257	-	21,257
Contributions-employer	-	16,725	(16,725)
Contributions-employee	-	8,920	(8,920)
Net investment income	-	2,187	(2,187)
Benefit payments, including refunds of employee contributions	(21,385)	(21,385)	-
Administrative expense	-	(715)	715
Other changes	-	49,393	(49,393)
Net changes	(104,168)	55,125	(159,293)
Balances at June 30, 2017	\$ 433,883	\$ 401,311	\$ 32,572

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities (assets) calculated using the discount rate of 7.50 percent, as well as what the Town’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
PSPRS Police			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 73,977	\$ 32,572	\$ (625)

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense (Income) – For the year ended June 30, 2017, the Town recognized the following pension expense (income):

	Pension Expense (Income)
PSPRS Police	\$ (168,532)

Pension Deferred Outflows/Inflows of Resources – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 30,048	\$ 6,573
Contributions subsequent to the measurement date	8,870	-
Total	\$ 38,918	\$ 6,573

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	PSPRS Police
2018	\$ 4,925
2019	4,924
2020	8,212
2021	5,414
2022	-
Thereafter	-

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS Police			
June 30, 2017	\$ -	100%	\$ -
June 30, 2016	-	100%	-
June 30, 2015	-	100%	-

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2017, along with the actuarial assumptions and methods used in those valuations follow.

	<u>PSPRS Police</u>
Actuarial value of assets (a)	\$ 39,423
Actuarial accrued liability (b)	\$ 14,479
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$ (24,944)
Funded ratio (a)/(b)	272.28%
Annual covered payroll (c)	\$ 150,790
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.00%

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

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

ICMA Pension Plan - The Town’s full-time employees participate in a defined contribution plan. The Town is required to contribute seven percent of the eligible employee’s annual covered payroll. Contributions made by the Town vest with the employee at 20% after three years of full-time employment with 100% vesting after six years of full-time employment.

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund balances at June 30, 2017, were as follows:

Payable from	Payable to			Total
	HURF/Road Tax Fund	Sewer Fund	Sanitation Fund	
General Fund	\$ 747,404	\$ -	\$ -	\$ 747,404
Water Fund	131,045	208,133	-	339,178
Cemetery Fund	-	113,767	94,959	208,726
	<u>\$ 878,449</u>	<u>\$ 321,900</u>	<u>\$ 94,959</u>	<u>\$ 1,295,308</u>

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

NOTE 9 – PSPRS PARKER LIABILITY

In 2011, legislators passed Senate Bill 1609, which contained several provisions meant to shore up the plans administered by PSPRS. One of those provisions was a gradual increase in member contribution rates from 7% to 11% in the elected officials' plan (EORP) and from 7.65% to 11.65% in the public safety plan (PSPRS). In August 2011, those provisions were challenged via two separate, but parallel, lawsuits—Hall for EORP and Parker for PSPRS. In November 2016, the Supreme Court upheld the lower court decision in Hall that ruled those increased member contribution rates were unconstitutional. These two lawsuits have been adjudicated separately where the Parker case was stayed (put on hold) pending the final outcome of Hall. Nevertheless, the facts and circumstances are essentially the same where both parties to Parker agreed, at the time of stay, to appropriately apply the remedies of Hall when finalized.

PSPRS members who became members of the system prior to July 20, 2011 and who paid employee contributions that exceeded 7.65% are eligible to receive a refund of those excess contributions unless they terminated and already received a refund. PSPRS has prepared a list of affected members for each employer, along with the amount of excess contributions that must be returned to them. The Town has estimated that the total amount of refunds due to employees (including applicable interest) will be \$4,730.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Property taxes	\$ 78,698	\$ 78,698	\$ 50,793	\$ (27,905)
Sales taxes	193,495	193,495	255,906	62,411
Franchise taxes	9,389	9,389	7,666	(1,723)
Intergovernmental	400,889	400,889	400,491	(398)
Rental income	14,005	14,005	37,520	23,515
Fines and forfeitures	34,500	34,500	19,234	(15,266)
Charges for services	5,600	5,600	10,468	4,868
Other revenue	4,000	4,000	8,652	4,652
Contributions	6,000	6,000	4,735	(1,265)
Licenses and permits	4,050	4,050	4,140	90
Investment income	-	-	432	432
Total revenue	<u>750,626</u>	<u>750,626</u>	<u>800,037</u>	<u>49,411</u>
Expenditures				
Current				
General government	268,406	268,406	196,645	71,761
Public safety	358,865	358,865	373,931	(15,066)
Highways and streets	6,000	6,000	-	6,000
Culture and recreation	104,761	104,761	77,425	27,336
Debt service				
Principal	9,716	9,716	9,716	-
Interest	2,878	2,878	2,878	-
Total expenditures	<u>750,626</u>	<u>750,626</u>	<u>660,595</u>	<u>90,031</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>139,442</u>	<u>139,442</u>
Other financing sources (uses):				
Transfer out	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>
Net change in fund balance	<u>(6,000)</u>	<u>(6,000)</u>	<u>139,442</u>	<u>145,442</u>
Fund balance, beginning of year	<u>(948,574)</u>	<u>(948,574)</u>	<u>(948,574)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (954,574)</u></u>	<u><u>\$ (954,574)</u></u>	<u><u>\$ (809,132)</u></u>	<u><u>\$ 145,442</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/Road Tax Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 187,935	\$ 187,935	177,995	\$ (9,940)
Expenditures				
Current				
Highways and streets	172,788	172,788	156,687	16,101
Debt service				
Principal	15,147	15,147	15,147	-
Interest	2,648	2,648	2,648	-
Total expenditures	<u>190,583</u>	<u>190,583</u>	<u>174,482</u>	<u>16,101</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,648)</u>	<u>(2,648)</u>	<u>3,513</u>	<u>6,161</u>
Other financing sources (uses):				
Transfer in	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balance	3,352	3,352	3,513	161
Fund balance, beginning of year	<u>1,285,450</u>	<u>1,285,450</u>	<u>1,285,450</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,288,802</u></u>	<u><u>\$ 1,288,802</u></u>	<u><u>\$ 1,288,963</u></u>	<u><u>\$ 161</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2017

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 for the year ended June 30, 2017.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2017

	Reporting Fiscal Year (Measurement Date)			2014 through 2007
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ -	\$ 29,510	\$ 25,131	
Interest on the total pension liability	41,398	47,666	32,932	
Changes of benefit terms	(131,109)	-	28,199	
Differences between expected and actual experience in the measurement of the pension liability	(14,329)	(117,071)	(31,725)	
Changes of assumptions or other inputs	21,257	-	154,368	
Benefit payments, including refunds of employee contributions	(21,385)	(29,021)	(17,777)	
Net change in total pension liability	(104,168)	(68,916)	191,128	
Total pension liability - beginning	538,051	606,967	415,839	
Total pension liability - ending (a)	<u>\$ 433,883</u>	<u>\$ 538,051</u>	<u>\$ 606,967</u>	
Plan fiduciary net position				
Contributions - employer	\$ 16,725	\$ 15,235	\$ 26,306	
Contributions - employee	8,920	12,452	15,758	
Net investment income	2,187	12,307	39,865	
Benefit payments, including refunds of employee contributions	(21,385)	(29,021)	(17,777)	
Administrative expense	(715)	(665)	-	
Other changes	49,393	(254)	(28,787)	
Net change in plan fiduciary net position	55,125	10,054	35,365	
Plan fiduciary net position - beginning	346,186	336,132	300,767	
Plan fiduciary net position - ending (b)	<u>\$ 401,311</u>	<u>\$ 346,186</u>	<u>\$ 336,132</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 32,572</u>	<u>\$ 191,865</u>	<u>\$ 270,835</u>	
Plan fiduciary net position as a percentage of the total pension liability	92.49%	64.34%	55.38%	
Covered payroll	\$ 80,455	\$ -	\$ 165,425	
Town's net pension liability (asset) as a percentage of covered-employee payroll	40.48%	0.00%	163.72%	

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2017

	Reporting Fiscal Year				2013 through 2007
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 8,870	\$ 16,725	\$ 15,235	\$ 26,306	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(8,870)</u>	<u>(16,725)</u>	<u>(15,235)</u>	<u>(26,306)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 110,880	\$ 80,455	\$ -	\$ 165,425	
Town's contributions as a percentage of covered- employee payroll	8.00%	20.79%	0.00%	15.90%	

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

Health Insurance Premium Benefit - PSPRS

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)
06/30/17	\$ 39,423	\$ 14,479	\$ (24,944)	272.3 %	\$ 150,790	0.00 %
06/30/16	36,943	1,103	(35,840)	3349.3	80,455	0.00
06/30/15	34,630	-	(34,630)	0.0	-	0.00

See accompanying notes to schedule of agent OPEB plans' funding progress.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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



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

To the Town Council
Town of Mammoth, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2017, 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 April 5, 2018.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be

material weaknesses. We consider the deficiencies described in the accompanying schedule of finding and responses **2015-001**, **2015-002**, and **2015-004** to be material weaknesses.

Compliance and Other Matters

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

The Town of Mammoth, Arizona's Response to Findings

Town of Mammoth, Arizona's responses to the findings identified in our audit are 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.



April 5, 2018

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2017

Audit findings and responses are as follows:

Financial Statement Findings

Item: 2015-001

Subject: Cemetery lot sales.

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

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

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

Item: 2015-002

Subject: Formal written accounting policies and procedures.

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

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

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

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2017

Financial Statement Findings – Continued

Item: 2015-004

Subject: Utility billing adjustments.

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

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

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

Item: 2015-005

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

Condition: HURF and Half-Cent Road Tax revenue is required to be spent solely for highway and street related purposes. As of June 30, 2017, the Town had borrowed monies of HURF and Half-Cent Road Tax revenue to fund operations of other funds.

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

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

Item: 2015-006

Subject: Control of Expenditures.

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