

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2019

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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, 2019, 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, 2019, 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, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans, and Schedule of Town Pension/OPEB Contributions as listed in the table of contents 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 July 24, 2020, 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.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, we noted that the Town spent \$911,842 of Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, which was not for authorized transportation purposes. Our audit was not directed primarily toward obtaining knowledge as to whether the Town failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for these monies. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Town's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated transportation revenue monies in the preceding paragraphs is intended solely for the information and use of the members of the Arizona State Legislature, the Town Council, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.



July 24, 2020

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 480,359	\$ -	\$ 480,359
Cash and cash equivalents-restricted	-	33,017	33,017
Accounts receivable - net	-	29,991	29,991
Taxes receivable	1,199	-	1,199
Due from other governments	78,036	99,014	177,050
Interactivity balances	326,047	(326,047)	-
Net other postemployment benefits asset	25,693	-	25,693
Capital assets, not being depreciated	228,718	33,470	262,188
Capital assets, being depreciated, net	1,496,576	933,030	2,429,606
Total assets	2,636,628	802,475	3,439,103
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	88,269	-	88,269
LIABILITIES			
Accounts payable	17,576	61,533	79,109
Accrued expenses	60,825	8,720	69,545
Customer accounts payable	-	63,660	63,660
Refundable deposits	-	33,017	33,017
Compensated absences	13,666	1,972	15,638
Noncurrent liabilities			
Due within one year	17,392	-	17,392
Due in more than one year	257,613	-	257,613
Total liabilities	367,072	168,902	535,974
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	2,768	-	2,768
NET POSITION			
Net investment in capital assets	1,678,344	966,500	2,644,844
Restricted			
Highways and streets	1,404,192	-	1,404,192
Unrestricted	(727,479)	(332,927)	(1,060,406)
Total net position	\$ 2,355,057	\$ 633,573	\$ 2,988,630

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2019

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	\$ 197,642	\$ 40,056	\$ -	\$ -	\$ (157,586)	\$ -	\$ (157,586)
Public safety	582,059	16,768	-	-	(565,291)	-	(565,291)
Highways and streets	167,073	-	209,911	-	42,838	-	42,838
Culture and recreation	131,325	10,047	4,650	-	(116,628)	-	(116,628)
Interest	3,646	-	-	-	(3,646)	-	(3,646)
Total governmental activities	<u>1,081,745</u>	<u>66,871</u>	<u>214,561</u>	<u>-</u>	<u>(800,313)</u>	<u>-</u>	<u>(800,313)</u>
Business-type activities							
Water	345,555	154,211	7,601	277,141	-	93,398	93,398
Sewer	125,351	94,505	-	-	-	(30,846)	(30,846)
Sanitation	92,292	127,366	-	-	-	35,074	35,074
Cemetery	2,503	13,971	-	-	-	11,468	11,468
Total business-type activities	<u>565,701</u>	<u>390,053</u>	<u>7,601</u>	<u>277,141</u>	<u>-</u>	<u>109,094</u>	<u>109,094</u>
Total primary government	<u>\$ 1,647,446</u>	<u>\$ 456,924</u>	<u>\$ 222,162</u>	<u>\$ 277,141</u>	<u>(800,313)</u>	<u>109,094</u>	<u>(691,219)</u>
General revenues:							
Taxes:							
Local sales taxes					269,084	-	269,084
Property taxes, levied for general purposes					54,194	-	54,194
Franchise tax					7,648	-	7,648
Share of state sales taxes					162,374	-	162,374
Share of county auto lieu taxes					98,019	-	98,019
State urban revenue sharing					172,672	-	172,672
Investment earnings, net					1,200	-	1,200
Miscellaneous					9,234	-	9,234
Total general revenues					<u>774,425</u>	<u>-</u>	<u>774,425</u>
Change in net position					(25,888)	109,094	83,206
Net position, beginning of year					2,380,945	524,479	2,905,424
Net position, end of year					<u>\$ 2,355,057</u>	<u>\$ 633,573</u>	<u>\$ 2,988,630</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>HURF/Road Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 480,359	\$ 480,359
Taxes receivable	1,199	-	1,199
Due from other governments	59,354	18,682	78,036
Due from other funds	-	911,842	911,842
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 60,553</u>	<u>\$ 1,410,883</u>	<u>\$ 1,471,436</u>
LIABILITIES			
Accounts payable	\$ 14,325	\$ 3,251	\$ 17,576
Accrued expenses	58,585	2,240	60,825
Due to other funds	585,795	-	585,795
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>658,705</u>	<u>5,491</u>	<u>664,196</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>6,577</u>	<u>-</u>	<u>6,577</u>
FUND BALANCES			
Restricted			
Highways and streets-HURF	-	1,150,604	1,150,604
Highways and streets-Road Tax	-	253,588	253,588
Assigned	-	1,200	1,200
Unassigned	<u>(604,729)</u>	<u>-</u>	<u>(604,729)</u>
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>(604,729)</u>	<u>1,405,392</u>	<u>800,663</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 60,553</u>	<u>\$ 1,410,883</u>	<u>\$ 1,471,436</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, 2019

Fund balances-total governmental funds	\$ 800,663
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.	1,725,294
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	6,577
Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	25,693
Long-term liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(288,671)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>85,501</u>
Net position of governmental activities	<u><u>\$ 2,355,057</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, 2019

	General Fund	HURF/Road Tax Fund	Total Governmental Funds
Revenue			
Intergovernmental	\$ 433,065	\$ 209,911	\$ 642,976
Taxes	328,678	-	328,678
Rental income	36,600	-	36,600
Fines and forfeitures	16,790	-	16,790
Charges for services	10,025	-	10,025
Other revenue	9,234	-	9,234
Contributions	4,650	-	4,650
Licenses and permits	3,456	-	3,456
Investment income	-	1,200	1,200
Total revenue	<u>842,498</u>	<u>211,111</u>	<u>1,053,609</u>
Expenditures			
Current			
General government	184,609	-	184,609
Public safety	423,492	-	423,492
Highways and streets	-	121,248	121,248
Culture and recreation	72,512	-	72,512
Debt service			
Principal	10,568	14,806	25,374
Interest	2,026	1,620	3,646
Capital outlay	11,481	-	11,481
Total expenditures	<u>704,688</u>	<u>137,674</u>	<u>842,362</u>
Net change in fund balance	137,810	73,437	211,247
Fund balances, beginning of year	<u>(742,539)</u>	<u>1,331,955</u>	<u>589,416</u>
Fund balances, end of year	<u>\$ (604,729)</u>	<u>\$ 1,405,392</u>	<u>\$ 800,663</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, 2019

Net change in fund balances-total governmental funds \$ 211,247

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.

Capital outlay	11,481	
Depreciation expense	<u>(119,818)</u>	(108,337)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		2,248
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Town pension/OPEB 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/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Town pension/OPEB contributions	28,314	
Pension/OPEB expense	<u>(182,195)</u>	(153,881)

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

Debt principal repaid		25,374
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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.

Increase in compensated absences payable		<u>(2,539)</u>
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Change in net position of governmental activities \$ (25,888)

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash and cash equivalents-restricted	\$ 33,017	\$ -	\$ -	\$ -	\$ 33,017
Accounts receivable - net	5,228	10,723	6,742	7,298	29,991
Due from other governments	99,014	-	-	-	99,014
Due from other funds	-	274,573	160,935	-	435,508
Total current assets	<u>137,259</u>	<u>285,296</u>	<u>167,677</u>	<u>7,298</u>	<u>597,530</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Utilities systems, net	898,519	22,357	-	-	920,876
Equipment, net	11,089	1,065	-	-	12,154
Capital assets, net	<u>917,444</u>	<u>44,313</u>	<u>-</u>	<u>4,743</u>	<u>966,500</u>
Total noncurrent assets	<u>917,444</u>	<u>44,313</u>	<u>-</u>	<u>4,743</u>	<u>966,500</u>
Total assets	<u>1,054,703</u>	<u>329,609</u>	<u>167,677</u>	<u>12,041</u>	<u>1,564,030</u>
LIABILITIES					
Current liabilities					
Accounts payable	60,353	1,180	-	-	61,533
Accrued expenses	4,700	4,020	-	-	8,720
Customer accounts payable	63,660	-	-	-	63,660
Refundable deposits	33,017	-	-	-	33,017
Compensated absences	1,007	965	-	-	1,972
Due to other funds	587,041	-	-	174,514	761,555
Total current liabilities	<u>749,778</u>	<u>6,165</u>	<u>-</u>	<u>174,514</u>	<u>930,457</u>
NET POSITION					
Net investment in capital assets	917,444	44,313	-	4,743	966,500
Unrestricted (deficit)	<u>(612,519)</u>	<u>279,131</u>	<u>167,677</u>	<u>(167,216)</u>	<u>(332,927)</u>
Total net position	<u>\$ 304,925</u>	<u>\$ 323,444</u>	<u>\$ 167,677</u>	<u>\$ (162,473)</u>	<u>\$ 633,573</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, 2019

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Operating revenue					
Charges for services	\$ 154,211	\$ 94,505	\$ 127,366	\$ 13,971	\$ 390,053
Operating expenses					
Personnel	143,328	104,715	-	-	248,043
Landfill fees	-	-	92,042	-	92,042
Repairs and maintenance	46,112	4,162	-	16	50,290
Utilities	35,479	13,826	-	-	49,305
Professional services	45,719	-	-	-	45,719
Depreciation	33,070	1,006	-	-	34,076
Materials and supplies	20,545	117	-	2,487	23,149
Other	19,181	-	250	-	19,431
Insurance	2,121	1,525	-	-	3,646
Total operating expenses	<u>345,555</u>	<u>125,351</u>	<u>92,292</u>	<u>2,503</u>	<u>565,701</u>
Operating income (loss)	<u>(191,344)</u>	<u>(30,846)</u>	<u>35,074</u>	<u>11,468</u>	<u>(175,648)</u>
Nonoperating revenue					
Grants and contributions	7,601	-	-	-	7,601
Income (loss) before capital contributions	(183,743)	(30,846)	35,074	11,468	(168,047)
Capital contribution	277,141	-	-	-	277,141
Increase (decrease) in net position	93,398	(30,846)	35,074	11,468	109,094
Total net position, beginning of year	211,527	354,290	132,603	(173,941)	524,479
Total net position, end of year	<u>\$ 304,925</u>	<u>\$ 323,444</u>	<u>\$ 167,677</u>	<u>\$ (162,473)</u>	<u>\$ 633,573</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Cash flows from operating activities:					
Receipts from customers	\$ 157,810	\$ 103,602	\$ 134,145	\$ 16,609	\$ 412,166
Payments to suppliers and providers of goods and services	(177,714)	(18,693)	(100,021)	(2,503)	(298,931)
Payments to employees	(142,657)	(103,692)	-	-	(246,349)
Net cash provided (used) by operating activities	<u>(162,561)</u>	<u>(18,783)</u>	<u>34,124</u>	<u>14,106</u>	<u>(133,114)</u>
Cash flows from noncapital financing activities:					
Non-capital grants and contributions	7,601	-	-	-	7,601
Due (to) from other funds	173,277	18,783	(34,124)	(14,106)	143,830
Net cash provided (used) by noncapital financing activities	<u>180,878</u>	<u>18,783</u>	<u>(34,124)</u>	<u>(14,106)</u>	<u>151,431</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(199,733)	-	-	-	(199,733)
Cash received from capital contributions	178,127	-	-	-	178,127
Net cash provided (used) by capital and related financing activities	<u>(21,606)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,606)</u>
Net increase (decrease) in cash	(3,289)	-	-	-	(3,289)
Cash and cash equivalents, beginning of year	<u>36,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,306</u>
Cash and cash equivalents, end of year	<u><u>\$ 33,017</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,017</u></u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents-restricted	<u>33,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,017</u>
Cash and cash equivalents, end of year	<u><u>\$ 33,017</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,017</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019
(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)	\$ (191,344)	\$ (30,846)	\$ 35,074	\$ 11,468	\$ (175,648)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	33,070	1,006	-	-	34,076
Bad debt	5,136	8,211	6,789	-	20,136
(Increase) decrease in:					
Accounts receivable	(6,634)	886	(10)	2,638	(3,120)
Increase (decrease) in:					
Accounts payable	(4,938)	937	(7,729)	-	(11,730)
Accrued expenses	1,015	1,264	-	-	2,279
Customer accounts payable	4,767	-	-	-	4,767
Refundable deposits	(3,289)	-	-	-	(3,289)
Compensated absences payable	(344)	(241)	-	-	(585)
Net cash provided (used) by operating activities	<u><u>\$ (162,561)</u></u>	<u><u>\$ (18,783)</u></u>	<u><u>\$ 34,124</u></u>	<u><u>\$ 14,106</u></u>	<u><u>\$ (133,114)</u></u>
Noncash financing activities:					
Capital assets acquired on account	<u><u>\$ 40,915</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

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 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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, 2019, is \$10,136 for water, \$20,791 for sewer, and \$13,073 for sanitation.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 2019

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. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the 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.

L. 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

M. 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.

N. 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, 2019, if any.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

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 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Deposits—At June 30, 2019, the carrying amount of the Town’s total cash in bank was \$481,613, and the bank balances were \$687,273. Of the bank balances, \$270,320 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution’s trust department or agent in the Town’s name.

Restricted cash – Restricted cash in the Water Fund consists of monies restricted for refundable customer deposits in the amount of \$33,017.

Investments—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$31,413. The Standard and Poor’s credit quality rating of the pool is AAA.

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.

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	481,613
Investments	
State Treasurer's Investment Pool 5	31,413
Total deposits and investments	513,376
Cash and cash equivalents-restricted	(33,017)
Total cash and cash equivalents	\$ 480,359

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 228,718	\$ -	\$ -	\$ 228,718
Capital assets being depreciated:				
Buildings	1,213,801	-	-	1,213,801
Equipment	1,228,086	11,481	-	1,239,567
Infrastructure	4,492,982	-	-	4,492,982
Total	6,934,869	11,481	-	6,946,350
Less accumulated depreciation for:				
Buildings	423,900	43,751	-	467,651
Equipment	1,001,829	23,910	-	1,025,739
Infrastructure	3,904,227	52,157	-	3,956,384
Total	5,329,956	119,818	-	5,449,774
Total capital assets being depreciated, net	1,604,913	(108,337)	-	1,496,576
Governmental activities capital assets, net	\$ 1,833,631	\$ (108,337)	\$ -	\$ 1,725,294
	Balance			Balance
	July 1, 2018	Increases	Decreases	June 30, 2019
<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	2,190,776	240,648	-	2,431,424
Equipment	251,613	-	-	251,613
Total	2,507,633	240,648	-	2,748,281
Less accumulated depreciation for:				
Buildings	65,244	-	-	65,244
Utility systems	1,476,472	32,246	-	1,508,718
Equipment	239,459	1,830	-	241,289
Total	1,781,175	34,076	-	1,815,251
Total capital assets being depreciated, net	726,458	206,572	-	933,030
Business-type activities capital assets, net	\$ 759,928	\$ 206,572	\$ -	\$ 966,500

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 3 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 13,033
Public safety	2,147
Highways and streets	45,825
Culture and recreation	58,813
	58,813
Total governmental activities depreciation expense	\$ 119,818
Business-type activities:	
Water	\$ 33,070
Sewer	1,006
	1,006
Total business-type activities depreciation expense	\$ 34,076

NOTE 4 – DUE TO/FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2019 consisted of \$5,528 in state-shared revenue from sales taxes, \$3,916 in state-shared revenue from auto lieu taxes, and \$40,546 in local sales taxes collected by the State of Arizona and \$9,364 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/Road Tax Fund at June 30, 2019 consisted of \$6,881 in county-shared revenue from county road taxes and \$11,801 in state-shared revenue from highway user revenue fund (HURF) taxes.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within one year
Governmental activities:					
Compensated absences	\$ 11,127	\$ 2,539	\$ -	\$ 13,666	\$ 13,666
Notes payable from direct borrowings and direct placements	51,207	-	10,568	40,639	11,081
Capital lease payable	21,117	-	14,806	6,311	6,311
Net pension and other postemployment benefits liability	177,119	50,936	-	228,055	-
	<u>\$ 260,570</u>	<u>\$ 53,475</u>	<u>\$ 25,374</u>	<u>\$ 288,671</u>	<u>\$ 31,058</u>
Business-type activities:					
Compensated absences	<u>\$ 2,557</u>	<u>\$ -</u>	<u>\$ 585</u>	<u>\$ 1,972</u>	<u>\$ 1,972</u>

Notes payable from direct borrowings and direct placements – In November of 2012 the Town acquired a building under a note agreement with Bank of the West. The original note term was for \$101,500. The note is secured by a deed of trust on the real estate purchased.

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>\$ 40,639</u>

The following schedule details debt service requirements to maturity for the Town’s note payable at June 30, 2019.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 11,081	\$ 1,513
2021	11,578	1,017
2022	12,096	498
2023	5,884	49
Total	<u>\$ 40,639</u>	<u>\$ 3,077</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

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	(42,080)
Carrying value	\$ 53,799

The following schedule details the minimum lease payment requirements to maturity for the Town’s capital lease payable at June 30, 2019:

Year Ending <u>June 30</u>	Governmental Activities
2020	\$ 6,362
Less amount representing interest	(51)
Present value of net minimum lease payments	\$ 6,311

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, 2019

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, 2019, the Town reported the following amounts related to PSPRS:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension and OPEB asset	\$ 25,693
Net pension and OPEB liability	228,055
Deferred outflows of resources related to pensions and OPEB	88,269
Deferred inflows of resources related to pensions and OPEB	2,768
Pension and OPEB expense	182,195

The Town reported \$28,314 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Plan Description – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town’s financial statements.

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.

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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
Benefit percentage		
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%	1.5% to 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% of 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 inflation. 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, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	3	3
Inactive employees entitled to but not yet receiving benefits	8	-
Active employees	3	3
Total	14	6

Contributions – 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. Contributions rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	7.65% - 11.65%	20.46%	0.00%

The Town’s contributions to the plans for the year ended June 30, 2019, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 26,548	\$ -

During fiscal year 2019, 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, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Liability – At June 30, 2019, the Town reported the following liability:

	Net Pension (Asset)	Net OPEB (Asset)
	Liability	Liability
PSPRS Police	\$ 228,055	\$ (25,693)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 745,365	\$ 568,246	\$ 177,119
Changes for the year			
Service Cost	23,055	-	23,055
Interest on the total liability	54,010	-	54,010
Differences between expected and actual experience in the measurement of the liability	37,769	-	37,769
Contributions-employer	-	21,207	(21,207)
Contributions-employee	-	14,175	(14,175)
Net investment income	-	38,549	(38,549)
Benefit payments, including refunds of employee contributions	(54,066)	(54,066)	-
Hall/Parker Settlement	-	(8,755)	8,755
Administrative expense	-	(1,287)	1,287
Other changes	-	9	(9)
Net changes	60,768	9,832	50,936
Balances at June 30, 2019	\$ 806,133	\$ 578,078	\$ 228,055

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 14,479	\$ 38,043	\$ (23,564)
Changes for the year			
Service Cost	818	-	818
Interest on the total liability	1,102	-	1,102
Differences between expected and actual experience in the measurement of the liability	(1,430)	-	(1,430)
Net investment income	-	2,659	(2,659)
Administrative expense	-	(40)	40
Net changes	490	2,619	(2,129)
Balances at June 30, 2019	\$ 14,969	\$ 40,662	\$ (25,693)

Sensitivity of the Town’s Net Pension/OPEB Liability to Changes in the Discount Rate –
The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PSPRS Police			
Net pension (asset) liability	\$ 336,276	\$ 228,055	\$ 140,697
Net OPEB (asset) liability	(23,485)	(25,693)	(27,528)

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

Expense – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS Police	\$ 182,008	\$ 187

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,169	\$ -	\$ 9,730	\$ 1,199
Changes of assumptions or other inputs	6	-	-	818
Net difference between projected and actual earnings on plan investments	8,816	-	-	751
Town contributions subsequent to the measurement date	<u>26,548</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 78,539</u>	<u>\$ -</u>	<u>\$ 9,730</u>	<u>\$ 2,768</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	PSPRS Police	
	Pension	Health
Year ended June 30,		
2020	\$ 36,231	\$ 1,041
2021	15,838	1,041
2022	(565)	1,042
2023	487	1,333
2024	-	1,302
Thereafter	-	1,203

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2019

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, 2019, were as follows:

Payable from	Payable to			Total
	HURF/Road Tax Fund	Sewer Fund	Sanitation Fund	
General Fund	\$ 585,795	\$ -	\$ -	\$ 585,795
Water Fund	326,047	260,994	-	587,041
Cemetery Fund	-	13,579	160,935	174,514
	<u>\$ 911,842</u>	<u>\$ 274,573</u>	<u>\$ 160,935</u>	<u>\$ 1,347,350</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.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 454,119	\$ 454,119	\$ 433,065	\$ (21,054)
Sales taxes	257,000	257,000	269,084	12,084
Property taxes	53,000	53,000	51,946	(1,054)
Rental income	16,005	16,005	36,600	20,595
Fines and forfeitures	28,750	28,750	16,790	(11,960)
Charges for services	10,715	10,715	10,025	(690)
Other revenue	6,000	6,000	9,234	3,234
Franchise taxes	7,800	7,800	7,648	(152)
Contributions	6,000	6,000	4,650	(1,350)
Licenses and permits	3,850	3,850	3,456	(394)
Total revenue	<u>843,239</u>	<u>843,239</u>	<u>842,498</u>	<u>(741)</u>
Expenditures				
Mayor and council	11,200	11,200	3,226	7,974
Administration	207,160	207,160	168,518	38,642
Magistrate	37,600	37,600	38,973	(1,373)
Attorney	36,000	36,000	36,940	(940)
Police	422,110	422,110	384,520	37,590
Library	42,405	42,405	39,651	2,754
Parks and recreation	41,764	41,764	32,860	8,904
Total expenditures	<u>798,239</u>	<u>798,239</u>	<u>704,688</u>	<u>93,551</u>
Excess (deficiency) of revenue over (under) expenditures	<u>45,000</u>	<u>45,000</u>	<u>137,810</u>	<u>92,810</u>
Other financing sources (uses):				
Transfers	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
Net change in fund balance	-	-	137,810	47,810
Fund balance, beginning of year	<u>(742,539)</u>	<u>(742,539)</u>	<u>(742,539)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (742,539)</u>	<u>\$ (742,539)</u>	<u>\$ (604,729)</u>	<u>\$ 47,810</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 319,497	\$ 319,497	\$ 209,911	\$ (109,586)
Investment income	-	-	1,200	1,200
Total revenue	<u>319,497</u>	<u>319,497</u>	<u>211,111</u>	<u>(108,386)</u>
Expenditures				
Current				
Highways and streets	303,071	303,071	121,248	181,823
Debt service				
Principal	14,806	14,806	14,806	-
Interest	1,620	1,620	1,620	-
Total expenditures	<u>319,497</u>	<u>319,497</u>	<u>137,674</u>	<u>181,823</u>
Net change in fund balance	-	-	73,437	73,437
Fund balance, beginning of year	<u>1,331,955</u>	<u>1,331,955</u>	<u>1,331,955</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,331,955</u></u>	<u><u>\$ 1,331,955</u></u>	<u><u>\$ 1,405,392</u></u>	<u><u>\$ 73,437</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2019

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.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2019, expenditure exceeded final budget amounts at the departments level (the legal level of budgetary control) in the Magistrate and Attorney departments.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Pension

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 23,055	\$ 33,928	\$ -	\$ 29,510	\$ 25,131	
Interest on the total pension liability	54,010	32,028	41,398	47,666	32,932	
Changes of benefit terms	-	6,106	(131,109)	-	28,199	
Differences between expected and actual experience in the measurement of the pension liability	37,769	286,961	(14,329)	(117,071)	(31,725)	
Changes of assumptions or other inputs	-	84	21,257	-	154,368	
Benefit payments, including refunds of employee contributions	(54,066)	(47,625)	(21,385)	(29,021)	(17,777)	
Net change in total pension liability	60,768	311,482	(104,168)	(68,916)	191,128	
Total pension liability - beginning	745,365	433,883	538,051	606,967	415,839	
Total pension liability - ending (a)	<u>\$ 806,133</u>	<u>\$ 745,365</u>	<u>\$ 433,883</u>	<u>\$ 538,051</u>	<u>\$ 606,967</u>	
Plan fiduciary net position						
Contributions - employer	\$ 21,207	\$ 7,570	\$ 16,725	\$ 15,235	\$ 26,306	
Contributions - employee	14,175	12,226	8,920	12,452	15,758	
Net investment income	38,549	45,904	2,187	12,307	39,865	
Benefit payments, including refunds of employee contributions	(54,066)	(47,625)	(21,385)	(29,021)	(17,777)	
Hall/Parker Settlement	(8,755)	-	-	-	-	
Administrative expense	(1,287)	(806)	(715)	(665)	-	
Other changes	9	149,666	49,393	(254)	(28,787)	
Net change in plan fiduciary net position	9,832	166,935	55,125	10,054	35,365	
Plan fiduciary net position - beginning	568,246	401,311	346,186	336,132	300,767	
Plan fiduciary net position - ending (b)	<u>\$ 578,078</u>	<u>\$ 568,246</u>	<u>\$ 401,311</u>	<u>\$ 346,186</u>	<u>\$ 336,132</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 228,055</u>	<u>\$ 177,119</u>	<u>\$ 32,572</u>	<u>\$ 191,865</u>	<u>\$ 270,835</u>	
Plan fiduciary net position as a percentage of the total pension liability	71.71%	76.24%	92.49%	64.34%	55.38%	
Covered payroll	\$ 120,328	\$ 150,790	\$ 80,455	\$ -	\$ 165,425	
Town's net pension (asset) liability as a percentage of covered payroll	189.53%	117.46%	40.48%	0.00%	163.72%	

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 818	\$ 1,206	Information not available
Interest on the total OPEB liability	1,102	128	
Changes of benefit terms	-	64	
Differences between expected and actual experience in the measurement of the OPEB liability	(1,430)	13,078	
Changes of assumptions or other inputs	-	(1,100)	
Net change in total OPEB liability	490	13,376	
Total OPEB liability - beginning	14,479	1,103	
Total OPEB liability - ending (a)	<u>\$ 14,969</u>	<u>\$ 14,479</u>	
Plan fiduciary net position			
Net investment income	\$ 2,659	\$ 4,013	
Administrative expense	(40)	(35)	
Net change in plan fiduciary net position	2,619	3,978	
Plan fiduciary net position - beginning	38,043	34,065	
Plan fiduciary net position - ending (b)	<u>\$ 40,662</u>	<u>\$ 38,043</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (25,693)</u>	<u>\$ (23,564)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	271.64%	262.75%	
Covered payroll	\$ 120,328	\$ 150,790	
Town's net OPEB (asset) liability as a percentage of covered payroll	-21.35%	-15.63%	

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2019

PSPRS - Pension
Reporting Fiscal Year

	2019	2018	2017	2016	2015	2014	2013 through 2010
Actuarially determined contribution	\$ 26,548	\$ 19,441	\$ 7,570	\$ 16,725	\$ 15,235	\$ 26,306	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(26,548)</u>	<u>(19,441)</u>	<u>(7,570)</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>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 129,756</u>	<u>\$ 120,328</u>	<u>\$ 150,790</u>	<u>\$ 80,455</u>	<u>\$ -</u>	<u>\$ 165,425</u>	
Town's contributions as a percentage of covered payroll	20.46%	16.16%	5.02%	20.79%	0.00%	15.90%	

PSPRS - Health Insurance Premium Benefit
Reporting Fiscal Year

	2019	2018	2017	2016 through 2010
Actuarially determined contribution	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 129,756</u>	<u>\$ 120,328</u>	<u>\$ 150,790</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

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-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS. In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

These changes increased the PSPRS-required pension contributions beginning in fiscal year 2019 for members who were retired as of the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



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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, and each major fund of the Town of Mammoth, Arizona, as of and for the year ended June 30, 2019, 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 July 24, 2020.

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**, **2015-004**, and **2018-002** 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**, **2015-006**, and **2018-001**.

The Town of Mammoth, Arizona's Response to Findings

The 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.



July 24, 2020

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2019

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, 2019

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: Highway User Revenue Fund (HURF) Spending.

Condition: Article IX, § 14 of the Arizona Constitution specifies that the use of HURF monies is restricted to “highway and street purposes.” In previous years, the Town spent monies restricted to HURF to fund operations of the Town’s other funds. The Town pools cash resources from all areas of unrestricted and restricted sources to pay for the Town’s operating and debt service expenditures. Although restricted monies are pooled with unrestricted monies, restricted monies are accounted for through the restriction of fund balances. Due to cash shortages in the Town’s unrestricted funds, cash resources from restricted HURF monies have been borrowed. The loan of HURF monies constitutes “spending” which is not allowable under the Arizona Revised Statutes. As of June 30, 2019, the Town’s unreimbursed balance owed to the HURF fund totaled \$911,842.

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

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

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2019

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.

Item: 2018-001

Subject: Water Transaction Privilege Tax (TPT) Returns.

Condition: Arizona State law stipulates that the Town remit TPT returns and payments by the final day of the month following the reporting period. During the year ended June 30, 2018, the Town did not remit four out of the 12 required returns or payments to the State. During the year ended June 30, 2019, the Town did not remit one of the 12 required returns and the associated payment to the State. As of June 30, 2019, the Town had not remitted any of these five returns or associated payments to the State.

Recommendation: Management should complete the TPT returns and remit payment as soon as possible.

Response: Management agrees with this finding and will prepare the missing TPT returns and remit payment as soon as possible.

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2019

Item: 2018-002

Subject: Cash Deposits.

Condition: It was noted that at various points throughout the year that the time between collecting cash deposits and depositing them at the bank took up to six weeks. Having large amounts of cash on hand can lead to mismanagement or theft. If differences are reported between actual deposits received by the bank and cash received by the Town, it is easier to determine the cause of the differences when the time between the cash receipt and the bank deposit is minimized.

Recommendation: We recommend that the Town make cash deposits at the bank at least weekly. If large amounts of cash are received, we recommend that the deposit be taken to the bank even sooner.

Response: Management agrees with this finding and will make deposits more regularly by making them at least on a weekly basis. In fiscal year 2019-20, the Town began to use an armored cash courier service to make its cash deposits more regularly.