

**TOWN OF MAMMOTH, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2021



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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, 2021, 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, 2021, 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 and net pension liability and other post-employment benefit plan information, 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.

### *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 \$490,016 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, 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.



October 26, 2021

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 413,004	\$ -	\$ 413,004
Cash and cash equivalents-restricted	-	38,360	38,360
Accounts receivable - net	-	49,953	49,953
Taxes receivable	1,369	-	1,369
Due from other governments	168,711	-	168,711
Interactivity balances	505,030	(505,030)	-
Net other postemployment benefits asset	39,878	-	39,878
Capital assets, not being depreciated	228,718	38,720	267,438
Capital assets, being depreciated, net	2,046,908	1,130,364	3,177,272
<b>Total assets</b>	<b>3,403,618</b>	<b>752,367</b>	<b>4,155,985</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions and other postemployment benefits	157,464	-	157,464
<b>LIABILITIES</b>			
Accounts payable	10,980	32,952	43,932
Accrued expenses	40,779	9,887	50,666
Customer accounts payable	-	15,113	15,113
Refundable deposits	-	38,360	38,360
Compensated absences	11,199	6,841	18,040
Noncurrent liabilities			
Due within one year	13,081	-	13,081
Due in more than one year	724,870	-	724,870
<b>Total liabilities</b>	<b>800,909</b>	<b>103,153</b>	<b>904,062</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions and other postemployment benefits	383,367	-	383,367
<b>NET POSITION</b>			
Net investment in capital assets	2,257,564	1,169,084	3,426,648
Restricted			
Highways and streets	993,462	-	993,462
Unrestricted	(874,220)	(519,870)	(1,394,090)
<b>Total net position</b>	<b>\$ 2,376,806</b>	<b>\$ 649,214</b>	<b>\$ 3,026,020</b>

*See accompanying notes to financial statements.*



**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2021**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities							
General government	\$ 237,852	\$ 23,690	\$ -	\$ -	\$ (214,162)	\$ -	\$ (214,162)
Public safety	861,866	30,755	198,089	10,000	(623,022)	-	(623,022)
Highways and streets	406,292	-	259,851	-	(146,441)	-	(146,441)
Culture and recreation	145,215	5,528	1,250	-	(138,437)	-	(138,437)
Interest	1,058	-	-	-	(1,058)	-	(1,058)
<b>Total governmental activities</b>	<u>1,652,283</u>	<u>59,973</u>	<u>459,190</u>	<u>10,000</u>	<u>(1,123,120)</u>	<u>-</u>	<u>(1,123,120)</u>
Business-type activities							
Water	542,825	289,030	-	30,000	-	(223,795)	(223,795)
Sewer	156,304	169,796	-	-	-	13,492	13,492
Sanitation	102,903	131,909	-	-	-	29,006	29,006
Cemetery	6,760	40,002	-	-	-	33,242	33,242
<b>Total business-type activities</b>	<u>808,792</u>	<u>630,737</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>(148,055)</u>	<u>(148,055)</u>
<b>Total primary government</b>	<u>\$ 2,461,075</u>	<u>\$ 690,710</u>	<u>\$ 459,190</u>	<u>\$ 40,000</u>	<u>(1,123,120)</u>	<u>(148,055)</u>	<u>(1,271,175)</u>
<b>General revenues:</b>							
Taxes:							
Local TPT taxes					352,067	-	352,067
Property taxes, levied for general purposes					50,162	-	50,162
Franchise tax					7,462	-	7,462
Share of state sales taxes					200,134	-	200,134
Share of county auto lieu taxes					122,054	-	122,054
State urban revenue sharing					241,096	-	241,096
Investment earnings, net					71	-	71
Miscellaneous					18,749	-	18,749
<b>Total general revenues</b>					<u>991,795</u>	<u>-</u>	<u>991,795</u>
Change in net position					(131,325)	(148,055)	(279,380)
Net position, beginning of year					2,508,131	797,269	3,305,400
Net position, end of year					<u>\$ 2,376,806</u>	<u>\$ 649,214</u>	<u>\$ 3,026,020</u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	General Fund	HURF/ Road Tax Fund	Grants Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 413,004	\$ -	\$ 413,004
Taxes receivable	1,369	-	-	1,369
Due from other governments	74,106	94,605	-	168,711
Due from other funds	15,014	490,016	-	505,030
<b>Total assets</b>	<u>\$ 90,489</u>	<u>\$ 997,625</u>	<u>\$ -</u>	<u>\$ 1,088,114</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,688	\$ 1,292	\$ -	\$ 10,980
Accrued expenses	37,908	2,871	-	40,779
<b>Total liabilities</b>	<u>47,596</u>	<u>4,163</u>	<u>-</u>	<u>51,759</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	<u>7,627</u>	<u>81,683</u>	<u>-</u>	<u>89,310</u>
<b>FUND BALANCES</b>				
Restricted				
Highways and streets	-	911,779	-	911,779
Unassigned	35,266	-	-	35,266
<b>Total fund balances</b>	<u>35,266</u>	<u>911,779</u>	<u>-</u>	<u>947,045</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 90,489</u>	<u>\$ 997,625</u>	<u>\$ -</u>	<u>\$ 1,088,114</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, 2021**

Fund balances-total governmental funds	\$ 947,045
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,275,626
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	89,310
Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	39,878
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.	(749,150)
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>(225,903)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 2,376,806</u></u></b>

*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, 2021**

	General Fund	HURF/ Road Tax Fund	Grants Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental	\$ 567,693	\$ 184,355	\$ 243,578	\$ 995,626
Taxes	424,321	-	-	424,321
Fines and forfeitures	30,755	-	-	30,755
Rental income	20,400	-	-	20,400
Other revenue	18,749	-	-	18,749
Charges for services	5,528	-	-	5,528
Licenses and permits	3,290	-	-	3,290
Contributions	1,250	-	-	1,250
Investment income	-	72	-	72
<b>Total revenues</b>	1,071,986	184,427	243,578	1,499,991
<b>Expenditures</b>				
Current				
General government	223,838	-	-	223,838
Public safety	552,759	-	10,000	562,759
Highways and streets	-	328,791	-	328,791
Culture and recreation	86,170	-	-	86,170
Debt service				
Principal	11,536	-	-	11,536
Interest	1,058	-	-	1,058
<b>Total expenditures</b>	875,361	328,791	10,000	1,214,152
Excess (deficiency) of revenue over (under) expenditures	196,625	(144,364)	233,578	285,839
<b>Other financing sources (uses)</b>				
Transfers out	-	-	(193,679)	(193,679)
Transfers in	193,679	-	-	193,679
<b>Total other financing sources and uses</b>	193,679	-	(193,679)	-
<b>Net change in fund balance</b>	390,304	(144,364)	39,899	285,839
Fund balances, beginning of year	(355,038)	1,056,143	(39,899)	661,206
<b>Fund balances, end of year</b>	\$ 35,266	\$ 911,779	\$ -	\$ 947,045

*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, 2021**

Net change in fund balances-total governmental funds \$ 285,839

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.

Depreciation expense (153,275)

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

Property taxes	(14,630)	
Grant revenues	(39,899)	
Road tax revenues	<u>75,496</u>	
		20,967

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	89,703	
Pension/OPEB expense	<u>(392,475)</u>	
		(302,772)

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 11,536

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.

Decrease in compensated absences payable	<u>6,380</u>	
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**Change in net position of governmental activities \$ (131,325)**

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents-restricted	\$ 38,360	\$ -	\$ -	\$ -	\$ 38,360
Accounts receivable - net	13,854	18,040	9,533	8,526	49,953
Due from other funds	-	275,871	224,326	-	500,197
<b>Total current assets</b>	<u>52,214</u>	<u>293,911</u>	<u>233,859</u>	<u>8,526</u>	<u>588,510</u>
<b>Noncurrent assets</b>					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Construction in progress	5,250	-	-	-	5,250
Utilities systems, net	1,103,196	20,502	-	-	1,123,698
Equipment, net	5,757	909	-	-	6,666
Capital assets, net	<u>1,122,039</u>	<u>42,302</u>	<u>-</u>	<u>4,743</u>	<u>1,169,084</u>
<b>Total noncurrent assets</b>	<u>1,122,039</u>	<u>42,302</u>	<u>-</u>	<u>4,743</u>	<u>1,169,084</u>
<b>Total assets</b>	<u>1,174,253</u>	<u>336,213</u>	<u>233,859</u>	<u>13,269</u>	<u>1,757,594</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	31,273	1,679	-	-	32,952
Accrued expenses	7,794	2,093	-	-	9,887
Customer accounts payable	15,113	-	-	-	15,113
Refundable deposits	38,360	-	-	-	38,360
Compensated absences	4,856	1,985	-	-	6,841
Due to other funds	866,459	-	-	138,768	1,005,227
<b>Total current liabilities</b>	<u>963,855</u>	<u>5,757</u>	<u>-</u>	<u>138,768</u>	<u>1,108,380</u>
<b>NET POSITION</b>					
Net investment in capital assets	1,122,039	42,302	-	4,743	1,169,084
Unrestricted (deficit)	<u>(911,641)</u>	<u>288,154</u>	<u>233,859</u>	<u>(130,242)</u>	<u>(519,870)</u>
<b>Total net position</b>	<u>\$ 210,398</u>	<u>\$ 330,456</u>	<u>\$ 233,859</u>	<u>\$ (125,499)</u>	<u>\$ 649,214</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, 2021**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Operating revenue</b>					
Charges for services	\$ 289,030	\$ 169,796	\$ 131,909	\$ 40,002	\$ 630,737
<b>Operating expenses</b>					
Personnel	266,868	88,645	-	-	355,513
Landfill fees	-	-	102,655	-	102,655
Repairs and maintenance	58,904	41,545	-	1,680	102,129
Depreciation	77,118	1,006	-	-	78,124
Utilities	44,235	10,660	-	-	54,895
Professional services	44,597	-	-	-	44,597
Materials and supplies	22,550	2,238	-	5,080	29,868
Insurance	10,335	10,335	-	-	20,670
Other	18,218	1,875	248	-	20,341
<b>Total operating expenses</b>	<u>542,825</u>	<u>156,304</u>	<u>102,903</u>	<u>6,760</u>	<u>808,792</u>
<b>Operating income (loss)</b>	<u>(253,795)</u>	<u>13,492</u>	<u>29,006</u>	<u>33,242</u>	<u>(178,055)</u>
Capital grant contributions	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<b>Increase (decrease) in net position</b>	<u>(223,795)</u>	<u>13,492</u>	<u>29,006</u>	<u>33,242</u>	<u>(148,055)</u>
Total net position, beginning of year	<u>434,193</u>	<u>316,964</u>	<u>204,853</u>	<u>(158,741)</u>	<u>797,269</u>
<b>Total net position, end of year</b>	<u><u>\$ 210,398</u></u>	<u><u>\$ 330,456</u></u>	<u><u>\$ 233,859</u></u>	<u><u>\$ (125,499)</u></u>	<u><u>\$ 649,214</u></u>

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2021**

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 245,289	\$ 171,198	\$ 132,299	\$ 35,789	\$ 584,575
Payments to suppliers and providers of goods and services	(196,107)	(64,984)	(109,911)	(6,777)	(377,779)
Payments to employees	(263,616)	(90,072)	-	-	(353,688)
<b>Net cash provided (used) by         operating activities</b>	<u>(214,434)</u>	<u>16,142</u>	<u>22,388</u>	<u>29,012</u>	<u>(146,892)</u>
<b>Cash flows from noncapital financing activities:</b>					
Due (to) from other funds	196,345	(16,142)	(22,388)	(29,012)	128,803
<b>Cash flows from capital and related financing activities:</b>					
Purchase of capital assets	(11,364)	-	-	-	(11,364)
Cash received from capital contributions	33,070	-	-	-	33,070
<b>Net cash provided (used) by         capital and related financing         activities</b>	<u>21,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,706</u>
<b>Net increase (decrease) in cash</b>	3,617	-	-	-	3,617
Cash and cash equivalents, beginning of year	34,743	-	-	-	34,743
<b>Cash and cash equivalents, end of year</b>	<u>\$ 38,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,360</u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents-restricted	38,360	-	-	-	38,360
<b>Cash and cash equivalents, end of year</b>	<u>\$ 38,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,360</u>

*See accompanying notes to financial statements.*



**TOWN OF MAMMOTH, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2021**  
*(Continued)*

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (253,795)	\$ 13,492	\$ 29,006	\$ 33,242	\$ (178,055)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	77,118	1,006	-	-	78,124
Bad debt	2,815	3,811	2,360	-	8,986
(Increase) decrease in:					
Accounts receivable	(1,626)	(2,409)	(1,970)	(4,213)	(10,218)
Increase (decrease) in:					
Accounts payable	2,732	1,669	(7,008)	(17)	(2,624)
Accrued expenses	687	(1,612)	-	-	(925)
Customer accounts payable	(48,547)	-	-	-	(48,547)
Refundable deposits	3,617	-	-	-	3,617
Compensated absences payable	2,565	185	-	-	2,750
<b>Net cash provided (used) by operating activities</b>	<b>\$ (214,434)</b>	<b>\$ 16,142</b>	<b>\$ 22,388</b>	<b>\$ 29,012</b>	<b>\$ (146,892)</b>
<b>Noncash financing activities:</b>					
Capital assets acquired on account	\$ 5,250	\$ -	\$ -	\$ -	\$ -

*See accompanying notes to financial statements.*

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

The Town of Mammoth, Arizona’s accounting policies 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).

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town’s operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units; however, it does have a blended component unit. The blended component unit discussed below has a June 30 year-end.

**The Town of Mammoth Municipal Property Corporation (MPC)** is a nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the MPC is to assist the Town of Mammoth, Arizona, in acquiring financing for various projects of the Town. The Town has a “moral obligation” for the repayment of the MPC’s bonds. The MPC’s board of directors consists of three members, all of which are appointed by the Town of Mammoth, Arizona’s Town Council.

**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

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

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.
- Capital grants and contributions, including special assessments.

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.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

The ***Grants Fund*** accounts for financial resources received from various entities. Restrictions on the use of these resources are derived from the agreements from which the resources were provided.

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 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.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

**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, 2021, is \$17,719 for water, \$23,074 for sewer, and \$12,192 for sanitation.

**F. Property Tax Calendar**

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

The Town levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November.

The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

**G. Capital Assets**

Capital assets are reported at actual cost (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:

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

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

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

**H. Deferred Outflows and 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.

**I. 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.

**J. Fund Balance Classification**

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, 2021**

***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.

**K. Investment Earnings**

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

**L. Compensated Absences**

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

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

***NOTE 2 – DEPOSITS AND INVESTMENTS***

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; 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.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 2 – DEPOSITS AND INVESTMENTS – Continued***

*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, 2021, the carrying amount of the Town’s total cash in bank was \$418,969, and the bank balances were \$489,101. Of the bank balances, \$275,370 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution 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 \$38,360.

*Investments*—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$32,045. The Standard and Poor’s credit quality rating of the pool is AAA.



**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 2 – DEPOSITS AND INVESTMENTS – Continued***

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:

	Governmental activities	Business-type activities	Total
Cash and cash equivalents:			
Cash on hand	\$ 350	\$ -	\$ 350
Amount of deposits	396,153	22,816	418,969
State Treasurer's Investment Pool 5	16,501	15,544	32,045
Total	\$ 413,004	\$ 38,360	\$ 451,364

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

Amounts due from other governments in the General Fund at June 30, 2021 consisted of \$9,856 in state-shared revenue from sales taxes, \$5,256 in state-shared revenue from auto lieu taxes, and \$49,100 in local sales taxes collected by the State of Arizona and \$9,894 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/Road Tax Fund at June 30, 2021 consisted of \$81,683 in county-shared revenue from county road taxes and \$12,922 in state-shared revenue from highway user revenue fund (HURF) taxes.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 228,718	\$ -	\$ -	\$ 228,718
Capital assets being depreciated:				
Buildings	1,213,801	-	-	1,213,801
Equipment	1,246,594	-	-	1,246,594
Infrastructure	5,311,389	-	-	5,311,389
<b>Total</b>	<b>7,771,784</b>	<b>-</b>	<b>-</b>	<b>7,771,784</b>
Less accumulated depreciation for:				
Buildings	(511,402)	(43,752)	-	(555,154)
Equipment	(1,051,658)	(24,630)	-	(1,076,288)
Infrastructure	(4,008,541)	(84,893)	-	(4,093,434)
<b>Total</b>	<b>(5,571,601)</b>	<b>(153,275)</b>	<b>-</b>	<b>(5,724,876)</b>
<b>Total capital assets being depreciated, net</b>	<b>2,200,183</b>	<b>153,275</b>	<b>-</b>	<b>2,046,908</b>
Governmental activities capital assets, net	<b>\$ 2,428,901</b>	<b>\$ 153,275</b>	<b>\$ -</b>	<b>\$ 2,275,626</b>
	Balance			Balance
	July 1, 2020	Increases	Decreases	June 30, 2021
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	-	5,250	-	5,250
<b>Total capital assets not being depreciated</b>	<b>33,470</b>	<b>5,250</b>	<b>-</b>	<b>38,720</b>
Capital assets being depreciated:				
Buildings	65,244	-	-	65,244
Utility systems	2,762,408	11,364	-	2,773,772
Equipment	255,273	-	-	255,273
<b>Total</b>	<b>3,082,925</b>	<b>11,364</b>	<b>-</b>	<b>3,094,289</b>
Less accumulated depreciation for:				
Buildings	(65,244)	-	-	(65,244)
Utility systems	(1,577,438)	(76,294)	-	(1,653,732)
Equipment	(243,119)	(1,830)	-	(244,949)
<b>Total</b>	<b>(1,885,801)</b>	<b>(78,124)</b>	<b>-</b>	<b>(1,963,925)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,197,124</b>	<b>89,488</b>	<b>-</b>	<b>1,130,364</b>
Business-type activities capital assets, net	<b>\$ 1,230,594</b>	<b>\$ 94,738</b>	<b>\$ -</b>	<b>\$ 1,169,084</b>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 4 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	14,372
Public safety		3,151
Highways and streets		76,939
Culture and recreation		58,813
Total governmental activities depreciation expense	<u>\$</u>	<u>153,275</u>
Business-type activities:		
Water	\$	77,118
Sewer		1,006
Total business-type activities depreciation expense	<u>\$</u>	<u>78,124</u>

**NOTE 5 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2021.

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Governmental activities:					
Compensated absences	\$ 17,579	\$ -	\$ 6,380	\$ 11,199	\$ 11,199
Notes payable from direct borrowings and direct placements	29,598	-	11,536	18,062	13,081
Net pension and other postemployment benefits liability	<u>1,166,693</u>	<u>-</u>	<u>446,804</u>	<u>719,889</u>	<u>-</u>
	<u>\$ 1,213,870</u>	<u>\$ -</u>	<u>\$ 464,720</u>	<u>\$ 749,150</u>	<u>\$ 24,280</u>
Business-type activities:					
Compensated absences	<u>\$ 4,091</u>	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 6,841</u>	<u>\$ 6,841</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>\$ 18,062</u>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 5 – LONG-TERM LIABILITIES – Continued***

The following schedule details debt service requirements to maturity for the Town’s note payable at June 30, 2021.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 13,081	\$ 569
2023	4,981	269
Total	\$ 18,062	\$ 838

***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, 2021**

**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, 2021, the Town reported the following amounts related to PSPRS:

<b>Statement of Net Position and Statement of Activities</b>	<u>Governmental activities</u>
Net pension and OPEB asset	\$ 39,878
Net pension and OPEB liability	719,889
Deferred outflows of resources related to pensions and OPEB	157,464
Deferred inflows of resources related to pensions and OPEB	383,367
Pension and OPEB expense	392,475

The Town reported \$89,703 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](http://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, 2021**

**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
<b>Retirement and Disability</b>		
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
<b>Benefit percentage</b>		
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	
<b>Survivor Benefit</b>		
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.

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.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Employees Covered by Benefit Terms** – At June 30, 2021, the following employees were covered by the agent pension plans’ benefit terms:

	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
Inactive employees or beneficiaries currently receiving benefits	3	3
Inactive employees entitled to but not yet receiving benefits	7	-
Active employees	3	3
Total	13	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, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<b>Active Member- Pension</b>	<b>Town-Pension</b>	<b>Town-Health Insurance Premium Benefit</b>
PSPRS Police	7.65% - 11.65%	85.02%	0.00%

The Town’s contributions to the plans for the year ended June 30, 2021, were:

	<b>Pension</b>	<b>Health Insurance Premium Benefit</b>
PSPRS Police	\$ 114,187	\$ -

During fiscal year 2021, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Liability** – At June 30, 2021, the Town reported the following asset and liability:

	<b>Net Pension (Asset) Liability</b>	<b>Net OPEB (Asset) Liability</b>
PSPRS Police	\$ 719,889	\$ (39,878)

The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
Total	<u>100%</u>	

**Discount Rates** – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. 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.



**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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)**

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2020	\$ 1,759,572	\$ 592,879	\$ 1,166,693
Adjustment to Beginning of Year	-	(24,592)	24,592
Changes for the year			
Service Cost	25,014	-	25,014
Interest on the total liability	126,961	-	126,961
Differences between expected and actual experience in the measurement of the liability	(554,025)	-	(554,025)
Contributions-employer	-	31,897	(31,897)
Contributions-employee	-	30,792	(30,792)
Net investment income	-	7,248	(7,248)
Benefit payments, including refunds of employee contributions	(90,780)	(90,780)	-
Administrative expense	-	(591)	591
Net changes	(492,830)	(21,434)	(471,396)
Balances at June 30, 2021	\$ 1,266,742	\$ 546,853	\$ 719,889

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2020	\$ 15,743	\$ 42,830	\$ (27,087)
Changes for the year			
Service Cost	1,255	-	1,255
Interest on the total liability	1,258	-	1,258
Differences between expected and actual experience in the measurement of the liability	(14,803)	-	(14,803)
Net investment income	-	545	(545)
Administrative expense	-	(44)	44
Net changes	(12,290)	501	(12,791)
Balances at June 30, 2021	\$ 3,453	\$ 43,331	\$ (39,878)

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	<b>1% Decrease (6.3%)</b>	<b>Current Discount Rate (7.3%)</b>	<b>1% Increase (8.3%)</b>
PSPRS Police			
Net pension (asset) liability	\$ 881,495	\$ 719,889	\$ 588,631
Net OPEB (asset) liability	(39,237)	(39,878)	(40,401)

**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, 2021, the Town recognized the following pension and OPEB expense:

	<b>Pension Expense</b>	<b>OPEB Expense</b>
PSPRS Police	\$ 394,548	\$ (2,073)

**Deferred Outflows/Inflows of Resources –** At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,202	\$ 369,350	\$ 6,382	\$ 13,481
Changes of assumptions or other inputs	-	-	111	536
Net difference between projected and actual earnings on plan investments	33,267	-	2,315	-
Town contributions subsequent to the measurement date	114,187	-	-	-
<b>Total</b>	<b>\$ 148,656</b>	<b>\$ 369,350</b>	<b>\$ 8,808</b>	<b>\$ 14,017</b>

**TOWN OF MAMMOTH, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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, 2022. 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:

Year ended June 30,	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
2022	\$ (175,937)	\$ (1,506)
2023	(174,885)	(1,215)
2024	9,303	(1,246)
2025	6,638	(1,242)
2026	-	-
Thereafter	-	-

**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, 2021, were as follows:

Payable from	Payable to				Total
	General Fund	HURF/ Road Tax Fund	Sewer Fund	Sanitation Fund	
Water Fund	\$ 15,014	\$ 490,016	\$ 275,871	\$ 85,558	\$ 866,459
Cemetery Fund	-	-	-	138,768	138,768
	\$ 15,014	\$ 490,016	\$ 275,871	\$ 224,326	\$ 1,005,227

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

The transfer from the Grants Fund for \$193,679 was to reimburse the General Fund for public safety expenditures incurred and reimbursed under the AZCARES program.

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 701,448	\$ 701,448	\$ 567,693	\$ (133,755)
Sales taxes	281,939	281,939	352,067	70,128
Property taxes	51,586	51,586	64,792	13,206
Rental income	22,800	22,800	20,400	(2,400)
Fines and forfeitures	19,400	19,400	30,755	11,355
Other revenue	6,000	6,000	18,749	12,749
Charges for services	10,800	10,800	5,528	(5,272)
Franchise taxes	6,859	6,859	7,462	603
Contributions	4,390	4,390	1,250	(3,140)
Licenses and permits	2,650	2,650	3,290	640
<b>Total revenues</b>	<u>1,107,872</u>	<u>1,107,872</u>	<u>1,071,986</u>	<u>(35,886)</u>
<b>Expenditures</b>				
Mayor and council	3,100	3,100	1,578	1,522
P & Z Board	250	250	-	250
Administration	422,556	422,556	190,649	231,907
Magistrate	39,764	39,764	28,091	11,673
Attorney	40,000	40,000	44,205	(4,205)
Police	501,211	501,211	524,668	(23,457)
Library	31,961	31,961	41,518	(9,557)
Parks and recreation	22,830	22,830	44,652	(21,822)
CAG	1,200	1,200	-	1,200
<b>Total expenditures</b>	<u>1,062,872</u>	<u>1,062,872</u>	<u>875,361</u>	<u>186,311</u>
Excess (deficiency) of revenue over (under) expenditures	<u>45,000</u>	<u>45,000</u>	<u>196,625</u>	<u>150,425</u>
<b>Other financing sources (uses):</b>				
Transfers	<u>(45,000)</u>	<u>(45,000)</u>	<u>193,679</u>	<u>(238,679)</u>
<b>Net change in fund balance</b>	-	-	390,304	(88,254)
Fund balance, beginning of year	<u>(355,038)</u>	<u>(355,038)</u>	<u>(355,038)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ (355,038)</u>	<u>\$ (355,038)</u>	<u>\$ 35,266</u>	<u>\$ (88,254)</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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 1,317,829	\$ 1,317,829	\$ 184,355	\$(1,133,474)
Investment income	-	-	72	72
<b>Total revenues</b>	<u>1,317,829</u>	<u>1,317,829</u>	<u>184,427</u>	<u>(1,133,402)</u>
<b>Expenditures</b>				
Current				
Highways and streets	<u>2,237,929</u>	<u>2,237,929</u>	<u>328,791</u>	<u>1,909,138</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(920,100)</u>	<u>(920,100)</u>	<u>(144,364)</u>	<u>775,736</u>
<b>Other financing sources (uses):</b>				
Transfer in	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
<b>Net change in fund balance</b>	(875,100)	(875,100)	(144,364)	730,736
Fund balance, beginning of year	<u>1,056,143</u>	<u>1,056,143</u>	<u>1,056,143</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 181,043</u>	<u>\$ 181,043</u>	<u>\$ 911,779</u>	<u>\$ 730,736</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 1,295,000	\$ 1,295,000	\$ 243,578	\$(1,051,422)
<b>Expenditures</b>				
Current				
General government	1,285,000	1,285,000	-	1,285,000
Public safety	10,000	10,000	10,000	-
<b>Total expenditures</b>	<u>1,295,000</u>	<u>1,295,000</u>	<u>10,000</u>	<u>1,285,000</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>233,578</u>	<u>233,578</u>
<b>Other financing sources (uses):</b>				
Transfers	<u>-</u>	<u>-</u>	<u>(193,679)</u>	<u>(193,679)</u>
<b>Net change in fund balance</b>	-	-	39,899	39,899
Fund balance, beginning of year	<u>(39,899)</u>	<u>(39,899)</u>	<u>(39,899)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ (39,899)</u></u>	<u><u>\$ (39,899)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,899</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2021**

***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, 2021, expenditure exceeded final budget amounts at the departments level (the legal level of budgetary control) in the Attorney, Police, Library, and Parks and Recreation 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**

PSPRS - Pension	Reporting Fiscal Year (Measurement Date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability								Information not available
Service cost	\$ 25,014	\$ 34,861	\$ 23,055	\$ 33,928	\$ -	\$ 29,510	\$ 25,131	
Interest on the total pension liability	126,961	59,053	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	(554,025)	856,077	37,769	286,961	(14,329)	(117,071)	(31,725)	
Changes of assumptions or other inputs	-	89,414	-	84	21,257	-	154,368	
Benefit payments, including refunds of employee contributions	(90,780)	(85,966)	(54,066)	(47,625)	(21,385)	(29,021)	(17,777)	
Net change in total pension liability	(492,830)	953,439	60,768	311,482	(104,168)	(68,916)	191,128	
Total pension liability - beginning	1,759,572	806,133	745,365	433,883	538,051	606,967	415,839	
Total pension liability - ending (a)	<u>\$ 1,266,742</u>	<u>\$ 1,759,572</u>	<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	\$ 31,897	\$ 51,516	\$ 21,207	\$ 7,570	\$ 16,725	\$ 15,235	\$ 26,306	
Contributions - employee	30,792	20,447	14,175	12,226	8,920	12,452	15,758	
Net investment income	7,248	28,880	38,549	45,904	2,187	12,307	39,865	
Benefit payments, including refunds of employee contributions	(90,780)	(85,966)	(54,066)	(47,625)	(21,385)	(29,021)	(17,777)	
Hall/Parker Settlement	-	-	(8,755)	-	-	-	-	
Administrative expense	(591)	(1,503)	(1,287)	(806)	(715)	(665)	-	
Other changes	-	1,427	9	149,666	49,393	(254)	(28,787)	
Net change in plan fiduciary net position	(21,434)	14,801	9,832	166,935	55,125	10,054	35,365	
Plan fiduciary net position - beginning	592,879	578,078	568,246	401,311	346,186	336,132	300,767	
Adjustment to Beginning of Year	(24,592)	-	-	-	-	-	-	
Plan fiduciary net position - ending (b)	<u>\$ 546,853</u>	<u>\$ 592,879</u>	<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>\$ 719,889</u>	<u>\$ 1,166,693</u>	<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	43.17%	33.69%	71.71%	76.24%	92.49%	64.34%	55.38%	
Covered payroll	\$ 131,363	\$ 126,510	\$ 120,328	\$ 150,790	\$ 80,455	\$ -	\$ 165,425	
Town's net pension (asset) liability as a percentage of covered payroll	548.02%	922.21%	189.53%	117.46%	40.48%	0.00%	163.72%	

*See accompanying notes to pension plan schedules.*



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

PSPRS - Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Total OPEB liability					Information not available
Service cost	\$ 1,255	\$ 914	\$ 818	\$ 1,206	
Interest on the total OPEB liability	1,258	1,175	1,102	128	
Changes of benefit terms	-	-	-	64	
Differences between expected and actual experience in the measurement of the OPEB liability	(14,803)	(1,501)	(1,430)	13,078	
Changes of assumptions or other inputs	-	186	-	(1,100)	
Net change in total OPEB liability	(12,290)	774	490	13,376	
Total OPEB liability - beginning	15,743	14,969	14,479	1,103	
Total OPEB liability - ending (a)	<u>\$ 3,453</u>	<u>\$ 15,743</u>	<u>\$ 14,969</u>	<u>\$ 14,479</u>	
Plan fiduciary net position					
Net investment income	\$ 545	\$ 2,206	\$ 2,659	\$ 4,013	
Administrative expense	(44)	(38)	(40)	(35)	
Net change in plan fiduciary net position	501	2,168	2,619	3,978	
Plan fiduciary net position - beginning	42,830	40,662	38,043	34,065	
Plan fiduciary net position - ending (b)	<u>\$ 43,331</u>	<u>\$ 42,830</u>	<u>\$ 40,662</u>	<u>\$ 38,043</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (39,878)</u>	<u>\$ (27,087)</u>	<u>\$ (25,693)</u>	<u>\$ (23,564)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	1254.88%	272.06%	271.64%	262.75%	
Covered payroll	\$ 131,363	\$ 126,510	\$ 120,328	\$ 150,790	
Town's net OPEB (asset) liability as a percentage of covered payroll	-30.36%	-21.41%	-21.35%	-15.63%	

*See accompanying notes to pension plan schedules.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2021**

	<b>PSPRS - Pension</b>								<b>2013 through 2012</b>
	<b>Reporting Fiscal Year</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Actuarially determined contribution	\$ 114,187	\$ 31,897	\$ 51,516	\$ 21,207	\$ 7,570	\$ 16,725	\$ 15,235	\$ 26,306	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(114,187)</u>	<u>(31,897)</u>	<u>(51,516)</u>	<u>(21,207)</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>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 134,306</u>	<u>\$ 131,363</u>	<u>\$ 126,510</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	85.02%	24.28%	40.72%	17.62%	5.02%	20.79%	0.00%	15.90%	

	<b>PSPRS - Health Insurance Premium Benefit</b>					<b>2016 through 2012</b>
	<b>Reporting Fiscal Year</b>					
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 134,306</u>	<u>\$ 131,363</u>	<u>\$ 126,510</u>	<u>\$ 120,328</u>	<u>\$ 150,790</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	

*See accompanying notes to pension plan schedules.*

**TOWN OF MAMMOTH, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2021**

***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 2019 actuarial valuation	17 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, 2021**

***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, 2021, 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 October 26, 2021.

**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 **2021-001**, **2021-002**, and **2021-004** 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 **2021-003**, and **2021-004**.

### **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.



October 26, 2021

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

Audit findings and responses are as follows:

**Financial Statement Findings**

**Item: 2021-001**

*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 is in the process of setting up an account receivable for the cemetery lots in order to record cemetery lot sales on an accrual basis. This will be implemented in FY 21/22 budget.

**Item: 2021-002**

*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 is in the process of developing a current Accounting Policy and Procedures Manual. it will be completed and approved by the Council before the end of the 21/22 fiscal year.

**TOWN OF MAMMOTH, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**Financial Statement Findings – Continued**

**Item: 2021-003**

*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, 2021, the Town’s unreimbursed balance owed to the HURF fund totaled \$490,016.

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

*Response:* Management agrees with the recommendations and the Town of Mammoth has hired a Town Clerk who is responsible to oversee and monitor the budget to ensure that no further borrowing from the HURF will occur and the HURF funds will be repaid accordance with stipulated terms. Management agrees with the recommendations and is in the process of repaying HURF funds.

**Item: 2021-004**

*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, 2021, 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 is in the process of reviewing the past years TPT payments to identify and resolve any unfiled reports no later than June 30, 2021. In addition, the Town of Mammoth has hired a Town Clerk who is responsible to oversee and monitor the future TPT reports to ensure timely completion and payment.