

TOWN OF MAMMOTH, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Mammoth, Arizona

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Mammoth, Arizona's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Mammoth, Arizona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Mammoth, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Mammoth, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Mammoth, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of the Town of Mammoth, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mammoth, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other

matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Arizona Auditor General,) the Town Council and 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.

A handwritten signature in cursive script that reads "Colby Powell".

February 23, 2023

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,165,580	\$ -	\$ 1,165,580
Cash and cash equivalents-restricted	-	41,005	41,005
Accounts receivable - net	-	71,446	71,446
Taxes receivable	1,507	-	1,507
Due from other governments	134,788	-	134,788
Interactivity balances	505,453	(505,453)	-
Net other postemployment benefits asset	50,580	-	50,580
Capital assets, not being depreciated	236,606	498,527	735,133
Capital assets, being depreciated, net	2,079,887	1,052,012	3,131,899
Total assets	4,174,401	1,157,537	5,331,938
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	123,824	-	123,824
LIABILITIES			
Accounts payable	34,253	28,208	62,461
Accrued expenses	47,760	-	47,760
Customer accounts payable	-	17,712	17,712
Refundable deposits	-	41,005	41,005
Compensated absences	14,418	6,841	21,259
Noncurrent liabilities			
Due within one year	6,010	457,707	463,717
Due in more than one year	615,949	-	615,949
Total liabilities	718,390	551,473	1,269,863
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	268,745	-	268,745
NET POSITION			
Net investment in capital assets	2,310,483	1,092,832	3,403,315
Restricted			
Highways and streets	1,127,243	-	1,127,243
Unrestricted	(126,636)	(486,768)	(613,404)
Total net position	\$ 3,311,090	\$ 606,064	\$ 3,917,154

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Activities
Year Ended June 30, 2022

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	\$ 268,862	\$ 23,076	\$ 330,248	\$ 94,692	\$ 179,154	\$ -	\$ 179,154
Public safety	338,249	33,087	4,303	-	(300,859)	-	(300,859)
Highways and streets	216,476	-	263,969	-	47,493	-	47,493
Culture and recreation	152,579	3,706	4,440	60,454	(83,979)	-	(83,979)
Interest	542	-	-	-	(542)	-	(542)
Total governmental activities	<u>976,708</u>	<u>59,869</u>	<u>602,960</u>	<u>155,146</u>	<u>(158,733)</u>	<u>-</u>	<u>(158,733)</u>
Business-type activities							
Water	477,689	258,361	-	15,000	-	(204,328)	(204,328)
Sewer	97,534	181,241	-	-	-	83,707	83,707
Sanitation	91,313	145,514	-	-	-	54,201	54,201
Cemetery	2,910	26,180	-	-	-	23,270	23,270
Total business-type activities	<u>669,446</u>	<u>611,296</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>(43,150)</u>	<u>(43,150)</u>
Total primary government	<u>\$ 1,646,154</u>	<u>\$ 671,165</u>	<u>\$ 602,960</u>	<u>\$ 170,146</u>	<u>(158,733)</u>	<u>(43,150)</u>	<u>(201,883)</u>
General revenues:							
Taxes:							
Local TPT taxes					531,748	-	531,748
Property taxes, levied for general purposes					52,113	-	52,113
Franchise tax					8,685	-	8,685
Share of state sales taxes					157,850	-	157,850
Share of county auto lieu taxes					121,967	-	121,967
State urban revenue sharing					201,540	-	201,540
Investment earnings, net					96	-	96
Miscellaneous					19,018	-	19,018
Total general revenues					<u>1,093,017</u>	<u>-</u>	<u>1,093,017</u>
Change in net position					934,284	(43,150)	891,134
Net position, beginning of year					2,376,806	649,214	3,026,020
Net position, end of year					<u>\$ 3,311,090</u>	<u>\$ 606,064</u>	<u>\$ 3,917,154</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	HURF/ Road Tax Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 51,086	\$ 1,114,494	\$ -	\$ 1,165,580
Taxes receivable	1,507	-	-	1,507
Due from other governments	78,888	21,639	34,261	134,788
Due from other funds	529,697	-	-	529,697
Total assets	<u>\$ 661,178</u>	<u>\$ 1,136,133</u>	<u>\$ 34,261</u>	<u>\$ 1,831,572</u>
LIABILITIES				
Accounts payable	\$ 15,346	\$ 8,890	\$ 10,017	\$ 34,253
Accrued expenses	47,760	-	-	47,760
Due to other funds	-	-	24,244	24,244
Total liabilities	<u>63,106</u>	<u>8,890</u>	<u>34,261</u>	<u>106,257</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>9,747</u>	<u>-</u>	<u>-</u>	<u>9,747</u>
FUND BALANCES				
Restricted				
Highways and streets	-	1,127,243	-	1,127,243
Unassigned	<u>588,325</u>	<u>-</u>	<u>-</u>	<u>588,325</u>
Total fund balances	<u>588,325</u>	<u>1,127,243</u>	<u>-</u>	<u>1,715,568</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 661,178</u>	<u>\$ 1,136,133</u>	<u>\$ 34,261</u>	<u>\$ 1,831,572</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, 2022

Fund balances-total governmental funds	\$ 1,715,568
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,316,493
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	9,747
Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	50,580
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.	(636,377)
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>(144,921)</u>
Net position of governmental activities	<u><u>\$ 3,311,090</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, 2022

	General Fund	HURF/ Road Tax Fund	Grants Fund	Total Governmental Funds
Revenues				
Intergovernmental	\$ 485,659	\$ 345,652	\$ 485,394	\$ 1,316,705
Taxes	590,426	-	-	590,426
Fines and forfeitures	33,087	-	-	33,087
Rental income	20,000	-	-	20,000
Other revenue	19,019	-	-	19,019
Contributions	4,440	-	-	4,440
Charges for services	3,706	-	-	3,706
Licenses and permits	3,076	-	-	3,076
Investment income	-	96	-	96
Total revenues	<u>1,159,413</u>	<u>345,748</u>	<u>485,394</u>	<u>1,990,555</u>
Expenditures				
Current				
General government	202,187	-	52,225	254,412
Public safety	528,059	-	-	528,059
Highways and streets	9,497	130,284	-	139,781
Culture and recreation	100,038	-	3,881	103,919
Debt service				
Principal	12,052	-	-	12,052
Interest	542	-	-	542
Capital outlay	35,691	-	147,576	183,267
Total expenditures	<u>888,066</u>	<u>130,284</u>	<u>203,682</u>	<u>1,222,032</u>
Excess (deficiency) of revenue over (under) expenditures	271,347	215,464	281,712	768,523
Other financing sources (uses)				
Transfers out	-	-	(281,712)	(281,712)
Transfers in	281,712	-	-	281,712
Total other financing sources and uses	<u>281,712</u>	<u>-</u>	<u>(281,712)</u>	<u>-</u>
Net change in fund balance	553,059	215,464	-	768,523
Fund balances, beginning of year	<u>35,266</u>	<u>911,779</u>	<u>-</u>	<u>947,045</u>
Fund balances, end of year	<u>\$ 588,325</u>	<u>\$ 1,127,243</u>	<u>\$ -</u>	<u>\$ 1,715,568</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, 2022

Net change in fund balances-total governmental funds \$ 768,523

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	183,267	
Depreciation expense	<u>(142,400)</u>	
		40,867

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

Property taxes	2,120	
Road tax revenues	<u>(81,683)</u>	
		(79,563)

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	75,662	
Pension/OPEB expense	<u>119,962</u>	
		195,624

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		12,052
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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>(3,219)</u>
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Change in net position of governmental activities \$ 934,284

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
ASSETS					
Current assets					
Cash and cash equivalents-restricted	\$ 41,005	\$ -	\$ -	\$ -	\$ 41,005
Accounts receivable - net	30,945	20,411	11,505	8,585	71,446
Due from other funds	-	356,671	276,555	-	633,226
Total current assets	<u>71,950</u>	<u>377,082</u>	<u>288,060</u>	<u>8,585</u>	<u>745,677</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation, where applicable:					
Land	7,836	20,891	-	4,743	33,470
Construction in progress	465,057	-	-	-	465,057
Utilities systems, net	1,027,629	19,549	-	-	1,047,178
Equipment, net	3,978	856	-	-	4,834
Capital assets, net	<u>1,504,500</u>	<u>41,296</u>	<u>-</u>	<u>4,743</u>	<u>1,550,539</u>
Total noncurrent assets	<u>1,504,500</u>	<u>41,296</u>	<u>-</u>	<u>4,743</u>	<u>1,550,539</u>
Total assets	<u>1,576,450</u>	<u>418,378</u>	<u>288,060</u>	<u>13,328</u>	<u>2,296,216</u>
LIABILITIES					
Current liabilities					
Accounts payable	25,978	2,230	-	-	28,208
Customer accounts payable	17,712	-	-	-	17,712
Refundable deposits	41,005	-	-	-	41,005
Compensated absences	4,856	1,985	-	-	6,841
Note payable, current portion	457,707	-	-	-	457,707
Due to other funds	1,023,122	-	-	115,557	1,138,679
Total current liabilities	<u>1,570,380</u>	<u>4,215</u>	<u>-</u>	<u>115,557</u>	<u>1,690,152</u>
NET POSITION					
Net investment in capital assets	1,046,793	41,296	-	4,743	1,092,832
Unrestricted (deficit)	<u>(1,040,723)</u>	<u>372,867</u>	<u>288,060</u>	<u>(106,972)</u>	<u>(486,768)</u>
Total net position	<u>\$ 6,070</u>	<u>\$ 414,163</u>	<u>\$ 288,060</u>	<u>\$ (102,229)</u>	<u>\$ 606,064</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, 2022

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Operating revenue					
Charges for services	\$ 258,361	\$ 181,241	\$ 145,514	\$ 26,180	\$ 611,296
Operating expenses					
Personnel	247,338	57,836	-	-	305,174
Landfill fees	-	-	91,058	-	91,058
Depreciation	77,346	1,006	-	-	78,352
Utilities	44,137	21,717	-	-	65,854
Repairs and maintenance	51,563	8,952	-	342	60,857
Other	23,365	37	255	-	23,657
Materials and supplies	19,551	1,289	-	2,568	23,408
Insurance	6,697	6,697	-	-	13,394
Professional services	5,042	-	-	-	5,042
Total operating expenses	<u>475,039</u>	<u>97,534</u>	<u>91,313</u>	<u>2,910</u>	<u>666,796</u>
Operating income (loss)	<u>(216,678)</u>	<u>83,707</u>	<u>54,201</u>	<u>23,270</u>	<u>(55,500)</u>
Nonoperating revenue					
Interest expense	(2,650)	-	-	-	(2,650)
Income (loss) before capital contributions	(219,328)	83,707	54,201	23,270	(58,150)
Capital grant contributions	15,000	-	-	-	15,000
Increase (decrease) in net position	(204,328)	83,707	54,201	23,270	(43,150)
Total net position, beginning of year	210,398	330,456	233,859	(125,499)	649,214
Total net position, end of year	<u>\$ 6,070</u>	<u>\$ 414,163</u>	<u>\$ 288,060</u>	<u>\$ (102,229)</u>	<u>\$ 606,064</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities--Enterprise Funds				Total
	Water Fund	Sewer Fund	Sanitation Fund	Cemetery Fund	
Cash flows from operating activities:					
Receipts from customers	\$ 246,514	\$ 178,870	\$ 143,542	\$ 26,121	\$ 595,047
Payments to suppliers and providers of goods and services	(150,400)	(38,141)	(91,313)	(2,910)	(282,764)
Payments to employees	(255,132)	(59,929)	-	-	(315,061)
Net cash provided (used) by operating activities	<u>(159,018)</u>	<u>80,800</u>	<u>52,229</u>	<u>23,211</u>	<u>(2,778)</u>
Cash flows from noncapital financing activities:					
Due (to) from other funds	156,663	(80,800)	(52,229)	(23,211)	423
Cash flows from capital and related financing activities:					
Proceeds from note payable	455,057	-	-	-	455,057
Cash received from capital contributions	15,000	-	-	-	15,000
Purchase of capital assets	(465,057)	-	-	-	(465,057)
Net cash provided (used) by capital and related financing activities	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Net increase (decrease) in cash	2,645	-	-	-	2,645
Cash and cash equivalents, beginning of year	38,360	-	-	-	38,360
Cash and cash equivalents, end of year	<u>\$ 41,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,005</u>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents-restricted	41,005	-	-	-	41,005
Cash and cash equivalents, end of year	<u>\$ 41,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,005</u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022
(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)	\$ (216,678)	\$ 83,707	\$ 54,201	\$ 23,270	\$ (55,500)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	77,346	1,006	-	-	78,352
Bad debt	-	-	-	-	-
(Increase) decrease in:					
Accounts receivable	(17,091)	(2,371)	(1,972)	(59)	(21,493)
Increase (decrease) in:					
Accounts payable	(45)	551	-	-	506
Accrued expenses	(7,794)	(2,093)	-	-	(9,887)
Customer accounts payable	2,599	-	-	-	2,599
Refundable deposits	2,645	-	-	-	2,645
Compensated absences payable	-	-	-	-	-
Net cash provided (used) by operating activities	<u><u>\$ (159,018)</u></u>	<u><u>\$ 80,800</u></u>	<u><u>\$ 52,229</u></u>	<u><u>\$ 23,211</u></u>	<u><u>\$ (2,778)</u></u>

See accompanying notes to financial statements.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

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.

For the year ended June 30, 2022, the Town implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the Town’s financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.
- 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 ***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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2022, 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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

	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

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

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

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

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

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

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

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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Leases

As lessee, the Town recognizes lease liabilities with an initial, individual value of \$5,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town’s estimated incremental borrowing rate is based on the Town’s borrowing rate for unsecured debt for a comparable amount and time period, and then decreased the based on full collateral.

As lessor, the Town recognizes lease receivables with an initial, individual value of \$5,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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, 2022, the carrying amount of the Town’s total cash in bank was \$1,174,095, and the bank balances were \$1,359,942. Of the bank balances, \$256,575 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 \$41,005.

Investments—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$32,140. 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:

	Governmental activities	Business-type activities	Total
Cash and cash equivalents:			
Cash on hand	\$ 350	\$ -	\$ 350
Amount of deposits	1,148,675	25,420	1,174,095
State Treasurer's Investment Pool 5	16,555	15,585	32,140
Total	<u>\$ 1,165,580</u>	<u>\$ 41,005</u>	<u>\$ 1,206,585</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 3 – DUE TO/FROM OTHER GOVERNMENTS

Amounts due from other governments in the General Fund at June 30, 2022 consisted of \$4,596 in state-shared revenue from sales taxes, \$4,686 in state-shared revenue from auto lieu taxes, and \$57,658 in local sales taxes collected by the State of Arizona and \$11,948 in property taxes collected by Pinal County.

Amounts due from other governments in the HURF/Road Tax Fund at June 30, 2022 consisted of \$12,177 in county-shared revenue from county road taxes and \$9,462 in state-shared revenue from highway user revenue fund (HURF) taxes.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 228,718	\$ -	\$ -	\$ 228,718
Construction in progress	-	7,888	-	7,888
Total capital assets not being depreciated	228,718	7,888	-	236,606
Capital assets being depreciated:				
Buildings	1,213,801	-	-	1,213,801
Equipment	1,246,594	147,379	-	1,393,973
Infrastructure	5,311,389	28,000	-	5,339,389
Total	7,771,784	175,379	-	7,947,163
Less accumulated depreciation for:				
Buildings	(555,154)	(43,449)	-	(598,603)
Equipment	(1,076,288)	(24,907)	-	(1,101,195)
Infrastructure	(4,093,434)	(74,044)	-	(4,167,478)
Total	(5,724,876)	(142,400)	-	(5,867,276)
Total capital assets being depreciated, net	2,046,908	317,779	-	2,079,887
Governmental activities capital assets, net	<u>\$ 2,275,626</u>	<u>\$ 325,667</u>	<u>\$ -</u>	<u>\$ 2,316,493</u>
	Balance			Balance
	July 1, 2021	Increases	Decreases	June 30, 2022
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 33,470	\$ -	\$ -	\$ 33,470
Construction in progress	5,250	459,807	-	465,057
Total capital assets not being depreciated	38,720	459,807	-	498,527
Capital assets being depreciated:				
Buildings	65,244	-	-	65,244
Utility systems	2,777,432	-	-	2,777,432
Equipment	251,613	-	-	251,613
Total	3,094,289	-	-	3,094,289
Less accumulated depreciation for:				
Buildings	(65,244)	-	-	(65,244)
Utility systems	(1,653,732)	(76,522)	-	(1,730,254)
Equipment	(244,949)	(1,830)	-	(246,779)
Total	(1,963,925)	(78,352)	-	(2,042,277)
Total capital assets being depreciated, net	1,130,364	78,352	-	1,052,012
Business-type activities capital assets, net	<u>\$ 1,169,084</u>	<u>\$ 538,159</u>	<u>\$ -</u>	<u>\$ 1,550,539</u>

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	\$	14,373
Public safety		3,728
Highways and streets		76,274
Culture and recreation		48,025
Total governmental activities depreciation expense	\$	<u>142,400</u>
Business-type activities:		
Water	\$	77,346
Sewer		1,006
Total business-type activities depreciation expense	\$	<u>78,352</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, 2022.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Governmental activities:					
Compensated absences	\$ 11,199	\$ 3,219	\$ -	\$ 14,418	\$ 14,418
Notes payable from direct borrowings and direct placements	18,062	-	12,052	6,010	6,010
Net pension and other postemployment benefits liability	719,889	-	103,940	615,949	-
	<u>\$ 749,150</u>	<u>\$ 3,219</u>	<u>\$ 115,992</u>	<u>\$ 636,377</u>	<u>\$ 20,428</u>
Business-type activities:					
Compensated absences	\$ 6,841	\$ -	\$ -	\$ 6,841	\$ 6,841
Notes payable from direct borrowings and direct placements	-	457,707	-	457,707	457,707
	<u>\$ 6,841</u>	<u>\$ 457,707</u>	<u>\$ -</u>	<u>\$ 464,548</u>	<u>\$ 464,548</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.

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 5 – LONG-TERM LIABILITIES – Continued

Additional terms are as follows:

Description	Original Amount	Maturity	Interest Rate	Outstanding Principal
Note payable	\$ 101,500	11/30/2022	4.640%	\$ 6,010

In January 2022, the Town of Mammoth Municipal Property Corporation entered into a note agreement for predevelopment costs associated water system improvements. The note is expected to be refinanced by USDA once the predevelopment phase is completed.

Additional terms are as follows:

Description	Original Amount	Maturity	Interest Rate	Outstanding Principal
Note payable	\$ 500,000	2/1/2023	5.000%	\$ 457,707

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2022.

Year Ending June 30	Notes payable from direct borrowings and direct placements			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 6,010	\$ 70	\$ 457,707	\$ 22,885

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, 2022

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, 2022, the Town reported the following amounts related to PSPRS:

Statement of Net Position and Statement of Activities	Governmental activities
Net pension and OPEB asset	\$ 50,580
Net pension and OPEB liability	615,949
Deferred outflows of resources related to pensions and OPEB	123,824
Deferred inflows of resources related to pensions and OPEB	268,745
Pension and OPEB expense	(119,962)

The Town reported \$75,662 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, 2022

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.

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, 2022

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2022, 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	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, 2022, 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%	43.79%	0.00%

The Town’s contributions to the plans for the year ended June 30, 2022, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 75,662	\$ -

During fiscal year 2022, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2022, the Town reported the following asset and liability:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 615,949	\$ (50,580)

The net assets and net liabilities were measured as of June 30, 2021, 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, 2022

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, 2021
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, 2021, 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	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash - Mellon	1%	-0.31%
Total	<u>100%</u>	

Discount Rates – At June 30, 2021, 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, 2022

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)

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 1,266,742	\$ 546,853	\$ 719,889
Adjustment to Beginning of Year	-	-	-
Changes for the year			
Service Cost	26,442	-	26,442
Interest on the total liability	89,780	-	89,780
Differences between expected and actual experience in the measurement of the liability	65,069	-	65,069
Contributions-employer	-	114,187	(114,187)
Contributions-employee	-	14,139	(14,139)
Net investment income	-	157,642	(157,642)
Benefit payments, including refunds of employee contributions	(126,635)	(126,635)	-
Administrative expense	-	(737)	737
Net changes	54,656	158,596	(103,940)
Balances at June 30, 2022	\$ 1,321,398	\$ 705,449	\$ 615,949

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 3,453	\$ 43,331	\$ (39,878)
Changes for the year			
Service Cost	1,036	-	1,036
Interest on the total liability	328	-	328
Differences between expected and actual experience in the measurement of the liability	(69)	-	(69)
Net investment income	-	12,047	(12,047)
Administrative expense	-	(50)	50
Net changes	1,295	11,997	(10,702)
Balances at June 30, 2022	\$ 4,748	\$ 55,328	\$ (50,580)

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

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:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Police			
Net pension (asset) liability	\$ 784,548	\$ 615,949	\$ 478,689
Net OPEB (asset) liability	(49,722)	(50,580)	(51,284)

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, 2022, the Town recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS Police	\$ (114,922)	\$ (5,040)

Deferred Outflows/Inflows of Resources – At June 30, 2022, 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	\$ 43,380	\$ 184,675	\$ 4,708	\$ 10,049
Changes of assumptions or other inputs	-	-	74	395
Net difference between projected and actual earnings on plan investments	-	68,417	-	5,209
Town contributions subsequent to the measurement date	75,662	-	-	-
Total	\$ 119,042	\$ 253,092	\$ 4,782	\$ 15,653

TOWN OF MAMMOTH, ARIZONA
Notes to Financial Statements
June 30, 2022

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, 2023. 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,	PSPRS Police	
	Pension	Health
2023	\$ (176,732)	\$ (3,004)
2024	7,456	(3,035)
2025	(16,899)	(3,031)
2026	(23,537)	(1,789)
2027	-	(12)
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, 2022, were as follows:

Payable from	Payable to				Total
	General Fund	HURF/ Road Tax Fund	Sewer Fund	Sanitation Fund	
Grants Fund	\$ 24,244	\$ -	\$ -	\$ -	\$ 24,244
Water Fund	505,453	-	356,671	160,998	1,023,122
Cemetery Fund	-	-	-	115,557	115,557
	\$ 529,697	\$ -	\$ 356,671	\$ 276,555	\$ 1,162,923

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

The transfer from the Grants Fund for \$281,712 was to reimburse the General Fund for general government expenditures incurred and reimbursed under the American Rescue Plan (ARPA).

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
TPT taxes	\$ 359,527	\$ 359,527	\$ 531,748	\$ 172,221
Intergovernmental	814,565	814,565	485,659	(328,906)
Property taxes	51,544	51,544	49,993	(1,551)
Fines and forfeitures	14,965	14,965	33,087	18,122
Rental income	22,800	22,800	20,000	(2,800)
Other revenue	6,000	6,000	19,019	13,019
Franchise taxes	6,860	6,860	8,685	1,825
Contributions	1,000	1,000	4,440	3,440
Charges for services	7,100	7,100	3,706	(3,394)
Licenses and permits	3,100	3,100	3,076	(24)
Total revenues	<u>1,287,461</u>	<u>1,287,461</u>	<u>1,159,413</u>	<u>(128,048)</u>
Expenditures				
Mayor and council	1,800	1,800	768	1,032
P & Z Board	5,000	5,000	-	5,000
Administration	397,897	397,897	197,611	200,286
Magistrate	38,889	38,889	27,842	11,047
Attorney	40,000	40,000	44,401	(4,401)
Police	596,298	596,298	503,433	92,865
Library	53,534	53,534	40,371	13,163
Detention services	3,500	3,500	4,476	(976)
Parks	-	-	59,667	(59,667)
Public works	177,543	177,543	9,497	168,046
Total expenditures	<u>1,314,461</u>	<u>1,314,461</u>	<u>888,066</u>	<u>426,395</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(27,000)</u>	<u>(27,000)</u>	<u>271,347</u>	<u>298,347</u>
Other financing sources (uses):				
Transfers	<u>(73,000)</u>	<u>(73,000)</u>	<u>281,712</u>	<u>(354,712)</u>
Net change in fund balance	(100,000)	(100,000)	553,059	(56,365)
Fund balance, beginning of year	<u>35,266</u>	<u>35,266</u>	<u>35,266</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (64,734)</u></u>	<u><u>\$ (64,734)</u></u>	<u><u>\$ 588,325</u></u>	<u><u>\$ (56,365)</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/Road Tax Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 234,911	\$ 234,911	\$ 345,652	\$ 110,741
Investment income	-	-	96	96
Total revenues	<u>234,911</u>	<u>234,911</u>	<u>345,748</u>	<u>110,837</u>
Expenditures				
Highways and streets	<u>402,911</u>	<u>402,911</u>	<u>130,284</u>	<u>272,627</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(168,000)</u>	<u>(168,000)</u>	<u>215,464</u>	<u>383,464</u>
Other financing sources (uses):				
Transfer in	<u>123,000</u>	<u>123,000</u>	<u>-</u>	<u>(123,000)</u>
Net change in fund balance	(45,000)	(45,000)	215,464	260,464
Fund balance, beginning of year	<u>911,779</u>	<u>911,779</u>	<u>911,779</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 866,779</u></u>	<u><u>\$ 866,779</u></u>	<u><u>\$ 1,127,243</u></u>	<u><u>\$ 260,464</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 3,277,000	\$ 3,277,000	\$ 485,394	\$(2,791,606)
Expenditures				
Grants	3,277,000	3,277,000	203,682	3,073,318
Excess (deficiency) of revenue over (under) expenditures	-	-	281,712	281,712
Other financing sources (uses):				
Transfers	-	-	(281,712)	(281,712)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2022

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, 2022, expenditure exceeded final budget amounts at the departments level (the legal level of budgetary control) in the Attorney, Detention services, and Parks 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

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Total pension liability									Information not available
Service cost	\$ 26,442	\$ 25,014	\$ 34,861	\$ 23,055	\$ 33,928	\$ -	\$ 29,510	\$ 25,131	
Interest on the total pension liability	89,780	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	65,069	(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	(126,635)	(90,780)	(85,966)	(54,066)	(47,625)	(21,385)	(29,021)	(17,777)	
Net change in total pension liability	54,656	(492,830)	953,439	60,768	311,482	(104,168)	(68,916)	191,128	
Total pension liability - beginning	1,266,742	1,759,572	806,133	745,365	433,883	538,051	606,967	415,839	
Total pension liability - ending (a)	<u>\$ 1,321,398</u>	<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	\$ 114,187	\$ 31,897	\$ 51,516	\$ 21,207	\$ 7,570	\$ 16,725	\$ 15,235	\$ 26,306	
Contributions - employee	14,139	30,792	20,447	14,175	12,226	8,920	12,452	15,758	
Net investment income	157,642	7,248	28,880	38,549	45,904	2,187	12,307	39,865	
Benefit payments, including refunds of employee contributions	(126,635)	(90,780)	(85,966)	(54,066)	(47,625)	(21,385)	(29,021)	(17,777)	
Hall/Parker Settlement	-	-	-	(8,755)	-	-	-	-	
Administrative expense	(737)	(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	158,596	(21,434)	14,801	9,832	166,935	55,125	10,054	35,365	
Plan fiduciary net position - beginning	546,853	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>\$ 705,449</u>	<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>\$ 615,949</u>	<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	53.39%	43.17%	33.69%	71.71%	76.24%	92.49%	64.34%	55.38%	
Covered payroll	\$ 136,342	\$ 131,363	\$ 126,510	\$ 120,328	\$ 150,790	\$ 80,455	\$ -	\$ 165,425	
Town's net pension (asset) liability as a percentage of covered payroll	451.77%	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

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
PSPRS - Health Insurance Premium Benefit						
Total OPEB liability						Information not available
Service cost	\$ 1,036	\$ 1,255	\$ 914	\$ 818	\$ 1,206	
Interest on the total OPEB liability	328	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	(69)	(14,803)	(1,501)	(1,430)	13,078	
Changes of assumptions or other inputs	-	-	186	-	(1,100)	
Net change in total OPEB liability	1,295	(12,290)	774	490	13,376	
Total OPEB liability - beginning	3,453	15,743	14,969	14,479	1,103	
Total OPEB liability - ending (a)	<u>\$ 4,748</u>	<u>\$ 3,453</u>	<u>\$ 15,743</u>	<u>\$ 14,969</u>	<u>\$ 14,479</u>	
Plan fiduciary net position						
Net investment income	\$ 12,047	\$ 545	\$ 2,206	\$ 2,659	\$ 4,013	
Administrative expense	(50)	(44)	(38)	(40)	(35)	
Net change in plan fiduciary net position	11,997	501	2,168	2,619	3,978	
Plan fiduciary net position - beginning	43,331	42,830	40,662	38,043	34,065	
Plan fiduciary net position - ending (b)	<u>\$ 55,328</u>	<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>\$ (50,580)</u>	<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	1165.29%	1254.88%	272.06%	271.64%	262.75%	
Covered payroll	\$ 136,342	\$ 131,363	\$ 126,510	\$ 120,328	\$ 150,790	
Town's net OPEB (asset) liability as a percentage of covered payroll	-37.10%	-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, 2022

	PSPRS - Pension									
	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 75,662	\$ 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>(75,662)</u>	<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>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 172,783</u>	<u>\$ 136,342</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	43.79%	83.75%	24.28%	40.72%	17.62%	5.02%	20.79%	0.00%	15.90%	

	PSPRS - Health Insurance Premium Benefit						
	Reporting Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016 through 2013
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>	<u>-</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 172,783</u>	<u>\$ 136,342</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%	0.00%	

See accompanying notes to pension plan schedules.

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

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 2020 actuarial valuation	16 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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

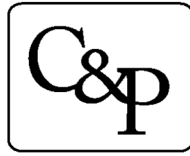
Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s 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

TOWN OF MAMMOTH, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date.

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.



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022, 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 February 23, 2023.

Report on 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and responses **2022-001** to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of finding and responses **2022-002** to be a significant deficiency.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Mammoth, Arizona's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Mammoth, Arizona's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Town of Mammoth, Arizona's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



February 23, 2023

TOWN OF MAMMOTH, ARIZONA
Schedule of Findings and Responses
June 30, 2022

Audit findings and responses are as follows:

Financial Statement Findings

Item: 2022-001

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 22/23 fiscal year.

Item: 2022-002

Subject: Cemetery Lot Sales.

Condition: Cemetery lot sales and receivables are principally tracked in an Excel workbook. As a sale is made, a new worksheet in the Excel workbook is created and the sale and corresponding receivable are tracked. As payments are received by the Town, the worksheet is adjusted accordingly. The same individual who receives the cash payment is also responsible for updating the Excel workbook. Annually, Caselle is updated using this Excel workbook to adjust the cash basis receipts recorded in Caselle to the accrual basis.

Recommendation: Tracking revenues and receivables using a spreadsheet is susceptible to error. In addition, there is not proper segregation between cash receipting and the recording of the cash receipt in the accounting records. We recommend that the Town use the Caselle module for cemetery sales and receivables. If this is not possible, we recommend that the Town separate the duties of updating the Excel workbook and receiving cash payments on cemetery sales.

Response: Management agrees with this finding and will look into using the Caselle module for cemetery sales.