

**TOWN OF MAMMOTH LAKES**  
***California***

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**Annual Financial Report**  
**June 30, 2014**

# TOWN OF MAMMOTH LAKES

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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2701 Cottage Way, Suite 30 / Sacramento, California 95821

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor  
Members of the Town Council  
Town of Mammoth Lakes, California

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, California, as of and for the year ended June 30, 2014, 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 purposes 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 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, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, as of June 30, 2014, 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.

Honorable Mayor  
Members of the Town Council  
Town of Mammoth Lakes, California

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 historic 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mammoth Lakes' basic financial statements. The combining nonmajor governmental funds financial statements, and the combining internal service funds financial statements, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (Appendix A-Single Audit) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2014 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are 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 on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
November 12, 2014

**MANAGEMENT'S DISCUSSION & ANALYSIS**

*As Prepared by Management  
(unaudited)*



Finance Department (760) 934-8989  
P.O. Box 1609, Mammoth Lakes, CA 93546

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Town of Mammoth Lakes financial performance for the fiscal year ended June 30, 2014 provides an analysis on the Town's overall financial position, and municipal operations. It is intended to assist readers in evaluating the Town's finances, and provides discussion of significant changes that occurred in various funding sources, including any variances from the approved budget. In addition, it describes the activities during the year related to capital assets and long-term debt. We end our discussion and analysis with a description of currently known facts, decisions, and conditions that are expected to have a significant effect on the financial position or operations. Please read it in conjunction with the Town's financial statements.

### **The Statement of Net Position and the Statement of Activities:**

A frequent question asked about the Town's finances; "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that answers this question. These statements include all assets and liabilities of the Town using the accrual basis of accounting; this is similar to the accounting used by most private-sector companies.

These two statements report the Town's net position at fiscal year end and financial activities for the fiscal year. Net position is the difference between assets and liabilities, which is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is an indication of whether its financial health is improving or deteriorating. It is important to remember that this measure of financial health is reviewing all of the Town's assets, including street infrastructure, storm drainage, and street lights; these assets are valuable to the Town, but they are not always available for immediate sale to fund other Town priorities. Furthermore, the depreciation of these assets is recorded as an expense in the Statement of Activities and can be confusing if the goal of the reader is to follow the flow of cash and expenditures. That is why the Fund Financial Statements continue to be an important part of the Town's financial story, and are presented after the Statement of Activities report.

In both the Statement of Net Position, and the Statement of Activities, the Town's Activities are separated as follows:

Governmental activities – Almost all of the Town's services are reported in this category, including the general administration (town manager, town clerk, personnel, finance etc.), police protection, public works, tourism and recreation, and community development. Transient occupancy tax, sales tax, property taxes, other taxes, interest income, grants,

## **The Statement of Net Assets and the Statement of Activities: (continued)**

intergovernmental revenue and service charges finance these activities. The Statement of Net Position also includes the value of capital assets (net of depreciation, future debt payments and the assets and liabilities of the internal service funds); while the Statement of Activities includes depreciation expense and some of the activity in the internal service funds on the accrual basis of accounting. These are significant differences from the Fund Financial Statements.

Business-type activities – The Town's Airport charges fees to customers to cover certain services that the Airport provides. The Town also operates the Long Valley Mineral Pit as a business-type activity charging customers for the cost of services (dumping of clean materials).

### **Fund Financial Statements:**

The fund financial statements provide detailed information about the most significant funds and other funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management established many other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other resources. The Town's two types of funds are governmental and proprietary.

Governmental funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows in and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. There is a reconciliation of the significant differences between the Governmental Funds Balance Sheet and the Statement of Net Position. These differences are unavoidable, because by definition the reports are looking at different financial activity. Both reports provide a different perspective on the Town's finances that are considered beneficial to financial statement users.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way as in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (Airport & Long Valley Mineral Pit) are the same as the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as a Statement of Cash Flows.

### **Reporting the Town's Fiduciary Responsibilities:**

The Town is the trustee, or fiduciary, for certain funds held on behalf of developers and assessment districts. The Town's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. The fiduciary activities have been excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Financial Analysis of the Town as a Whole

**Net Position:** A condensed presentation of the Town's net position shown in the following table totals \$75,637,552 as of June 30, 2014. The Town had a decrease of \$1,851,309 in total net position compared to the prior year, mostly related to non-operating expenditures.

### Town of Mammoth Lakes Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Current and other assets	29,397,933	26,403,814	548,041	842,452	29,945,974	27,246,266
Internal Loans	199,419	199,419	(199,419)	(199,419)	-	-
Capital assets, net of depreciation	71,580,434	75,707,182	7,367,756	8,668,123	78,948,190	84,375,305
<b>Total assets</b>	<b>101,177,786</b>	<b>102,310,415</b>	<b>7,716,378</b>	<b>9,331,156</b>	<b>108,894,164</b>	<b>111,621,571</b>
Long-term debt outstanding	28,558,850	29,997,433	97,331	127,303	28,656,181	30,124,736
Other liabilities	4,549,222	3,445,958	51,209	562,017	4,600,431	4,007,975
<b>Total liabilities</b>	<b>33,108,072</b>	<b>33,443,391</b>	<b>148,540</b>	<b>689,320</b>	<b>33,256,612</b>	<b>34,132,711</b>
<b>Net position:</b>						
Invested in capital assets, net	69,683,536	73,218,954	7,297,909	8,561,168	76,981,445	81,780,122
Restricted	206,258	206,258	-	-	206,258	206,258
Unrestricted	(1,820,082)	(4,558,188)	269,929	60,668	(1,550,153)	(4,497,520)
<b>Total net position</b>	<b>68,069,714</b>	<b>68,687,024</b>	<b>7,567,838</b>	<b>8,621,836</b>	<b>75,637,552</b>	<b>77,488,860</b>

By far the largest portion of the net position reflects the Town's investment in capital assets (e.g., land, buildings, streets, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; and are therefore not available for future spending.

### General Fund Budgetary Highlights:

General Fund revenue projections were reduced mid-year (March 25, 2014) due to low snow amounts and resulting drop in visitors over the holiday season (December – January). Reductions were made to TOT, Sales Tax and Franchise Fees. Property Tax was reduced due to a number of appeals being filed with the County Board of Appeals regarding assessed values. Two larger appeals are still pending. However, Property Tax revenues did see an actual increase as the overall market saw values improved. Final property tax revenues did come in above the amended budget by \$107,830. The actual reduction from the original budget was slightly under \$1.3 million. While TOT revenue saw decline, sales tax and franchise fees did better than projected.

Actions implemented by management to reduce and control expenditures were effective in mitigating the impact of the reduced revenues. These actions resulted in a small increase in fund balance of \$231,102 from operations.

### General Government Functions:

The revenue and expenditures for the governmental and business-type activities are summarized in the following table.



	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<b>Revenue:</b>						
Program revenue:						
Charges for services	854,116	730,007	542,220	605,454	1,396,336	1,335,461
Operating grants and contributions	859,366	995,805	-	-	859,366	995,805
Capital grants and contributions	4,925,536	2,241,984	52,380	565,418	4,977,916	2,807,402
<b>General revenue:</b>						
Transient occupancy tax	10,479,081	12,034,177	-	-	10,479,081	12,034,177
Sales tax	2,926,806	2,811,957	-	-	2,926,806	2,811,957
Property tax	3,177,190	3,239,769	-	-	3,177,190	3,239,769
Other taxes	5,264,932	3,924,743	-	-	5,264,932	3,924,743
Other	573,366	4,337,513	102	692	573,468	4,338,205
Transfers in (out)	147,100	(3,462,026)	544,574	3,356,281	691,674	(105,745)
Total revenue	29,207,493	26,853,929	1,139,276	4,527,845	30,346,769	31,381,774
<b>Expenses:</b>						
General government	3,569,941	4,117,613	-	-	3,569,941	4,117,613
Public safety	3,556,924	4,320,193	-	-	3,556,924	4,320,193
Tourism & recreation	7,010,396	4,386,470	-	-	7,010,396	4,386,470
Community development	1,672,414	3,789,228	-	-	1,672,414	3,789,228
Public works	12,910,021	18,359,833	-	-	12,910,021	18,359,833
Lawsuit judgment	-	-	-	-	-	-
Airport	-	-	2,190,043	2,491,245	2,190,043	2,491,245
Waste (Mineral Pit)	-	-	3,232	5,819	3,232	5,819
Debt service (Interest)	1,285,107	1,905,125	-	-	1,285,107	1,905,125
Total expenses	30,004,803	36,878,462	2,193,275	2,497,064	32,198,078	39,375,526
<b>Change in net position</b>	(797,310)	(10,024,533)	(1,053,999)	2,030,781	(1,851,309)	(7,993,752)
Net position - beginning of year	68,867,024	78,891,557	8,621,837	6,591,055	77,488,860	85,482,612
<b>Net position- end of year</b>	68,069,714	68,867,024	7,567,838	8,621,836	75,637,552	77,488,860

### Internal Service Funds:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town and to other government units on a cost reimbursement basis.

- a.) The Town garage is operated as an internal service fund. Services provided by the garage are charged to the governmental agencies that have contracted with the Town to receive the garage services. Also, services that the garage provides to other Town departments are charged to the department that benefits from the service.
- b.) The fund also is used to account for purchases of vehicles and equipment when adequate funds have been accumulated and replacement is necessary. The Town also uses an internal service fund to account for certain insurance and benefit programs offered to employees. Premiums are collected from the employee or the department, depending on the benefit and paid to the internal service fund. The internal service fund, in turn, processes certain medical expense reimbursements and premiums.

**Enterprise Funds:**

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of Town facilities and services that are entirely or predominantly self-supporting from user charges. Enterprise operations are accounted for in such a manner as to show a profit or loss as in comparable private enterprises. At June 30, 2014, the Town operated two enterprise funds: the Mammoth Yosemite Airport, and the Long Valley Mineral Pit on behalf of the US Forest Service.

**Debt Administration:**

The Town paid down principal of \$357,104 on existing Certificates of Participation debt during the fiscal year. Total outstanding Certificates of Participation debt issued for capital projects as of June 30, 2014 was \$1,530,000. The Town has not issued general obligation or revenue bonds since its incorporation. The Town previously received a California State Water Resources Control Board loan for storm drain improvements; the outstanding balance at June 30, 2014 was \$435,010. The Town previously received a Department of Transportation loan for a water system and taxi lane extension at the Airport; the outstanding balance at June 30, 2014 was \$68,847. The Town lost their final appeal before the State Supreme Court on litigation with a real estate developer for alleged breach of contract. The award for damages was \$30 million plus attorney's fees. The Town reached a settlement with the developer in November 2012 in the amount of \$29,500,434 payable over 24 years. The outstanding balance at June 30, 2014 was \$26,326,006.

**Outlook for the Future:**

The Town is experiencing a diversification in its tourism based economy. There is a continuing growth in Transient Occupancy Tax (TOT) during the summer months. This increase has helped to soften the impact from low snow and a drop in winter visitation. While winter is still the larger revenue generator, the trend of increased summer visitation is positive. This is also reflected in sales tax and franchise fee revenues which have not seen similar declines as TOT due to lower snow levels. The Town is also seeing a renewed interest in larger development projects. The ability to enhance visitors to the area was achieved with the passage and implementation of a Tourism Business Improvement District (TBID). The TBID began collecting revenue in September 2014. The added funding from the TBID and the Town's continued contribution of TOT revenues of approximately \$2 million continues to fund a strong marketing effort.

In conclusion, the Town has realized a financial recovery from the recessionary impacts. While the Town did experience a downward revenue projection for FY13-14 due to weather conditions, a number of factors show improving economic trends. Going forward the Town is in a moderately better position in being in a financial structural position to fund on-going operations with a balanced budget, with improved reserve levels.

Respectfully submitted,



Cyndi Myrold  
Finance Manager

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

**TOWN OF MAMMOTH LAKES**  
**Government-wide Financial Statements**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 10,643,411	\$ 475,504	\$ 11,118,915
Receivables	5,194,932	67,490	5,262,422
Internal balances	199,419	(199,419)	-
Prepaid expenses	427,546	5,047	432,593
Loans receivable	1,105,061	-	1,105,061
Notes receivable	11,820,723	-	11,820,723
Restricted cash with fiscal agent	206,260	-	206,260
Capital assets not being depreciated	10,338,316	544,316	10,882,632
Capital assets, net of depreciation	61,242,118	6,823,440	68,065,558
Total assets	<u>101,177,786</u>	<u>7,716,378</u>	<u>108,894,164</u>
<b>Liabilities</b>			
Payables	3,943,476	51,209	3,994,685
Deferred revenue	605,746	-	605,746
Noncurrent liabilities:			
Due within one year	853,513	42,388	895,901
Due in more than one year	27,369,390	27,459	27,396,849
Compensated absences	335,947	27,484	363,431
Total liabilities	<u>33,108,072</u>	<u>148,540</u>	<u>33,256,612</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	69,683,536	7,297,909	76,981,445
Restricted	206,260	-	206,260
Unrestricted	(1,820,082)	269,929	(1,550,153)
Total net position	<u>\$ 68,069,714</u>	<u>\$ 7,567,838</u>	<u>\$ 75,637,552</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF MAMMOTH LAKES**  
**Government-wide Financial Statements**  
**Statement of Activities**  
**Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Primary Government			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<b>Governmental Activities</b>							
General government	\$ 3,569,941	\$ 49,069	\$ 3,524	\$ -	\$ (3,517,348)		\$ (3,517,348)
Public safety	3,556,924	64,327	142,294	-	(3,350,303)		(3,350,303)
Tourism, parks and recreation	7,010,396	218,570	-	-	(6,791,826)		(6,791,826)
Community development	1,316,987	215,462	194,125	-	(907,400)		(907,400)
Public works / streets	3,213,842	33,153	-	1,529,809	(1,650,880)		(1,650,880)
Transportation and transit	861,494	273,535	163,301	-	(424,658)		(424,658)
Workforce housing	355,427	-	356,122	-	695		695
Capital projects	-	-	-	3,395,727	3,395,727		3,395,727
Depreciation expense	8,834,685	-	-	-	(8,834,685)		(8,834,685)
Interest on long-term debt	1,285,107	-	-	-	(1,285,107)		(1,285,107)
Total governmental activities	<u>30,004,803</u>	<u>854,116</u>	<u>859,366</u>	<u>4,925,536</u>	<u>(23,365,785)</u>		<u>(23,365,785)</u>
<b>Business-type Activities</b>							
Airport	2,190,043	538,040	52,380	-		\$ (1,599,623)	(1,599,623)
Landfill management	3,232	4,180	-	-		948	948
Total business-type activities	<u>2,193,275</u>	<u>542,220</u>	<u>52,380</u>	<u>-</u>		<u>(1,598,675)</u>	<u>(1,598,675)</u>
Total primary government	<u>\$ 32,198,078</u>	<u>\$ 1,396,336</u>	<u>\$ 911,746</u>	<u>\$ 4,925,536</u>	<u>(23,365,785)</u>	<u>(1,598,675)</u>	<u>(24,964,460)</u>
				<b>General Revenue</b>			
				Property taxes	3,177,190	-	3,177,190
				Gasoline taxes	3,156,903	-	3,156,903
				Sales taxes	2,926,806	-	2,926,806
				Transient occupancy	10,479,081	-	10,479,081
				Utility users taxes	709,508	-	709,508
				Business taxes	240,678	-	240,678
				Franchise fees	787,727	-	787,727
				Licenses & permits	302,819	-	302,819
				Fines & penalties	55,720	-	302,819
				Investment earning	11,577	102	55,822
				Other revenue	573,366	-	11,577
				Transfers in (out)	147,100	544,574	691,674
				totals	<u>22,568,475</u>	<u>544,676</u>	<u>22,842,604</u>
				<b>Change in Net Position</b>	<u>(797,310)</u>	<u>(1,053,999)</u>	<u>(1,851,309)</u>
				Net Position - beginning	<u>68,867,024</u>	<u>8,621,837</u>	<u>77,488,861</u>
				Net Position - end of year	<u>\$ 68,069,714</u>	<u>\$ 7,567,838</u>	<u>\$ 75,637,552</u>

The accompanying notes to financial statements are an integral part of this financial statement

***FUND FINANCIAL STATEMENTS***

**TOWN OF MAMMOTH LAKES**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Gasoline Tax Fund</u>	<u>Tourism Business Improvement District</u>	<u>Housing &amp; Community Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Cash and investments	\$ 3,116,402	\$ -	\$ 381,726	\$ 127,207	\$ 135,388	\$ 3,321,290	\$ 7,082,013
Receivables	1,925,372	2,514,398	40,289	176,887	17,807	358,244	5,032,997
Notes receivable	456,964	-	-	-	11,820,723	-	12,277,687
Interfund loans	4,828,789	-	-	-	-	-	4,828,789
Restricted cash	-	-	-	-	-	206,260	206,260
Total assets	<u>\$ 10,327,527</u>	<u>\$ 2,514,398</u>	<u>\$ 422,015</u>	<u>\$ 304,094</u>	<u>\$ 11,973,918</u>	<u>\$ 3,885,794</u>	<u>\$ 29,427,746</u>
<b>Liabilities</b>							
Payables	\$ 823,089	\$ 1,197,992	\$ 82,014	\$ 297,379	\$ -	\$ 88,427	\$ 2,488,901
Cash overdraft	-	927,547	-	-	-	94,832	1,022,379
Deferred revenue	605,746	-	-	-	11,820,723	-	12,426,469
Interfund loans	3,576,207	-	-	-	-	5,256,273	8,832,480
Total liabilities	<u>5,005,042</u>	<u>2,125,539</u>	<u>82,014</u>	<u>297,379</u>	<u>11,820,723</u>	<u>5,439,532</u>	<u>24,770,229</u>
<b>Fund Balances</b>							
Non-spendable	4,828,789	-	-	-	153,195	-	4,981,984
Restricted	-	388,859	340,001	6,715	-	3,097,734	3,833,309
Committed	554,706	-	-	-	-	601,881	1,156,587
Assigned	505,251	-	-	-	-	-	505,251
Unassigned	(566,261)	-	-	-	-	(5,253,353)	(5,819,614)
Total fund balances	<u>5,322,485</u>	<u>388,859</u>	<u>340,001</u>	<u>6,715</u>	<u>153,195</u>	<u>(1,553,738)</u>	<u>4,657,517</u>
Total liabilities and fund balances	<u>\$ 10,327,527</u>	<u>\$ 2,514,398</u>	<u>\$ 422,015</u>	<u>\$ 304,094</u>	<u>\$ 11,973,918</u>	<u>\$ 3,885,794</u>	<u>\$ 29,427,746</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF MAMMOTH LAKES**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2014**

**Total Fund Balances - Governmental Funds** \$ 4,657,517

**Amounts reported in the governmental activities column in the statement of net position are different because of the following:**

**Capital Assets**

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds balance sheet.

Capital assets not being depreciated	10,338,316
Capital assets, net of depreciation	61,242,118

**Notes Receivable / Deferred Revenue**

Notes receivable from nonprofit organizations are recorded on the governmental funds balance sheet and offset with a deferred revenue liability account. However for the statement of net position these notes receivable are shown without a contra account because their related revenue was currently and previously recognized.

12,426,469

**Long-term Obligations**

Long-term liabilities are not due and payable in the current period and therefore not reported in the governmental funds balance sheet:

(28,558,850)

**Internal Services**

Internal service funds are used by management to charge the cost of motor pool and employee benefits activities to individual funds. The assets and liabilities of the internal service funds are included in the statement of net position.

12,621,661

**Net Position - Governmental Activities**

\$ 68,069,714

*The accompanying notes to financial statements are an integral part of this financial statement*



**TOWN OF MAMMOTH LAKES**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2014**

**Total Fund Balances - Governmental Funds** \$ 4,657,517

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**Net Position - Governmental Activities**

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*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF MAMMOTH LAKES**  
**Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Gasoline Tax Fund</u>	<u>Tourism Business Improvement District</u>	<u>Housing &amp; Community Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>							
Taxes and assessments	\$ 16,546,343	\$ -	\$ -	\$ 3,156,903	\$ -	\$ 1,774,647	\$ 21,477,893
Licenses and permits	302,819	-	-	-	-	-	302,819
Intergovernmental	339,943	3,395,727	1,529,809	-	356,122	163,301	5,784,902
Charge for services	792,522	-	9,963	-	-	51,631	854,116
Fines and penalties	55,720	-	-	-	-	-	55,720
Use of money and property	11,529	-	-	-	-	48	11,577
Other revenue	72,429	474,147	26,000	-	-	790	573,366
Total revenue	<u>18,121,305</u>	<u>3,869,874</u>	<u>1,565,772</u>	<u>3,156,903</u>	<u>356,122</u>	<u>1,990,417</u>	<u>29,060,393</u>
<b>Expenditures</b>							
General government	5,726,987	-	-	-	-	-	5,726,987
Public safety	3,511,465	-	-	-	-	15,641	3,527,106
Tourism, parks and recreation	3,050,754	-	-	3,150,188	-	809,454	7,010,396
Community development	1,109,828	-	-	-	207,159	-	1,316,987
Public works / streets	411,152	-	2,832,690	-	-	163,301	3,407,143
Capital projects	-	4,231,338	-	-	-	-	4,231,338
Transportation and transit	861,494	-	-	-	-	-	861,494
Workforce housing	355,427	-	-	-	-	-	355,427
Debt service	-	-	-	-	-	560,137	560,137
Total expenditures	<u>15,027,107</u>	<u>4,231,338</u>	<u>2,832,690</u>	<u>3,150,188</u>	<u>207,159</u>	<u>1,548,533</u>	<u>26,997,015</u>
Excess of Revenue over (under) Expenditures	<u>3,094,198</u>	<u>(361,464)</u>	<u>(1,266,918)</u>	<u>6,715</u>	<u>148,963</u>	<u>441,884</u>	<u>2,063,378</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	8,200,314	704,388	1,845,830	-	-	902,196	11,652,728
Transfers (out)	(11,520,374)	-	(238,911)	-	-	(701,737)	(12,461,022)
Total other financing sources	<u>(3,320,060)</u>	<u>704,388</u>	<u>1,606,919</u>	<u>-</u>	<u>-</u>	<u>200,459</u>	<u>(808,294)</u>
<b>Change in Fund Balances</b>	(225,862)	342,924	340,001	6,715	148,963	642,343	1,255,084
Fund Balances - beginning	5,548,347	45,935	-	-	4,232	(2,196,081)	3,402,433
Fund Balances - end of year	<u>\$ 5,322,485</u>	<u>\$ 388,859</u>	<u>\$ 340,001</u>	<u>\$ 6,715</u>	<u>\$ 153,195</u>	<u>\$ (1,553,738)</u>	<u>\$ 4,657,517</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

## TOWN OF MAMMOTH LAKES

### Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

**Change in Fund Balances - Governmental Funds** \$ 1,255,084

**Amounts reported for governmental activities in the statement of activities are different because of the following:**

#### **Capital Assets**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays, net of dispositions, in the current period.

(4,171,503)

#### **Long-term debt and obligation payments**

The issuance of long-term debt (COPS, loans, leases, etc) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amount are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term-debt and related items along with accrued interest payable.

2,417,288

#### **Internal Service Funds**

Internal service funds are used by management to charge the cost of motor pool and employee benefits activities to individual funds. The net revenue of the internal service funds is reported within governmental activities.

(298,179)

#### **Change in Net Position - Governmental Activities**

\$ (797,310)

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF MAMMOTH LAKES**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Airport</b>	<b>Landfill Management</b>	<b>Total Enterprise Funds</b>	
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 474,920	\$ 584	\$ 475,504	\$ 4,583,777
Receivables - accounts and grants	67,010	480	67,490	161,935
Prepaid expenses	5,047	-	5,047	427,546
Interfund loans	-	-	-	1,275,000
Interfund loans - general fund	-	-	-	3,576,207
Total current assets	<u>546,977</u>	<u>1,064</u>	<u>548,041</u>	<u>10,024,465</u>
Noncurrent assets:				
Capital assets not being depreciated	544,316	-	544,316	-
Capital assets, net of depreciation	6,823,440	-	6,823,440	2,081,545
Total noncurrent assets	<u>7,367,756</u>	<u>-</u>	<u>7,367,756</u>	<u>2,081,545</u>
Total assets	<u>7,914,733</u>	<u>1,064</u>	<u>7,915,797</u>	<u>12,106,010</u>
<b>Liabilities</b>				
Current liabilities:				
Payables	51,093	116	51,209	138,275
Note payable - current	42,388	-	42,388	-
Compensated absences	5,816	-	5,816	12,066
Interfund loans - general fund	199,419	-	199,419	-
Total current liabilities	<u>298,716</u>	<u>116</u>	<u>298,832</u>	<u>150,341</u>
Noncurrent liabilities:				
Note payable - noncurrent	27,459	-	27,459	-
Compensated absences	21,668	-	21,668	16,814
Total noncurrent liabilities	<u>49,127</u>	<u>-</u>	<u>49,127</u>	<u>16,814</u>
Total liabilities	<u>347,843</u>	<u>116</u>	<u>347,959</u>	<u>167,155</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	7,297,909	-	7,297,909	2,081,545
Unrestricted	268,981	948	269,929	9,857,310
Total net position	<u>\$ 7,566,890</u>	<u>\$ 948</u>	<u>\$ 7,567,838</u>	<u>\$ 11,938,855</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF MAMMOTH LAKES**  
**Proprietary Funds**  
**Statement of Revenue, Expenses, and Change in Net Position**  
**Year Ended June 30, 2014**

	<u>Business-type Activities</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Airport</u>	<u>Landfill Management</u>	<u>Total Enterprise Funds</u>	
<b>Operating Revenue</b>				
Charges for services	\$ 538,040	\$ 4,180	\$ 542,220	\$ 2,281,191
Operating grants	52,380	-	52,380	-
Total operating revenue	<u>590,420</u>	<u>4,180</u>	<u>594,600</u>	<u>2,281,191</u>
<b>Operating Expenses</b>				
Personnel services	436,963	3,056	440,019	617,266
Maintenance and operations	449,400	176	449,576	637,924
Benefit claims	-	-	-	217,910
Depreciation	1,300,368	-	1,300,368	537,774
Total operating expenses	<u>2,186,731</u>	<u>3,232</u>	<u>2,189,963</u>	<u>2,010,874</u>
<b>Operating Income (Loss)</b>	<u>(1,596,311)</u>	<u>948</u>	<u>(1,595,363)</u>	<u>270,317</u>
<b>Nonoperating Revenue (Expenses)</b>				
Investment earnings	-	-	-	6,650
Other nonoperating revenue	102	-	102	21,212
Interest expense	(3,312)	-	(3,312)	-
Total nonoperating revenue (expenses)	<u>(3,210)</u>	<u>-</u>	<u>(3,210)</u>	<u>27,862</u>
<b>Income Before Contributions/Transfers</b>	(1,599,521)	948	(1,598,573)	298,179
Transfers in	544,574	-	544,574	138,277
Transfers (out)	-	-	-	(57,270)
<b>Change in Net Position</b>	(1,054,947)	948	(1,053,999)	379,186
Net position - beginning	8,621,837	-	8,621,837	11,559,669
Net position - end of year	<u>\$ 7,566,890</u>	<u>\$ 948</u>	<u>\$ 7,567,838</u>	<u>\$ 11,938,855</u>

*The accompanying notes to financial statements are an integral part of this financial statement*

**TOWN OF MAMMOTH LAKES**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

**CASH FLOWS PROVIDED BY (USED FOR)**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Airport</b>	<b>Landfill Management</b>	<b>Total Enterprise Funds</b>	<b>Activities - Internal Service Funds</b>
<b>Operating Activities</b>				
Cash received from customers/operating grant	\$ 1,148,595	\$ 4,530	\$ 1,153,125	\$ 2,159,663
Cash paid for employee services	(409,479)	(3,056)	(412,535)	(626,512)
Cash paid for maintenance & operations	(422,766)	(337)	(423,103)	(639,913)
Cash paid for benefit claims	-	-	-	(217,910)
Net cash provided (used)	<u>316,350</u>	<u>1,137</u>	<u>317,487</u>	<u>675,328</u>
<b>Noncapital Financing Activities</b>				
Transfers in	544,574	-	544,574	138,277
Transfers (out)	-	-	-	(57,270)
Net cash provided (used)	<u>544,574</u>	<u>-</u>	<u>544,574</u>	<u>81,007</u>
<b>Capital &amp; Related Financing Activities</b>				
Payment received from interfund loan	-	-	-	400,000
Other cash received	-	-	-	21,212
Purchase of capital assets	-	-	-	(304,506)
Payment of debt obligations	(57,456)	-	(57,456)	-
Interest paid on debt obligations	(3,312)	-	(3,312)	-
Net cash provided (used)	<u>(60,768)</u>	<u>-</u>	<u>(60,768)</u>	<u>116,706</u>
<b>Investing Activities</b>				
Investment earnings	101	-	101	6,653
<b>Net Increase (Decrease) in Cash</b>	800,257	1,137	801,394	879,694
Cash and cash equivalents - beginning	(325,337)	(553)	(325,890)	3,704,083
Cash and cash equivalents - end of year	<u>\$ 474,920</u>	<u>\$ 584</u>	<u>\$ 475,504</u>	<u>\$ 4,583,777</u>
<b>Operating Activities Analysis</b>				
Operating Income (Loss) (page 17)	\$ (1,596,311)	\$ 948	\$ (1,595,363)	\$ 270,317
Reconciliation adjustments:				
Depreciation and disposals	1,300,368	-	1,300,368	537,774
(Increase) decrease in receivables	558,175	350	558,525	(121,528)
(Increase) decrease in prepaid expenses	23	(161)	(138)	(45,276)
Increase (decrease) in payables	54,095	-	54,095	34,041
Net cash provided (used)	<u>\$ 316,350</u>	<u>\$ 1,137</u>	<u>\$ 317,487</u>	<u>\$ 675,328</u>

*The accompanying notes to financial statements are an integral part of this financial statement*



**TOWN OF MAMMOTH LAKES**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2014**

**Assets**

Cash and investments	\$ 4,602,886
Cash with fiscal agent	1,341,007
Accounts receivables	<u>27,834</u>
Total assets	<u>5,971,727</u>

**Liabilities**

Accounts payable	20,175
Accrued liabilities	7,558
Loans payable - TOML	<u>89,786</u>
Total liabilities	<u>117,519</u>

<b>Net Assets Held in Trust</b>	<u><u>\$ 5,854,208</u></u>
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*The accompanying notes to financial statements are an integral part of this financial statement*



**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2014**

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Town.

Note 1 - Significant Accounting Policies

Note 2 - Stewardship, Compliance, and Accountability

Note 3 - Cash and Investments

Note 4 - Receivables

Note 5 - Capital Assets

Note 6 - Payables

Note 7 - Long-term Obligations

Note 8 - Interfund Balances

Note 9 - Interfund Transfers

Note 10 - Retirement Benefit Plans

Note 11 - Fund Balance Designations

Note 12 - Liability, Workers' Compensation, and Purchased Insurance

Note 13 - Commitments and Contingencies

Note 14 - Assessment District Debt

Note 15 - Dependence Upon Tourism Industry

Note 16 - Subsequent Events

Note 17 - New Pronouncements

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2014**

***Note 1 - Significant Accounting Policies***

The accounting policies of the Town of Mammoth Lakes conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) as applicable to governments. The following is a summary of the more significant policies.

Description of the Reporting Entity

The Town of Mammoth Lakes, and the Mammoth Lakes Municipal Service Corporation, comprise the reporting entity. Although these entities are legally separate from each other, they are presented on a blended basis as part of the primary government because their governing boards consist exclusively of all five members of the Town Council. Under the criteria in GASB Statement No. 14, as amended by GASB No. 39, these entities meet the criteria for inclusion within the Town's financial reports. Financial information for the Town of Mammoth Lakes Municipal Service Corporation is blended with the Town of Mammoth Lakes financial statements. The Town has no discretely presented component units.

Mammoth Lakes Municipal Service Corporation was organized on August 1, 1989, pursuant to the Nonprofit Public Benefit Corporations Law of the State of California, solely for the purpose of providing assistance to the Town by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation was formed at the request of the Town to assist in lease financing of certain capital improvement projects. The Corporation's financial data and transactions are included within the Debt Service Fund. Oversight responsibility is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and the ability to significantly influence operations in accordance with GASB Statement No. 14, as amended by GASB No. 39.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position, and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenue are reported instead as general revenue. Expenses reported for functional activities include allocated indirect expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2014**

The accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the Town, or the government has determined that a fund is important to the financial statement user, or it meets the following criteria:

- Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- Total assets, liabilities, revenue, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Fund Types

Governmental funds are the funds through which most general government functions typically are financed. The Town maintains the following fund types:

- General Fund - the general fund accounts for all unrestricted resources except those required to be accounted for in another fund.
- Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- Debt Service Funds - these funds are used to account for the accumulation of resources for, and the repayment of general long-term debt obligation payments for principal, interest and related costs.
- Capital Projects Funds - these funds are used to account for financial resources to be used for the acquisition, improvements or construction of streets, infrastructure and major capital facilities.
- Proprietary Fund Types - proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The following are the Town's two proprietary fund types:
  - (1) Enterprise Funds - these funds are established to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Town 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. The Mammoth Yosemite Airport and the Long Valley Landfill are reported as enterprise funds.
  - (2) Internal Service Funds - these funds are established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town, and to other government units on a cost reimbursement basis. The Town's purchasing of vehicles and equipment, and the self insurance employee benefit program, is reported as internal service funds.

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2014**

- Fiduciary Fund Types - fiduciary funds account for assets held by the Town as a trustee or agent for individuals, private organizations, and other units of governments. The Town's funds included in this category are as follows:
  - (1) Expendable Trust Funds - these funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.
  - (2) Agency Funds - these funds account for assets held by the Town as trustee or agent for individuals, private organizations, assessment districts, or other governmental units and/or other funds.

The Major Funds are as follows:

- General Fund - this 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.
- Housing and Community Development Fund - this fund is used to account for restricted-use financial resources received from federal, state and county governments, for the purpose of providing affordable housing within the community.
- Capital Projects Fund - this fund is used to account for the acquisition, improvements or construction of the government's streets, infrastructure, and major capital facilities, other than those financed by proprietary funds.
- Gasoline Tax Fund - this fund is used to account for restricted-use financial resources received from the State of California, to be used for planning, construction, operation, maintenance of streets and sidewalks.
- Tourism Business Improvement District - this fund is used to account for restricted-use financial resources received from a voter approved incremental sales tax, to help fund marketing and sales promotion efforts for Mammoth Lakes tourism businesses.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The government-wide statement of net position, and the statement of activities, and both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. Proprietary fund equity is classified as net position.

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
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Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net position, and in the statement of activities, both governmental and business-like activities are presented using the “accrual basis of accounting.” Under the accrual basis of accounting, revenue is recognized when earned, and expenses are recorded when the liability is incurred and the amount of obligation is ascertainable. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the “modified accrual basis of accounting.” Under this modified accrual basis of accounting, revenue is recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenue which is susceptible to accrual includes property taxes and special assessments that are levied for and due for the fiscal year and collected within 60 days after year-end. Licenses, permits, fines, penalties, charges for services, and miscellaneous revenue are recorded as governmental fund type revenue when received in cash because they are not generally measurable until actually received. Revenue from taxpayer assessed taxes, such as sales taxes, are recognized in the accounting period in which they became both measurable and available to finance expenditures of the fiscal period. Grant revenue, which is normally reimbursements of expenses under contractual agreements, is recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program or contractual agreement. Expenditures are recognized when the fund liability is incurred, if measurable, except for un-matured interest on long-term debt in the governmental funds, which is recognized when due.

Proprietary funds use the “accrual basis of accounting” which records the financial effect on an enterprise of transactions and other events and circumstances that have cash consequences for an enterprise in the periods in which those transactions, events and circumstances occur rather than only when cash is received or paid by the enterprise.

Budgetary Data

General Budget Policies: the Town maintains budgetary controls of which the objective is to ensure compliance with legal provisions embodied in the annual budget approval by the Town Council. Budgetary control for operations is maintained at the department level by individual funds. Budgetary control for capital improvement projects (i.e., project-length financial plans) is maintained at the individual project level by fund. The Town’s budgeted expenditure authority lapses at the end of each fiscal year. However, outstanding purchase order commitments may be re-appropriated for the subsequent fiscal year upon Town Council approval. This approval is generally limited to capital improvement projects.

Budget Basis of Accounting: budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America as prescribed by the GASB and the AICPA. The Budgetary Comparison Schedule of the general fund presents comparisons of legally adopted budget amounts (both the original budget and final budget), and actual amounts, on the budgetary basis. The budgeting basis is substantially equivalent to the Town's accounting basis; thus no reconciliation between the two is considered necessary.

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Other Accounting Policies

Cash and Investments

The Town follows the requirements of GASB in reporting cash and investments at fair value and disclosing risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk, as applicable.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid Expenses

Prepaid expenses consist of fuel, vehicle parts and expendable supplies which are physically counted annually and valued at cost on the weighted average method, which approximates fair value.

Capital Assets

Capital assets used in governmental fund type operations are accounted for on the statement of net position. Public domain general capital assets (infrastructure) consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are capitalized prospectively starting July 1, 2003 in accordance with GASB Statement No. 34. Town policy has set the capitalization threshold for reporting capital assets starting at \$5,000. Capital outlay is recorded as *expenditures* of the general, special revenue and capital project funds financial statements, and as *capital assets* in the government-wide financial statements to the extent the Town's capitalization threshold is met. Donated assets are recorded at estimated fair value at the date of donation.

Property, plant and equipment acquired for proprietary funds are capitalized in the respective fund to which it applies and are stated at their cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets which range from 4 to 20 years for equipment and vehicles, and 20 to 50 years for buildings and improvements. Land, art and treasures are not considered exhaustible, therefore are not being depreciated.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables and Payables

Internal balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due to/due from other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "interfund loans" / "loans to/from other funds" (long-term lending/borrowing transactions as evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation, and are not expendable available financial resources. Property, sales, use, tot, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable, and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets.

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The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The Town considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur. Grants, entitlements or shared revenue is recorded as receivables and revenue in the general, special revenue and capital projects funds when they are received or susceptible to accrual.

Allowance for Uncollectible Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Compensated Absences

The Town utilizes the general fund and proprietary funds to account for its compensated absences. Resources have been set aside to cover this liability. The Town's method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the required contribution to a cost-sharing multiple-employer defined benefit pension plan, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. Comprehensive leave pay is payable to employees at the time the leave is taken or upon termination of employment. Comprehensive leave is payable for any type of employee leave, and may not exceed 1,040 hours cumulative. Any excess leave is paid to an employee at the end of each fiscal year. In addition, an employee may request a pay-out of comprehensive leave twice a year but must maintain a balance of 240 hours to receive a pay-out.

Net Position and Fund Balances

The Town's net position is classified as follows on the government-wide statement of net position:

- Invested in capital assets, net of related debt - represents the Town's total investment in capital assets reduced by any outstanding debt used to acquire these assets.
- Restricted net position - includes resources that the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net position - represents resources derived from sources without spending restrictions, are used for transactions relating the general operations of the Town, and may be used at the discretion of those charged with governance to meet current expenses or obligations for any purpose.

Fund Balance designations are classified on the governmental funds balance sheet as follows:

- Nonspendable - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b), not in spendable form such as long term notes receivable.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the *specific purposes* determined by a formal action of the Town Council, to establish, modify or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's *intent* to be used for specific

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purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the Town Council or its appointed official.

- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Property Taxes

Property taxes in the State of California are administered for all local agencies at the County level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- *Property Valuations* - are established by the Assessor of Mono County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the California State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- *Tax Levies* - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- *Tax Levy Dates* - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- *Tax Collections* - are the responsibility of the County's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.
- *Tax Levy Apportionments* - due to the nature of the Town-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by each County auditor-controller based primarily on the ratio that each agency represented of the total Town-wide levy for the three fiscal years prior to fiscal year 1979.
- *Property Tax Administration Fees* - the State of California fiscal year 1990-91 Budget Act authorized Counties to collect an administrative fee for its collection and distribution of property taxes.



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Budgetary Information

The Town follows these annual procedures in establishing the budgetary data reflected in the financial statements:

- The Town Manager submits to the Town Council a proposed draft budget for the fiscal year commencing the following July 1 which includes proposed expenditures and the means of financing them.
- The Town Council reviews the proposed budget at special scheduled sessions which are open to the public.
- The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
- Prior to July 1, the budget is adopted by minute action of the Town Council.
- From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various Town departments.
- The Town Council may amend the budget by minute action during the fiscal year.
- The Town Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the Town's needs; however, revisions that alter the total expenditures must be approved by the Town Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- All appropriations lapse at year end.

Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the Town's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

Deficit Fund Balances

Due to the Town incurring costs in advance of receiving grant awards and other reimbursements, revenue which it expects to recover in the future from grants and other sources, the following Developer Impact Funds (DIF) incurred deficits in their ending fund balances:

DIF general facilities fund	\$ 2,410,803
DIF administration overhead fund	551,664
DIF law enforcement fund	628,299
DIF storm drains fund	609,612
DIF circulation (streets) fund	1,052,975
	<hr/>
	\$ 5,253,353

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Cash Deficit Balances by Fund

The following governmental activities funds reported year end cash deficit balances:

Capital Projects fund	\$	927,547
LTC Planning Transportation & Transit		94,832
		1,022,379
		1,022,379

**Note 3 - Cash and Investments**

The Town follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees under the provisions of bond agreements. Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position		
Cash and investments	\$	11,118,915
Restricted cash with fiscal agent		206,260
		11,325,175
Statement of Fiduciary Assets and Liabilities		
Cash and investments		4,602,886
Restricted cash with fiscal agent		1,341,007
		5,943,893
Total		\$ 17,269,068
Cash and Investments consist of the following:		
Deposits with financial institutions	\$	2,777,485
Investment with Local Agency Investment Fund		12,947,917
Investments by fiscal agents		1,543,666
Total		\$ 17,269,068

Collateral and Categorization Requirements

At fiscal year end, the Town's carrying amount of demand deposits was \$2,777,485 and the bank account balances were \$3,167,578. The difference of \$399,789 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$2,917,578 was collateralized in accordance with California Government Code Sections 53600 - 53609.

Investment Policy

The table below identifies the investment types that are authorized under provisions of the Town's investment policy adopted for fiscal year 2013/14, and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the investment policy that address concentration or maximum percentages and maturity.

<u>Permitted Investments/Deposits</u>	<u>Maximum Percentages</u>	<u>Maximum Maturity</u>
<u>Investment Type A:</u>		
Securities of the US Government	Unlimited	5 years
Certificates of Deposit	Unlimited	5 years
Commercial Paper (A-1, P-1, F-1, only)	25%	270 days

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Local Agency Investment Fund (LAIF)	\$40,000,000	n/a
Passbook Deposits	n/a	n/a

Investment Type B:

Negotiable Certificates of Deposit	30%	5 years
Bankers Acceptances	40%	180 days
Repurchase Agreements	n/a	1 year
Mutual Funds	15%	5 years
Medium Term Notes	30%	5 years

Type A investments do not require any specific approval of the Town Council. All Type B investments require a specific resolution of the Town Council prior to the investment purchase/deposit.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by investing with LAIF, who purchases a combination of shorter term and medium term investments, but is generally due on demand to the Town.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds.

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any single issuer beyond that stipulated by the California government code.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund	\$ 12,947,917	7.7 months	0.23%	75%
Demand Deposits (checking)	2,777,485	on demand	0.00%	16%
Demand Deposits (money market)	206,260	on demand	0.01%	1%
Trust and Agency (money market)	1,337,406	on demand	0.01%	8%

Custodial Credit Risk

The credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California government code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: "The California government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits." At year end the Town had \$2,917,578 in financial institutions that was not covered by the FDIC, but was covered by collateralized securities of the financial institutions where the deposits were maintained.

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The credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California government code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Participation in an External Investment Pool

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits. As of June 30, 2014, PMIA had approximately \$63 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

The fair value of the Town's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Note 4 - Receivables**

At June 30, 2014, accounts and other receivables as reported in the total column of the statement of net position consist of the following:

<u>Receivables from</u>	
Grant program reimbursements	\$ 2,765,469
Transit occupancy tax	1,743,603
Sales tax	325,787
Utility users tax	89,768
Mono County - reimbursements	102,192
Charge for services	180,939
Other	54,664
	\$ 5,262,422

The Town participates in "Housing Rehabilitation and Affordable Housing Loan Programs" designed to encourage construction and improvement to low-to-moderate income housing or other similar projects. Under these programs, grants and loans are provided under favorable terms to homeowners and real estate developers who agree to spend these funds in accordance with the Town's loan agreement terms. Although these loans are expected to be repaid in full, their balance in the governmental funds balance sheet has been offset by a deferred revenue account, as they are not expected to be repaid during the

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next fiscal year, nor in the foreseeable future. At June 30, 2014, notes receivables as reported in the statement of net position consist of the following:

<u>Notes Receivable</u>	
Bristlecone Apartments	\$ 977,684
Inyo Mono Advacates	820,532
Aspen Village housing	2,000,000
Aspen Village housing	3,412,500
Jefferias Apartments	3,412,500
CalHFA housing grant loan	343,907
Mammoth Lakes Housing, Inc.	853,600
	\$ 11,820,723

**Note 5 - Capital Assets**

Governmental-type capital asset activity for the year was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 10,338,316	\$ -	\$ -	\$ 10,338,316
Construction-in-progress	-	-	-	-
	10,338,316	-	-	10,338,316
<u>Depreciable Assets</u>				
Buildings and structures	20,091,308	2,632,554	(1,338,202)	21,385,660
Streets and roads	181,750,176	3,272,687	-	185,022,863
Storm drains	14,758,200	-	-	14,758,200
Vehicles and equipment	1,031,541	96,143	-	1,127,684
	217,631,225	6,001,384	(1,338,202)	222,294,407
<u>Accumulated Depreciation</u>	(154,577,172)	(8,636,662)	80,000	(163,133,834)
Depreciable assets, net	63,054,053	(2,635,278)	(1,258,202)	59,160,573
Total capital assets, net	\$ 73,392,369	\$ (2,635,278)	\$ (1,258,202)	\$ 69,498,889

Internal Service Fund capital asset activity for the year was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Depreciable Assets</u>				
Vehicles and equipment	\$ 9,630,378	\$ 44,755	\$ -	\$ 9,675,133
<u>Accumulated depreciation</u>	(7,315,565)	(537,774)	259,751	(7,593,588)
Total capital assets, net	\$ 2,314,813	\$ (493,019)	\$ 259,751	\$ 2,081,545

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Reported in the statement of net position are the combined capital assets of the governmental-type and internal service funds, as follows:

	<u>Governmental</u>	<u>Internal Service</u>	<u>Total</u>
Capital assets not being depreciated	\$ 10,338,316	\$ -	\$ 10,338,316
Capital assets, net of depreciation	59,160,573	2,081,545	61,242,118
	<u>\$ 69,498,889</u>	<u>\$ 2,081,545</u>	<u>\$ 71,580,434</u>

Business-type capital asset activity of the Mammoth Yosemite Airport for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<u>Non-depreciable Assets</u>				
Land	\$ 544,316	\$ -	\$ -	\$ 544,316
<u>Depreciable Assets</u>				
Buildings and runway	14,751,503	-	107,279	14,858,782
Vehicles and equipment	2,649,434	-	(107,279)	2,542,155
	17,400,937	-	-	17,400,937
<u>Accumulated Depreciation</u>	<u>(9,277,130)</u>	<u>(1,300,367)</u>	<u>-</u>	<u>(10,577,497)</u>
Depreciable assets, net	8,123,807	(1,300,367)	-	6,823,440
Total capital assets, net	<u>\$ 8,668,123</u>	<u>\$ (1,300,367)</u>	<u>\$ -</u>	<u>\$ 7,367,756</u>

**Note 6 - Payables**

At June 30, 2014 accounts and accrued expenses as reported in the total column of the statement of net position consist of the following:

<u>Accounts Payable for</u>	
Construction projects	\$ 1,347,179
Consultants	20,320
Supply vendors	259,077
Tourism and promotion	485,403
Transit	95,107
Compensation and benefits	471,299
Interest	1,316,300
	<u>\$ 3,994,685</u>

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**Note 7 - Long-term Obligations**

Long-term debt and obligation activity for the year was comprised of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Certificates of participation	\$ 2,053,218	\$ -	\$ (523,218)	\$ 1,530,000	\$ 100,000
Loans payable	435,010	-	(68,112)	366,898	69,813
Lawsuit judgment	26,977,148	-	(651,143)	26,326,005	683,700
Compensated absences	532,057	-	(196,110)	335,947	-
	<u>\$29,997,433</u>	<u>\$ -</u>	<u>\$(1,438,583)</u>	<u>\$28,558,850</u>	<u>\$ 853,513</u>
<u>Business-type Activities</u>					
Loans payable	\$ 106,955	\$ -	\$ (37,108)	\$ 69,847	\$ 42,388
Compensated absences	20,347	7,137	-	27,484	-
	<u>\$ 127,302</u>	<u>\$ 7,137</u>	<u>\$ (37,108)</u>	<u>\$ 97,331</u>	<u>\$ 42,388</u>

Compensated Absences

Town employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities the expenditure is allocated to each function based on usage. Vested compensated absences payable in accordance with various collective bargaining agreements at year end was reported in the statement of net position in the amount of \$335,947 for governmental activities, and \$27,484 for business-type activities.

Loans Payable - Governmental Activities

Between 1999 and 2001 the Town borrowed \$1,182,000 from the California State Water Resources Control Board's Revolving Loan Fund, for storm drain improvements. Principal and interest payments in the amount of \$79,000 are due each January, including interest at 2.5% per annum. This debt matures in fiscal year 2018-19. As of June 30, 2014, the outstanding balance was \$366,898.

Future debt service requirements for the Town's governmental Loan Payable are as follows

Year Ending June 30,	State Water Resources Control Board		
	Principal	Interest	Total
2015	\$ 69,813	\$ 9,174	\$ 78,987
2016	71,559	7,429	78,988
2017	73,348	5,640	78,988
2018	75,181	3,806	78,987
2019	76,997	1,927	78,924
	<u>\$ 366,898</u>	<u>\$ 27,976</u>	<u>\$ 394,874</u>

Certificates of Participation

In 2000, the Town issued \$2,470,000 in Certificates of Participation to purchase land. Interest is due semi-annually on June 1 and December 1, with principal payments due June 1 annually. Total annual payments are approximately \$200,000, with an average interest rate of 6.43%. The debt matures in fiscal year 2024-25. As of June 30, 2014, the outstanding balance was \$1,530,000.

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In 2004, the Town issued \$1,370,000 in Certificates of Participation to purchase land for an affordable/workforce housing project. Principal and interest payments in the amount of \$83,300 are due semi-annually on January 27 and July 27, with interest at 3.8% per annum. As of June 30, 2014, the outstanding balance was \$-0-.

In 2004, the Town issued \$845,500 in Certificates of Participation of which \$422,750 is taxable to the lender. The COP was issued to purchase land for an affordable/workforce housing project. Principal and interest payments in the amount of \$53,000 are due semi-annually on January 27 and July 27. The interest rate for the non-taxable portion of the COP is 3.89% per annum, while the interest on the taxable portion is 5.65% per annum. The taxable portion has been paid in full. As of June 30, 2014, the outstanding balance was \$-0-.

Future debt service requirements for the Town's Certificates of Participation are as follows:

Year Ending June 30,	2000 Land Acquisition COP		
	Principal	Interest	Total
2015	100,000	99,955	\$ 99,955
2016	100,000	93,580	93,580
2017	115,000	87,180	87,180
2018	120,000	79,820	79,820
2019	130,000	72,140	72,140
2020-2024	775,000	222,750	222,750
2025-2028	190,000	12,540	12,540
	<u>\$ 1,530,000</u>	<u>\$ 667,965</u>	<u>\$ 667,965</u>

Loan Payable - Business type Activities

In 1998, the Town borrowed \$500,000 from the State Department of Transportation for a water system and taxi lane extension at the Mammoth Yosemite Airport. The loan is being amortized over 17 years, with an interest rate of 5.05% per annum. The debt matures in fiscal year 2015-16. As of June 30, 2014, the outstanding balance was \$68,847.

Future debt service requirements for the Town's Airport Loan Payable are as follows:

Year Ending June 30,	State Department of Transportation		
	Principal	Interest	Total
2015	\$ 42,388	\$ 3,348	\$ 45,736
2016	27,459	1,207	28,666
	<u>\$ 69,847</u>	<u>\$ 4,555</u>	<u>\$ 74,402</u>

Lawsuit Judgment

The Town was the defendant in litigation with a real estate developer for alleged breach of contract. In 2008, a jury awarded the developer \$30 million in damages, and subsequently the presiding judge awarded the prevailing party attorneys fees. In March 2011, the Town lost its appeal of this judgment before the State Supreme Court. On July 2, 2012 the Town filed for a voluntary petition for relief under Chapter 9 of the United States Bankruptcy Code. On November 16, 2012 the Bankruptcy Court dismissed the Town's Chapter 9 petition after both parties to the litigation reached a settlement. As a result, the Town is liable for a judgment award negotiated at \$29,500,434 payable over 24 years with interest at 5% per annum, and other agreements previously entered into. The first payment of



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\$2,523,286 was paid in fiscal year 2012-13, with 23 subsequent annual payments of \$2,000,000, principal and interest at 5% per annum.

Future debt service requirements for this obligation are as follows:

Year Ending June 30,	Litigation Settlement		
	Principal	Interest	Total
2015	\$ 683,700	\$ 1,316,300	\$ 2,000,000
2016	717,885	1,282,115	2,000,000
2017	753,779	1,246,221	2,000,000
2018	791,468	1,208,532	2,000,000
2019	831,041	1,168,959	2,000,000
2020-2024	4,821,629	5,178,371	10,000,000
2025-2029	6,153,756	3,846,244	10,000,000
2030-2034	7,853,926	2,146,074	10,000,000
2036-2036	3,718,822	281,178	4,000,000
	<u>\$ 26,326,006</u>	<u>\$ 17,673,994</u>	<u>\$ 44,000,000</u>

**Operating Leases**

In 2009, the Town entered into a real estate lease renewal amendment agreement for the continuing occupancy of office space under a one hundred fifty (150) month term commencing retroactively to April 1, 2009 at \$14,396 per month until March 31, 2010. For the period from April 1, 2010 through September 30, 2011 the rent shall be adjusted in accordance with the consumer price index (CPI). From October 1, 2011 through September 30, 2012, the minimum monthly rent shall be \$21,000 per month, thereafter adjusting in accordance with the CPI.

In 2010, the Town entered into a real estate lease agreement for continuing occupancy of the police department building under an eight year agreement with option for additional years, at an average monthly base rent of \$5,420 plus property taxes, insurance, utilities, and maintenance.

In 2011, the Town entered into a 60 month operating lease agreement for a temporary structure installed at its airport, with lease payments of \$1,758 per month.

***Note 8 - Interfund Balances***

The Town has developed a Fractional Assessment District that will capture much needed funding that would otherwise be lost with the development of fractional ownership facilities. Because current State law prohibits the Town from collecting transient occupancy taxes from owners of fractional development, the Fractional Assessment District will provide a taxing mechanism in order to reduce the impact of these facilities on the Town. The Town's general fund loan agreement provides for loan repayment in future years as new Fractional Developments are annexed into the District.

The Town reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, and for proprietary funds. These interfund balances have been eliminated in the government-wide financial statements.

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Interfund balances at June 30, 2014 consist of the following:

<u>Due to the General fund from:</u>	
Airport fund	\$ 199,419
Developer impact fee funds	3,981,273
Fractional district agency funds	648,097
	<u>\$ 4,828,789</u>
 <u>Due to the Internal Vehicle Service fund from:</u>	
General fund	\$ 3,576,207
DIF general facilities fund	1,275,000
	<u>\$ 4,851,207</u>

**Note 9 - Interfund Transfers**

The Town reports interfund transfers between many of its funds. Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from funds collecting the receipts, to the debt service fund as debt service payments become due, and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Town accounts for its capital improvement and construction projects primarily through its gas tax and capital project funds. Such expenditures are primarily funded from general fund revenue, tax revenue, grants and developer impact fees. Transfers into the agency funds are generally for street related expenditures. These transfers are reported in the fiscal period in which the transactions are approved and recorded.

The following table reports operating transfers by fund type:

<u>Fund type</u>	Operating transfers	
	In	Out
General fund	\$ 8,200,314	\$ 11,520,374
Gasoline tax fund	1,845,830	238,911
Capital projects funds	704,388	-
Measure R sales tax fund	-	374,364
Measure U utility users fund	-	285,290
Debt service fund	900,533	40,420
Airport operating fund	404,154	-
Airport debt service fund	140,420	-
Developer impact fees funds	1,663	1,663
Internal service funds	138,277	57,270
Agency funds	182,713	-
	<u>\$ 12,518,292</u>	<u>\$ 12,518,292</u>

**Note 10 - Retirement Benefit Plans**

PLAN 1 - Defined Benefit Pension Plan

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**June 30, 2014**

Plan Description

The Town contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of CalPERS annual financial report may be obtained from their Executive Office, 400 "P" Street, Sacramento, California 95814.

Employer and Employee Contributions

For employees hired before January 1, 2013 ("Classic" employees), non-safety participants (miscellaneous plan) are required to contribute 7% of their annual covered salary, while public safety participants (safety plan) are required to contribute 9% of their annual covered salary. Town employees pay their employee-member share of plan contributions. The Town is required to contribute at an actuarially determined rate. The contribution requirements of plan employees and the Town are established and may be amended by CalPERS. The fiscal year 2013-14 employer rate was 20.1% for miscellaneous plan employees, and 32.3% for safety plan employees. For employees hired after December 31, 2012 ("PEPRA" employees), the employees and the Town are required by State law to share the retirement costs 50/50.

Annual Pension Cost

The Town's annual pension cost of \$1,436,586 to CalPERS was equal to the Town's required and actual employer contributions of \$1,060,302, and member contributions of \$376,284. The required fiscal year 2013-14 contributions were determined as part of the June 30, 2011 actuarial valuations using the "entry age actuarial cost method." The actuarial assumptions included:

- a 7.5% investment rate of return (net of administrative expenses)
- projected annual salary increases of 3.3% to 14.2% depending on age, service and type of employment
- an inflation rate of 2.75%
- a payroll growth rate of 3.0%
- individual salary growth merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

The actuarial value of CalPERS' risk pool assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value).

Historic Trend Information

Three-year trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011-12	\$ 2,192,411	100%	\$ -0-
2012-13	\$ 1,640,723	100%	\$ -0-
2013-14	\$ 1,436,586	100%	\$ -0-

PLAN 2 - Retirement Enhancement Plan

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Plan Description

All eligible full-time public safety employees are eligible to participate in the Town's Retirement Enhancement Plan, administered through the Public Agency Retirement Services (PARS), which provides additional retirement benefits to public safety employees above that provided from the CalPERS defined benefit plan. Eligibility requirements are based upon years of employment, date of hire, and date of birth which meets the requirements of a pension trust under California Government Code.

Plan Background

Type of Plan: 401(a) Tax-qualified Defined Benefit  
 Plan Effective Date: July 1, 2003  
 Benefit Level: 3.5% at age 55 Supplemental Plan  
 Eligibility: Full-Time Safety Employees  
 Full-Time Safety Management Employees  
 51 years of Age  
 10 years of Service

The actuarial assumptions included:

- a 7% investment rate of return (net of administrative expenses)
- projected annual salary increases of 3.55% to 11.15% depending on age, service and type of employment
- an inflation rate of 3.0%

Schedule of Funding Status – Enhancement Pension Plan (unaudited)

As of June 30, 2013 there were 10 active participants and 8 retired participants. For fiscal year 2013-14, the Town contributed \$65,603 to the plan; employees are not required to make contributions. The following is the most recent actuarial valuation prepared on October 9, 2014

<b>Required Supplementary Information (unaudited)</b>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered PR
June 30, 2009	\$1,626,198	\$ 902,829	\$ 723,369	55.5%	\$ 2,132,648	33.9%
June 30, 2011	\$1,995,809	\$ 1,483,988	\$ 511,821	74.4%	\$ 2,012,099	25.4%
June 30, 2013	\$1,786,056	\$ 1,720,746	\$ 65,310	96.3%	\$ 1,162,596	5.6%

PLAN 3 - Other Retirement Plan

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security (the Federal Insurance Contributions Act) or an alternative plan. The Town contracted with the Public Agency Retirement Services (PARS) to administer a defined contribution plan which covers all part-time, seasonal, temporary, and all employees not covered by another retirement system. All eligible employees covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions.

PLAN 4 - Other Post Employment Benefit Plan

Plan Description

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The Town's other post employment benefit plan (OPEB) is a single-employer defined benefit healthcare plan administered through the Public Agency Retirement Services (PARS). The Town provides retiree medical benefits to employees who (1) retire from the Town and (2) have paid their employee share of their retirement plan expense. Eligible retirees are entitled to the minimum CalPERS medical benefit, which is currently \$115 per month and expected to increase annually. Retirees may select any retiree medical plan offered by CalPERS, including spouse or family coverage, but must incur the cost of the premiums exceeding the above monthly benefit. PARS issues a publicly available financial report that includes financial statements and required supplementary information for the Town. That report may be obtained by writing to Public Agency Retirement Services, 5141 California Avenue, Suite 150, Irvine, CA 92617.

Funding Policy

The obligation of the Town to provide these benefits is determined by agreements with the various employee bargaining groups. The Town's contributions are financed on a pay-as-you-go basis, for eight retired employees who were eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual cost of its other post employment benefit plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation.

Annual Required Contribution	\$	51,731
Interest on the net OPEB obligation		2,250
Adjustment to the Annual Required Contribution		(2,087)
Annual OPEB cost		51,894
Payments made		-
Increase in net OPEB obligation		51,894
Net OPEB obligation - beginning of year		34,617
Net OPEB obligation - end of year	\$	86,511

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
June 30, 2012	\$ 62,430	\$ -	\$ 62,430
June 30, 2013	\$ 50,998	\$ 77,726	\$ (26,728)
June 30, 2014	\$ 51,894	\$ -	\$ 51,894

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 25.7% funded. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status

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of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress - Postemployment Healthcare Plan (unaudited)

The funded status of the OPEB plan, as of the most recent actuarial valuation dates, is as follows:

<b>Required Supplementary Information (unaudited)</b>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered PR
January 1, 2009	\$ -	\$ 581,235	\$ 581,235	0.0%	\$ 9,499,751	6.1%
January 1, 2012	\$ 191,919	\$ 746,467	\$ 554,548	25.7%	\$ -	0.0%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the actuarial cost method used is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Plan's Normal Cost is developed as a level percent of payroll throughout the participant's working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For retirees, the AAL is the present value of all projected benefits. The unfunded AAL is being amortized as a level percent of payroll with a remaining amortization period of 25 years as of June 30, 2014.

GASB Statement No. 45 requires the interest rate to represent the underlying expected return for the source of funds used to pay benefits. The actuarial methods and assumptions included a 6.5% interest rate, based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The medical component of the consumer price index (CPI) assumes a 3.75% inflation rate.

**Note 11 - Fund Balance Designations**

In accordance with the Town's implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance designations with respect to governmental type funds are reported in the following classifications:

- Nonspendable - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b) not in spendable form such as long term notes receivable.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

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- Committed - amounts that can be used only for the *specific purposes* determined by a formal action of the Town Council, to establish, modify or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's *intent* to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the Town Council or its appointed official.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town has set aside amounts for emergency situations, revenue shortages or budgetary imbalances, commonly referred to as *revenue stabilization* or *reserve for economic uncertainty*. The authority to set aside those amounts generally comes from statute, ordinance, resolution, constitution or policy. Stabilization amounts may be expended with Council approval only when certain specific circumstances exist as determined by Council at that time.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to expend *restricted* fund balances first. When expenditures are incurred for purposes for which committed, assigned, or unassigned amounts are available, it is the Town's policy to expend *committed*, then *assigned*, then *unassigned* amounts in that order.

**Note 12 - Liability, Workers' Compensation, and Purchased Insurance**

A. Description of Self-Insurance Pool pursuant to Joint Powers Agreement

The Town of Mammoth Lakes is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 120 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Authority

A revised cost allocation methodology was introduced in fiscal year 2010-11; however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

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Liability

In the liability program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all re-insurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in re-insurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Employer's liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a re-insurance policy, and Employer's liability losses from \$4 million to \$10 million are pooled among members.

Workers' Compensation

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the re-insurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a re-insurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

C. Purchased Insurance

Pollution Legal Liability Insurance

The Town participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Town. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year policy period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.



**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2014**

Property Insurance

The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. Town property currently has all-risk property insurance protection in the amount of approximately \$34,685,000. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The Town purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. Town property currently has earthquake protection in the amount of approximately \$18,729,000. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The Town purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

The Town further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on subject property. The insurance premium is paid by the tenant user and is paid to the Town according to a schedule. The Town then pays for the insurance. The insurance is arranged by the Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage.

**Note 13 - Commitments and Contingencies**

Except as discussed above, in the normal course of municipal operations, there are various legal claims and legal actions pending against the Town for which no provision has been made in the financial statements because the amount of liability, if any, is unknown. In the opinion of the town attorney and town management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

The Town has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

At June 30, 2014, the Town was in contract for several grant funded street projects, which are expected to be completed by December 31, 2014.

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 14 - Assessment District Debt**

The Town acts as an agent for collection of property taxes and repayment of several special assessment improvement bonds issued for assessment districts within the Town. Since the Town is not obligated in the event of any manner for these special assessment bonds, the debt is not recorded in these financial statements. The outstanding balance of the bond obligations at June 30, 2014 was as follows:

Bluffs Reassessment District 1993-4R	\$ 1,707,150
North Village Area 2003 Special Tax bonds	\$ 7,740,000

**Note 15 - Dependence Upon Tourism Industry**

The Town is economically dependent on tourism generated tax dollars for providing revenue to its general fund, the primary operating fund of the Town. Property tax revenue is also a main contributor to the general fund. The tourism industry accounts for all the transient occupancy taxes collected and a significant portion of all sales taxes collected. Consequently, a downturn in the tourism industry for the Town would result in a substantial reduction in general fund revenue. In the event of such a downturn, the Town may have insufficient resources in its general fund to pay all of its obligations or provide services to its citizens at the current level.

The following table shows what percentage these three revenue sources provide to the Town's general fund no. 01.

General Fund revenue source:	Fiscal Year Ended June 30;					
	2009	2010	2011	2012	2013	2014
Transient Occupancy tax	51%	50%	55%	54%	66%	63%
Property tax	21%	18%	16%	18%	18%	19%
Sales tax	13%	8%	13%	16%	15%	17%
	<u>85%</u>	<u>76%</u>	<u>84%</u>	<u>88%</u>	<u>99%</u>	<u>99%</u>

**Note 16 - Subsequent Events**

The management of the Town has reviewed the results of operations for the period from its fiscal year end June 30, 2014 through December 17, 2014, the date the financial statements were available to be issued in "draft" form, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure except as discussed in the previous paragraph.

**Note 17 - New Pronouncements**

Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*: The Statement revises existing standards of financial reporting for most pension plans. The Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they become due. This Statement is effective for periods beginning on or after June 15, 2013.

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Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*:

The Statement revises existing standards of financial reporting for most governments that provide their employees with pension benefits. The Statement establishes reporting requirements of the net pension plan liability in the government-wide financial statements, how to measure pension liabilities, and presentation of the financial information and disclosures related to the employer. This Statement is effective for periods beginning on or after June 15, 2014.

***REQUIRED SUPPLEMENTARY INFORMATION***

**TOWN OF MAMMOTH LAKES**  
**Note to Required Supplementary Information**  
**Budgetary Comparison Information**  
**Year Ended June 30, 2014**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the close of each fiscal year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenue and expenditures.
- Public hearings are conducted at Town Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through a Council approved budget.
- The Town Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the Town's needs; however, revisions that alter the total expenditures must be approved by the Town Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the Town Council.

**TOWN OF MAMMOTH LAKES**  
**Budgetary Comparison Information**  
**General Fund**  
**Year Ended June 30, 2014**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflows)</b>				
Taxes and assessments	\$ 17,517,202	\$ 16,174,584	\$ 16,546,343	\$ 371,759
Licenses and permits	324,515	300,900	302,819	1,919
Intergovernmental	437,912	364,947	339,943	(25,004)
Charge for services	673,399	977,199	792,522	(184,677)
Fines and penalties	292,500	37,500	55,720	18,220
Use of money and property	4,232	15,232	11,529	(3,703)
Other revenue	41,000	20,500	72,429	51,929
Proceeds from sale of assets	456,964	456,964	456,964 *	-
Transfers in from other funds	8,322,927	8,322,927	8,200,314	(122,613)
Amounts Available for Appropriation	<u>28,070,651</u>	<u>26,670,753</u>	<u>26,778,583</u>	<u>107,830</u>
<b>Charges to Appropriations (Outflow)</b>				
General government	6,122,650	6,187,450	5,726,987	460,463
Public safety	3,434,964	3,569,340	3,511,465	57,875
Tourism, parks and recreation	3,303,877	3,284,527	3,050,754	233,773
Community development	1,227,832	1,377,679	1,109,828	267,851
Public ways / streets	730,503	717,503	411,152	306,351
Transportation and transit	856,588	856,588	861,494	(4,906)
Workforce housing	368,302	368,002	355,427	12,575
Transfers out to other funds	11,982,110	11,932,109	11,520,374	411,735
Total Charges to Appropriations	<u>28,026,826</u>	<u>28,293,198</u>	<u>26,547,481</u>	<u>1,745,717</u>
<b>Surplus (Deficit)</b>	<u>\$ 43,825</u>	<u>\$ (1,622,445)</u>	231,102	<u>\$ 1,853,547</u>
<b>GAAP Adjustment</b>				
* Amount received and recorded against Note Receivable			(456,961)	
Change in General Fund Balance			<u>\$ (225,859)</u>	

**TOWN OF MAMMOTH LAKES**  
**Budgetary Comparison Information**  
**Capital Projects Fund**  
**Year Ended June 30, 2014**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflows)</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	4,070,635	3,765,616	3,395,727	(369,889)
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue	-	305,019	474,147	169,128
Proceeds from sale of assets	-	-	-	-
Transfers in from other funds	143,785	203,785	704,388	500,603
Amounts Available for Appropriation	<u>4,214,420</u>	<u>4,274,420</u>	<u>4,574,262</u>	<u>299,842</u>
<b>Charges to Appropriations (Outflow)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Tourism, parks and recreation	-	-	-	-
Community development	-	-	-	-
Public ways / streets	-	-	-	-
Capital improvement projects	4,214,420	4,274,377	4,231,338	43,039
Transportation and transit	-	-	-	-
Workforce housing	-	-	-	-
Transfers out to other funds	-	-	-	-
Total Charges to Appropriations	<u>4,214,420</u>	<u>4,274,377</u>	<u>4,231,338</u>	<u>43,039</u>
<b>Surplus (Deficit)</b>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 342,924</u>	<u>\$ 342,881</u>

**TOWN OF MAMMOTH LAKES**  
**Budgetary Comparison Information**  
**Gas Tax Fund**  
**Year Ended June 30, 2014**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflows)</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,302,813	1,451,448	1,529,809	78,361
Charge for services	25,000	25,000	9,963	(15,037)
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue	13,000	26,000	26,000	-
Proceeds from sale of assets	-	-	-	-
Transfers in from other funds	2,574,840	2,574,841	1,845,830	(729,011)
Amounts Available for Appropriation	<u>3,915,653</u>	<u>4,077,289</u>	<u>3,411,602</u>	<u>(665,687)</u>
<b>Charges to Appropriations (Outflow)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Tourism, parks and recreation	-	-	-	-
Community development	-	-	-	-
Public ways / streets	3,785,202	3,520,202	2,832,690	687,512
Capital improvement projects	-	-	-	-
Transportation and transit	-	-	-	-
Workforce housing	-	-	-	-
Transfers out to other funds	130,451	160,451	238,911	(78,460)
Total Charges to Appropriations	<u>3,915,653</u>	<u>3,680,653</u>	<u>3,071,601</u>	<u>609,052</u>
<b>Surplus (Deficit)</b>	<u>\$ -</u>	<u>\$ 396,636</u>	<u>\$ 340,001</u>	<u>\$ (56,635)</u>



**TOWN OF MAMMOTH LAKES**  
**Budgetary Comparison Information**  
**Tourism Business Improvement District Fund**  
**Year Ended June 30, 2014**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Resources (Inflows)</b>				
Taxes and assessments	\$ 4,700,000	\$ 4,700,000	\$ 3,156,903	\$ (1,543,097)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in from other funds	-	-	-	-
Amounts Available for Appropriation	<u>4,700,000</u>	<u>4,700,000</u>	<u>3,156,903</u>	<u>(1,543,097)</u>
<b>Charges to Appropriations (Outflow)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Tourism, parks and recreation	4,700,000	4,700,000	3,150,188	1,549,812
Community development	-	-	-	-
Public ways / streets	-	-	-	-
Capital improvement projects	-	-	-	-
Transportation and transit	-	-	-	-
Workforce housing	-	-	-	-
Transfers out to other funds	-	-	-	-
Total Charges to Appropriations	<u>4,700,000</u>	<u>4,700,000</u>	<u>3,150,188</u>	<u>1,549,812</u>
<b>Surplus (Deficit)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,715</u>	<u>\$ 6,715</u>

**TOWN OF MAMMOTH LAKES**  
**Budgetary Comparison Information**  
**Housing & Community Development Fund**  
**Year Ended June 30, 2014**

	<u>Budget Amounts (unaudited)</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflows)</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	100,000	100,000	356,122	256,122
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in from other funds	-	-	-	-
Amounts Available for Appropriation	<u>100,000</u>	<u>100,000</u>	<u>356,122</u>	<u>256,122</u>
<b>Charges to Appropriations (Outflow)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Tourism, parks and recreation	-	-	-	-
Community development	100,000	100,000	207,159	(107,159)
Public ways / streets	-	-	-	-
Capital improvement projects	-	-	-	-
Transportation and transit	-	-	-	-
Workforce housing	-	-	-	-
Transfers out to other funds	-	-	-	-
Total Charges to Appropriations	<u>100,000</u>	<u>100,000</u>	<u>207,159</u>	<u>(107,159)</u>
<b>Surplus (Deficit)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,963</u>	<u>\$ 148,963</u>

**TOWN OF MAMMOTH LAKES**  
**Fund Balance Designations Section of the Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

<b>Fund Balances</b>	General Fund	Major Governmental Funds	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>				
Long term notes receivable	\$ 4,828,789	\$ 153,195	\$ -	\$ 4,981,984
<b>Restricted for:</b>				
Capital Projects	-	388,859	-	388,859
Public Works / Streets	-	340,001	-	340,001
Tourism Business Imp. District	-	6,715	-	6,715
Measure R projects	-	-	1,622,483	1,622,483
Measure U projects	-	-	1,052,793	1,052,793
Drug Enforcement grant program	-	-	15,458	15,458
Developer Impact Fee recoveries	-	-	407,000	407,000
Total restricted fund balances	-	735,575	3,097,734	3,833,309
<b>Committed:</b>				
Debt service obligations	-	-	601,881	601,881
Reserve for Compensated Leave	554,706	-	-	554,706
Total committed fund balances	554,706	-	601,881	1,156,587
<b>Assigned:</b>				
Community Development	350,000	-	-	350,000
Transportation & Transit	22,651	-	-	22,651
Workforce Housing	132,600	-	-	132,600
Total assigned fund balances	505,251	-	-	505,251
<b>Unassigned</b>	(566,261)	-	(5,253,353)	(5,819,614)
	<u>\$ 5,322,485</u>	<u>\$ 888,770</u>	<u>\$ (1,553,738)</u>	<u>\$ 4,657,517</u>
<b>Total Fund Balances</b>				

***OTHER SUPPLEMENTARY INFORMATION***

**TOWN OF MAMMOTH LAKES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

<b>Capital Projects Funds:</b>											<b>Total Nonmajor Capital Projects Funds</b>
	<b>DIF Admin Overhead</b>	<b>DIF Gen. Fac. Fund</b>	<b>DIF Law Enforcement</b>	<b>DIF Storm Drains</b>	<b>DIF Parks &amp; Recreation</b>	<b>DIF MCOE (Library)</b>	<b>DIF Circulation (Streets)</b>	<b>DIF Fire Facility, Veh. &amp; Eq.</b>	<b>DIF Airport Improvement</b>	<b>Public Arts Program</b>	
<b>Assets</b>											
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 210,356	\$ 65,399	\$ 184	\$ 77,401	\$ 9,891	\$ 43,769	\$ 407,000
Receivables	2,736	-	-	-	120	25	-	33	6	-	2,920
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 2,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,476</u>	<u>\$ 65,424</u>	<u>\$ 184</u>	<u>\$ 77,434</u>	<u>\$ 9,897</u>	<u>\$ 43,769</u>	<u>\$ 409,920</u>
<b>Liabilities</b>											
Payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash overdraft	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Due to the general fund	554,400	1,135,803	628,299	609,612	-	-	1,053,159	-	-	-	3,981,273
Due to other funds	-	1,275,000	-	-	-	-	-	-	-	-	1,275,000
Total Liabilities	<u>554,400</u>	<u>2,410,803</u>	<u>628,299</u>	<u>609,612</u>	<u>-</u>	<u>-</u>	<u>1,053,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,256,273</u>
<b>Fund Balances</b>											
Special revenue funds	-	-	-	-	-	-	-	-	-	-	-
Capital projects funds	(551,664)	(2,410,803)	(628,299)	(609,612)	210,476	65,424	(1,052,975)	77,434	9,897	43,769	(4,846,353)
Debt service fund	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>(551,664)</u>	<u>(2,410,803)</u>	<u>(628,299)</u>	<u>(609,612)</u>	<u>210,476</u>	<u>65,424</u>	<u>(1,052,975)</u>	<u>77,434</u>	<u>9,897</u>	<u>43,769</u>	<u>(4,846,353)</u>
Total Liabilities and Fund Balances	<u>\$ 2,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,476</u>	<u>\$ 65,424</u>	<u>\$ 184</u>	<u>\$ 77,434</u>	<u>\$ 9,897</u>	<u>\$ 43,769</u>	<u>\$ 409,920</u>

**TOWN OF MAMMOTH LAKES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	<u>Special Revenue Funds:</u>				<b>Total Nonmajor Special Revenue Funds</b>	<b>Total Nonmajor Capital Projects Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>LTC Planning Transportation &amp; Transit</b>	<b>Measure R Sales Tax</b>	<b>Measure U Utility Users Tax</b>	<b>Drug Enforcement Fund</b>				
<b>Assets</b>								
Cash and investments	\$ -	\$ 1,522,289	\$ 980,905	\$ 15,475	\$ 2,518,669	\$ 407,000	\$ 395,621	\$ 3,321,290
Receivables	116,656	148,900	89,768	-	355,324	2,920	-	358,244
Due from other funds	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	206,260	206,260
<b>Total Assets</b>	<b>\$ 116,656</b>	<b>\$ 1,671,189</b>	<b>\$ 1,070,673</b>	<b>\$ 15,475</b>	<b>\$ 2,873,993</b>	<b>\$ 409,920</b>	<b>\$ 601,881</b>	<b>\$ 3,885,794</b>
<b>Liabilities</b>								
Payables	\$ 21,824	\$ 48,706	\$ 17,880	\$ 17	\$ 88,427	\$ -	\$ -	\$ 88,427
Cash overdraft	94,832	-	-	-	94,832	-	-	94,832
Deferred revenue	-	-	-	-	-	-	-	-
Due to the general fund	-	-	-	-	-	3,981,273	-	3,981,273
Due to other funds	-	-	-	-	-	1,275,000	-	1,275,000
<b>Total Liabilities</b>	<b>116,656</b>	<b>48,706</b>	<b>17,880</b>	<b>17</b>	<b>183,259</b>	<b>5,256,273</b>	<b>-</b>	<b>5,439,532</b>
<b>Fund Balances</b>								
Special revenue funds	-	1,622,483	1,052,793	15,458	2,690,734	-	-	2,690,734
Capital projects funds	-	-	-	-	-	(4,846,353)	-	(4,846,353)
Debt service fund	-	-	-	-	-	-	601,881	601,881
<b>Total Fund Balances</b>	<b>-</b>	<b>1,622,483</b>	<b>1,052,793</b>	<b>15,458</b>	<b>2,690,734</b>	<b>(4,846,353)</b>	<b>601,881</b>	<b>(1,553,738)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 116,656</b>	<b>\$ 1,671,189</b>	<b>\$ 1,070,673</b>	<b>\$ 15,475</b>	<b>\$ 2,873,993</b>	<b>\$ 409,920</b>	<b>\$ 601,881</b>	<b>\$ 3,885,794</b>

**TOWN OF MAMMOTH LAKES**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2014**

	<b>Capital Projects Funds:</b>										<b>Total Nonmajor Capital Projects Funds</b>
	<b>DIF Admin Overhead</b>	<b>DIF Gen. Fac. Fund</b>	<b>DIF Law Enforcement</b>	<b>DIF Storm Drains</b>	<b>DIF Parks &amp; Recreation</b>	<b>DIF MCOE (Library)</b>	<b>DIF Circulation (Streets)</b>	<b>DIF Fire Facility, Veh. &amp; Eq.</b>	<b>DIF Airport Improve.</b>	<b>Public Arts Program</b>	
<b>Revenue</b>											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	-	-	-	-	21,148	-	20,429	-	10,054	51,631
Taxes and assessments	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-	24	-	24
Other revenue	-	-	-	-	516	124	-	150	-	-	790
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>516</b>	<b>21,272</b>	<b>-</b>	<b>20,579</b>	<b>24</b>	<b>10,054</b>	<b>52,445</b>
<b>Expenditures</b>											
General government	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-
Tourism, parks and recreation	-	-	-	-	-	-	-	-	-	901	901
Community development	-	-	-	-	-	-	-	-	-	-	-
Public ways / streets	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-
Transportation and transit	-	-	-	-	-	-	-	-	-	-	-
Workforce housing	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>901</b>	<b>901</b>
Excess of Revenue over (under) Expenditures	-	-	-	-	516	21,272	-	20,579	24	9,153	51,544
<b>Other Financing Sources (Uses)</b>											
Transfers in	1,663	-	-	-	-	-	-	-	-	-	1,663
Transfers (out)	-	-	-	-	-	(846)	-	(817)	-	-	(1,663)
<b>Total Other Sources (Uses)</b>	<b>1,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(846)</b>	<b>-</b>	<b>(817)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Fund Balances</b>	<b>1,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>516</b>	<b>20,426</b>	<b>-</b>	<b>19,762</b>	<b>24</b>	<b>9,153</b>	<b>51,544</b>
Fund Balances - beginning	(553,327)	(2,410,803)	(628,299)	(609,612)	209,960	44,998	(1,052,975)	57,672	9,873	34,616	(4,897,897)
Fund Balances - end of year	<u>\$ (551,664)</u>	<u>\$ (2,410,803)</u>	<u>\$ (628,299)</u>	<u>\$ (609,612)</u>	<u>\$ 210,476</u>	<u>\$ 65,424</u>	<u>\$ (1,052,975)</u>	<u>\$ 77,434</u>	<u>\$ 9,897</u>	<u>\$ 43,769</u>	<u>\$ (4,846,353)</u>

**TOWN OF MAMMOTH LAKES**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2014**

Revenue	<u>Special Revenue Funds:</u>				<u>Total</u>	<u>Total</u>	<u>Debt</u>	<u>Total</u>
	<u>LTC Planning</u>	<u>Measure</u>	<u>Measure U</u>	<u>Drug</u>	<u>Nonmajor</u>	<u>Nonmajor</u>		<u>Nonmajor</u>
	<u>Transportation</u>	<u>R</u>	<u>Utility</u>	<u>Enforcement</u>	<u>Special</u>	<u>Capital</u>	<u>Service</u>	<u>Governmental</u>
	<u>&amp; Transit</u>	<u>Sales Tax</u>	<u>Users Tax</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>
Intergovernmental	\$ 163,301	\$ -	\$ -	\$ -	\$ 163,301	\$ -	\$ -	\$ 163,301
Charge for services	-	-	-	-	-	51,631	-	51,631
Taxes and assessments	-	1,065,139	709,508	-	1,774,647	-	-	1,774,647
Use of money and property	-	-	-	-	-	24	24	48
Other revenue	-	-	-	-	-	790	-	790
<b>Total Revenue</b>	<b>163,301</b>	<b>1,065,139</b>	<b>709,508</b>	<b>-</b>	<b>1,937,948</b>	<b>52,445</b>	<b>24</b>	<b>1,990,417</b>
<b>Expenditures</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	15,641	15,641	-	-	15,641
Tourism, parks and recreation	-	432,726	375,827	-	808,553	901	-	809,454
Community development	-	-	-	-	-	-	-	-
Public ways / streets	163,301	-	-	-	163,301	-	-	163,301
Capital projects	-	-	-	-	-	-	-	-
Transportation and transit	-	-	-	-	-	-	-	-
Workforce housing	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	560,137	560,137
<b>Total Expenditures</b>	<b>163,301</b>	<b>432,726</b>	<b>375,827</b>	<b>15,641</b>	<b>987,495</b>	<b>901</b>	<b>560,137</b>	<b>1,548,533</b>
Excess of Revenue over (under) Expenditures	-	632,413	333,681	(15,641)	950,453	51,544	(560,113)	441,884
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	-	-	1,663	900,533	902,196
Transfers (out)	-	(374,364)	(285,290)	-	(659,654)	(1,663)	(40,420)	(701,737)
<b>Total Other Sources (Uses)</b>	<b>-</b>	<b>(374,364)</b>	<b>(285,290)</b>	<b>-</b>	<b>(659,654)</b>	<b>-</b>	<b>860,113</b>	<b>200,459</b>
<b>Change in Fund Balances</b>	<b>-</b>	<b>258,049</b>	<b>48,391</b>	<b>(15,641)</b>	<b>290,799</b>	<b>51,544</b>	<b>300,000</b>	<b>642,343</b>
Fund Balances - beginning	-	1,364,434	1,004,402	31,099	2,399,935	(4,897,897)	301,881	(2,196,081)
<b>Fund Balances - end of year</b>	<b>\$ -</b>	<b>\$ 1,622,483</b>	<b>\$ 1,052,793</b>	<b>\$ 15,458</b>	<b>\$ 2,690,734</b>	<b>\$ (4,846,353)</b>	<b>\$ 601,881</b>	<b>\$ (1,553,738)</b>



**TOWN OF MAMMOTH LAKES**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2014**

	<u>Vehicle Service</u>	<u>Self- Insurance</u>	<u>Totals</u>
<b>Assets</b>			
Cash and investments	\$ 4,508,370	\$ 75,407	\$ 4,583,777
Receivables	150,376	11,559	161,935
Prepaid expenses	427,546	-	427,546
Interfund loans	1,275,000	-	1,275,000
Interfund loans - general fund	3,576,207	-	3,576,207
Capital assets, net of depreciation	<u>2,081,545</u>	<u>-</u>	<u>2,081,545</u>
Total Assets	<u>12,019,044</u>	<u>86,966</u>	<u>12,106,010</u>
<b>Liabilities</b>			
Payables	130,149	8,126	138,275
Compensated absences - current	12,066	-	12,066
Compensated absences - noncurrent	<u>16,814</u>	<u>-</u>	<u>16,814</u>
Total Liabilities	<u>159,029</u>	<u>8,126</u>	<u>167,155</u>
<b>Net Position</b>			
Invested in capital assets	2,081,545	-	2,081,545
Unrestricted	<u>9,778,470</u>	<u>78,840</u>	<u>9,857,310</u>
Total Net Position	<u>\$ 11,860,015</u>	<u>\$ 78,840</u>	<u>\$ 11,938,855</u>

**TOWN OF MAMMOTH LAKES**  
**Internal Service Funds**  
**Combining Statement of Revenue, Expenses, and Change in Net Position**  
**Year Ended June 30, 2014**

	<u>Vehicle Service</u>	<u>Self- Insurance</u>	<u>Totals</u>
<b>Operating Revenue</b>			
Charges for services	\$ 2,035,577	\$ 245,614	\$ 2,281,191
<b>Operating Expenses</b>			
Personal services	599,427	17,839	617,266
Maintenance and operations	637,924	-	637,924
Benefit claims	-	217,910	217,910
Depreciation	537,774	-	537,774
Total Operating Expenses	<u>1,775,125</u>	<u>235,749</u>	<u>2,010,874</u>
<b>Operating Income (Loss)</b>	<u>260,452</u>	<u>9,865</u>	<u>270,317</u>
<b>Nonoperating Revenue (Expenses)</b>			
Investment earnings	6,650	-	6,650
Other revenue	212,212	-	212,212
Total Nonoperating Revenue (Expenses)	<u>218,862</u>	<u>-</u>	<u>218,862</u>
<b>Income Before Transfers</b>	479,314	9,865	489,179
Capital grants	-	-	-
Transfers in from other funds	138,277	-	138,277
Transfers (out) to other funds	<u>(57,270)</u>	<u>-</u>	<u>(57,270)</u>
<b>Change in Net Position</b>	560,321	9,865	570,186
Net Position - beginning	11,490,694	68,975	11,559,669
Net Position - end of year	<u>\$ 12,051,015</u>	<u>\$ 78,840</u>	<u>\$ 12,129,855</u>

## **APPENDIX A**

**TOWN OF MAMMOTH LAKES**  
***California***

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**Single Audit Report**

**Year Ended  
June 30, 2014**

**TOWN OF MAMMOTH LAKES**  
**Single Audit Report**

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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2701 Cottage Way, Suite 30 / Sacramento, California 95825

### **Independent Auditor's 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***

Honorable Mayor  
Members of the Town Council  
Town of Mammoth Lakes, California

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mammoth Lakes, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Mammoth Lakes' basic financial statements, and have issued our report thereon dated November 12, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Mammoth Lakes' 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 Lakes' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Mammoth Lakes' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Mammoth Lakes' financial statements are free from 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*.

#### **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.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
November 12, 2014

# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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2701 Cottage Way, Suite 30 / Sacramento, California 95825

### **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Honorable Mayor  
Members of the Town Council  
Town of Mammoth Lakes, California

#### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Mammoth Lakes' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Mammoth Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Honorable Mayor  
Members of the Town Council  
Mammoth Lakes, California

### **Report on Internal Control Over Compliance**

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes as of and for the year ended June 30, 2014, and have issued our report thereon dated November 12, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
November 12, 2014



**TOWN OF MAMMOTH LAKES**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION (DOT)</b>		
Highway Planning & Construction (Federal-Aid Highway Program)		
STIP 1B Lower Canyon #RPSTPL-5439 (020)	20.205	\$ 1,888,827
SR2S Meridian - Program #SRTSL-5439 (028)	20.205	7,580
Mammoth Creek Gap #RPSTPLE-5439 (030)	20.205	16,463
Sarbanes Transit Enhancement #CA-20-20x012-00		
Lake George Path Enhancement	20.205	207,943
Planning Transportation	20.205	153
Rolling Stock	20.205	<u>38,771</u>
	SUBTOTAL CFDA No. 20.205	\$ 2,159,737
 <b>U.S. DEPARTMENT OF TRANSPORTATION (DOT)</b>		
Airport Improvement Program		
Direct Award: Federal Aviation Administration (FAA)		
FAA Grant: AIP 18 Project #03-06-0146-27	20.106	\$ 39,226
FAA Grant: AIP 23 Project #03-06-0146-28	20.106	<u>21,915</u>
	SUBTOTAL CFDA No. 20.106	\$ 61,141
 <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>		
Community Development Block Grants/State's Program		
Passed through the State of California,		
Department of Housing and Community Development		
Community Development Block Grant (CDBG) Program		
CDBG Standard Agreement #10-HOME-6849	14.255	<u>172,679</u>
Total Expenditures of Federal Awards		<u>\$ 2,393,557</u>

**TOWN OF MAMMOTH LAKES**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

***Note A - Reporting Entity Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Mammoth Lakes, California (Town) under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position or changes in net assets of the Town.

***Note B - Summary of Significant Accounting Policies***

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Federal grant awards were primarily passed through the State of California, as reported on the Schedule, with direct awards indicated.

(3) The Catalog of Federal Domestic Assistance (CFDA) numbers included in the accompanying Schedule were determined based upon program name, review of grant contract information, and the Office of Management and Budget's CFDA.

(4) There were no subrecipients of federal awards this year.

**TOWN OF MAMMOTH LAKES**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

1. Type of auditor's report issued: *Unqualified*
2. Internal controls over financial reporting:
  - a. Material weaknesses identified? *No*
  - b. Significant deficiencies identified not considered to be material weaknesses? *None Reported*
3. Noncompliance material to financial statements noted? *No*

Federal Awards

1. Internal control over major programs:
  - a. Material weaknesses identified? *No*
  - b. Significant deficiencies identified not considered to be material weaknesses? *None Reported*
2. Type of auditor's report issued on compliance for major programs: *Unqualified*
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? *No*
4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Dept of Transportation (DOT)

5. Dollar threshold used to distinguish between Type A and Type B programs? *\$300,000*
6. Auditee qualified as low-risk auditee under OMB Circular A-133, section 510(a)? *Yes*

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Current Year:	None Reported
Prior Year:	None Reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Current Year:	None Reported
Prior Year:	None Reported