

TOWN OF MAMMOTH LAKES
California

Annual Financial Report
June 30, 2013

TOWN OF MAMMOTH LAKES

Table of Contents

INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)	
Required Supplementary Information, as prepared by management	4-9
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Activities	11
FUND FINANCIAL STATEMENTS	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Change in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Change in Net Position	17
Statement of Cash Flows	18
Agency Funds:	
Statement of Fiduciary Assets and Liabilities	19
NOTES TO FINANCIAL STATEMENTS	20-49
REQUIRED SUPPLEMENTARY INFORMATION (unaudited)	
Budgetary Note to Required Supplementary Information	50
Budgetary Comparison Information of the General Fund	51
Fund Balance Designations Section of the Balance Sheet	52
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds:	
Combining Balance Sheet	53-54
Combining Statement of Revenue, Expenditures, and Change in Fund Balances	55-56
Internal Service Funds:	
Combining Statement of Net Assets	57
Combining Statement of Revenue, Expenses, and Change in Net Position	58
SINGLE AUDIT	Appendix A

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2013, 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 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 an opinion on these financial statements based upon 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 opinion.

Opinion

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, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, 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.

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

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.

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

Report on the Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Towns' 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 (Single Audit-Appendix A) 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.

Reports on Other Legal and Regulatory Requirements

Single Audit

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2013 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 13, 2013



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, 2013 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 modified 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 all or most of the cost of 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 \$77,488,860 as of June 30, 2013. The Town had a decrease of \$7,993,752 in total net position compared to the prior year, mostly related to non-operating expenditures for litigation and settlement payments.

Town of Mammoth Lakes Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Current and other assets	26,403,814	25,608,393	842,452	579,131	27,246,266	26,187,524
Internal Loans	199,419	3,790,967	(199,419)	(3,790,967)	-	-
Capital assets, net of depreciation	75,707,182	84,332,480	8,668,123	9,994,094	84,375,305	94,326,574
Total assets	102,310,415	113,731,840	9,311,156	6,782,258	111,621,571	120,514,098
Long-term debt outstanding	29,997,433	32,866,561	127,303	162,846	30,124,736	33,029,407
Other liabilities	3,445,958	1,973,722	562,017	28,356	4,007,975	2,002,078
Total liabilities	33,443,391	34,840,283	689,320	191,202	34,132,711	35,031,485
Net position:						
Invested in capital assets, net	73,218,954	81,587,619	8,561,168	9,848,212	81,780,122	91,435,831
Restricted	206,258	2,910,849	-	-	206,258	2,910,849
Unrestricted	(4,558,188)	(5,606,911)	60,668	(3,257,156)	(4,497,520)	(8,864,067)
Total net position	68,687,024	78,891,557	8,621,836	6,591,056	77,488,860	85,482,613

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 (taxes and assessments) ended the year strong and exceeded final budget expectations significantly. Transient occupancy taxes (TOT) exceeded budget expectations by just over \$660,000, property tax revenue was up \$191,500, and franchise fees were up nearly \$123,000 from the amended budget adopted December 5, 2012.

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>	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenue:						
Program revenue:						
Charges for services	730,007	1,190,761	605,454	659,460	1,335,461	1,850,221
Operating grants and contributions	995,805	3,652,413	-	1,000,000	995,805	4,652,413
Capital grants and contributions	2,241,984	1,806,146	565,418	255,864	2,807,402	2,062,010
General revenue:						
Transient occupancy tax	12,034,177	9,924,217	-	-	12,034,177	9,924,217
Sales tax	2,811,957	2,932,473	-	-	2,811,957	2,932,473
Property tax	3,239,769	3,362,832	-	-	3,239,769	3,362,832
Other taxes	3,924,743	2,290,498	-	-	3,924,743	2,290,498
Other	4,337,513	302,931	692	60,153	4,338,205	363,084
Transfers in (out)	(3,462,026)	338,509	3,356,281	729,577	(105,745)	1,068,086
Total revenue	26,853,929	25,800,780	4,527,845	2,705,054	31,381,774	28,505,834
Expenses:						
General government	4,117,613	6,241,491	-	-	4,117,613	6,241,491
Public safety	4,320,193	5,350,686	-	-	4,320,193	5,350,686
Tourism & recreation	4,386,470	3,758,293	-	-	4,386,470	3,758,293
Community development	3,789,228	3,342,247	-	-	3,789,228	3,342,247
Public works	18,359,833	21,635,868	-	-	18,359,833	21,635,868
Lawsuit judgment	-	(11,300,262)	-	-	-	(11,300,262)
Airport	-	-	2,491,245	2,688,451	2,491,245	2,688,451
Waste (Mineral Pit)	-	-	5,819	3,807	5,819	3,807
Debt service (Interest)	1,905,125	57,634	-	-	1,905,125	57,634
Total expenses	36,878,462	29,085,957	2,497,064	2,692,258	39,375,526	31,778,215
Change in net position	(10,024,533)	(3,285,177)	2,030,781	12,796	(7,993,752)	(3,272,381)
Net position - beginning of year	78,891,557	82,176,734	6,591,055	6,578,260	85,482,612	88,754,994
Net position- end of year	68,867,024	78,891,557	8,621,836	6,591,056	77,488,860	85,482,613

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, 2013, the Town operated two enterprise funds: the Mammoth Yosemite Airport, and the Long Valley Mineral Pit on behalf of the US Forest Service. In compliance with Governmental Accounting Standards Board Statement No. 34, the Town reclassified to *interfund transfers*, \$2,994,291 of *interfund loans* between the airport fund and the general fund, because repayment is not expected within a reasonable time. The Airport paid off the Terminal Improvements loan due to the General Fund this fiscal year.

Debt Administration:

The Town paid down principal of \$190,182 on existing Certificates of Participation debt during the fiscal year. Total outstanding Certificates of Participation debt issued for capital projects as of June 30, 2013 was \$2,053,218. 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, 2013 was \$106,955.

Outlook for the Future:

Property taxes are projected to remain relatively flat over the next couple of fiscal years. This is related to three factors. First, under Proposition 8 there have been a number of reappraised properties thereby lowering assessed values specifically for properties that have changed ownership since 2005. Regaining those prior values will take time. There are continuing appeals on assessed values. Second, due to the economic downturn there was a large increase in delinquent property tax payments. The Town will eventually receive those delinquency property tax payments once the County has collected them. Third, there is limited new construction to drive up existing property values. While the Town is anticipating new development it will take time to implement and to have a positive impact on property tax revenue.

Transient Occupancy Tax is the largest generator of General Fund revenue. Despite the 'Great Recession' and the slow growth recovery, the Town experienced significant TOT revenue growth of 17% over the prior year. This level of growth is not anticipated in fiscal year 2013-14, due in part to weather conditions. This was in spite of room discounts that many property owners implemented to increase value to the visitor. The Town continues to realize a significant increase in TOT remitters due to increased enforcement efforts. Most of those remitters are property owners that have taken a more active role in renting out their property themselves and have shifted their business away from reservation bureaus or are supplementing the rental activity generated by reservation bureaus. The expectation is that TOT growth will continue. The ability to increase 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 Airport has had a 13% increase in passengers in 2013, compared to 2012 with 30,858 enplanements. The Airport currently has daily flights in the winter from San Francisco and Los Angeles and four flights a week from Orange County and San Diego. Los Angeles is served year-round by Alaska Airlines. United Airlines only operates at the Airport in the winter. Both airlines have combined commercial operations of 1,600 and general aviation operations of 5,900 annually at the Airport and we expect a similar number fiscal year 2013-14.

The Town was able to settle the Mammoth Lakes Land Acquisition \$40 million dollar lawsuit in 2012. The negotiated settlement of \$29.5 million dollars is being paid with annual installments of \$2 million dollars per year over the next 22 years.

The Town developed a restructuring plan by negotiating with creditors to lower payments, and employee groups agreed to significant compensation package reductions. Having the lawsuit settled and the impact known allows the Town to plan, staff and budget accordingly. Having a long-term restructuring plan in place provides stability for the annual payments and the Town's overall budget.

In conclusion, the Town has realized a financial recovery from reductions in visitor-generated tax revenue, but has not, and does not expect a recovery in building permits or real estate related development revenue in the foreseeable future. The Town is in a moderate, but cautious position to fund on-going operations and is positioned to move forward on limited funding of capital projects.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'C Myrold'.

Cyndi Myrold
Finance Manager

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MAMMOTH LAKES
Government-Wide Financial Statements
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 9,336,755	\$ 211,367	\$ 9,548,122
Receivables	3,095,783	626,015	3,721,798
Internal balances	199,419	(199,419)	-
Prepaid expenses	382,270	5,070	387,340
Loans receivable	648,097	-	648,097
Notes receivable	12,734,651	-	12,734,651
Restricted cash with fiscal agent	206,258	-	206,258
Capital assets not being depreciated	10,338,316	544,316	10,882,632
Capital assets, net of depreciation	65,368,866	8,123,807	73,492,673
Total assets	102,310,415	9,311,156	111,621,571
Liabilities			
Payables	2,875,319	24,760	2,900,079
Cash overdraft	-	537,257	537,257
Deferred revenue	570,639	-	570,639
Noncurrent liabilities:			
Due within one year	1,052,034	45,744	1,097,778
Due in more than one year	28,945,399	81,559	29,026,958
Total liabilities	33,443,391	689,320	34,132,711
Net Position			
Invested in capital assets, net of related debt	73,218,954	8,561,168	81,780,122
Restricted	206,258	-	206,258
Unrestricted	(4,558,188)	60,668	(4,497,520)
Total net position	\$ 68,867,024	\$ 8,621,836	\$ 77,488,860

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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 4,117,613	\$ (55,370)	\$ -	\$ -	\$ (4,172,983)	\$ -	\$ (4,172,983)
Public safety	4,320,193	68,608	54,317	-	(4,197,268)	-	(4,197,268)
Tourism, parks and recreation	4,386,470	222,899	-	-	(4,163,571)	-	(4,163,571)
Community development	2,135,049	166,441	547,799	-	(1,420,809)	-	(1,420,809)
Public works / streets	3,963,695	54,283	-	-	(3,909,412)	-	(3,909,412)
Transportation and transit	1,167,978	273,146	-	-	(894,832)	-	(894,832)
Workforce housing	1,654,179	-	393,689	-	(1,260,490)	-	(1,260,490)
Capital projects	4,285,012	-	-	2,241,984	(2,043,028)	-	(2,043,028)
Depreciation expense	8,943,148	-	-	-	(8,943,148)	-	(8,943,148)
Interest on long-term debt	1,905,125	-	-	-	(1,905,125)	-	(1,905,125)
Total governmental activities	36,878,462	730,007	995,805	2,241,984	(32,910,666)	-	(32,910,666)
Business-type Activities							
Airport	2,491,245	600,824	-	565,418	\$ (1,325,003)	\$ (1,325,003)	(1,325,003)
Landfill management	5,819	4,630	-	-	(1,189)	(1,189)	(1,189)
Total business-type activities	2,497,064	605,454	-	565,418	(1,326,192)	(1,326,192)	(1,326,192)
Total primary government	\$ 39,375,526	\$ 1,335,461	\$ 995,805	\$ 2,807,402	(32,910,666)	(1,326,192)	(34,236,858)

General Revenue	
Property taxes	3,239,769
Gasoline taxes	1,642,696
Sales taxes	2,811,957
Transient occupancy	12,034,177
Utility users taxes	782,703
Business taxes	245,027
Franchise fees	865,675
Licenses & permits	289,695
Fines & penalties	60,155
Investment earning	38,792
Other revenue	4,337,513
Transfers in (out)	(3,462,026)
totals	22,886,133
Change in Net Position	(10,024,533)
Net Position - beginning	78,891,557
Net Position - end of year	\$ 68,867,024

	-	-	3,239,769
	-	-	1,642,696
	-	-	2,811,957
	-	-	12,034,177
	-	-	782,703
	-	-	245,027
	-	-	865,675
	-	-	289,695
	-	-	289,695
	692	-	60,847
	-	-	38,792
	3,356,281	-	(105,745)
	3,356,973	-	22,195,288
	2,030,781	-	(7,993,752)
	6,591,055	-	85,482,612
	\$ 8,621,836	-	\$ 77,488,860

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, 2013

	General Fund	Housing & Community Development Fund	Capital Projects Fund	Measure R Sales Tax Fund	Measure U Utility Users Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 3,876,963	\$ 5,726	\$ -	\$ 1,293,683	\$ 961,982	\$ 530,466	\$ 6,668,820
Receivables	1,705,082	-	1,025,935	134,700	91,904	97,755	3,055,376
Notes receivable	913,928	11,820,723	-	-	-	-	12,734,651
Interfund loans	4,828,789	-	-	-	-	-	4,828,789
Restricted cash	\$ -	-	-	-	-	206,258	206,258
Total assets	<u>\$ 11,324,762</u>	<u>\$ 11,826,449</u>	<u>\$ 1,025,935</u>	<u>\$ 1,428,383</u>	<u>\$ 1,053,886</u>	<u>\$ 834,479</u>	<u>\$ 27,493,894</u>
Liabilities							
Payables	\$ 1,229,568	\$ 1,494	\$ 18,092	\$ 63,949	\$ 49,484	\$ 68,887	\$ 1,431,474
Cash overdraft	-	-	961,908	-	-	74,240	1,036,148
Deferred revenue	570,640	11,820,723	-	-	-	-	12,391,363
Interfund loans	3,976,207	-	-	-	-	5,256,272	9,232,479
Total liabilities	<u>5,776,415</u>	<u>11,822,217</u>	<u>980,000</u>	<u>63,949</u>	<u>49,484</u>	<u>5,399,399</u>	<u>24,091,464</u>
Fund Balances							
Non-spendable	913,928	-	-	-	-	-	913,928
Restricted	-	-	-	1,364,434	1,004,402	31,099	2,399,935
Committed	1,295,137	-	-	-	-	-	1,295,137
Assigned	-	-	-	-	-	301,881	301,881
Unassigned	3,339,282	4,232	45,935	-	-	(4,897,900)	(1,508,451)
Total fund balances	<u>5,548,347</u>	<u>4,232</u>	<u>45,935</u>	<u>1,364,434</u>	<u>1,004,402</u>	<u>(4,564,920)</u>	<u>3,402,430</u>
Total liabilities and fund balances	<u>\$ 11,324,762</u>	<u>\$ 11,826,449</u>	<u>\$ 1,025,935</u>	<u>\$ 1,428,383</u>	<u>\$ 1,053,886</u>	<u>\$ 834,479</u>	<u>\$ 27,493,894</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, 2013

Total Fund Balances - Governmental Funds \$ 3,402,430

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

65,368,866

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 an offset.

11,597,609

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:

Due within one year

(1,052,034)

Due in more than one year

(28,945,399)

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.

11,559,666

Net Position - Governmental Activities

\$ 68,867,024

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, 2013

	General Fund	Housing & Community Development Fund	Capital Projects Fund	Measure R Sales Tax Fund	Measure U Utility Users Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenue							
Taxes and assessments	\$ 18,224,865	\$ -	\$ -	\$ 971,740	\$ 782,703	\$ -	\$ 19,979,308
Licenses and permits	289,695	-	-	-	-	-	289,695
Intergovernmental	610,351	393,689	2,241,984	-	-	1,859,543	5,105,567
Charge for services	652,757	-	-	-	-	77,250	730,007
Fines and penalties	60,155	-	-	-	-	-	60,155
Use of money and property	37,839	-	-	-	-	953	38,792
Other revenue	108,134	-	800,931	6,081	-	1,000	916,146
Total revenue	19,983,796	393,689	3,042,915	977,821	782,703	1,938,746	27,119,670
Expenditures							
General government	6,874,875	-	-	-	-	-	6,874,875
Public safety	4,279,585	-	-	-	-	2,027	4,281,612
Tourism, parks and recreation	3,532,371	-	-	571,736	282,363	-	4,386,470
Community development	1,817,164	-	-	-	-	317,885	2,135,049
Public works / streets	592,459	-	-	-	-	3,062,590	3,655,049
Capital projects	-	-	4,855,158	-	-	-	4,855,158
Transportation and transit	947,938	-	-	-	-	220,040	1,167,978
Workforce housing	1,264,722	389,457	-	-	-	-	1,654,179
Debt service	-	-	-	-	-	556,268	556,268
Total expenditures	19,309,114	389,457	4,855,158	571,736	282,363	4,158,810	29,566,638
Excess of Revenue over (under) Expenditures	674,682	4,232	(1,812,243)	406,085	500,340	(2,220,064)	(2,446,968)
Other Financing Sources (Uses)							
Transfers in	10,507,203	-	1,708,013	-	-	2,731,077	14,946,293
Transfers (out)	(16,505,692)	-	-	(872,997)	(337,060)	(692,570)	(18,408,319)
Proceeds from sale of assets	2,413,264	-	-	-	-	-	2,413,264
Total other financing sources	(3,585,225)	-	1,708,013	(872,997)	(337,060)	2,038,507	(1,048,762)
Change in Fund Balances							
Fund Balances - beginning	(2,910,543)	4,232	(104,230)	(466,912)	163,280	(181,557)	(3,495,730)
Fund Balances - end of year	8,458,890	-	150,165	1,831,346	841,122	(4,383,363)	6,898,160
Fund Balances - end of year	\$ 5,548,347	\$ 4,232	\$ 45,935	\$ 1,364,434	\$ 1,004,402	\$ (4,564,920)	\$ 3,402,430

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

Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

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

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 capital outlays exceeded depreciation, net of dispositions, in the current period.

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 of net assets. 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.

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.

\$ (10,024,533)

TOWN OF MAMMOTH LAKES
Proprietary Funds
Statement of Net Position
June 30, 2013

	Business-type Activities			Governmental Activities -
Assets	Airport	Landfill Management	Total Enterprise Funds	Internal Service Funds
Current assets:				
Cash and investments	\$ 211,367	\$ -	\$ 211,367	\$ 3,704,083
Receivables - accounts and grants	625,185	830	626,015	40,407
Prepaid expenses	5,070	-	5,070	382,270
Interfund loans	-	-	-	1,275,000
Interfund loans - general fund	-	-	-	3,976,207
Total current assets	841,622	830	842,452	9,377,967
Noncurrent assets:				
Capital assets not being depreciated	544,316	-	544,316	-
Capital assets, net of depreciation	8,123,807	-	8,123,807	2,314,813
Total noncurrent assets	8,668,123	-	8,668,123	2,314,813
Total assets	9,509,745	830	9,510,575	11,692,780
Liabilities				
Current liabilities:				
Payables	24,483	277	24,760	94,988
Cash overdraft	536,704	553	537,257	-
Note payable - current	40,657	-	40,657	-
Compensated absences	5,087	-	5,087	9,532
Interfund loans - general fund	199,419	-	199,419	-
Total current liabilities	806,350	830	807,180	104,520
Noncurrent liabilities:				
Note payable - noncurrent	66,298	-	66,298	-
Compensated absences	15,261	-	15,261	28,594
Total noncurrent liabilities	81,559	-	81,559	28,594
Total liabilities	887,909	830	888,739	133,114
Net Position				
Invested in capital assets, net of related debt	8,561,168	-	8,561,168	2,314,813
Unrestricted	60,669	-	60,669	9,244,853
Total net position	\$ 8,621,837	\$ -	\$ 8,621,837	\$ 11,559,666

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, 2013**

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Operating Revenue				
Charges for services	\$ 600,824	\$ 4,630	\$ 605,454	\$ 2,080,140
Operating grants	-	-	-	-
Total operating revenue	600,824	4,630	605,454	2,080,140
Operating Expenses				
Personnel services	307,137	3,258	310,395	578,267
Maintenance and operations	375,991	2,561	378,552	872,887
Depreciation	1,433,250	-	1,433,250	507,068
Total operating expenses	2,116,378	5,819	2,122,197	1,958,222
Operating Income (Loss)	(1,515,554)	(1,189)	(1,516,743)	121,918
Nonoperating Revenue (Expenses)				
Investment earnings	692	-	692	5,687
Capital grants	565,418	-	565,418	-
Other nonoperating revenue	-	-	-	258,203
Professional service	(367,500)	-	(367,500)	-
Interest expense	(7,367)	-	(7,367)	-
Total nonoperating revenue (expenses)	191,243	-	191,243	263,890
Income Before Contributions/Transfers	(1,324,311)	(1,189)	(1,325,500)	385,808
Capital grants	-	-	-	-
Transfers in	3,451,941	671	3,452,612	-
Transfers (out)	(96,331)	-	(96,331)	(58,521)
Change in Net Position	2,031,299	(518)	2,030,781	327,287
Net position - beginning	6,590,538	518	6,591,056	11,232,379
Net position - end of year	\$ 8,621,837	\$ -	\$ 8,621,837	\$ 11,559,666

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, 2013

CASH FLOWS PROVIDED BY (USED FOR)

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Enterprise Funds	
Operating Activities				
Cash received from customers	\$ 622,060	\$ 3,801	\$ 625,861	\$ 2,130,760
Cash paid for employee services	(289,345)	(3,258)	(292,603)	(578,267)
Cash paid for maintenance & operations	(380,817)	(2,308)	(383,125)	(597,363)
Cash paid for benefit claims	-	-	-	(245,870)
Net cash provided (used)	(48,102)	(1,765)	(49,867)	709,260
Noncapital Financing Activities				
Transfers in	-	671	671	-
Transfers (out)	(96,331)	-	(96,331)	(58,521)
Net cash provided (used)	(96,331)	671	(95,660)	(58,521)
Capital & Related Financing Activities				
Interfund loan	-	-	-	400,000
Other cash received	-	-	-	258,203
Purchase of capital assets	(107,279)	-	(107,279)	(254,772)
Payment of debt obligations	(214,581)	-	(214,581)	(3,358)
Interest paid on debt obligations	(7,367)	-	(7,367)	-
Net cash provided (used)	(329,227)	-	(329,227)	400,073
Investing Activities				
Investment earnings	692	-	692	5,687
Net Increase (Decrease) in Cash	(472,968)	(1,094)	(474,062)	1,056,499
Cash and cash equivalents - beginning	147,631	541	148,172	2,647,584
Cash and cash equivalents - end of year	\$ (325,337)	\$ (553)	\$ (325,890)	\$ 3,704,083
Operating Activities Analysis				
Operating Income (Loss) (page 17)	\$ (1,515,554)	\$ (1,189)	\$ (1,516,743)	\$ 121,918
Reconciliation adjustments:				
Depreciation and disposals	1,433,250	-	1,433,250	507,068
(Increase) decrease in receivables	37,075	(829)	36,246	50,620
(Increase) decrease in prepaid expenses	977	-	977	49,860
Increase (decrease) in accounts payable	(3,850)	253	(3,597)	(20,206)
Net cash provided (used)	\$ (48,102)	\$ (1,765)	\$ (49,867)	\$ 709,260

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, 2013

Assets	
Cash and investments	\$ 4,221,962
Cash with fiscal agent	1,337,266
Accounts receivables	22,193
Total assets	<u>5,581,421</u>
Liabilities	
Accounts payable	41,295
Advance loans payable - Town of Mammoth Lakes	648,097
Total liabilities	<u>689,392</u>
Net Assets Held in Trust	<u><u>\$ 4,892,029</u></u>

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

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 - Long-term Obligations
- Note 7 - Interfund Balances
- Note 8 - Interfund Transfers
- Note 9 - Retirement Plans
- Note 10 - Accounts Payable
- 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, 2013

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; this 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 latter 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 1 - Significant Accounting Policies

Fund Financial Statements

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 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 government has determined that a fund is important to the financial statement user. 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 or construction of 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, 2013

Note 1 - Significant Accounting Policies

- 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:
- 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.
- 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 general 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 and construction of the government's major capital facilities, streets and infrastructure, other than those financed by proprietary funds.
- Measure R - this fund is used to account for restricted use financial resources received from a voter approved additional one-half of one percent retail transactions and use tax, to be used for planning, construction, operation, maintenance, programming, and administration of all Town recreation facilities and programs, trails and parks managed by the Town.
- Measure U - this fund is used to account for restricted use financial resources received from a voter approved 2.5% utility users tax, to be used for the purposes of planning, construction, operation, maintenance, programming and administration of facilities and projects for mobility, recreation, and arts and culture.

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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 1 - Significant Accounting Policies

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 assets.

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.

On 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 1 - Significant Accounting Policies

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.

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 treasurers 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 1 - Significant Accounting Policies

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, 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.

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 short-term and long-term liabilities. 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.

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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 1 - Significant Accounting Policies

- 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 Mono 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.

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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 1 - Significant Accounting Policies (concluded)

- 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.

Note 2 - Stewardship, Compliance, and Accountability

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. The budget 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 may authorize transfers from one object or purpose to another within the same department. 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 funds incurred deficits in their ending fund balances:

General facilities DIF fund	\$ 2,410,803
DIF administration overhead fund	553,329
DIF law enforcement fund	628,298
DIF storm drains fund	609,612
DIF circulation (streets) fund	1,052,976
	<u>\$ 5,255,018</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability (continued)

Cash Deficit Balances by Fund

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

General facilities DIF fund	\$ 74,240
Capital projects fund	961,908
	<u>\$ 1,036,148</u>

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 as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 9,548,122
Cash overdraft - airport fund	(537,257)
Restricted cash with fiscal agent	206,258
	<u>9,217,123</u>
Statement of Fiduciary Assets and Liabilities	
Cash and investments	4,221,962
Investments with fiscal agent	1,337,266
	<u>5,559,228</u>
Total	<u>\$ 14,776,351</u>
Cash and Investments consist of the following:	
Deposits with financial institutions	\$ 4,458,234
Investment with Local Agency Investment Fund	8,774,591
Investments by fiscal agents	1,543,526
Total	<u>\$ 14,776,351</u>

Collateral and Categorization Requirements

At fiscal year end, the Town's carrying amount of demand deposits was \$4,456,584 and the bank account balances were \$3,259,689. The difference of \$1,196,895 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$3,009,689 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 initially adopted September 1, 2010, 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 3 - Cash and Investments (continued)

Permitted Investments/Deposits	Maximum Percentages	Maximum Maturity
<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
Local Agency Investment Fund (LAIF)	\$40,000,000	n/a
Passbook Deposits	n/a	n/a
<u>Investment Type B:</u>		
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.

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. Nearly 81% of cash and investments managed by the Town at year end were invested in LAIF.

Investment Type	Fair Value	Maturity	Yield	Concentration
Local Agency Investment Fund	\$8,774,591	8.1 months	0.28%	59%
Demand Deposits (checking)	4,456,584	on demand	n/a	30%
Fiscal agent money market funds	1,543,526	on demand	0.00%	10%

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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 3 - Cash and Investments (concluded)

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 \$3,009,689 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.

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. As of June 30, 2013, LAIF had 2,600 participants and approximately \$21.2 billion in investments. 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 on an annual basis. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 4 - Receivables

At June 30, 2013, accounts and other receivables as reported in the statement of net position - total column, consist of the following:

<u>Receivables from</u>		
Grant program reimbursements	\$	1,994,223
Transit occupancy tax		1,318,155
Sales tax		134,700
Gasoline tax		17,343
Utility users tax		91,904
Mono County - reimbursements		96,237
Charge for services		68,406
Other		830
	\$	<u>3,721,798</u>

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 next fiscal year, nor in the foreseeable future. At June 30, 2013, notes receivables as reported in the statement of net position consist of the following:

<u>Notes Receivable</u>		
SMHD - land sale	\$	913,928
Bristlecone Apartments		977,684
Inyo Mono Advocates		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
	\$	<u>12,734,651</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

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	\$ 8,790,013	\$ 3,664,447	\$ (2,116,144)	\$ 10,338,316
Construction-in-progress	3,664,447	(3,664,447)	-	-
	<u>12,454,460</u>	<u>-</u>	<u>(2,116,144)</u>	<u>10,338,316</u>
<u>Depreciable Assets</u>				
Buildings and structures	20,026,791	64,517	-	20,091,308
Streets and roads	178,511,431	2,370,235	-	180,881,666
Storm drains	14,536,735	221,465	-	14,758,200
Vehicles and equipment	1,869,978	30,073	-	1,900,051
	<u>214,944,935</u>	<u>2,686,290</u>	<u>-</u>	<u>217,631,225</u>
<u>Accumulated Depreciation</u>	<u>(145,634,024)</u>	<u>-</u>	<u>(8,943,148)</u>	<u>(154,577,172)</u>
Depreciable assets, net	<u>69,310,911</u>	<u>2,686,290</u>	<u>(8,943,148)</u>	<u>63,054,053</u>
Total capital assets, net	<u>\$ 81,765,371</u>	<u>\$ 2,686,290</u>	<u>\$ (11,059,292)</u>	<u>\$ 73,392,369</u>

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	\$ 9,375,606	\$ 254,772	\$ -	\$ 9,630,378
<u>Accumulated depreciation</u>	<u>(6,808,497)</u>	<u>-</u>	<u>(507,068)</u>	<u>(7,315,565)</u>
Total capital assets, net	<u>\$ 2,567,109</u>	<u>\$ 254,772</u>	<u>\$ (507,068)</u>	<u>\$ 2,314,813</u>

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

	Governmental	Internal Service	Total
Capital assets not being depreciated	\$ 10,338,316	\$ -	\$ 10,338,316
Capital assets, net of depreciation	<u>63,054,053</u>	<u>2,314,813</u>	<u>65,368,866</u>
	<u>73,392,369</u>	<u>2,314,813</u>	<u>\$ 75,707,182</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 5 - Capital Assets (continued)

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 544,316	\$ -	\$ -	\$ 544,316
<u>Depreciable Assets</u>				
Buildings and runway	14,751,503	-	-	14,751,503
Vehicles and equipment	2,542,155	107,279	-	2,649,434
	17,293,658	107,279	-	17,400,937
<u>Accumulated Depreciation</u>	(7,843,880)	-	(1,433,250)	(9,277,130)
Depreciable assets, net	9,449,778	107,279	(1,433,250)	8,123,807
Total capital assets, net	\$ 9,994,094	\$ 107,279	\$ (1,433,250)	\$ 8,668,123

Note 6 - Long-term Obligations

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 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 \$532,057 for governmental activities, and \$20,347 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, 2013, the outstanding balance was \$435,010. Debt service requirements for the Town's governmental Loan Payable is as follows

Year Ending June 30,	State Water Resources Control Board		
	Principal	Interest	Total
2014	\$ 68,111	\$ 10,877	\$ 78,988
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
2019-2020	76,998	1,926	78,924
	<u>\$ 435,010</u>	<u>\$ 38,852</u>	<u>\$ 473,862</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 6 - Long-term Obligations (continued)

Certificates of Participation

On June 1, 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, 2013, the outstanding balance was \$1,630,000.

On January 7, 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. The debt matures in fiscal year 2016-17. As of June 30, 2013, the outstanding balance was \$259,010.

On January 8, 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. The remaining debt matures in year fiscal year 2016-17. As of June 30, 2013, the outstanding balance was \$164,208.

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

Year Ended June 30,	Certificates of Participation					
	2000 Land Acquisition	2004 Land Acquisition	2004 Land Acquisition	Total Principal	Total Interest	Total Payments
2014	\$ 100,000	\$ 38,705	\$ 61,060	\$ 199,765	\$ 129,953	\$ 329,718
2015	100,000	40,229	63,458	203,687	117,662	321,349
2016	100,000	41,814	65,951	207,765	105,062	312,827
2017	115,000	43,460	68,541	227,001	92,191	319,192
2018	120,000	-	-	120,000	79,820	199,820
2019-2023	730,000	-	-	730,000	234,730	964,730
2024-2028	365,000	-	-	365,000	12,540	377,540
	<u>\$ 1,630,000</u>	<u>\$ 164,208</u>	<u>\$ 259,010</u>	<u>\$ 2,053,218</u>	<u>\$ 771,958</u>	<u>\$ 2,825,176</u>

Loan Payable - Business type Activities

On September 14, 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, 2013, the outstanding balance was \$106,955. Debt service requirements for the Town's Airport Loan Payable are as follows:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 6 - Long-term Obligations (continued)

Year Ending June 30,	State Department of Transportation		
	Principal	Interest	Total
2014	\$ 40,657	\$ 5,401	\$ 46,058
2015	42,388	3,348	45,736
2016	23,910	1,207	25,117
	<u>\$ 106,955</u>	<u>\$ 9,956</u>	<u>\$ 116,911</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 \$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. Debt service requirements for the Town's Lawsuit Judgment obligation is as follows

Year Ending June 30,	Lawsuit Judgment		
	Principal	Interest	Total
2014	\$ 651,143	\$ 1,348,857	\$ 2,000,000
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
2019-2023	4,592,028	5,407,972	10,000,000
2024-2028	5,860,720	4,139,280	10,000,000
2029-2033	7,479,929	2,520,071	10,000,000
2034-2036	5,446,496	553,504	6,000,000
	<u>\$ 26,977,148</u>	<u>\$ 19,022,852</u>	<u>\$ 46,000,000</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 6 - Long-term Obligations (concluded)

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

	Beginning			Ending	Due Within
Governmental Activities	Balance	Additions	Reductions	Balance	One Year
Certificates of participation	\$ 2,243,400	\$ -	\$ (190,182)	\$ 2,053,218	\$ 199,765
Loans payable	501,461	-	(66,451)	435,010	68,112
Lawsuit judgment	29,500,434	-	(2,523,286)	26,977,148	651,143
Compensated absences	551,339	-	(19,282)	532,057	133,014
	<u>\$ 32,796,634</u>	<u>\$ -</u>	<u>\$ (2,799,201)</u>	<u>\$29,997,433</u>	<u>\$ 1,052,034</u>
 Business-type Activities					
Loans payable	\$ 145,882	\$ -	\$ (38,927)	\$ 106,955	\$ 40,657
Compensated absences	16,964	3,383	-	20,347	5,087
	<u>\$ 162,846</u>	<u>\$ 3,383</u>	<u>\$ (38,927)</u>	<u>\$ 127,302</u>	<u>\$ 45,744</u>

Operating Leases

On September 3, 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.

On November 1, 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.

On August 25, 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 7 - 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 7 - Interfund Balances (continued)

Interfund balances at June 30, 2013 consist of the following:

Due to the General fund from:

Airport fund	\$ 199,419
Fractional district agency funds	648,097
	<u>\$ 847,516</u>

Due to the Internal Vehicle Service fund from:

General fund	\$ 3,976,207
DIF general facilities fund	1,275,000
	<u>\$ 5,251,207</u>

Note 8 - 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>	<u>Operating transfers</u>	
	<u>In</u>	<u>Out</u>
General fund	\$ 10,507,203	\$ 16,505,692
Capital projects funds	1,708,013	-
Measure R sales tax fund	-	872,997
Measure U utility users fund		337,060
Nonmajor governmental funds	2,731,077	692,571
Airport operating fund	3,405,647	-
Airport debt service fund	46,294	96,331
Landfill fund	671	-
Internal service fund	-	58,521
Agency funds	164,267	-
	<u>\$ 18,563,172</u>	<u>\$ 18,563,172</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 9 - Retirement Plans

Plan 1 - Defined Benefit Pension Plan

Plan Description

All eligible full-time employees participate in the Town's defined benefit pension plan, administered through the California Public Employee's Retirement System (CalPERS), which provides retirement, disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provision as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Town selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolution (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Status and Progress

Non-public safety (miscellaneous plan) participants are required to contribute 8% of their annual covered salary, while public safety (safety plan) employees are required to contribute 9% of their annual covered salary. Town employees make the contributions required of themselves, on their behalf, and for their account. The Town's required contributions are based upon an actuarially determined rate. The 2012-13 fiscal year rates were 20.1% for miscellaneous plan employees, and 30.8% for safety plan employees, of annual covered payroll. The subsequent 2013-14 fiscal year rate is 20.1% for miscellaneous plan employees, and 32.3% for safety plan employees, of annual covered payroll. The contribution requirements of plan members, and the Town, are established and may be amended by CalPERS.

Annual Pension Cost

For the fiscal year ended June 30, 2013, the Town's total annual pension cost of \$1,640,723 to CalPERS was equal to the Town's required and actual employer contributions of \$1,197,484, and the employee share of \$443,238. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included:

- a 7.75% investment rate of return (net of administrative expenses)
- projected annual salary increases of 3.55% to 14.45% depending on age, service and type of employment
- an inflation rate of 3.0%
- a payroll growth rate of 3.25%
- individual salary growth merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% 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). The contribution rate for normal cost is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 9 - Retirement Plans (continued)

Three-year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010-11	\$ 1,813,975	100%	\$ -0-
2011-12	\$ 2,192,411	100%	\$ -0-
2012-13	\$ 1,640,723	100%	\$ -0-

Schedule of Funding Progress - Defined Benefit Pension Plans (unaudited)

The funded status of the plans, as of the most recent actuarial valuation dates, are as follows (in millions):

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Market Value of Assets (MVA)</u>	<u>Funded Ratio</u>		<u>Annual Covered Payroll</u>
<u>June 30, 2011</u>				<u>AVA</u>	<u>MVA</u>	
Miscellaneous Plan						
2.7% at age 55:	\$ 29.3	\$ 22.5	\$ 20.3	76.7%	69.2%	\$ 4.8
Safety Plan						
3.0% at age 50:	\$ 17.5	\$ 14.4	\$ 12.8	81.9%	73.2%	\$ 2.2

Employer Side Fund

At the time the Town joined the CalPERS Risk Pools, a side fund was created to account for the difference between the funded status of the Risk Pools and the funded status of the Town's miscellaneous and safety plans, in addition to the Town's existing unfunded pension liabilities. The side fund for the Town's two plans as of the June 30, 2011 valuation is shown in the following table:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Side Fund balance as of June 30, 2011	\$ 2,906,984	\$ 1,266,889
Estimated FY 2011-12 side fund payments - principal portion	(62,664)	(62,059)
Estimated side fund balance as of June 30, 2012	2,844,320	1,204,830
Estimated FY 2012-13 side fund payments - principal portion	(105,764)	(74,897)
Estimated side fund balance as of June 30, 2013	<u>\$ 2,738,556</u>	<u>\$ 1,129,933</u>
 FY 2011-12 payments:		
principal	\$ 62,664	\$ 62,059
interest at 7.5%	214,742	93,314
total	<u>\$ 277,406</u>	<u>\$ 155,373</u>
 FY 2012-13 payments:		
principal	\$ 105,764	\$ 74,897
interest at 7.5%	201,992	84,493
total	<u>\$ 307,756</u>	<u>\$ 159,390</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 9 - Retirement Plans (continued)

Plan 2 - Retirement Enhancement Plan

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 6% to 8% 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, 2011 there were 18 active participants and 6 retired participants. For fiscal year 2012-13, the Town contributed \$48,871 to the plan; employees are not required to make contributions. The following is the most recent actuarial valuation prepared on August 12, 2012:

Valuation Date	Accrued Liability	Value of Assets (AVA)	Unfunded Liability (UAL)	Funded Ratio	Annual Covered Payroll
June 30, 2011	\$ 1,995,809	\$ 1,483,988	\$ 511,821	74.4%	\$ 2,012,099

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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 9 - Retirement Plans (continued)

Plan 4 - Other Post Employment Benefit Plan

Plan Description

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 22 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	\$ 50,755
Interest on the net OPEB obligation	(219)
Adjustment to the Annual Required Contribution	186
Annual OPEB cost	50,722
Payments made	77,726
Increase in net OPEB obligation	to be determined
Net OPEB obligation - beginning of year	to be determined
Net OPEB obligation - end of year	to be determined

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	\$ 38,863	\$ 23,567
June 30, 2013	\$ 50,755	\$ 77,726	\$ (26,971)

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 9 - Retirement Plans (concluded)

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 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:

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	6.10%
January 1, 2012	\$ 191,919	\$ 746,467	\$ 554,548	25.7%	unknown	unknown

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 dollar closed 30 years basis, as a level percent of payroll with a remaining amortization period up to 30 years.

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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 10 - Accounts Payable

At June 30, 2013, accounts and accrued expenses as reported in the Statement of Net Assets - Total column consist of the following:

<u>Accounts Payable for</u>	
Construction projects	\$ 383,414
Consultants	7,482
Supply vendors	314,913
Tourism and promotion	193,053
Transit	73,677
Workforce housing expenses	974
Compensation and benefits	577,709
Interest	1,348,857
	<u>\$ 2,900,079</u>

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.
- 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

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. For the fiscal year 2012-13, the Town paid \$1,119,226 for its insurance policies with the Authority.

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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 12 - Liability, Workers' Compensation, and Purchased Insurance (continued)

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 of Mammoth Lakes 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 of Mammoth Lakes. 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.

Property Insurance

The Town of Mammoth Lakes participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Town of Mammoth Lakes property is currently insured according to a schedule of covered property submitted by the Town of Mammoth Lakes to the Authority. Town of Mammoth Lakes 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 of Mammoth Lakes 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 of Mammoth Lakes 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 of Mammoth Lakes 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 12 - Liability, Workers' Compensation, and Purchased Insurance (concluded)

Special Event Tenant User Liability Insurance

The Town of Mammoth Lakes 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 of Mammoth Lakes according to a schedule. The Town of Mammoth Lakes 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, 2013, the Town was in contract for several grant funded street projects, which are expected to be completed by December 31, 2013.

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, 2013 was as follows:

Bluffs Reassessment District 1993-4R	\$ 1,838,784
North Village Area 2003 Special Tax bonds	\$ 7,950,000

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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 15 - Dependence upon Tourism Industry (continued)

The following table shows what percentage these three revenue sources provide to the Town's general fund.

General fund tax type:	Fiscal Year Ended June 30;				
	2009	2010	2011	2012	2013
Transient Occupancy	51%	50%	55%	54%	66%
Property	21%	18%	16%	18%	18%
Sales	13%	8%	13%	16%	15%
	<u>85%</u>	<u>76%</u>	<u>84%</u>	<u>88%</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, 2013 through December 30, 2013, 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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*:

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989:

- Financial Accounting Standards Board (FASB) Statements and Interpretations.
- Accounting Principles Board Opinions.
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*:

The objective of this Statement is to establish Standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The new term "net position" replaces the term "net assets" in the government-wide, enterprise fund, and fiduciary fund financial statements.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2013

Note 17 - New Pronouncements (continued)

Governmental Accounting Standards Board Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*:

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is effective for periods beginning after December 15, 2011.

Governmental Accounting Standards Board Statement No. 65, *Elements of Financial Statements*:

The Statement provides financial reporting guidelines related to the impact of the financial statement elements "deferred outflows of resources" and "deferred inflows of resources" such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. This Statement is effective for periods beginning after December 15, 2012.

Governmental Accounting Standards Board Statement No. 66, *Technical Correction 2012, an amendment of GASB Statements No. 10 and No. 62*:

This Statement affects state and local government's risk financing activities to the general fund and the internal service fund type, and modifies the specific guidance on accounting for operating lease payments that vary from a straight-line basis. This Statement is effective for periods beginning after December 15, 2012.

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.

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.

Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*:

The Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, and clarifies the terms *mergers*, *acquisitions*, and *transfers of operations*. This Statement is effective for periods beginning on or after December 15, 2013.

Governmental Accounting Standards Board Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*:

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement is effective for periods beginning on or after June 15, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MAMMOTH LAKES
Note to Required Supplementary Information
Budgetary Comparison Information
Year Ended June 30, 2013

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, 2013

	Budget Amounts (unaudited)		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Resources (Inflows)				
Taxes and assessments	\$ 16,096,521	\$ 16,096,521	\$ 18,224,865	\$ 2,128,344
Licenses and permits	304,769	304,769	289,695	(15,074)
Intergovernmental	1,099,832	1,099,832	610,351	(489,481)
Charge for services	1,071,059	1,071,059	652,757	(418,302)
Fines and penalties	43,500	43,500	60,155	16,655
Use of money and property	8,232	8,232	37,839	29,607
Other revenue	428,856	428,856	2,521,398	2,092,542
Transfers in from other funds	11,949,889	11,949,889	10,507,203	(1,442,686)
Amounts Available for Appropriation	31,002,658	31,002,658	32,904,263	1,901,605
Charges to Appropriations (Outflow)				
General government	3,864,985	3,864,985	6,874,875	(3,009,890)
Public safety	5,634,083	5,634,083	4,279,585	1,354,498
Tourism, parks and recreation	3,474,509	3,474,509	3,532,371	(57,862)
Community development	2,253,755	2,253,755	1,817,164	436,591
Public ways / streets	911,126	911,126	592,459	318,667
Transportation and transit	1,074,662	1,074,662	947,938	126,724
Workforce housing	1,204,337	1,204,337	1,264,722	(60,385)
Transfers out to other funds	15,627,492	15,627,492	16,505,692	(878,200)
Total Charges to Appropriations	34,044,949	34,044,949	35,814,806	(1,769,857)
Surplus (Deficit)	\$ (3,042,291)	\$ (3,042,291)	\$ (2,910,543)	\$ 131,748

TOWN OF MAMMOTH LAKES
Fund Balance Designations Section of the Balance Sheet
Governmental Funds
June 30, 2013

Fund Balances	General Fund	Major Governmental Funds	Nonmajor Governmental Funds	Total
Nonspendable:				
Long term notes receivable	\$ 913,928	\$ -	\$ -	\$ 913,928
Restricted for:				
Measure R projects	-	1,364,434	-	1,364,434
Measure U projects	-	1,004,402	-	1,004,402
Drug enforcement programs	-	-	31,099	31,099
Total restricted fund balances	-	2,368,836	31,099	2,399,935
Committed:				
Reserve for Economic Uncertainty	1,295,137	-	-	1,295,137
Total committed fund balances	1,295,137	-	-	1,295,137
Assigned:				
Debt service	-	-	301,881	301,881
Total assigned fund balances	-	-	301,881	301,881
Unassigned	3,339,282	50,167	(4,897,900)	(1,508,451)
Total Fund Balances	\$ 5,548,347	\$ 2,419,003	\$ (4,564,920)	\$ 3,402,430

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MAMMOTH LAKES

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

Page 1 of 4

Capital Projects Funds:													Total
													Nonmajor
													Capital
													Projects
													Funds
Assets	DIF Admin Overhead	DIF Gen. Fac. Fund	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE (Library)	DIF Circulation (Streets)	DIF Fire Facility, Veh. & Eq. Improvement	DIF Airport Improvement	DIF Public Arts Program			
Cash and investments	\$ 1,071	\$ -	\$ -	\$ -	\$ 209,840	\$ 44,972	\$ 183	\$ 57,639	\$ 9,867	\$ 34,706	\$ 358,278	\$ 358,278	
Receivables	-	-	-	-	119	26	-	33	6	-	184	184	
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	
Total Assets	\$ 1,071	\$ -	\$ -	\$ -	\$ 209,959	\$ 44,998	\$ 183	\$ 57,672	\$ 9,873	\$ 34,706	\$ 358,462	\$ 358,462	
Liabilities													
Payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90	\$ 90	\$ 90	
Cash overdraft	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	
Due to the general fund	554,400	1,135,803	628,298	609,612	-	-	1,053,159	-	-	-	3,981,272	3,981,272	
Due to other funds	-	1,275,000	-	-	-	-	-	-	-	-	1,275,000	1,275,000	
Total Liabilities	554,400	2,410,803	628,298	609,612	-	-	1,053,159	-	-	90	5,256,362	5,256,362	
Fund Balances													
Special revenue funds	-	-	-	-	-	-	-	-	-	-	-	-	
Capital projects funds	(553,329)	(2,410,803)	(628,298)	(609,612)	209,959	44,998	(1,052,976)	57,672	9,873	34,616	(4,897,900)	(4,897,900)	
Debt service fund	-	-	-	-	-	-	-	-	-	-	-	-	
Total Fund Balances	(553,329)	(2,410,803)	(628,298)	(609,612)	209,959	44,998	(1,052,976)	57,672	9,873	34,616	(4,897,900)	(4,897,900)	
Total Liabilities and Fund Balances	\$ 1,071	\$ -	\$ -	\$ -	\$ 209,959	\$ 44,998	\$ 183	\$ 57,672	\$ 9,873	\$ 34,706	\$ 358,462	\$ 358,462	

Page 2 of 4

54

TOWN OF MAMMOTH LAKES

Combining Statement of Revenue, Expenditures, and Change in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2013

Page 3 of 4

	Capital Projects Funds:										Total	Nonmajor Capital Projects Funds
	DIF Admin Overhead	DIF Gen. Fac. Fund	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE (Library)	DIF Circulation (Streets)	DIF Fire Facility, Veh. & Eq.	DIF Airport Improve.	Public Arts Program		
Revenue												
Intergovernmental	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	-
Charge for services	-	-	-	-	-	7,487	-	30,734	-	-	-	38,221
Taxes and assessments	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	637	121	-	151	31	-	-	940
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	637	7,608	-	30,885	31	-	-	39,161
Expenditures												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	317,885	-	317,885
Public ways / streets	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and transit	-	-	-	-	-	-	-	-	-	-	-	-
Tourism, parks and recreation	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-	-	-	317,885	-	317,885
Excess of Revenue over (under) Expenditures	-	-	-	-	637	7,608	-	30,885	31	(317,885)	-	(278,724)
Other Financing Sources (Uses)												
Transfers in	1,529	-	1,093	1,474	-	-	-	-	-	-	-	4,096
Transfers (out)	-	-	-	-	-	(299)	-	(1,229)	-	-	-	(1,528)
Proceeds from long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Sources (Uses)	1,529	-	1,093	1,474	-	(299)	-	(1,229)	-	-	-	2,568
Change in Fund Balances												
Fund Balances - beginning	1,529	-	1,093	1,474	637	7,309	-	29,656	31	(317,885)	-	(276,156)
Fund Balances - end of year	(554,858)	(2,410,803)	(629,391)	(611,086)	209,322	37,689	(1,052,976)	28,016	9,842	352,501	-	(4,621,744)
	\$ (553,329)	\$ (2,410,803)	\$ (628,298)	\$ (609,612)	\$ 209,959	\$ 44,998	\$ (1,052,976)	\$ 57,672	\$ 9,873	\$ 34,616	\$	\$ (4,897,900)

TOWN OF MAMMOTH LAKES

Combining Statement of Revenue, Expenditures, and Change in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2013

Page 4 of 4

	Special Revenue Funds:			Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenue	Gas Tax Fund	LTC Planning Transportation & Transit	Drug Enforcement Fund				
Intergovernmental	\$ 1,642,696	\$ 216,847	\$ -	\$ 1,859,543	\$ -	\$ -	\$ 1,859,543
Charge for services	39,029	-	-	39,029	38,221	-	77,250
Taxes and assessments	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	940	13	953
Other revenue	-	-	1,000	1,000	-	-	1,000
Total Revenue	1,681,725	216,847	1,000	1,899,572	39,161	13	1,938,746
Expenditures							
General government	-	-	-	-	-	-	-
Public safety	-	-	2,027	2,027	-	-	2,027
Community services	-	-	-	-	-	-	-
Community development	-	-	-	-	317,885	-	317,885
Public ways / streets	3,062,590	-	-	3,062,590	-	-	3,062,590
Capital projects	-	-	-	-	-	-	-
Transportation and transit	-	220,040	-	220,040	-	-	220,040
Tourism and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	556,268	556,268
Total Expenditures	3,062,590	220,040	2,027	3,284,657	317,885	556,268	4,158,810
Excess of Revenue over (under) Expenditures	(1,380,865)	(3,193)	(1,027)	(1,385,085)	(278,724)	(556,255)	(2,220,064)
Other Financing Sources (Uses)							
Transfers in	1,993,403	3,193	-	1,996,596	4,096	730,385	2,731,077
Transfers (out)	(612,538)	-	-	(612,538)	(1,528)	(78,504)	(692,570)
Proceeds from long-term debt	-	-	-	-	-	-	-
Total Other Sources (Uses)	1,380,865	3,193	-	1,384,058	2,568	651,881	2,038,507
Change in Fund Balances	-	-	(1,027)	(1,027)	(276,156)	95,626	(181,557)
Fund Balances - beginning	-	-	32,126	32,126	(4,621,744)	206,255	(4,383,363)
Fund Balances - end of year	\$ -	\$ -	\$ 31,099	\$ 31,099	\$ (4,897,900)	\$ 301,881	\$ (4,564,920)

TOWN OF MAMMOTH LAKES
Internal Service Funds
Combining Statement of Net Position
June 30, 2013

	Vehicle Service	Self- Insurance	Totals
Assets			
Cash and investments	\$ 3,623,770	\$ 80,313	\$ 3,704,083
Receivables	40,407	-	40,407
Prepaid expenses	382,270	-	382,270
Interfund loans	1,275,000	-	1,275,000
Interfund loans - general fund	3,976,207	-	3,976,207
Capital assets, net of depreciation	2,314,813	-	2,314,813
Total Assets	11,612,467	80,313	11,692,780
Liabilities			
Payables	83,648	11,340	94,988
Compensated absences - current	9,532	-	9,532
Compensated absences - noncurrent	28,594	-	28,594
Total Liabilities	121,774	11,340	133,114
Net Position			
Invested in capital assets, net of related debt	2,314,813	-	2,314,813
Unrestricted	9,175,880	68,973	9,244,853
Total Net Position	\$ 11,490,693	\$ 68,973	\$ 11,559,666

TOWN OF MAMMOTH LAKES
Internal Service Funds

Combining Statement of Revenue, Expenses, and Change in Net Position
Year Ended June 30, 2013

Page 2 of 2

	Vehicle Service	Self- Insurance	Totals
Operating Revenue			
Charges for services	\$ 1,839,722	\$ 240,418	\$ 2,080,140
Operating Expenses			
Personal services	557,466	20,801	578,267
Maintenance and operations	627,017	-	627,017
Benefit claims	-	245,870	245,870
Depreciation	507,068	-	507,068
Total Operating Expenses	1,691,551	266,671	1,958,222
Operating Income (Loss)	148,171	(26,253)	121,918
Nonoperating Revenue (Expenses)			
Investment earnings	5,687	-	5,687
Other revenue	258,203	-	258,203
Total Nonoperating Revenue (Expenses)	263,890	-	263,890
Income Before Transfers	412,061	(26,253)	385,808
Transfers in from other funds	-	-	-
Transfers (out) to other funds	(58,521)	-	(58,521)
Change in Net Position	353,540	(26,253)	327,287
Net Position - beginning	1,137,153	95,226	1,232,379
Net Position - end of year	\$ 1,490,693	\$ 68,973	\$ 1,559,666

APPENDIX A

TOWN OF MAMMOTH LAKES
California

Single Audit Report

**Year Ended
June 30, 2013**

TOWN OF MAMMOTH LAKES

Single Audit Report

Table of Contents

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*.....2

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct And
Material Effect on Each Major Program and On Internal Control over Compliance in Accordance
With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards3-4

Schedule of Expenditures of Federal Awards5

Notes to the Schedule of Expenditures of Federal Awards.....6

Schedule of Findings and Questioned Costs7

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 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, California, as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 13, 2013. 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.

Internal Control over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mammoth Lakes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

This report is intended solely for the information and use of management, members of the Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Marcello & Company

Certified Public Accountants
Sacramento, California
November 13, 2013

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

Independent Auditor's Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And On The Schedule of Expenditures of Federal Awards

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

Compliance

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, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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 the Town's 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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2013.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the Town's 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.

Honorable Mayor
Members of the Town Council
Mammoth Lakes, California

A material weakness in internal control over compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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, 2013, and have issued our report thereon dated November 13, 2013. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, members of the Town Council, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Marcello & Company

Certified Public Accountants
Sacramento, California
November 13, 2013

TOWN OF MAMMOTH LAKES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION (DOT)		
Highway Planning & Construction (Federal-Aid Highway Program)		
Lake Mary Road Completion Project TE Kiosks (ARRA) ESPL-5439(023)	ARRA 20.205	\$ 13,382
Mammoth Creek Gap #RPSTPLE-5439 (030)	20.205	686
Lakeview Road Project #HSAIPL-5439 (021)	20.205	688,631
Federal Safe Routes to School (SRTS) Program		
SR2S Meridian - Program #SRTSL-5439 (028)	20.205	7,580
Sierra Park Gap Project #SRTSL-5439 (023)	20.205	654,768
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the State of California, Dept. of Transportation (Caltrans)		
USFS Lands Way Funding Project #10-CSd-10059702-093	20.205	<u>45,684</u>
SUBTOTAL CFDA No. 20.205		\$ 1,410,731
U.S. DEPARTMENT OF TRANSPORTATION (DOT)		
Airport Improvement Program		
Direct Award: Federal Aviation Administration (FAA)		
FAA Grant: AIP 18 Project #03-06-0146-26	20.106	\$ 96,551
FAA Grant: AIP 23 Project #03-06-0146-28	20.106	<u>468,867</u>
SUBTOTAL CFDA No. 20.106		\$ 565,418
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)		
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 #09-STAR-6383	ARRA 14.255	<u>293,435</u>
Total Expenditures of Federal Awards		<u>\$ 2,269,584</u>

TOWN OF MAMMOTH LAKES
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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, 2013. 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, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

- | | |
|---|----------------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | <i>No</i> |
| b. Significant deficiencies identified not considered to be material weaknesses? | <i>None Reported</i> |
| 2. Type of auditor's report issued on compliance for major programs: | <i>Unqualified</i> |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? | <i>No</i> |
| 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)
ARRA 14.255	U.S. Dept of Housing & Urban Dev. (HUD)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year: None Reported
Prior Year: The June 30, 2012 electronic submission of the Single Audit report to the Federal Audit Clearinghouse (FAC) was sent and completed by the Town of Mammoth Lakes on March 26, 2013. The auditor certified the same report on March 26, 2013. The FAC reported processing the Single Audit report on April 3, 2013, which is 3 days after the due date. Based upon the electronic (internet) correspondence provided to the Town and auditor by the FAC, the Town did comply with its filing requirement by the due date of March 31, 2013. We are reporting this information for purposes of full disclosure.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year: None Reported
Prior Year: None Reported

