

TOWN OF MAMMOTH LAKES
California

Single Audit Report

**Year Ended
June 30, 2012**

TOWN OF MAMMOTH LAKES

Single Audit Report

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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, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 15, 2012. 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

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 15, 2012

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, 2012. 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, 2012.

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, 2012, and have issued our report thereon dated November 15, 2012. 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 15, 2012

TOWN OF MAMMOTH LAKES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<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)		
Airport Improvement Program		
Direct Award: Federal Aviation Administration (FAA)		
FAA Grant: AIP 18 Project #03-06-0146-18	20.106	\$ 51,821
FAA Grant: AIP 23 Project #03-06-0146-23	20.106	6,926
Highway Planning & Construction (Federal-Aid Highway Program)		
Lake Mary Road TE Kiosks (ARRA)		
Project ESPL-5439(023)	ARRA 20.205	36,402
Lakeview Road Project #HSAIPL-5439 (021)	20.205	27,818
Federal Safe Routes to School (SRTS) Program		
Sierra Park Gap Project #SRTS-5439 (023)	20.205	29,111
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	22,316
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	398,491
U.S. DEPARTMENT OF JUSTICE (DOJ)		
Public Safety Partnership and Community Policing Grants (COPS)		
Direct Award: COPS Hiring Recovery Program (CHRP)		
Grant #2009RKWX0130	ARRA 16.710	149,035
U.S. DEPARTMENT OF ENERGY		
Energy Efficiency & Conservation Block Grant		
Passed through the State of California,		
California Energy Commission		
State Program B/A IT.3360-001-0890 (2)		
Energy Resources Conservation	ARRA 81.042	<u>41,646</u>
Total Expenditures of Federal Awards		<u>\$ 763,566</u>

TOWN OF MAMMOTH LAKES
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

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, 2012. 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, 2012

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>
ARRA 14.255	U.S. Dept of HUD - CDBG State's Program

- | | |
|---|------------------|
| 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:	None Reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year:	None Reported
Prior Year:	None Reported

TOWN OF MAMMOTH LAKES
California

Annual Financial Report
June 30, 2012

TOWN OF MAMMOTH LAKES

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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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Mammoth Lakes' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of the Town of Mammoth Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 43 through 44, 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, 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. The Town of Mammoth Lakes has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mammoth Lakes' financial statements as a whole. The schedule of funding progress-defined benefit pension plans, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedule of funding progress-defined benefit pension plans were provided to the Town of Mammoth Lakes by the California Public Employees' Retirement System Actuarial Office and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Marcello & Company

Certified Public Accountants
Sacramento, California
November 15, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MAMMOTH LAKES
Government-Wide Financial Statements
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 7,228,661	\$ 148,172	\$ 7,376,833
Receivables	4,372,526	379,052	4,751,578
Internal balances	3,790,967	(3,790,967)	-
Prepaid expenses	432,130	6,047	438,177
Loans receivable	648,097	-	648,097
Notes receivable	12,720,723	45,860	12,766,583
Restricted cash with fiscal agent	206,256	-	206,256
Capital assets not being depreciated	12,454,460	544,316	12,998,776
Capital assets, net of depreciation	71,878,020	9,449,778	81,327,798
Total assets	113,731,840	6,782,258	120,514,098
Liabilities			
Accounts payable	1,396,902	28,356	1,425,258
Deferred revenue	576,820	-	576,820
Noncurrent liabilities:			
Due within one year	548,888	43,168	592,056
Due in more than one year	2,817,239	119,678	2,936,917
Lawsuit judgment obligation:			
Due within one year	2,523,286	-	2,523,286
Due in more than one year	26,977,148	-	26,977,148
Total liabilities	34,840,283	191,202	35,031,485
Net Assets			
Invested in capital assets, net of related debt	81,587,619	9,848,212	91,435,831
Restricted	2,910,849	-	2,910,849
Unrestricted	(5,606,911)	(3,257,156)	(8,864,067)
Total net assets	\$ 78,891,557	\$ 6,591,056	\$ 85,482,613

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, 2012

	General Fund	Housing & Community Development Fund	Gas Tax Fund	General Facilities DIF Fund	Measure R Sales Tax Fund	Measure U Utility Users Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and investments	\$ 2,732,764	\$ -	\$ 143,156	\$ -	\$ 1,702,179	\$ 795,428	\$ 670,115	\$ 6,043,642
Receivables	2,392,067	324,706	-	644	136,000	50,833	1,377,249	4,281,499
Notes receivable	900,000	11,820,723	-	-	-	-	-	12,720,723
Interfund loans	8,420,337	-	-	-	-	-	-	8,420,337
Restricted cash	-	-	-	-	-	-	206,256	206,256
Total assets	\$ 14,445,168	\$ 12,145,429	\$ 143,156	\$ 644	\$ 1,838,179	\$ 846,261	\$ 2,253,620	\$ 31,672,457
Liabilities								
Accounts payable	\$ 1,024,314	\$ 13,541	\$ 143,156	\$ -	\$ 6,833	\$ 5,139	\$ 88,726	\$ 1,281,709
Cash overdraft	8,938	311,165	-	644	-	-	1,141,818	1,462,565
Deferred revenue	576,820	11,820,723	-	-	-	-	-	12,397,543
Interfund loans	4,376,207	-	-	2,410,803	-	-	2,845,470	9,632,480
Total liabilities	5,986,279	12,145,429	143,156	2,411,447	6,833	5,139	4,076,014	24,774,297
Fund Balances								
Non-spendable	900,000	-	-	-	-	-	-	900,000
Restricted	-	-	-	-	1,831,346	841,122	238,381	2,910,849
Committed	1,045,137	-	-	-	-	-	-	1,045,137
Assigned	-	-	-	-	-	-	-	-
Unassigned	6,513,752	-	-	(2,410,803)	-	-	(2,060,775)	2,042,174
Total fund balances	8,458,889	-	-	(2,410,803)	1,831,346	841,122	(1,822,394)	6,898,160
Total liabilities and fund balances	\$ 14,445,168	\$ 12,145,429	\$ 143,156	\$ 644	\$ 1,838,179	\$ 846,261	\$ 2,253,620	\$ 31,672,457

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

TOWN OF MAMMOTH LAKES
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Housing & Community Development Fund	Gas Tax Fund	General Facilities DIF Fund	Measure R Sales Tax Fund	Measure U Utility Users Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and investments	\$ 2,732,764	\$ -	\$ 143,156	\$ -	\$ 1,702,179	\$ 795,428	\$ 670,115	\$ 6,043,642
Receivables	2,392,067	324,706	-	644	136,000	50,833	1,377,249	4,281,499
Notes receivable	900,000	11,820,723	-	-	-	-	-	12,720,723
Interfund loans	8,420,337	-	-	-	-	-	-	8,420,337
Restricted cash	-	-	-	-	-	-	206,256	206,256
Total assets	<u>\$ 14,445,168</u>	<u>\$ 12,145,429</u>	<u>\$ 143,156</u>	<u>\$ 644</u>	<u>\$ 1,838,179</u>	<u>\$ 846,261</u>	<u>\$ 2,253,620</u>	<u>\$ 31,672,457</u>
Liabilities								
Accounts payable	\$ 1,024,314	\$ 13,541	\$ 143,156	\$ -	\$ 6,833	\$ 5,139	\$ 88,726	\$ 1,281,709
Cash overdraft	8,938	311,165	-	644	-	-	1,141,818	1,462,565
Deferred revenue	576,820	11,820,723	-	-	-	-	-	12,397,543
Interfund loans	4,376,207	-	-	2,410,803	-	-	2,845,470	9,632,480
Total liabilities	<u>5,986,279</u>	<u>12,145,429</u>	<u>143,156</u>	<u>2,411,447</u>	<u>6,833</u>	<u>5,139</u>	<u>4,076,014</u>	<u>24,774,297</u>
Fund Balances								
Non-spendable	900,000	-	-	-	-	-	-	900,000
Restricted	-	-	-	-	1,831,346	841,122	238,381	2,910,849
Committed	1,045,137	-	-	-	-	-	-	1,045,137
Assigned	-	-	-	-	-	-	-	-
Unassigned	6,513,752	-	-	(2,410,803)	-	-	(2,060,775)	2,042,174
Total fund balances	<u>8,458,889</u>	<u>-</u>	<u>-</u>	<u>(2,410,803)</u>	<u>1,831,346</u>	<u>841,122</u>	<u>(1,822,394)</u>	<u>6,898,160</u>
Total liabilities and fund balances	<u>\$ 14,445,168</u>	<u>\$ 12,145,429</u>	<u>\$ 143,156</u>	<u>\$ 644</u>	<u>\$ 1,838,179</u>	<u>\$ 846,261</u>	<u>\$ 2,253,620</u>	<u>\$ 31,672,457</u>

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, 2012

	General Fund	Housing & Community Development Fund	Gas Tax Fund	DIF General Facilities Fund	Measure R Sales Tax Fund	Measure U Utility Users Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenue								
Taxes and assessments	\$ 16,179,213	\$ -	\$ -	\$ -	\$ 1,044,059	\$ 883,134	\$ -	\$ 18,106,406
Licenses and permits	267,274	-	-	-	-	-	-	267,274
Intergovernmental	689,497	836,235	2,116,002	-	-	-	1,982,685	5,624,419
Charge for services	952,590	-	34,353	6,096	-	-	31,865	1,024,904
Fines and penalties	44,614	-	-	-	-	-	-	44,614
Use of money and property	88,211	-	-	2,543	-	-	971	91,725
Other revenue	97,934	-	28,200	-	-	-	176,795	302,929
Total revenue	18,319,333	836,235	2,178,555	8,639	1,044,059	883,134	2,192,316	25,462,271
Expenditures								
General government	6,241,491	-	-	-	-	-	-	6,241,491
Public safety	5,345,361	-	-	-	-	-	5,325	5,350,686
Tourism, parks and recreation	3,378,478	-	-	-	337,803	42,012	-	3,758,293
Community development	1,633,877	-	-	-	-	-	20,108	1,653,985
Public works / streets	1,322,357	-	3,995,143	-	-	-	-	5,317,500
Capital projects	-	-	-	-	-	-	2,102,025	2,102,025
Transportation and transit	1,114,243	-	-	-	-	-	216,437	1,330,680
Workforce housing	779,420	908,842	-	-	-	-	-	1,688,262
Debt service	-	-	-	-	-	-	597,418	597,418
Total expenditures	19,815,227	908,842	3,995,143	-	337,803	42,012	2,941,313	28,040,340
Excess of Revenue over (under) Expenditures	(1,495,894)	(72,607)	(1,816,588)	8,639	706,256	841,122	(748,997)	(2,578,069)
Other Financing Sources (Uses)								
Transfers in	11,411,349	-	2,107,565	-	-	-	1,025,218	14,544,132
Transfers (out)	(14,864,063)	-	(290,977)	-	(181,439)	-	(140,835)	(15,477,314)
Total other financing sources	(3,452,714)	-	1,816,588	-	(181,439)	-	884,383	(933,182)
Change in Fund Balances	(4,948,608)	(72,607)	-	8,639	524,817	841,122	135,386	(3,511,251)
Fund Balances - beginning	13,407,497	72,607	-	(2,419,442)	1,306,529	-	(1,957,780)	10,409,411
Fund Balances - end of year	\$ 8,458,889	\$ -	\$ -	\$ (2,410,803)	\$ 1,831,346	\$ 841,122	\$ (1,822,394)	\$ 6,898,160

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

TOWN OF MAMMOTH LAKES
Proprietary Funds
Statement of Net Assets
June 30, 2012

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport Management	Landfill Management	Total Enterprise Funds	
Assets				
Current assets:				
Cash and investments	\$ 147,631	\$ 541	\$ 148,172	\$ 2,647,584
Receivables - accounts and grants	379,051	1	379,052	91,027
Prepaid expenses	6,047	-	6,047	432,130
Interfund loans	-	-	-	1,275,000
Interfund loans - general fund	-	-	-	4,376,207
Total current assets	532,729	542	533,271	8,821,948
Noncurrent assets:				
Note receivable	45,860	-	45,860	-
Capital assets not being depreciated	544,316	-	544,316	-
Capital assets, net of depreciation	9,449,778	-	9,449,778	2,567,109
Total noncurrent assets	10,039,954	-	10,039,954	2,567,109
Total assets	10,572,683	542	10,573,225	11,389,057
Liabilities				
Current liabilities:				
Accounts payable	28,332	24	28,356	115,194
Note payable - current	38,927	-	38,927	-
Compensated absences	4,241	-	4,241	10,371
Interfund loans - general fund	3,790,967	-	3,790,967	-
Total current liabilities	3,862,467	24	3,862,491	125,565
Noncurrent liabilities:				
Note payable - noncurrent	106,955	-	106,955	-
Compensated absences	12,723	-	12,723	31,113
Total noncurrent liabilities	119,678	-	119,678	31,113
Total liabilities	3,982,145	24	3,982,169	156,678
Net Assets				
Invested in capital assets, net of related debt	9,848,212	-	9,848,212	2,567,109
Unrestricted	(3,257,674)	518	(3,257,156)	8,665,270
Total net assets	\$ 6,590,538	\$ 518	\$ 6,591,056	\$ 11,232,379

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 Assets
Year Ended June 30, 2012

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Operating Revenue				
Charges for services	\$ 656,630	\$ 2,830	\$ 659,460	\$ 2,265,593
Operating grants	1,000,000	-	1,000,000	-
Total operating revenue	<u>1,656,630</u>	<u>2,830</u>	<u>1,659,460</u>	<u>2,265,593</u>
Operating Expenses				
Personnel services	341,356	2,788	344,144	704,796
Maintenance and operations	884,936	1,019	885,955	803,930
Depreciation	1,394,239	-	1,394,239	505,947
Total operating expenses	<u>2,620,531</u>	<u>3,807</u>	<u>2,624,338</u>	<u>2,014,673</u>
Operating Income (Loss)	<u>(963,901)</u>	<u>(977)</u>	<u>(964,878)</u>	<u>250,920</u>
Nonoperating Revenue (Expenses)				
Investment earnings	-	-	-	14,297
Other revenue	60,148	5	60,153	19,194
Interest expense	(67,920)	-	(67,920)	-
Total nonoperating revenue (expenses)	<u>(7,772)</u>	<u>5</u>	<u>(7,767)</u>	<u>33,491</u>
Income Before Contributions/Transfers	<u>(971,673)</u>	<u>(972)</u>	<u>(972,645)</u>	<u>284,411</u>
Capital grants	255,864	-	255,864	-
Transfers in	769,177	-	769,177	-
Transfers (out)	(39,600)	-	(39,600)	(70,722)
Change in Net Assets	<u>13,768</u>	<u>(972)</u>	<u>12,796</u>	<u>213,689</u>
Net Assets - beginning	6,576,770	1,490	6,578,260	11,018,690
Net Assets - end of year	<u>\$ 6,590,538</u>	<u>\$ 518</u>	<u>\$ 6,591,056</u>	<u>\$ 11,232,379</u>

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

TOWN OF MAMMOTH LAKES
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2012

CASH FLOWS PROVIDED BY (USED FOR)

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Operating Activities				
Cash received from customers	\$ 693,705	\$ 2,832	\$ 696,537	\$ 2,323,700
Cash paid for employee services	(341,356)	(3,071)	(344,427)	(704,796)
Cash paid for maintenance & operations	(974,977)	(1,019)	(975,996)	(573,815)
Cash paid for benefit claims	-	-	-	(274,044)
Cash received from operating grants	1,000,000	-	1,000,000	-
Net cash provided (used)	<u>377,372</u>	<u>(1,258)</u>	<u>376,114</u>	<u>771,045</u>
Noncapital Financing Activities				
Transfers in	769,177	-	769,177	-
Transfers (out)	(39,600)	-	(39,600)	(70,722)
Net cash provided (used)	<u>729,577</u>	<u>-</u>	<u>729,577</u>	<u>(70,722)</u>
Capital & Related Financing Activities				
Proceeds from capital grants	319,703	-	319,703	-
Repayment of general fund advance	(1,197,080)	-	(1,197,080)	-
Interfund loan provided	-	-	-	(4,376,093)
Other cash received	60,150	-	60,150	19,194
Purchase of capital assets	(129,116)	-	(129,116)	(249,223)
Repayment of debt obligations	(68,027)	-	(68,027)	-
Interest paid on debt obligations	(67,920)	-	(67,920)	-
Net cash provided (used)	<u>(1,082,290)</u>	<u>-</u>	<u>(1,082,290)</u>	<u>(4,606,122)</u>
Investing Activities				
Investment earnings	-	5	5	14,297
Net Increase (Decrease) in Cash	24,659	(1,253)	23,406	(3,891,502)
Cash and cash equivalents - beginning	122,972	1,794	124,766	6,539,086
Cash and cash equivalents - end of year	<u>\$ 147,631</u>	<u>\$ 541</u>	<u>\$ 148,172</u>	<u>\$ 2,647,584</u>
Operating Activities Analysis				
Operating Income (Loss) (page 17)	\$ (963,901)	\$ (977)	\$ (964,878)	\$ 250,920
Reconciliation adjustments:				
Depreciation and disposals	1,394,239	-	1,394,239	505,947
(Increase) decrease in receivables	37,075	-	37,075	58,107
(Increase) decrease in prepaid expenses	-	-	-	(37,392)
Increase (decrease) in accounts payable	(90,041)	(281)	(90,322)	(6,537)
Net cash provided (used)	<u>\$ 377,372</u>	<u>\$ (1,258)</u>	<u>\$ 376,114</u>	<u>\$ 771,045</u>

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

TOWN OF MAMMOTH LAKES
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets	
Cash and investments	\$ 3,750,116
Cash with fiscal agent	1,404,695
Accounts receivables	27,945
Total assets	<u>5,182,756</u>
Liabilities	
Accounts payable	19,160
Advance loans payable - Town of Mammoth Lakes	648,097
Total liabilities	<u>667,257</u>
Net Assets Held in Trust	<u><u>\$ 4,515,499</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, 2012

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 Debt Obligations

Note 7 - Interfund Balances

Note 8 - Interfund Transfers

Note 9 - Retirement Plans

Note 10 - Accounts Payable

Note 11 - Net Assets and 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 - New Pronouncements

Note 17 - Subsequent Events

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

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 assets 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

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, 2012

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 primary general operating fund of the Town. It is used to account for all financial resources 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.
- Gas Tax Fund - this fund is used to account for restricted use financial resources received from federal, state and county governments, for street related expenditures.
- Development Impact Fees (DIF) General Facilities Fund - this fund is used to account for restricted use financial resources received from community development applicants which is used to relieve the additional financial burdens placed upon the Town's facilities, created both indirectly and directly from additional real estate developments.
- 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 Assets 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, 2012

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 Assets, 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, 2012

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 American Institute of Certified Public Accountants (AICPA). The Budgetary Comparison Schedules of the General Fund and Major Funds present 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 3, as amended by GASB 31 and GASB 40, 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 assets. 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, 2012

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 "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 employer's share of pension contributions and social security tax, 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, 2012

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 real 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 Assets and Fund Balances

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

- 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 Assets - includes resources that the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted Net Assets - 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, 2012

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	554,858
DIF law enforcement fund	629,391
DIF storm drains fund	611,085
DIF circulation (streets) fund	1,052,976
	<u>\$ 5,259,113</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

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

Cash Deficit Balances by Fund

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

Parks maintenance fund	\$	8,938
Housing & community development fund		311,165
General facilities DIF fund		644
Capital projects fund		971,091
DIF administration fund		458
DIF law enforcement fund		1,092
DIF storm drains fund		1,473
	<u>\$</u>	<u>1,294,861</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 indentures. Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets		
Cash and investments	\$	7,376,833
Restricted cash with fiscal agent		206,256
		<u>7,583,089</u>
Statement of Fiduciary Assets and Liabilities		
Cash and investments		3,750,116
Investments with fiscal agent		1,404,695
		<u>5,154,811</u>
Total	<u>\$</u>	<u>12,737,900</u>
Cash and Investments consist of the following:		
Deposits with financial institutions	\$	867,316
Investment with Local Agency Investment Fund		10,259,631
Investments by fiscal agents		1,610,953
Total	<u>\$</u>	<u>12,737,900</u>

Collateral and Categorization Requirements

At fiscal year end, the Town's carrying amount of demand deposits was \$873,550 and the bank account balances were \$1,678,078. The difference of \$804,528 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$1,428,078 collateralized in accordance with California Government Code Sections 53600 - 53609.

Investment Policy

The table below identifies the investment types that are authorized under provisions of the Town's investment policy adopted 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, 2012

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 of Mammoth 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.

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.

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."

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 3 - Cash and Investments (concluded)

At June 30, 2012, the Town had \$1,428,078 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, 2012, LAIF had 2,693 participants and approximately \$22 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.

Note 4 - Receivables

At June 30, 2012, accounts and other receivables as reported in the Statement of Net Assets - Total column, consist of the following:

<u>Receivables from</u>	
Transient lodging taxes	\$ 2,009,674
Grant reimbursements	2,066,899
Other reimbursements	229,040
Charges for services	52,373
Sales taxes	136,000
Utility users taxes	50,833
Other receivables	123,836
Airport rents	43,147
Interest earned	39,776
	\$ 4,751,578

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 4 - Receivables (continued)

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, 2012, notes receivables as reported in the Statement of Net Assets - Governmental Activities column consist of the following:

<u>Notes Receivable</u>	
Aspen Village housing	\$ 900,000
Bristlecone Apartments	977,684
Inyo Mono Advacates	820,532
Aspen Village housing	2,000,000
Aspen Village housing	3,412,500
Jefferias Apartments	3,412,500
CalHFA housing grant loan	343,907
Mammoth Lakes Housing, Inc.	853,600
	<u>\$ 12,720,723</u>

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	\$ -	\$ -	\$ 8,790,013
Construction-in-progress	8,784,920	-	(5,120,473)	3,664,447
	<u>17,574,933</u>	<u>-</u>	<u>(5,120,473)</u>	<u>12,454,460</u>
<u>Depreciable Assets</u>				
Buildings and structures	19,280,424	746,367	-	20,026,791
Streets and roads	178,391,417	120,014	-	178,511,431
Storm drains	14,178,357	358,378	-	14,536,735
Vehicles and equipment	881,454	988,524	-	1,869,978
	<u>212,731,652</u>	<u>2,213,283</u>	<u>-</u>	<u>214,944,935</u>
<u>Accumulated Depreciation</u>	<u>(135,944,096)</u>	<u>(9,689,928)</u>	<u>-</u>	<u>(145,634,024)</u>
Depreciable assets, net	<u>76,787,556</u>	<u>(7,476,645)</u>	<u>-</u>	<u>69,310,911</u>
Total capital assets, net	<u>\$ 94,362,489</u>	<u>\$ (7,476,645)</u>	<u>\$ (5,120,473)</u>	<u>\$ 81,765,371</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 5 - Capital Assets (continued)

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

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Depreciable Assets</u></i>				
Vehicles and equipment	\$ 9,229,156	\$ 260,156	\$ (113,706)	\$ 9,375,606
<i><u>Accumulated depreciation</u></i>	<u>(6,405,323)</u>	<u>(505,947)</u>	<u>102,773</u>	<u>(6,808,497)</u>
 Total capital assets, net	 <u>\$ 2,823,833</u>	 <u>\$ (245,791)</u>	 <u>\$ (10,933)</u>	 <u>\$ 2,567,109</u>

Reported in the Statement of Net Assets are the combined capital assets of the governmental-type and internal service funds, as follows:

	<u>Governmental</u>	<u>Internal Service</u>	<u>Total</u>
Capital assets not being depreciated	\$ 12,454,460	\$ -	\$ 12,454,460
Capital assets, net of depreciation	<u>69,310,911</u>	<u>2,567,109</u>	<u>71,878,020</u>
	<u>81,765,371</u>	<u>2,567,109</u>	<u>\$ 84,332,480</u>

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

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Non-depreciable Assets</u></i>				
Land	\$ 544,316	\$ -	\$ -	\$ 544,316
<i><u>Depreciable Assets</u></i>				
Buildings and runway	14,657,354	94,149	-	14,751,503
Vehicles and equipment	<u>2,507,187</u>	<u>34,968</u>	<u>-</u>	<u>2,542,155</u>
	17,164,541	129,117	-	17,293,658
<i><u>Accumulated Depreciation</u></i>	<u>(6,449,640)</u>	<u>(1,394,240)</u>	<u>-</u>	<u>(7,843,880)</u>
Depreciable assets, net	<u>10,714,901</u>	<u>(1,265,123)</u>	<u>-</u>	<u>9,449,778</u>
 Total capital assets, net	 <u>\$ 11,259,217</u>	 <u>\$ (1,265,123)</u>	 <u>\$ -</u>	 <u>\$ 9,994,094</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 6 - Long Term Debt Obligations

Compensated Absences

City 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 assets in the amount of \$551,339 for governmental activities, and \$162,846 for business-type activities.

Loans Payable - Governmental Activities

On August 16, 2004, the Municipal Finance Corporation loaned the Town \$500,000 for financing construction of the Visitors Welcome Center. Principal and interest payments in the amount of \$40,600 are due semi-annually on January 15 and July 15, with interest at 3.5% per annum. The debt matured in fiscal year 2011-12. As of June 30, 2012, the outstanding balance was paid in full.

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 2019-20. As of June 30, 2012, the outstanding balance was \$501,461.

Year Ending June 30,	State Water Resources Control Board		
	Principal	Interest	Total
2013	\$ 66,449	\$ 12,538	\$ 78,987
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
2018-2020	152,181	5,733	157,914
	<u>\$ 501,461</u>	<u>\$ 51,391</u>	<u>\$ 552,852</u>

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 2025-26. As of June 30, 2012, the outstanding balance was \$1,720,000.

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 2014-15. As of June 30, 2012, the outstanding balance was \$317,763.

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 2014-15. As of June 30, 2012, the outstanding balance was \$205,637.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 6 - Long Term Debt Obligations (continued)

Year Ending June 30,	Certificates of Participation					
	2000 Land Acquisition	2004 Land Acquisition	2004 Land Acquisition	Total Principal	Interest	Total
2013	\$ 90,000	\$ 155,821	\$ 98,783	\$ 344,604	\$ 129,580	\$ 474,184
2014	100,000	161,942	106,854	368,796	114,000	482,796
2015	100,000	-	-	100,000	99,955	199,955
2016	100,000	-	-	100,000	93,580	193,580
2017	115,000	-	-	115,000	357,610	472,610
2018-2022	685,000	-	-	685,000	116,820	801,820
2023-2025	530,000	-	-	530,000	71,610	601,610
	<u>\$ 1,720,000</u>	<u>\$ 317,763</u>	<u>\$ 205,637</u>	<u>\$ 2,243,400</u>	<u>\$ 983,155</u>	<u>\$ 3,226,555</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 2016-17. As of June 30, 2012, the outstanding balance was \$145,882.

Year Ending June 30,	State Department of Transportation		
	Principal	Interest	Total
2013	\$ 38,927	\$ 7,367	\$ 46,294
2014	40,657	5,401	46,058
2015	42,388	3,348	45,736
2016	23,910	1,207	25,117
	<u>\$ 145,882</u>	<u>\$ 17,323</u>	<u>\$ 163,205</u>

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

	Beginning Balance	Additions Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Certificates of participation	\$ 2,678,479	\$ -	\$ (435,079)	\$ 2,243,400	\$ 344,604
Loans payable	606,171	-	(104,710)	501,461	66,449
Compensated absences	537,004	14,335	-	551,339	137,835
	<u>\$ 3,821,654</u>	<u>\$ 14,335</u>	<u>\$ (539,789)</u>	<u>\$ 3,296,200</u>	<u>\$ 548,888</u>
<u>Business-type Activities</u>					
Loans payable	\$ 183,079	\$ -	\$ (37,197)	\$ 145,882	\$ 38,927
Compensated absences	47,794	-	(30,830)	16,964	4,241
	<u>\$ 230,873</u>	<u>\$ -</u>	<u>\$ (68,027)</u>	<u>\$ 162,846</u>	<u>\$ 43,168</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 6 - Long Term Debt Obligations (concluded)

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. The Town settled with the claimant in September 2012 for \$29,500,434. The judgment amount is being amortized over a 24 year period. The first payment of \$2,523,286 is due in fiscal year 2012-13, with 23 subsequent annual payments of \$2,000,000, principal and interest at 5% per annum.

Year Ending June 30,	Lawsuit Judgment Payment Schedule		
	Principal	Interest	Total
2013	\$ 2,523,286	\$ -	\$ 2,523,286
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
2018-2022	4,373,360	5,626,640	10,000,000
2023-2027	5,581,638	4,418,362	10,000,000
2028-2032	7,123,742	2,876,258	10,000,000
2033-2035	7,091,901	908,099	8,000,000
	<u>\$ 29,500,434</u>	<u>\$ 19,022,852</u>	<u>\$ 48,523,286</u>

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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 the airport, with lease payments of \$1,758 per month.

Note 7 - Interfund Balances

In its efforts to become a destination year round resort, the Town has worked for years towards the recently completed development of expanded airport facilities in order to accommodate larger aircraft, and has worked closely with the Federal Aviation Administration (FAA) in order to achieve this goal. Scheduled airline service commenced in the fall of 2008. The Town's general fund loaned the Airport enterprise fund the necessary capital funds to accomplish the required capital improvements. Formal interest bearing loan agreements were established as required by GASB; however the ability of the airport to repay its internal loans in the near future has been impaired due to current economic conditions.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 7 - Interfund Balances (continued)

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 repayment of loans by the capital project funds (including all developer impact fee loans) are anticipated with future developer impact fee (DIF) revenue.

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 assets/balance sheet for governmental funds, and for proprietary funds. These interfund balances have been eliminated in the government-wide financial statements.

Interfund balances at June 30, 2012 consist of the following:

<u>Due to the General fund from:</u>	
Airport funds	\$ 3,790,967
Capital projects funds	3,981,274
Fractional district agency funds	648,097
	<u>\$ 8,420,338</u>
 <u>Due to the Internal Service fund from:</u>	
General fund	\$ 4,376,207
DIF general facilities fund	1,275,000
	<u>\$ 5,651,207</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:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 8 - Interfund Transfers (continued)

Fund type	Operating transfers	
	In	Out
General fund	\$ 11,256,676	\$ 14,709,387
Gas tax fund	2,061,890	245,302
Capital projects funds	266,491	19,393
Measure R sales tax fund	-	181,439
Nonmajor governmental funds	42,824	-
Debt service fund	715,903	121,442
Airport operating fund	253,135	39,600
Airport debt service fund	516,042	-
Internal service fund	-	70,722
Agency funds	274,324	-
	\$ 15,387,285	\$ 15,387,285

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 2011-12 fiscal year rates were 18.7% for miscellaneous plan employees, and 29.3% for safety plan employees, of annual covered payroll. The subsequent 2012-13 fiscal year rate is 20.1% for miscellaneous plan employees, and 30.8% 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, 2012, the Town's total annual pension cost of \$2,192,411 to CalPERS was equal to the Town's required and actual employer contributions of \$1,187,085, and the employee share of \$1,005,326. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 9 - Retirement Plans (continued)

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%

Employer Side Fund

At the time of the Town joining the CalPERS risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the Town's two plans. At June 30, 2012 the side fund balances were \$2,906,984 for the miscellaneous plan, and \$1,266,889 for the safety plan. Payments to the side fund are included in the monthly required employer contributions. For the year ended June 30, 2012, the Town's total annual pension cost for the miscellaneous plan included side fund payments of approximately \$277,000, with approximately 12 years remaining for the amortization period, and the Town's total annual pension cost for the safety plan included side fund payments of approximately \$154,000, with approximately 8 years remaining for the amortization period.

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.

Three-year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009-10	\$ 1,922,348	100%	\$ -0-
2010-11	\$ 1,813,975	100%	\$ -0-
2011-12	\$ 2,192,411	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):

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	Funded Ratio		Annual Covered Payroll
				AVA	MVA	
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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

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

Age Factor Enhancement

Age at Retirement	CalPERS 3% at 50 Age Factor	Additional PARS Age Factor	CalPERS and PARS Combined Age Factor
51	3.00%	0.10%	3.10%
52	3.00%	0.20%	3.20%
53	3.00%	0.30%	3.30%
54	3.00%	0.40%	3.40%
55+	3.00%	0.50%	3.50%

Funding Status and Progress

As of June 30, 2012 there were 18 active participants and 6 retired participants. For fiscal year 2011-12, the Town contributed \$133,740 to the plan; employees are not required to make contributions. The following is the most recent actuarial valuation prepared on May 4, 2011:

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Funded Ratio	Annual Covered Payroll	Contribution As a % of Payroll
June 30, 2009	\$ 1,626,198	\$ 902,829	55.52%	\$ 2,132,648	6.76%

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, 2012

Note 9 - Retirement Plans (continued)

Plan 4 - Other Postretirement Benefit Plan

Plan Description

The Town provides retiree medical benefits to employees who (1) retire from the Town and (2) have paid their employee share of 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. 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. The Town paid \$26,718 in post employment benefits for 22 retired employees who were eligible for benefits during the fiscal year ended June 30, 2012, and contributed \$38,863 to the trust account with PARS.

The Town's annual other post employment benefit (OPEB) cost (expense) 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	\$	62,430
Interest on the net OPEB obligation		-
Adjustment to the Annual Required Contribution		-
Annual OPEB cost		62,430
Payments made		38,863
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 for the year ended June 30, 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
June 30, 2012	\$ 62,430	\$ 38,863	\$ 23,567

As of January 1, 2009, the most recent actuarial valuation date, the Plan was -0-% funded. The actuarial accrued liability (AAL) for benefits was \$581,235, and the actuarial value of the Plan assets was \$0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$581,235. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,499,751 and the ratio of UAAL to the covered payroll was 6.1%.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 9 - Retirement Plans (concluded)

Plan 4 - Other Postretirement Benefit Plan - continued

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 trend. 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.

Required Supplementary Information - Schedule of Funding Progress

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Entry Age Accrued</u>	<u>Unfunded Liability</u>	<u>Funding Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as a % of Payroll</u>
01/01/09	\$ -	\$ -	\$ 581,235	%	\$ 9,499,751	6.1%

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, 2009 actuarial valuation, the actuarial cost method use is 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 at of 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 7.75% interest rate, based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. Annual inflation and Aggregate Payroll are assumed to increase 3.25% per annum. Both post-retirement benefit increases and the healthcare cost trend are assumed to increase 4.14% per annum.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 10 - Accounts Payable

At June 30, 2012, 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	\$ 403,040
Consultants	126,287
Supply vendors	163,983
Tourism and promotion	172,217
Transist	109,268
Workforce housing expenses	16,573
Compensation and benefits	443,890
	\$ 1,435,258

Note 11 - Net Assets and 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, 2012

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 121 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 2011-12, the Town paid \$981,781 for its insurance policy 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

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

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

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

Workers' Compensation

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

C. Purchased Insurance

Pollution Legal Liability Insurance

The Town 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.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

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

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.

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. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2011-12.

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, 2012, the Town was in contract for several grant funded street projects, which are expected to be completed by December 31, 2012.

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, 2012 was as follows:

Bluffs Reassessment District 1993-4R	\$ 1,966,491
North Village Area 2003 Special Tax bonds	\$ 8,525,000

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 15 - Dependence upon Tourism Industry (continued)

General fund tax type:	Fiscal Year Ended June 30;				
	2008	2009	2010	2011	2012
Transient Occupancy	46%	51%	50%	55%	54%
Property	16%	21%	18%	16%	18%
Sales	9%	13%	8%	13%	16%
	<u>71%</u>	<u>85%</u>	<u>76%</u>	<u>84%</u>	<u>88%</u>

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. Note, an additional voter approved sales tax increase commenced in fiscal year 2008-09.

Note 16 - New Pronouncements

Governmental Accounting Standards Board Statement No. 62

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, which does not conflict with or contradict GASB pronouncements:

- 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."

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2012

Note 16 - New Pronouncements (continued)

It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

Governmental Accounting Standards Board Statement No. 68

The GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions," in June 2012. The primary objective of this standard is to improve accounting and financial reporting by state and local governments for pensions. The Statement requires the liability of employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The effective date of this Standard is for reporting periods beginning after June 15, 2014.

Note 17 - Subsequent Events

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 case. As a result, the Town is liable for a prior judgment award in the amount of \$42,186,032, and other current and noncurrent obligations previously entered into.

The management of the Town has reviewed the results of operations for the period from its fiscal year end June 30, 2012 through December 21, 2012, 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MAMMOTH LAKES
Note to Required Supplementary Information on
Budgetary Comparison Information
Year Ended June 30, 2012

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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<i>Resources (Inflows)</i>				
Taxes and assessments	\$ 16,892,795	\$ 16,892,795	\$ 16,179,213	\$ (713,582)
Licenses and permits	244,601	244,601	267,274	22,673
Intergovernmental	1,265,121	1,265,121	689,497	(575,624)
Charge for services	1,020,177	1,020,177	952,590	(67,587)
Fines and penalties	52,000	52,000	44,614	(7,386)
Use of money and property	108,835	108,835	88,211	(20,624)
Other revenue	719,696	719,696	97,934	(621,762)
Transfers in from other funds	11,264,829	11,264,829	11,411,349	146,520
Amounts Available for Appropriation	<u>31,568,054</u>	<u>31,568,054</u>	<u>29,730,682</u>	<u>(1,837,372)</u>
<i>Charges to Appropriations (Outflow)</i>				
General government	3,318,205	3,318,205	6,241,491	(2,923,286)
Public safety	5,345,909	5,345,909	5,345,361	548
Tourism, parks and recreation	3,417,034	3,417,034	3,378,478	38,556
Community development	1,834,108	1,834,108	1,633,877	200,231
Public ways / streets	805,958	805,958	1,322,357	(516,399)
Transportation and transit	1,180,955	1,180,955	1,114,243	66,712
Workforce housing	471,106	471,106	779,420	(308,314)
Transfers out to other funds	15,306,722	15,306,722	14,864,063	442,659
Total Charges to Appropriations	<u>31,679,997</u>	<u>31,679,997</u>	<u>34,679,290</u>	<u>(2,999,293)</u>
<i>Surplus (Deficit)</i>	<u>\$ (111,943)</u>	<u>\$ (111,943)</u>	<u>\$ (4,948,608)</u>	<u>\$ (4,836,665)</u>

TOWN OF MAMMOTH LAKES
Fund Balance Designations Section of the Balance Sheet
Governmental Funds
June 30, 2012

Fund Balances	General Fund	Major Governmental Funds	Nonmajor Governmental Funds	Total
Nonspendable:				
Long term notes receivable	\$ 900,000	\$ -	\$ -	\$ 900,000
Restricted for:				
Measure R projects	-	1,831,346	-	1,831,346
Measure U projects	-	841,122	-	841,122
Drug enforcement programs	-	-	32,126	32,126
Debt service	-	-	206,255	206,255
Total restricted fund balances	-	2,672,468	238,381	2,910,849
Committed				
Reserve for Economic Uncertainty	1,045,137	-	-	1,045,137
Total committed fund balances	1,045,137	-	-	1,045,137
Assigned	-	-	-	-
Unassigned	6,513,752	(2,410,803)	(2,060,775)	2,042,174
Total Fund Balances	\$ 8,458,889	\$ 261,665	\$ (1,822,394)	\$ 6,898,160

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MAMMOTH LAKES
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Capital Projects Funds:										Total
	Capital Projects Fund	DIF Admin Overhead	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE (Library)	DIF Circulation (Streets)	DIF Fire Facility, Veh. & Eq. Improvement	DIF Airport	Public Arts Program	
Assets											
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 209,133	\$ 37,655	\$ 183	\$ 27,991	\$ 9,841	\$ 352,501	\$ 637,304
Account receivables	1,180,606	-	-	-	189	34	25	1	-	-	1,180,855
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-
Restricted fiscal agent cash	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 1,180,606	\$ -	\$ -	\$ -	\$ 209,322	\$ 37,689	\$ 183	\$ 28,016	\$ 9,842	\$ 352,501	\$ 1,818,159
Liabilities											
Accounts payable	\$ 59,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,350
Cash overdraft	971,091	458	1,092	1,473	-	-	-	-	-	-	974,114
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Due to the general fund	-	554,400	628,299	609,612	-	-	-	-	-	-	2,845,470
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,030,441	554,858	629,391	611,085	-	-	1,053,159	-	-	-	3,878,934
Fund Balances											
Special revenue funds	-	-	-	-	-	-	-	-	-	-	-
Capital projects funds	150,165	(554,858)	(629,391)	(611,085)	209,322	37,689	(1,052,976)	28,016	9,842	352,501	(2,060,775)
Debt service fund	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	150,165	(554,858)	(629,391)	(611,085)	209,322	37,689	(1,052,976)	28,016	9,842	352,501	(2,060,775)
Total Liabilities and Fund Balances	\$ 1,180,606	\$ -	\$ -	\$ -	\$ 209,322	\$ 37,689	\$ 183	\$ 28,016	\$ 9,842	\$ 352,501	\$ 1,818,159

TOWN OF MAMMOTH LAKES
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

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	Special Revenue Funds:				Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	LTC Planning & Transit	Drug Enforcement Fund						
Assets								
Cash and investments	\$ -	\$ 32,811	\$ 32,811	\$ 637,304	\$ -	\$ 670,115		
Account receivables	196,394	-	196,394	1,180,855	-	1,377,249		
Due from other funds	-	-	-	-	-	-		
Notes Receivable	-	-	-	-	-	-		
Restricted fiscal agent cash	-	-	-	-	206,256	206,256		
Total Assets	\$ 196,394	\$ 32,811	\$ 229,205	\$ 1,818,159	\$ 206,256	\$ 2,253,620		
Liabilities								
Accounts payable	\$ 28,690	\$ 685	\$ 29,375	\$ 59,350	\$ -	\$ 88,726		
Cash overdraft	167,703	-	167,703	974,114	1	1,141,818		
Deferred revenue	-	-	-	-	-	-		
Due to the general fund	-	-	-	2,845,470	-	2,845,470		
Due to other funds	-	-	-	-	-	-		
Total Liabilities	196,393	685	197,078	3,878,934	1	4,076,014		
Fund Balances								
Special revenue funds	-	32,126	32,126	-	-	32,126		
Capital projects funds	-	-	-	(2,060,775)	-	(2,060,775)		
Debt service fund	-	-	-	-	206,255	206,255		
Total Fund Balances	-	32,126	32,126	(2,060,775)	206,255	(1,822,394)		
Total Liabilities and Fund Balances	\$ 196,393	\$ 32,811	\$ 229,204	\$ 1,818,159	\$ 206,256	\$ 2,253,620		

TOWN OF MAMMOTH LAKES

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

Nonmajor Governmental Funds

Year Ended June 30, 2012

	Capital Projects Funds:											Total
	Capital Projects Fund	DIF Admin Overhead	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE (Library)	DIF Circulation (Streets)	DIF Fire Facility, Veh. & Eq.	DIF Airport Improvement	Public Arts Program	Capital Projects Funds	
Revenue												
Intergovernmental	\$ 1,806,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,806,149
Charge for services	-	-	-	-	-	15,584	7,756	-	-	8,525	31,865	31,865
Use of money and property	-	-	-	-	747	117	91	-	5	-	960	960
Other revenue	176,795	-	-	-	-	-	-	-	-	-	176,795	176,795
Total Revenue	1,982,944	-	-	-	747	15,701	7,847	-	5	8,525	2,015,769	2,015,769
Expenditures												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	20,108	20,108	20,108
Capital projects	2,101,567	458	-	-	-	-	-	-	-	-	2,102,025	2,102,025
Transportation and transit	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	1,092	1,472	-	-	-	382	-	-	2,946	2,946
Total Expenditures	2,101,567	458	1,092	1,472	-	-	-	382	-	20,108	2,125,079	2,125,079
Excess of Revenue over (under) Expenditures	(118,623)	(458)	(1,092)	(1,472)	747	15,701	7,847	(382)	5	(11,583)	(109,310)	(109,310)
Other Financing Sources (Uses)												
Transfers in	257,668	-	-	-	-	-	-	565	8,258	-	266,491	266,491
Transfers (out)	(19,393)	-	-	-	-	-	-	-	-	-	(19,393)	(19,393)
Total Other Sources (Uses)	238,275	-	-	-	-	-	-	565	8,258	-	247,098	247,098
Change in Fund Balances	119,652	(458)	(1,092)	(1,472)	747	15,701	7,847	183	8,263	(11,583)	137,788	137,788
Fund Balances - beginning	30,513	(554,400)	(628,299)	(609,613)	208,575	21,988	20,169	(1,053,159)	1,579	364,084	(2,198,563)	(2,198,563)
Fund Balances - end of year	\$ 150,165	\$ (554,858)	\$ (629,391)	\$ (611,085)	\$ 209,322	\$ 37,689	\$ 28,016	\$ (1,052,976)	\$ 9,842	\$ 352,501	\$ (2,060,775)	\$ (2,060,775)

TOWN OF MAMMOTH LAKES

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

Nonmajor Governmental Funds

Year Ended June 30, 2012

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	Special Revenue Funds:				Total		Total		Total Nonmajor Governmental Funds
	LTC Planning & Transit	Drug Enforcement Fund	Pending Assessment Districts	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Debt Service Fund			
Revenue									
Intergovernmental	\$ 173,613	\$ 2,923	\$ -	\$ 176,536	\$ 1,806,149	\$ -	\$ -	\$ 1,982,685	
Charge for services	-	-	-	-	31,865	-	-	31,865	
Use of money and property	-	-	-	-	960	11	-	971	
Other revenue	-	-	-	-	176,795	-	-	176,795	
Total Revenue	173,613	2,923	-	176,536	2,015,769	11	-	2,192,316	
Expenditures									
Public safety	-	5,325	-	5,325	-	-	-	5,325	
Community development	-	-	-	-	20,108	-	-	20,108	
Capital projects	-	-	-	-	2,102,025	-	-	2,102,025	
Transportation and transit	216,437	-	-	216,437	-	-	-	216,437	
Debt service	-	-	-	-	2,946	594,472	-	597,418	
Total Expenditures	216,437	5,325	-	221,762	2,125,079	594,472	-	2,941,313	
Excess of Revenue over (under) Expenditures	(42,824)	(2,402)	-	(45,226)	(109,310)	(594,461)	-	(748,997)	
Other Financing Sources (Uses)									
Transfers in	42,824	-	-	42,824	266,491	715,903	-	1,025,218	
Transfers (out)	-	-	-	-	(19,393)	(121,442)	-	(140,835)	
Total Other Sources (Uses)	42,824	-	-	42,824	247,098	594,461	-	884,383	
Change in Fund Balances	-	(2,402)	-	(2,402)	137,788	-	-	135,386	
Fund Balances - beginning	-	34,528	-	34,528	(2,198,563)	206,255	-	(1,957,780)	
Fund Balances - end of year	\$ -	\$ 32,126	\$ -	\$ 32,126	\$ (2,060,775)	\$ 206,255	\$ -	\$ (1,822,394)	

TOWN OF MAMMOTH LAKES
Internal Service Funds
Combining Statement of Net Assets
June 30, 2012

	Vehicle Service	Self- Insurance	Totals
Assets			
Cash and investments	\$ 2,542,277	\$ 105,307	\$ 2,647,584
Accounts receivable	78,077	12,950	91,027
Inventory	432,130	-	432,130
Interfund loans	1,275,000	-	1,275,000
Interfund loans - general fund	4,376,207	-	4,376,207
Capital assets, net of depreciation	2,567,109	-	2,567,109
Total Assets	11,270,800	118,257	11,389,057
Liabilities			
Accounts payable	92,163	23,031	115,194
Compensated absences - current	10,371	-	10,371
Compensated absences - noncurrent	31,113	-	31,113
Total Liabilities	133,647	23,031	156,678
Net Assets			
Invested in capital assets, net of related debt	2,567,109	-	2,567,109
Unrestricted	8,570,044	95,226	8,665,270
Total Net Assets	\$ 11,137,153	\$ 95,226	\$ 11,232,379

TOWN OF MAMMOTH LAKES
Internal Service Funds

Combining Statement of Revenue, Expenses, and Change in Net Assets
Year Ended June 30, 2012

	Vehicle Service	Self- Insurance	Totals
Operating Revenue			
Charges for services	\$ 1,938,372	\$ 327,221	\$ 2,265,593
Operating Expenses			
Personal services	689,343	15,453	704,796
Maintenance and operations	529,886	-	529,886
Benefit claims	-	274,044	274,044
Depreciation	505,947	-	505,947
Total Operating Expenses	<u>1,725,176</u>	<u>289,497</u>	<u>2,014,673</u>
Operating Income (Loss)	<u>213,196</u>	<u>37,724</u>	<u>250,920</u>
Nonoperating Revenue (Expenses)			
Investment earnings	14,297	-	14,297
Other revenue	19,194	-	19,194
Total Nonoperating Revenue (Expenses)	<u>33,491</u>	<u>-</u>	<u>33,491</u>
Income Before Transfers	246,687	37,724	284,411
Transfers in from other funds	-	-	-
Transfers (out) to other funds	<u>(70,722)</u>	<u>-</u>	<u>(70,722)</u>
Change in Net Assets	175,965	37,724	213,689
Net Assets - beginning	10,961,188	57,502	11,018,690
Net Assets - end of year	<u>\$ 11,137,153</u>	<u>\$ 95,226</u>	<u>\$ 11,232,379</u>

