

TOWN OF MAMMOTH LAKES
California

Annual Financial Report
June 30, 2017

TOWN OF MAMMOTH LAKES

Table of Contents

INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)	
Required Supplementary Information, as prepared by management	4-9
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Activities	11
FUND FINANCIAL STATEMENTS	
Governmental Funds	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
Statement of Revenue, Expenditures, and Change in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position.....	16
Statement of Revenue, Expenses, and Change in Net Position	17
Statement of Cash Flows	18
Agency Funds	
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	19
NOTES TO FINANCIAL STATEMENTS	20-51
REQUIRED SUPPLEMENTARY INFORMATION (unaudited)	
Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions - Cost-Sharing Plan.....	52-53
Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions - Single Employer Plan	54-55
Schedule of Funding Progress - Other Postemployment Benefits Plan	56
Budgetary Comparison Information	57-61
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Funds Financial Statements	
Combining Balance Sheet.....	62-63
Combining Statement of Revenue, Expenditures, and Change in Fund Balances	64-65
Internal Service Funds	
Combining Statement of Net Position	66
Combining Statement of Revenue, Expenses, and Change in Net Position.....	67
SINGLE AUDIT REPORT	Appendix A

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95821

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mammoth Lakes, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension liability and contributions schedules, other postemployment benefits plan schedule of funding progress, and the respective budgetary comparison information of the general and major funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Mammoth Lakes' basic financial statements. The combining nonmajor governmental funds financial statements, and the combining internal service funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 31, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

***As Prepared by Management
(unaudited)***



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Discussion and Analysis of the Town of Mammoth Lakes' financial performance for the fiscal year ending June 30, 2017 provides an analysis of the Town's overall financial position and municipal operations. It is intended to assist readers in evaluating the Town's finances, and provides a discussion of significant changes that affected various funding sources, including significant variances from the approved budget. In addition, it describes the activities during the year related to capital assets and long-term debt. We end our Discussion and Analysis with a description of currently known facts, decisions, and conditions that are expected to have a significant effect on our financial position or operations. Please read it in conjunction with the Town's financial statements.

The Statement of Net Position and the Statement of Activities:

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

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

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

Governmental activities – Almost all of the Town's services are reported in this category, including general administration (town manager, town clerk, personnel, finance, etc.), police protection, public works, tourism and recreation, and community development.

Transient occupancy tax, sales tax, property taxes, other taxes, interest income, grants, intergovernmental revenue and service charges provide the financing for these activities. The Statement of Net Position also includes the value of capital assets (net of depreciation, and future debt payments) and the assets and liabilities of the internal service funds. Because the Statement of Activities includes depreciation expense and records the activity in the internal service funds on the accrual basis of accounting, there are significant differences from the Fund Financial Statements.

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

Fund Financial Statements:

The Fund Financial Statements provide detailed information about the most significant funds – not about the Town as a whole. Some funds are required to be established by State law and by bond covenants. In addition, management established several other funds to help it control and manage money for particular purposes, or to show that it is meeting legal requirements in the use of certain taxes, grants, and other resources. The Town's two types of funds are governmental and proprietary.

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

Proprietary (Enterprise) funds – When the Town manages a functional area on a business basis with specific charges to customers for services and accounts for all revenue, assets and liabilities separately this activity is generally reported in proprietary funds. Proprietary funds, such the Town's enterprise funds (Airport and Long Valley Mineral Pit) are reported in the Statement of Net Position and the Statement of Activities, as business-type activities. Other reports provide more detail and additional information such as a Statement of Cash Flows.

Reporting the Town's Fiduciary Responsibilities:

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

Financial Analysis of the Town as a Whole

Net Position: A condensed presentation of the Town's net position shown in the following table totals \$65.2 million as of June 30, 2017.

Town of Mammoth Lakes						
Net Position						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Current and other assets	43,166,182	37,688,434	1,393,277	2,309,167	44,559,459	39,997,601
Internal Loans	-	-	-	-	-	-
Capital assets, net of depreciation	63,107,401	63,851,491	5,564,851	6,626,997	68,672,252	70,478,488
Total assets	106,273,583	101,539,925	6,958,128	8,936,164	113,231,711	110,476,089
Deferred Outflow of Resources						
Deferred Pensions	5,170,758	2,359,642	115,679	187,402	5,286,437	2,547,044
Total Assets and Deferred Resources	111,444,341	103,899,567	7,073,807	9,123,566	118,518,148	113,023,133
Long-term debt outstanding	46,741,094	44,554,397	1,412,645	1,356,557	48,153,739	45,910,954
Other liabilities	4,258,153	3,464,274	92,415	1,165,530	4,350,568	4,629,804
Total liabilities	50,999,247	48,018,671	1,505,060	2,522,087	52,504,307	50,540,758
Deferred Inflow of Resources						
Deferred Pensions	644,083	1,179,162	123,784	102,536	767,867	1,281,698
Total Liabilities and Deferred Inflows of Resources	51,643,330	49,197,833	1,628,844	2,624,623	53,272,174	51,822,456
<u>Net position:</u>						
Invested in capital assets	59,466,707	60,166,969	5,564,851	6,626,997	65,031,558	66,793,966
Restricted	8,783,266	4,444,229	-	-	8,783,266	4,444,229
Unrestricted	(8,448,962)	(9,909,464)	(119,888)	(128,054)	(8,568,850)	(10,037,518)
Total net position	59,801,011	54,701,734	5,444,963	6,498,943	65,245,974	61,200,677

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

General Fund Budgetary Highlights:

At the end of the year, the General Fund outpaced the budget to a sum of \$2.94 million. Revenues outperformed expectations with transient occupancy tax surpassing \$2 million over budget. Sales tax, franchise fees, interest, miscellaneous revenues and transfers in all exceeded budget as well. Appropriations were closer to budget with \$98,947 in net savings. The Gas Tax Fund, which is heavily support by the General Fund ended the year with increase to Fund Balance of \$383,233.

General Government Functions:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
Revenue:						
Program Revenue:						
Charges for services	1,058,121	969,415	477,516	483,904	1,535,637	1,453,319
Operating grants & contributions	2,060,005	1,852,590	-	-	2,060,005	1,852,590
Capital grants & contributions	1,103,420	510,817	281,720	1,395,566	1,385,140	1,906,383
General revenue:						
Transient occupancy tax	18,985,334	16,067,973	-	-	18,985,334	16,067,973
Sales tax	3,924,500	3,051,351	-	-	3,924,500	3,051,351
Property tax	3,486,307	3,356,561	-	-	3,486,307	3,356,561
Other taxes	7,920,358	7,048,292	-	-	7,920,358	7,048,292
Other	1,798,227	807,645	767,647	16,202	2,565,874	823,847
Transfers in (out)	(771,598)	(723,041)	-	1,192,677	(771,598)	469,636
Total Revenue	39,564,674	32,941,603	1,526,883	3,088,349	41,091,557	36,029,952
Expenses:						
General government	3,818,085	4,745,008	-	-	3,818,085	4,745,008
Public safety	3,253,181	3,553,496	-	-	3,253,181	3,553,496
Tourism & recreation	10,483,067	10,477,668	-	-	10,483,067	10,477,668
Community development	2,148,460	1,981,901	-	-	2,148,460	1,981,901
Public works	11,516,725	9,274,074	-	-	11,516,725	9,274,074
Airport	-	-	2,577,709	1,944,669	2,577,709	1,944,669
Waste (Mineral Pit)	-	-	3,154	5,273	3,154	5,273
Debt service (Interest)	3,245,879	2,275,394	-	-	3,245,879	2,275,394
Total expenses	34,465,397	32,307,541	2,580,863	1,949,942	37,046,260	34,257,483
Change in net position	5,099,277	634,062	(1,053,980)	1,138,407	4,045,297	1,772,469
Net position - beginning of year	54,701,734	55,307,862	6,498,943	5,725,796	61,200,677	61,033,658
Prior Period Adjustment	-	(1,240,190)	-	(365,260)	-	(1,605,450)
Net position- end of year	59,801,011	54,701,734	5,444,963	6,498,943	65,245,974	61,200,677

Internal Service Funds:

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

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

Enterprise Funds:

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of Town facilities and services that are entirely or predominantly self-supporting from user charges. Enterprise operations are accounted for in such a manner as to show a profit or loss as in comparable private enterprises. As of June 30, 2017, the Town operated two enterprise funds: the Mammoth Yosemite Airport and the Long Valley Mineral Pit on behalf of the US Forest Service.

Debt Administration:

The Town issued Lease Revenue Bonds in the amount of \$3,550,000 replacing the existing Certificates of Participation (\$1,430,000) in order to construct a new public safety facility (\$2,120,000) in 2015. Construction of the new public safety facility was completed in 2017. The debt is scheduled to mature in FY 2029-2030 and has an outstanding balance of \$3,263,000 as of June 30, 2017. The Town previously received a California State Water Resources Control Board loan for storm drain improvements; the outstanding balance at June 30, 2017 was \$152,173. The Town lost their final appeal before the State Supreme Court related to litigation with a real estate developer for alleged breach of contract. The award for damages was \$30 million plus attorney's fees. The Town reached a settlement with the developer in November 2012 in the amount of \$29,500,434 payable over 24 years. The outstanding principal balance at June 30, 2017 was \$24,170,642.

Outlook for the Future:

The Town anticipates continued strong revenue growth from Transient Occupancy Tax (TOT). While the winter months continue to generate the most income depending on snowfall, collections for the summer months continue to increase year over year. This growth in revenue

can be attributed in part to the Tourism Business Improvement District (TBID) funding for marketing, as well as an increased level of TOT enforcement, enhanced community events, and an improved economy in Southern California.

Housing growth is expected to continue at a moderate pace with the construction of approved units near Canyon Lodge and homes along the Starwood golf course. The Town is aware of its tight workforce housing market, with affordable units being in short supply, and continues to make improvements as funds allow. The Town will be making substantial investments in FY2017-18 for workforce housing.

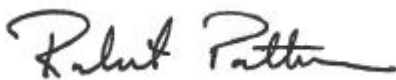
The Town is pursuing two debt issuances as well. One to support the construction of a new Multi-Use Recreational Facility secured by Measure R restricted revenue (voter approved .5% Transactions and Use Tax). The second debt issuance is to refinance the settlement reached in the litigation noted above. The purpose is to lower the annual payment and restructure the timing of the payments from July 1 of each fiscal year to two payments, one in June and December.

The announced sale of Mammoth Resorts (includes Mammoth Mountain Ski Area) to be part of a 13 resort collective is anticipated to bring new capital investment to the Ski Area in the coming years. The Town is anticipating continued investment in infrastructure as State grants and allocated funding through the Local Transportation Commission is appropriated for scheduled projects. The Town will also be putting in place a regulatory framework and potential tax/fee for implementing Prop. 64 (Recreational Cannabis) in 2018.

The Town Council continues to remain conservative in its budgeting approach, with the goal of fiscal sustainability over time. The Town is committed to maintaining current services levels, increasing reserve levels tied to sustainable funding, identifying funds for current and future capital projects and investing in one time strategic planning processes.. This year the Town's Reserve for Economic Uncertainty (REU) was increased by \$92,763 to \$3,400,000. As part of the FY2017-18 budget process, the Town has set goals for the REU, an operational reserve and funding of \$100,000 in contingency.

In conclusion, the Town has experienced two very strong years based on an expanding tourism economy. The Town continues to see modest increases in property values, with the commercial sector lagging behind the housing sector. With better snow conditions and a strong summer season the Town anticipates continued solid transient occupancy revenue. Going forward, the Town is in a moderately better financial structural position to fund on-going operations with a balanced budget and improved reserve levels.

Respectfully submitted,



Rob Patterson
Administrative Services/Finance Director

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MAMMOTH LAKES
Government-wide Financial Statements
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 26,130,841	\$ 1,322,094	\$ 27,452,935
Receivables	4,265,978	67,325	4,333,303
Prepaid expenses	632,647	3,858	636,505
Restricted cash	315,993	-	315,993
Total current assets	<u>31,345,459</u>	<u>1,393,277</u>	<u>32,738,736</u>
Noncurrent Assets			
Notes receivable	11,820,723	-	11,820,723
Capital assets not being depreciated	13,022,832	544,316	13,567,148
Capital assets, net of depreciation	50,084,569	5,020,535	55,105,104
Total noncurrent assets	<u>74,928,124</u>	<u>5,564,851</u>	<u>80,492,975</u>
Total assets	<u>106,273,583</u>	<u>6,958,128</u>	<u>145,970,447</u>
Deferred Outflows of Resources			
Deferred pensions	5,170,758	115,679	5,286,437
Total assets and deferred outflows of resources	<u>111,444,341</u>	<u>7,073,807</u>	<u>151,256,884</u>
LIABILITIES			
Current Liabilities			
Payables	3,047,734	92,415	3,140,149
Deferred revenue	90,441	-	90,441
Accrued interest	1,119,978	-	1,119,978
Total current liabilities	<u>4,258,153</u>	<u>92,415</u>	<u>4,350,568</u>
Noncurrent liabilities			
Due within one year	1,166,609	-	1,166,609
Due in more than one year	45,574,485	1,412,645	46,987,130
Total noncurrent liabilities	<u>46,741,094</u>	<u>1,412,645</u>	<u>48,153,739</u>
Total liabilities	<u>50,999,247</u>	<u>1,505,060</u>	<u>52,504,307</u>
Deferred Inflows of Resources			
Deferred pensions	644,083	123,784	767,867
Total liabilities and deferred inflows of resources	<u>51,643,330</u>	<u>1,628,844</u>	<u>53,272,174</u>
Net Position			
Net investment in capital assets	59,466,707	5,564,851	65,031,558
Restricted	8,783,266	-	8,783,266
Unrestricted	(8,448,962)	(119,888)	(8,568,850)
Total net position	<u>\$ 59,801,011</u>	<u>\$ 5,444,963</u>	<u>\$ 65,245,974</u>

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

TOWN OF MAMMOTH LAKES
Government-wide Financial Statements
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Program Revenue				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 3,818,085	\$ 448,968	\$ 12,893	\$ -	\$ (3,356,224)		\$ (3,356,224)
Public safety	3,253,181	22,757	115,348	-	(3,115,076)		(3,115,076)
Tourism, parks and recreation	10,483,067	224,079	-	-	(10,258,988)		(10,258,988)
Community development	2,148,460	122,378	504,149	-	(1,521,933)		(1,521,933)
Public works / streets	6,266,829	130,350	1,427,615	1,103,420	(3,605,444)		(3,605,444)
Transportation and transit	835,574	109,589	-	-	(725,985)		(725,985)
Depreciation expense	4,414,322	-	-	-	(4,414,322)		(4,414,322)
Interest on long-term debt	3,245,879	-	-	-	(3,245,879)		(3,245,879)
Total governmental activities	<u>34,465,397</u>	<u>1,058,121</u>	<u>2,060,005</u>	<u>1,103,420</u>	<u>(30,243,851)</u>		<u>(30,243,851)</u>
Business-type Activities							
Airport	2,577,709	461,631	-	281,720		\$ (1,834,358)	(1,834,358)
Landfill management	3,154	15,885	-	-		12,731	12,731
Total business-type activities	<u>2,580,863</u>	<u>477,516</u>	<u>-</u>	<u>281,720</u>		<u>(1,821,627)</u>	<u>(1,821,627)</u>
Total primary government	<u>\$ 37,046,260</u>	<u>\$ 1,535,637</u>	<u>\$ 2,060,005</u>	<u>\$ 1,385,140</u>	<u>(30,243,851)</u>	<u>(1,821,627)</u>	<u>(32,065,478)</u>
				General Revenue			
				Transient occupancy	18,985,334	-	18,985,334
				Property tax	3,486,307	-	3,486,307
				Tourism tax	5,868,759	-	5,868,759
				Sales tax	2,617,013	-	2,617,013
				Measure R tax	1,307,487	-	1,307,487
				Utility users tax	709,543	-	709,543
				Business taxes	323,353	-	323,353
				Franchise fees	1,018,703	-	1,018,703
				Licenses & permits	415,754	-	415,754
				Fines & forfeitures	94,020	-	94,020
				Investment earnings	168,318	5,133	173,451
				Other revenue	1,120,135	8,891	1,129,026
				Transfers in (out)	(771,598)	753,623	(17,975)
					<u>35,343,128</u>	<u>767,647</u>	<u>36,110,775</u>
				Change in Net Position	5,099,277	(1,053,980)	4,045,297
				Net Position - beginning	54,701,734	6,498,943	61,200,677
				Net Position - end of year	<u>\$ 59,801,011</u>	<u>\$ 5,444,963</u>	<u>\$ 65,245,974</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF MAMMOTH LAKES
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Capital Projects Fund	Tourism Business Improvement District	Housing & Community Development Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 8,750,397	\$ 625,021	\$ 337,296	\$ 108,381	\$ 8,806,231	\$ 18,627,326
Receivables	2,143,478	1,193,225	339,276	103,680	331,866	4,111,525
Notes receivable	-	-	-	11,820,723	-	11,820,723
Interfund loans	-	-	-	-	-	-
Restricted cash	-	-	-	-	315,993	315,993
Total assets	<u>\$ 10,893,875</u>	<u>\$ 1,818,246</u>	<u>\$ 676,572</u>	<u>\$ 12,032,784</u>	<u>\$ 9,454,090</u>	<u>\$ 34,875,567</u>
Liabilities						
Payables	\$ 1,605,043	\$ 381,833	\$ 676,572	\$ 86,207	\$ 202,708	\$ 2,952,363
Cash overdraft	-	-	-	-	53,529	53,529
Deferred revenue	90,441	-	-	11,820,723	-	11,911,164
Interfund loans	3,511,207	-	-	-	-	3,511,207
Total liabilities	<u>5,206,691</u>	<u>381,833</u>	<u>676,572</u>	<u>11,906,930</u>	<u>256,237</u>	<u>18,428,263</u>
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	125,854	8,657,412	8,783,266
Committed	4,974,080	1,436,413	-	-	540,441	6,950,934
Assigned	883,112	-	-	-	-	883,112
Unassigned	(170,008)	-	-	-	-	(170,008)
Total fund balances	<u>5,687,184</u>	<u>1,436,413</u>	<u>-</u>	<u>125,854</u>	<u>9,197,853</u>	<u>16,447,304</u>
Total liabilities and fund balances	<u>\$ 10,893,875</u>	<u>\$ 1,818,246</u>	<u>\$ 676,572</u>	<u>\$ 12,032,784</u>	<u>\$ 9,454,090</u>	<u>\$ 34,875,567</u>

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

TOWN OF MAMMOTH LAKES

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2017

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

Total fund balances - governmental funds	\$ 16,447,304
(1) Capital asset acquisitions, dispositions and depreciation used in governmental activities are not financial resources and therefore, are not reported in the funds balance sheet.	61,830,360
(2) Deferred revenue related to long-term notes receivable is not due and payable in the current period, nor recognized as revenue in the government-wide financial statements.	11,820,723
(3) Long-term debt and obligations are not due and payable in the current period and therefore, are not reported in the governmental funds balance sheet.	(47,826,347)
(4) Internal service funds are used by management to charge the cost of the motor pool and employee benefits activities to individual funds. Those assets and liabilities are included in the statement of net position.	13,002,294
(5) Deferred outflows of resources reported in the statement of net position.	5,170,759
(6) Deferred inflows of resources reported in the statement of net position.	<u>(644,082)</u>
Net Position of governmental activities	<u><u>\$ 59,801,011</u></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, 2017

	General Fund	Capital Projects Fund	Tourism Business Improvement District	Housing & Community Development Fund	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes and assessments	\$ 26,430,710	\$ -	\$ 5,868,759	\$ -	\$ 2,017,030	\$ 34,316,499
Licenses and permits	415,754	-	-	-	-	415,754
Intergovernmental	131,930	1,186,776	-	504,149	1,340,570	3,163,425
Charge for services	917,845	-	-	-	140,276	1,058,121
Fines and forfeitures	94,020	-	-	-	-	94,020
Use of money and property	126,120	-	3,915	-	38,283	168,318
Other revenue	109,381	958,605	-	-	52,149	1,120,135
Total revenue	<u>28,225,760</u>	<u>2,145,381</u>	<u>5,872,674</u>	<u>504,149</u>	<u>3,588,308</u>	<u>40,336,272</u>
Expenditures						
Current -						
General government	4,396,455	-	-	-	-	4,396,455
Public safety	3,649,349	-	-	-	30,000	3,679,349
Tourism, parks and recreation	4,973,451	-	5,872,674	-	915,444	11,761,569
Community development	1,694,954	-	-	672,030	25,000	2,391,984
Public works / streets	811,180	6,110,891	-	-	3,587,236	10,509,307
Transportation and transit	926,896	-	-	-	-	926,896
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	2,395,250	2,395,250
Total expenditures	<u>16,452,285</u>	<u>6,110,891</u>	<u>5,872,674</u>	<u>672,030</u>	<u>6,952,930</u>	<u>36,060,810</u>
Excess Revenue over (under)						
Expenditures	<u>11,773,475</u>	<u>(3,965,510)</u>	<u>-</u>	<u>(167,881)</u>	<u>(3,364,622)</u>	<u>4,275,462</u>
Other Financing Sources (Uses)						
Proceeds from new financing	-	-	-	-	-	-
Transfers in	908,134	3,024,222	-	-	8,791,891	12,724,247
Transfers (out)	(9,122,023)	(797,711)	-	-	(3,576,111)	(13,495,845)
Total other sources (uses)	<u>(8,213,889)</u>	<u>2,226,511</u>	<u>-</u>	<u>-</u>	<u>5,215,780</u>	<u>(771,598)</u>
Change in Fund Balances	3,559,586	(1,738,999)	-	(167,881)	1,851,158	3,503,864
Fund Balances - beginning	2,127,598	3,175,412	-	293,735	7,346,695	12,943,440
Fund Balances - end of year	<u>\$ 5,687,184</u>	<u>\$ 1,436,413</u>	<u>\$ -</u>	<u>\$ 125,854</u>	<u>\$ 9,197,853</u>	<u>\$ 16,447,304</u>

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

TOWN OF MAMMOTH LAKES

Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017

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

Change in fund balances - governmental funds	\$ 3,503,864
<u>(1) Capital Assets</u>	
(a) The acquisition of capital assets uses current financial resources but has no effect on net position.	3,794,204
(b) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.	(4,414,322)
<u>(2) Long-term debt and obligations</u>	
(a) Payments against long-term liabilities and obligations use current resources but have no effect on net position.	2,293,643
(b) Accrued interest at fiscal year end.	(1,119,978)
<u>(3) Measurement focus</u>	
Certain revenue and expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as revenue or expenditures in governmental funds:	
Change in deferred outflows - pensions.	2,697,725
(Increase) decrease in pension expense	(2,156,811)
Change in deferred inflows - pensions.	<u>500,952</u>
Change in net position of governmental activities	<u>\$ 5,099,277</u>

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

TOWN OF MAMMOTH LAKES
Proprietary Funds
Statement of Net Position
June 30, 2017

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Assets and Deferred Outflows				
Current assets:				
Cash and investments	\$ 1,264,440	\$ 57,654	\$ 1,322,094	\$ 7,557,044
Receivables - accounts and grants	67,215	110	67,325	154,453
Prepaid expenses	3,858	-	3,858	632,647
Interfund loans	-	-	-	3,511,207
Total current assets	<u>1,335,513</u>	<u>57,764</u>	<u>1,393,277</u>	<u>11,855,351</u>
Noncurrent assets:				
Capital assets not being depreciated	544,316	-	544,316	-
Capital assets, net of depreciation	5,020,535	-	5,020,535	1,277,039
Total noncurrent assets	<u>5,564,851</u>	<u>-</u>	<u>5,564,851</u>	<u>1,277,039</u>
Total assets	<u>6,900,364</u>	<u>57,764</u>	<u>6,958,128</u>	<u>13,132,390</u>
Deferred outflows of resources:				
Deferred pensions	115,679	-	115,679	-
Total assets and deferred outflows of resources	<u>7,016,043</u>	<u>57,764</u>	<u>7,073,807</u>	<u>13,132,390</u>
Liabilities and Deferred Inflows				
Current liabilities:				
Payables	92,415	-	92,415	95,371
Noncurrent liabilities:				
Due in one year	8,664	-	8,664	8,681
Due after one year	1,403,981	-	1,403,981	26,044
Total noncurrent liabilities	<u>1,412,645</u>	<u>-</u>	<u>1,412,645</u>	<u>34,725</u>
Total liabilities	<u>1,505,060</u>	<u>-</u>	<u>1,505,060</u>	<u>130,096</u>
Deferred inflows of resources:				
Deferred pensions	123,784	-	123,784	-
Total liabilities and deferred inflows of resources	<u>1,628,844</u>	<u>-</u>	<u>1,628,844</u>	<u>130,096</u>
Net Position				
Net investment in capital assets	5,564,851	-	5,564,851	1,277,039
Unrestricted	(177,652)	57,764	(119,888)	11,725,255
Total net position	<u>\$ 5,387,199</u>	<u>\$ 57,764</u>	<u>\$ 5,444,963</u>	<u>\$ 13,002,294</u>

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

TOWN OF MAMMOTH LAKES
Proprietary Funds
Statement of Revenue, Expenses, and Change in Net Position
Year Ended June 30, 2017

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
Operating Revenue				
Charge for services	\$ 461,631	\$ 15,885	\$ 477,516	\$ 2,494,208
Operating Expenses				
Personnel services	769,852	3,154	773,006	630,102
Operations and maintenance	540,091	-	540,091	404,621
Benefit claims	-	-	-	191,808
Depreciation	1,267,766	-	1,267,766	377,328
Total operating expenses	<u>2,577,709</u>	<u>3,154</u>	<u>2,580,863</u>	<u>1,603,859</u>
Operating Income (Loss)	<u>(2,116,078)</u>	<u>12,731</u>	<u>(2,103,347)</u>	<u>890,349</u>
Nonoperating Revenue (Expenses)				
Investment earnings	4,810	323	5,133	35,620
Other nonoperating revenue	8,891	-	8,891	1,834
Total nonoperating revenue (expenses)	<u>13,701</u>	<u>323</u>	<u>14,024</u>	<u>37,454</u>
Income Before Contributions/Transfers	(2,102,377)	13,054	(2,089,323)	927,803
Capital grants	281,720	-	281,720	-
Transfers in	753,623	-	753,623	499,638
Transfers (out)	-	-	-	(408,853)
Change in Net Position	(1,067,034)	13,054	(1,053,980)	1,018,588
Net position - beginning	6,454,233	44,710	6,498,943	11,983,706
Net position - end of year	<u>\$ 5,387,199</u>	<u>\$ 57,764</u>	<u>\$ 5,444,963</u>	<u>\$ 13,002,294</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, 2017

CASH FLOWS PROVIDED BY (USED FOR)	Business-type Activities			Governmental
	Airport	Landfill Management	Total Enterprise Funds	Activities - Internal Service Funds
Operating Activities				
Cash received from customers/operating grants	\$ 458,021	\$ 18,578	\$ 476,599	\$ 2,408,994
Cash paid for employee services	(592,479)	(3,154)	(595,633)	(624,947)
Cash paid for goods & services	(233,278)	-	(233,278)	(519,221)
Cash paid for benefit claims	-	-	-	(191,808)
Net cash provided (used)	<u>(367,736)</u>	<u>15,424</u>	<u>(352,312)</u>	<u>1,073,018</u>
Noncapital Financing Activities				
Transfers in	753,623	-	753,623	499,638
Transfers (out)	-	-	-	(408,853)
Net cash provided (used)	<u>753,623</u>	<u>-</u>	<u>753,623</u>	<u>90,785</u>
Capital & Related Financing Activities				
Internal loan proceeds & repayments	-	-	-	340,000
Other cash received	20,166	-	20,166	1,834
Capital grant proceeds	1,299,794	-	1,299,794	-
Purchase of capital assets	(1,625,137)	-	(1,625,137)	(253,356)
Principal paid on debt obligations	-	-	-	-
Interest paid on debt obligations	-	-	-	-
Net cash provided (used)	<u>(305,177)</u>	<u>-</u>	<u>(305,177)</u>	<u>88,478</u>
Investing Activities				
Investment earnings	<u>4,810</u>	<u>323</u>	<u>5,133</u>	<u>35,620</u>
Net Increase (Decrease) in Cash	<u>85,520</u>	<u>15,747</u>	<u>101,267</u>	<u>1,287,901</u>
Cash and cash equivalents - beginning	<u>1,178,920</u>	<u>41,907</u>	<u>1,220,827</u>	<u>6,269,143</u>
Cash and cash equivalents - end of year	<u>\$ 1,264,440</u>	<u>\$ 57,654</u>	<u>\$ 1,322,094</u>	<u>\$ 7,557,044</u>
Operating Activities Analysis				
Operating Income (Loss) (page 17)	\$ (1,493,336)	\$ 12,731	\$ (1,480,605)	\$ 890,349
Reconciliation adjustments:				
Depreciation and disposals	1,267,766	-	1,267,766	377,328
(Increase) decrease in receivables	(3,610)	2,693	(917)	(85,214)
(Increase) decrease in prepaid expenses	-	-	-	(131,345)
Increase (decrease) in payables	(138,556)	-	(138,556)	21,900
Net cash provided (used)	<u>\$ (367,736)</u>	<u>\$ 15,424</u>	<u>\$ (352,312)</u>	<u>\$ 1,073,018</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, 2017

Assets

Cash and investments	\$ 4,579,964
Accounts receivables	49,393
Cash with fiscal agent	<u>963,866</u>
Total assets	<u><u>\$ 5,593,223</u></u>

Liabilities

Accounts payable	\$ 15,766
Assets held as agency for others	<u>5,577,457</u>
Total liabilities	<u><u>\$ 5,593,223</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, 2017

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 - Defining the Financial Reporting Entity
- Note 2 - Significant Accounting Policies
- Note 3 - Stewardship, Compliance, and Accountability
- Note 4 - Cash and Investments
- Note 5 - Payables
- Note 6 - Receivables
- Note 7 - Capital Assets
- Note 8 - Long-term Obligations
- Note 9 - Interfund Balances
- Note 10 - Interfund Transfers
- Note 11 - Postemployment Benefits Other Than Pensions (OPEB)
- Note 12 - Commitments and Contingencies
- Note 13 - Assessment District Debt
- Note 14 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
- Note 15 - Single Employer Defined Benefit Pension Plan
- Note 16 - Risk Management
- Note 17 - Subsequent Events
- Note 18 - New Pronouncements
- Note 19 - Fund Balance Designations Section of the Balance Sheet

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 1 - Defining the Financial Reporting Entity

The Town of Mammoth Lakes (the Town) was incorporated in 1985 under the laws of the State of California. Mammoth Lakes operates under a Council-Manager form of government. The Town provides municipal services to its citizens including police, public works, airport facilities, community development and general administrative support. These financial statements present the financial status of the Town.

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. These entities meet the Governmental Accounting Standards Board (GASB) criteria for inclusion within the Town's financial reports. Financial information for the Town of Mammoth Lakes Municipal Service Corporation is blended with the Town of Mammoth Lakes financial statements. The Town has no discretely presented component units.

Mammoth Lakes Municipal Service Corporation was organized on August 1, 1989, pursuant to the Nonprofit Public Benefit Corporations Law of the State of California, solely for the purpose of providing assistance to the Town by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The Corporation was formed at the request of the Town to assist in lease financing of certain capital improvement projects. The Corporation's financial data and transactions are included within the Debt Service Fund. Oversight responsibility is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and the ability to significantly influence operations. Separate financial statements are not issued.

Note 2 - Significant Accounting Policies

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

Basis of Presentation

Government-wide Financial Statements

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

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Fund Types

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

- General Fund - this fund accounts for all unrestricted resources except those required to be accounted for in another fund.
- Special Revenue Funds - these funds are used to account for the proceeds of specific revenue resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- Debt Service Funds - these funds are used to account for the accumulation of resources for, and the repayment of general long-term debt obligation payments for principal, interest and related costs.
- Capital Projects Funds - these funds are used to account for financial resources to be used for the acquisition, improvements or construction of streets, infrastructure and major capital projects.
- Proprietary Fund Types - these 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, 2017

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

Major Funds

The following are the Town's major funds this year:

- General Fund - this fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Capital Projects Fund - this fund is used to account for the acquisition, improvements or construction of the government's streets, infrastructure, and major capital facilities, other than those financed by proprietary funds.
- Tourism Business Improvement District - this fund is used to account for restricted-use financial resources received from a voter approved tax, to help fund marketing and sales promotion efforts for Mammoth Lakes' tourism businesses.
- 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.

Measurement Focus

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

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

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

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

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

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

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

Budgetary Data

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

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

Other Accounting Policies

Cash and Investments

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Cash and Cash Equivalents

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

Prepaid Expenses

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

Capital Assets

Capital assets used in governmental fund type operations are accounted for on the statement of net position. Public domain general capital assets (infrastructure) consisting of certain improvements other than buildings, such as roads, sidewalks and bridges are capitalized prospectively starting July 1, 2003. Town policy has set the capitalization threshold for reporting capital assets starting at \$5,000. Capital outlay is recorded as *expenditures* of the general, special revenue and capital project funds financial statements, and as *capital assets* in the government-wide financial statements to the extent the Town's capitalization threshold is met. Donated assets are recorded at estimated fair value at the date of donation.

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

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

Use of Estimates

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

Receivables and Payables

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

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

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

Compensated Absences

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

- The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

Net Position and Fund Balances

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

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

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

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

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.

Property Taxes

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

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 3 - 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 which includes proposed expenditures and the means of financing them.
- The Town Council reviews the proposed budget at special scheduled sessions which are open to the public.
- The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
- Prior to July 1, the budget is adopted by resolution 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 resolution action during the fiscal year.
- The Town Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the Town's needs; however, revisions that alter the total expenditures must be approved by the Town Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- All appropriations lapse at year end.

Revenue Limitations Imposed by California Proposition 218

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

Dependence Upon Tourism Industry

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

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

Revenue Source:	2012	2013	2014	2015	2016	2017
Transient Occupancy tax	54%	66%	63%	64%	67%	67%
Property tax	18%	18%	19%	18%	14%	12%
Sales tax (excludes Meas R)	16%	15%	17%	17%	8%	9%
	88%	99%	99%	99%	89%	88%

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Cash Deficit Balances by Fund

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

LTC Planning Transportation & Transit fund	\$	53,529
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Voter Approved Initiatives

Measure R - In 2010 the Town Council approved a ballot measure known as the “Mammoth Lakes Recreation, Trails and Parks Investment Initiative” that would seek voter approval to increase the sales and use tax rate, one-half of one percent, if two-thirds of the electors approve the measure, which was passed by the voters. The revenue from this measure is restricted for expenditures related to recreation, trails and parks funding for planning, construction, operation, maintenance, programming, and administration of all Town recreation facilities and programs, trails and parks, managed by the Town, without supplanting existing parks and recreation facility maintenance funds. There is no Sunset provision of this ordinance.

Measure U - In 2010 the Town Council approved a ballot measure known as the “Mammoth Lakes Mobility, Recreation, and Arts & Culture Utility Users Tax Ordinance” that would seek voter approval to establish a utility users tax of 2.5%, if two-thirds of the electors approve the measure, which was passed by the voters. The revenue from this measure is restricted for expenditures for planning, construction, operation, maintenance, programming and administration of facilities and projects for mobility, recreation, and arts & culture. A supplanting policy adopted February 15, 2012 allows Measure U funds to be used to enhance and improve existing efforts including planning, construction, operations, maintenance, programming and administration of facilities and projects for mobility, recreation and arts & culture. There is no Sunset provision of this ordinance.

Tourism Business Improvement District

Mammoth Lakes Tourism Business Improvement District (TBID) is a benefit assessment district that provides funds solely dedicated to tourism marketing and sales promotion efforts to attract visitors to the Town of Mammoth Lakes. The TBID ordinance was voted and approved by qualifying businesses and implemented on August 1, 2013 with a Sunset provision date of July 31, 2018. As a separate Improvement District, all funds except those retained by the Town for cost reimbursement are passed through to the District. The Town withholds 2% of the amount collected as reimbursement for administrative costs associated with the processing, collection, and enforcement of the TBID. The District is governed by and through Mammoth Lakes Tourism (a separate non-profit organization) with their own board of directors, which governs the appropriation of TBID funds in accordance with the adopted management plan.

The TBID assessment is broken down into 3 Tiers, as follows:

- Tier 1 represents all businesses that have annual sales in excess of \$150,000 and can show that more than 50% of their sales revenue is provided by tourists. The assessment is 1% of gross room revenue for lodging, 1.5% of gross retail/restaurant sales or equipment rentals, and 2% of ski lift ticket and ski school sales.
- Tier 2 represents retail businesses and restaurants with gross annual revenue between \$50,000 and \$150,000, and can show that more than 50% of their sales revenue comes from local businesses or residents. The assessment is a \$500 annual fee.
- Tier 3 represents retail businesses and restaurants with gross revenue under \$50,000, and can show that more than 50% of their sales revenue comes from local businesses or residents. The assessment is a \$50 annual fee.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 4 - Cash and Investments

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

Statement of Net Position	
Cash and investments	\$ 27,452,935
Restricted cash with fiscal agent	315,993
	27,768,928
Statement of Fiduciary Assets and Liabilities	
Cash and investments	4,579,964
Restricted cash with fiscal agent	963,866
	5,543,830
Total	\$ 33,312,758

Cash and Investments are comprised of the following:

Deposits with financial institutions	\$ 3,782,010
Investment with County Investment Pool	3,077,062
Investment with Local Agency Investment Fund	25,173,827
Investments by fiscal agents	1,279,859
Total	\$ 33,312,758

Collateral and Categorization Requirements

At fiscal year end, the Town's carrying amount of demand deposits was \$4,109,423 and the bank account balances were \$4,596,020. The difference of \$486,597 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$313,745 was insured by Federal Depository Insurance Corporation (FDIC) and \$4,783,262 was collateralized in accordance with California Government Code Sections 53600 - 53609.

Investment Policy

The table below identifies the investment types that are authorized under provisions of the Town's investment policy adopted for fiscal year 2016-17, 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.

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 only)	30%	180 days
Local Agency Investment Fund (LAIF)	\$40,000,000	n/a
Mono County Investment Pool	\$5,000,000	n/a
Passbook Deposits	n/a	n/a

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Investment Type B:

Negotiable Certificates of Deposit	30%	5 years
Bankers Acceptances	40%	270 days
Repurchase Agreements	n/a	1 year
Mutual Funds	15%	5 years
Medium Term Notes	30%	5 years

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund	\$ 25,173,827	6.5 months	0.93%	76%
Mono County Investment Pool	3,077,062	22 months	1.37%	9%
Demand Deposits (checking)	3,793,638	on demand	0.00%	11%
Money Market (with fiscal agent)	1,279,859	on demand	0.12%	4%

Custodial Credit Risk

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

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

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 External Investment Pools

State Pool - The Town is a voluntary participant in the California State Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits. As of June 30, 2017, PMIA had approximately \$77.6 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's website 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.

County Pool - The Town is a voluntary participant in Mono County's Investment Pool (the Pool). As of June 30, 2017, the Pool had approximately \$86.3 million in investments. Audited financial statements may be obtained from the Mono County Treasury Oversight Committee, P.O. Box 556, Bridgeport, CA 93517. 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 the County's finance department for the entire Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Pool, which are recorded on an amortized cost basis.

Note 5 - Payables

Accounts payable, as reported in the statement of net position, are comprised of the following:

Governmental Activities:

Construction projects	\$ 498,783
Vendors, suppliers and consultants	928,331
TBID Tourism	1,554,369
Transit	66,251
	<u>\$ 3,047,734</u>

Business-type Activities:

Grant construction projects	\$ 69,311
Vendors and supplies	23,104
	<u>\$ 92,415</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 6 - Receivables

Accounts and grant receivables, as reported on the statement of net position, are comprised of the following:

Governmental Activities:

Transit occupancy tax / TBID	\$ 1,736,902
Sales tax	442,700
Utility users tax	128,655
Property tax	90,089
Intergovernmental	1,453,811
Other	413,821
	<u>\$ 4,265,978</u>

Business-type Activities:

Grants	\$ 17,773
Rents and fees	49,442
Landfill customers	110
	<u>\$ 67,325</u>

The Town participates in "Housing Rehabilitation and Affordable Housing Loan Programs" designed to encourage construction and improvement to low-to-moderate income housing or other similar projects. Under these programs, grants and loans are provided under favorable terms to homeowners and real estate developers who agree to spend these funds in accordance with the Town's loan agreement terms. Although these loans are expected to be repaid in full, their balance in the governmental funds balance sheet has been offset by a deferred revenue account, as they are not expected to be repaid during the next fiscal year, nor in the foreseeable future. Notes receivables as reported in the statement of net position consist of the following:

Notes Receivable

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

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 7 - Capital Assets

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<i><u>Non-depreciable Assets</u></i>				
Land	\$ 10,338,316	\$ -	\$ -	\$ 10,338,316
Construction-in-progress	2,400,065	2,107,986	(1,823,535)	2,684,516
	<u>12,738,381</u>	<u>2,107,986</u>	<u>(1,823,535)</u>	<u>13,022,832</u>
<i><u>Depreciable Assets</u></i>				
Buildings and structures	21,675,101	907,407	(157,786)	22,424,722
Streets and roads	186,940,201	2,900,008	(867,336)	188,972,873
Storm drains	16,035,895	-	-	16,035,895
Vehicles and equipment	1,361,603	81,767	-	1,443,370
	<u>226,012,800</u>	<u>3,889,182</u>	<u>(1,025,122)</u>	<u>228,876,860</u>
<i><u>Accumulated Depreciation</u></i>	<u>(176,300,701)</u>	<u>(4,414,322)</u>	<u>645,693</u>	<u>(180,069,330)</u>
Depreciable assets, net	<u>49,712,099</u>	<u>(525,140)</u>	<u>(379,429)</u>	<u>48,807,530</u>
Total capital assets, net	<u>\$ 62,450,480</u>	<u>\$ 1,582,846</u>	<u>\$ (2,202,964)</u>	<u>\$ 61,830,362</u>

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<i><u>Depreciable Assets</u></i>				
Vehicles and equipment	\$ 9,504,646	\$ 253,357	\$ (69,155)	\$ 9,688,848
<i><u>Accumulated depreciation</u></i>	<u>(8,103,635)</u>	<u>(377,328)</u>	<u>69,155</u>	<u>(8,411,808)</u>
Total capital assets, net	<u>\$ 1,401,011</u>	<u>\$ (123,971)</u>	<u>\$ -</u>	<u>\$ 1,277,040</u>

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

	Governmental	Internal Service	Total
Capital assets not being depreciated	\$ 13,022,832	\$ -	\$ 13,022,832
Capital assets, net of depreciation	<u>48,807,530</u>	<u>1,277,040</u>	<u>50,084,570</u>
Net capital assets	61,830,362	1,277,040	63,107,402
Acquisition debt	<u>(3,640,695)</u>	<u>-</u>	<u>(3,640,695)</u>
Net investment in capital assets	<u>\$ 58,189,667</u>	<u>\$ 1,277,040</u>	<u>\$ 59,466,707</u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 544,316	\$ -	\$ -	\$ 544,316
Construction-in-progress	1,419,517	(1,419,517)	-	-
	<u>1,963,833</u>	<u>(1,419,517)</u>	<u>-</u>	<u>544,316</u>
<u>Depreciable Assets</u>				
Buildings and runway	15,259,314	1,625,137	-	16,884,451
Vehicles and equipment	2,542,155	-	-	2,542,155
	<u>17,801,469</u>	<u>1,625,137</u>	<u>-</u>	<u>19,426,606</u>
<u>Accumulated Depreciation</u>	<u>(13,138,305)</u>	<u>(1,267,766)</u>	<u>-</u>	<u>(14,406,071)</u>
Depreciable assets, net	<u>4,663,164</u>	<u>357,371</u>	<u>-</u>	<u>5,020,535</u>
Total capital assets, net	<u>\$ 6,626,997</u>	<u>\$ (1,062,146)</u>	<u>\$ -</u>	<u>\$ 5,564,851</u>

Note 8 - Long-term Obligations

The following summarizes the change in long-term debt and obligations for the year:

	Beginning Balance	Reductions	Additions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Lease Revenue Bonds	\$ 3,459,000	\$ (196,000)	\$ -	\$ 3,263,000	\$ 202,000
State Loan	225,522	(73,349)	-	152,173	75,183
Lawsuit judgment	24,924,421	(753,779)	-	24,170,642	791,468
Net pension liability (CalPERS)	15,881,436	(1,270,515)	3,106,454	17,717,375	-
Net pension liability (PARS)	110,920	-	31,558	142,478	-
OPEB medical plan	853,891	-	14,979	868,870	-
Compensated absences	369,722	-	22,109	391,831	97,958
	<u>\$45,824,912</u>	<u>\$ (2,293,643)</u>	<u>\$ 3,175,100</u>	<u>\$46,706,369</u>	<u>\$ 1,166,609</u>
<u>Business-type Activities</u>					
Net pension liability (CalPERS)	\$ 1,270,515	\$ -	\$ 52,015	\$ 1,322,530	\$ -
OPEB medical plan	54,504	-	956	55,460	-
Compensated absences	31,538	-	3,117	34,655	8,664
	<u>\$ 1,356,557</u>	<u>\$ -</u>	<u>\$ 56,088</u>	<u>\$ 1,412,645</u>	<u>\$ 8,664</u>

Lease Revenue Bonds

In 2015, the Town issued \$3,550,000 in Lease Revenue Bonds to refinance existing Certificates of Participation (\$1,430,000) and construct a new public safety facility (\$2,120,000) which was completed in 2017. Principal and Interest payments are due semi-annually on June 1 and December 1. Total annual payments are approximately \$315,000, with a fixed interest rate of 3.51% per annum. The debt is scheduled to mature in fiscal year 2029-30.

Future debt service requirements are as follows:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
2018	\$ 202,000	\$ 112,777	\$ 314,777
2019	210,000	105,616	315,616
2020	216,000	98,192	314,192
2021	224,000	90,540	314,540
2022	232,000	82,608	314,608
2023-2027	1,290,000	283,800	1,573,800
2028-2030	889,000	55,406	944,406
	<u>\$ 3,263,000</u>	<u>\$ 828,939</u>	<u>\$ 4,091,939</u>

State Loan

In 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 a fixed interest rate of 2.5% per annum. The debt is scheduled to mature in fiscal year 2018-19.

Future debt service requirements are as follows:

Year Ending June 30,	State Water Resources Control Board		
	Principal	Interest	Total
2018	\$ 75,183	\$ 3,806	\$ 78,989
2019	76,990	1,927	78,917
	<u>\$ 152,173</u>	<u>\$ 5,733</u>	<u>\$ 157,906</u>

Lawsuit Judgment

The Town was the defendant in litigation with a real estate developer for alleged breach of contract. In 2008 a jury awarded the developer \$30 million in damages. In March 2011 the Town lost its appeal of this judgment before the State Supreme Court. In July 2012 the Town filed for a voluntary petition for relief under Chapter 9 of the United States Bankruptcy Code. In November 2012 the Bankruptcy Court dismissed the Town's Chapter 9 petition after both parties to the litigation reached a settlement and negotiated a \$29,500,434 award to be payable over 24 years with interest at 5% per annum, along with other agreements previously entered into. In October 2017 the Town refunded the award by issuing Obligation Bonds at a reduced interest rate which is expected to save the Town in excess of \$100,000 per annum.

Future debt service requirements are as follows:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Year Ending June 30,	Litigation Settlement		
	Principal	Interest	Total
2018	791,468	1,108,532	-
2019	831,041	1,068,959	1,900,000
2020	872,593	1,027,407	1,900,000
2021	916,223	983,777	1,900,000
2022	962,034	937,966	1,900,000
2023-2027	5,581,638	3,918,362	9,500,000
2028-2032	7,123,742	2,376,258	9,500,000
2033-2036	7,091,903	508,098	7,600,001
	\$ 24,170,642	\$ 11,929,359	\$ 34,200,001

Net Pension Liability - see Notes 14 and 15

OPEB Medical Plan - see Note 11

Compensated Absences

Town employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities the expenditure is allocated to each function based on usage. Vested compensated absences payable in accordance with various collective bargaining agreements at year end was reported in the statement of net position in the amount of \$391,831 for governmental activities, and \$34,655 for business-type activities.

Operating Leases

In 2009, the Town entered into a real estate lease renewal amendment agreement for the continuing occupancy of Town hall office space under a twelve year, six month term. The minimum monthly rent is \$21,000 per month, adjusted annually in accordance with the CPI.

In 2010, the Town entered into a real estate lease agreement for continuing occupancy of the police department building under an eight year term at an average monthly base rent of \$5,420 plus property taxes, insurance, utilities, and maintenance. The lease expires at December 31, 2017.

In 2011, the Town entered into a five year operating lease agreement for a passenger facility temporary structure installed at its airport. In 2016, the Town renewed the lease for three years with month payments of \$1,495.

Note 9 - Interfund Balances

The Town reports an outstanding interfund loan from the internal service vehicle fund to the general fund, with repayment terms of \$340,000 per year over 12 years, zero interest rate, with a remaining balance of \$3,511,207 at fiscal year end.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 10 - 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:

Fund type	Operating transfers	
	In	Out
General fund	\$ 908,134	\$ 9,122,023
Gasoline tax fund	4,709,277	2,203,078
Measure R sales tax fund	816,859	860,763
Capital projects fund	3,024,222	797,711
Developer impact fees funds	21,750	171,750
Debt service fund	3,250,236	340,520
Airport fund	753,623	-
Vehicle service fund	499,638	408,853
Agency funds	75,828	154,869
	<u>\$ 14,059,567</u>	<u>\$ 14,059,567</u>

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Town provides retiree medical benefits to employees who retire from the Town at age 50 or later with at least 5 years of service and are eligible for a CalPERS pension. Eligible retirees are entitled to the minimum CalPERS medical benefit, which was set at \$127 per month in year 2017. The amount is anticipated to increase annually. The retiree pays the balance of the premium for the option and tier of coverage the retiree elects. The Plan does not include a special disability benefit prior to the employee becoming eligible for the regular retirement benefit. Benefit and vesting service is credited from date of hire. The Plan does not include a death benefit or withdrawal benefit.

Actuarial Method and Assumptions

The valuation was completed using the Entry Age Normal Cost Method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued.

Discount Rate

Valuation results were computed at a 6.5% discount rate which is considered a reasonable long-term assumption of the Town's expected return on its investments.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Valuation Results and Accounting Requirements

The Actuarial Valuation of Postemployment Health Benefits report was prepared with a Valuation Date of January 1, 2015 to provide an estimate of the Town's liability for postemployment medical benefits attributable to past service rendered by current retirees and employees who are expected to receive the benefit. Public entities that sponsor postemployment benefits are required by Governmental Accounting Standards Board (GASB) Statement No. 45 to account for the cost of those benefits using accrual accounting rather than the more common pay-as-you-go accounting. This means that each employee's benefit will "accrue" throughout their working lifetime and that the Town will be required to show the annual accruals as a current year expense.

The table below contains estimates of the present value of the cost of postemployment medical benefits attributable to past service rendered by current retirees and employees who are expected to receive the benefit. The estimates are based on the assumptions and methodology prescribed for Agencies that participate in the CalPERS administered California Employers' Retiree Benefit Trust Fund. The valuation results are based on a discount rate of 6.5%, assuming that the Town continues pay-as-you-go funding of the program. If the Town joins a Trust and contributes at least part of the Annual Required Contributions (ARC) each year, a higher discount rate may be possible. This could result in lower annual costs as reported under GASB 45.

A primary goal of GASB 45 is to require employers to recognize postemployment healthcare expense systematically over periods approximating employees' years of service. The Actuarial Accrued Liability represents the estimated present value of future benefits that are associated with past service rendered by employees and retirees. The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the Actuarial Value of any Assets, as follows:

Present Value of Future Postemployment Healthcare Cost
Attributable to Past Service as of January 1, 2015

		6.50%
	Discount Rate	
Actives	\$	429,901
Retirees and Spouses		814,700
Total Actuarial Liability		1,244,601
Actuarial Value of Assets		336,206
Unfunded Actuarial Liability	\$	908,395

Projected Postemployment Health Benefit Costs

The following table provides a ten-year projection of the pay-as-you-go cost to provide postemployment benefits to current retirees and future retirees from the Town's current employees:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Estimated Annual Pay-as-you-go Cost

<u>Year</u>	<u>Estimated Amount</u>
2014/15	\$ 71,490
2015/16	83,218
2016/17	80,002
2017/18	69,796
2018/19	70,213
2019/20	81,545
2020/21	89,539
2021/22	95,267
2022/23	97,482
2023/24	106,018

Benefit Costs under GASB 45

The following table provides disclosure of information regarding the Town's Annual OPEB Cost. The Annual Required Contribution (ARC) consists of the Normal Cost plus the portion of the Unfunded Actuarial Accrued Liability that is to be amortized in the current year. The Normal Cost is the portion of the actuarial present value of future benefits that is allocated to the current year. Another interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year.

Actuarial Standard Practice (ASOP) No. 6 requires measurement of an implicit subsidy for community-rated health plans. This includes all of the health plans sponsored by CalPERS. The recognition of the implicit subsidy resulted in an increase in the plan's actuarial accrued liability of approximately \$412,000.

This valuation is based on the Entry Age Normal Cost method of calculation and an attribution period that runs from date of hire until the expected retirement date.

An employer is allowed to commence amortization of the Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years. The amortization method used in this valuation is the level dollar method. The UAAL amortization is occurring over a closed 30-year period that commenced in the 2008/09 fiscal year. The Plan's actuary assumed that 6 years of amortization have occurred since 2008/09 and that 24 years remained as of January 1, 2015. The following table is based on a level percentage of payroll amortization over 24 years:

Annual Required Contribution (ARC)	\$ 98,225
Interest on Net OPEB Obligation	59,046
Adjustment to ARC	<u>(59,726)</u>
Net Annual OPEB cost	97,545
Pay-as-you-go cost employer contribution	<u>(81,610)</u>
Increase in Net OPEB Obligation	15,935
Net OPEB Obligation - beginning of year	<u>908,395</u>
Net OPEB Obligation - end of year	<u><u>\$ 924,330</u></u>

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 12 - Commitments and Contingencies

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, 2017, the Town was in contract for several grant funded airport and street projects, which are expected to be completed by December 31, 2017.

Note 13 - Assessment District Debt

The Town acts as an agent for collection of property taxes and repayment of several special assessment improvement bonds issued by Assessment Districts located 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 year end was as follows:

Bluffs Reassessment District 1993-4R	\$ 1,268,629
CFD No. 2001-1 (North Village Area) 2016 Special Tax Refunding Bonds	\$ 6,626,919

Note 14 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

A. General Information about the Plan

Plan Description

The Town provides pension benefits to eligible employees through a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and Town ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. Death benefits are the pre-retirement Optional Settlement 2W Death Benefit, and the post-retirement death benefit lump sum. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

The Plans' provisions and benefits are summarized as follows:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

	Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.7%	2.0%
Required employee contribution rates	6.9%	6.3%
Required employer contribution rates	10.8%	6.3%

	Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	11.5%
Required employer contribution rates	26.9%	11.5%

Contributions

The Town makes contributions required as the employer. Employee members are required to make contributions of their annual covered salary in an amount depending upon date of hire. The contribution requirements of the plan are established and may be amended by CalPERS. California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2017, employer pension plan contributions were \$1,773,473.

B. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the Town reported a net pension liability for its Proportionate Share of the Net Pension Liability of the CalPERS Public Agency Cost-Sharing Plan as follows:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Total pension liability	\$	61,392,981
Fiduciary net position		42,353,076
Net pension liability		19,039,905

The Town's net pension liability of its Plan with CalPERS is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation date as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability as of June 30, 2017 was 0.220036%. For the year ended June 30, 2017, the Town recognized pension expense of \$1,532,338.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 16,279
Changes of assumptions	-	544,069
Difference between projected and actual investment earnings	2,774,822	-
Change in employer's proportion	582,890	-
Differences between expected and actual contributions	50,327	160,729
Contributions after the measurement date	1,773,473	-
Totals	<u>\$ 5,181,512</u>	<u>\$ 721,077</u>

Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense as follows:

Year Ended June 30,	
2018	\$ 342,418
2019	325,207
2020	1,299,361
2021	719,974

C. Actuarial Assumptions

The total pension liability for this plan's actuarial valuation was determined using the following actuarial assumptions:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 15.0% (1)
Investment Rate of Return	7.5% (2)

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is gross of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return net of administrative expenses would be 7.50 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year and will continue to check the materiality of the difference in calculation until such time as they change their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses. The asset allocation has an expected long-term blended rate of return of 7.5 percent.

Asset Class	Allocation
Global Equity	51.00%
Global Fixed Income	20.00%
Inflation Sensitive Assets	6.00%
Private Equity	10.00%
Real Assets	12.00%
Other	0.00%
Liquid Assets	1.00%
	100.00%

E. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the unfunded net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
Net Pension Liability	\$ 27,330,426	\$ 19,039,905	\$ 12,205,217

Note 15 - Single Employer Defined Benefit Pension Plan

A. General Information about the 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 cost-sharing multiple-employer defined benefit pension 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. Additional information concerning this Single Employer Defined Benefit Pension Plan can be obtained from the Town's Finance Director.

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Benefits Provided

PARS provides service retirement benefits equal to the “3.5% at 55” plan factor less the CalPERS “3.0% at 50” plan factor for all years of Town Safety service as of July 1, 2012. Benefits are frozen effective as of July 1, 2012. Benefits in payment status will increase by 2% per annum on the anniversary of the participant’s date of retirement. The plan does not provide a withdrawal benefit, death benefit, or a disability benefit.

Contributions

The Town makes contributions required as the employer. Employee members are not required to make contributions. The contribution requirements of plan are established and may be amended by PARS. Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by PARS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the plan for the year ended June 30, 2017 were \$42,826 and made in accordance with the contribution requirements determined by the actuarial valuation of the plan year beginning July 1, 2015.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the Town reported a net pension liability in its Retirement Enhancement Plan as follows:

Total pension liability	\$	2,119,913
Fiduciary net position		1,977,435
Net pension liability		142,478

For the year ended June 30, 2017, the Town recognized pension expense of \$147,908. The Town reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ -	\$ -
Difference between economic/demographic gains or losses and assumption changes or inputs	58,692	-
Differences between projected and actual earnings	46,233	46,790
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
	<u>\$ 104,925</u>	<u>\$ 46,790</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to this pension plan will be recognized as pension expense as follows:

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Year Ended June 30,	
2018	\$ 102,263
2019	29,407
2020	11,017
2021	(11,696)

C. Actuarial Assumptions

The following actuarial methods and assumptions were used in the June 30, 2015 funding valuation:

	<u>Safety Plan</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	6.50%

D. Discount Rate

The discount rate used to measure the total pension liability was 6.50% which is the long-term expected rate of return on pension plan investments. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of June 30, 2017.

<u>Asset Class</u>	<u>Target Allocation</u>
US Cash	3.66%
US Core Fixed Income	36.93%
US Equity Market	42.52%
Foreign Developed Equity	11.34%
Emerging Markets Equity	3.96%
US Real Estate	1.59%
	<u>100.00%</u>

E. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

The following presents the net pension liability of Town's Retirement Enhancement Plan, calculated using the discount rate as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate -1%	Current Discount	Discount Rate +1%
	5.50%	Rate 6.50%	7.50%
Net pension liability / (asset)	\$ 416,932	\$ 142,478	\$ (83,801)

Note 16 - Risk Management

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 119 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

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.

Liability

In the liability program, claims are pooled separately between police and general government exposures. 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.

Workers' Compensation

In the workers' compensation program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. 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.

C. Purchased Insurance

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Pollution Legal Liability Insurance

The Town participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Town. Coverage is on a claims-made basis.

Property Insurance

The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The Town purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The Town purchases crime and fidelity insurance coverage through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance

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

D. Adequacy of Protection

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

Note 17 - Subsequent Events

The management of the Town has reviewed the results of operations for the period from its fiscal year end June 30, 2017 through December 1, 2017, 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 following paragraph.

On October 25, 2017, the Town refunded its Lawsuit Judgment obligation for the purpose of reducing the interest rate from 5% to an average of 3.5% which will provide interest expense savings in excess of \$100,000 per year.

Note 18 - New Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can read in their entirety at <http://www.gasb.org>.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than*

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Pensions.

Effective Date: The requirements of this Statement are effective for periods beginning after June 15, 2017. This Statement sets new reporting requirements for government employer OPEB plans, whether or not funded, and replaces GASB 45. Because it follows Statement 68 (the new pension accounting standard) very closely, the required calculations and terms may be familiar.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged. (Issued 3/16)

GASB Statement No. 83, *Certain Asset Retirement Obligations*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. (Issued 11/16)

GASB Statement No. 84, *Fiduciary Activities*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. (Issued 01/17)

GASB Statement No. 85, *Omnibus 2017*

Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 03/17)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 05/17)

GASB Statement No. 87, *Leases*

Effective Date: For reporting periods beginning after December 15, 2019. (Issued 06/17)

TOWN OF MAMMOTH LAKES
Notes to Financial Statements
June 30, 2017

Note 19 - Fund Balance Designations Section of the Balance Sheet

Fund Balances	General Fund	Major Governmental Funds	Nonmajor Governmental Funds	Total
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Housing & community development	-	125,854	-	125,854
Capital Projects - DIF	-	-	220,548	220,548
Public Works / Streets	-	-	2,109,273	2,109,273
Measure R projects	-	-	3,732,953	3,732,953
Measure U projects	-	-	2,594,638	2,594,638
Total restricted fund balances	<u>-</u>	<u>125,854</u>	<u>8,657,412</u>	<u>8,783,266</u>
Committed:				
Reserve for economic uncertainty	3,400,000	-	-	3,400,000
Reserve for encumbrances	903,655	-	-	903,655
Comprehensive leave	670,425	-	-	670,425
Capital Projects	-	1,436,413	-	1,436,413
Debt service obligations	-	-	540,441	540,441
Total committed fund balances	<u>4,974,080</u>	<u>1,436,413</u>	<u>540,441</u>	<u>6,950,934</u>
Assigned:				
Housing/community development	156,400	-	-	156,400
Transit	274,671	-	-	274,671
Operating reserve	452,041	-	-	452,041
Total assigned fund balances	<u>883,112</u>	<u>-</u>	<u>-</u>	<u>883,112</u>
Unassigned	<u>(170,008)</u>	<u>-</u>	<u>-</u>	<u>(170,008)</u>
Total Fund Balances	<u>\$ 5,687,184</u>	<u>\$ 1,562,267</u>	<u>\$ 9,197,853</u>	<u>\$ 16,447,304</u>

REQUIRED SUPPLEMENTARY INFORMATION

(unaudited)

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (unaudited)
Year Ended June 30, 2017

Schedule of Proportionate Share of the Net Pension Liability

The proportion (percentage) of the collective net pension liability represents the Town's share of both cost-sharing plan assets (the miscellaneous and safety plans) offset against the actuarial determined collective pension liability.

The proportionate share (dollar amount) of the collective net pension liability represents the Town's share of both cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered-employee payroll represents the payroll of employees that are provided with pensions through the applicable miscellaneous or safety pension plan.

Schedule of Contributions

The employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (unaudited)
Last 3 Fiscal Years

Schedule of the Town's Proportionate Share of the Plan's Net Pension Liability	2017	2016	2015
Town's proportion of the net pension liability	0.2200%	0.2314%	0.2170%
Town's proportionate share of the net pension liability	\$ 19,039,905	\$ 15,881,436	\$ 13,498,217
Town's covered-employee payroll *	\$ 4,617,105	\$ 4,845,793	\$ 4,630,308
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	412.4%	327.7%	291.5%
Plan fiduciary net position as a percentage of the total pension liability	74.1%	78.4%	79.8%

* for the fiscal year ending on the measurement date

Schedule of the Town's Contributions

Contractually required employer contribution	\$ 1,773,473	\$ 1,595,253	\$ 1,132,342
Contributions in relation to the contractually required employer contribution	<u>1,773,473</u>	<u>1,595,253</u>	<u>1,132,342</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll **	\$ 4,927,404	\$ 4,617,105	\$ 4,845,793
Contributions as a percentage of covered-employee payroll	35.99%	34.55%	23.37%

** for the fiscal year ending on the date shown

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Single Employer Defined Benefit Pension Plan (unaudited)
Year Ended June 30, 2017

Schedule of Changes in the Net Pension Liability and Related Ratios

The beginning and ending balances of the total pension liability, the plan assets available for pension benefits (called plan net position), and the net pension liability, as well as the change in those amounts during the year are presented on the following page.

Total pension liability, plan net position, net pension liability, a ratio of plan net position divided by the total pension liability, payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net pension liability divided by covered-employee payroll are also presented.

Schedule of Contributions

When an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll are required to be presented.

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Single Employer Defined Benefit Pension Plan (unaudited)
Last 3 Fiscal Years

Schedule of Changes in the Net Pension Liability and Related Ratios

<u>Total Pension Liability</u>	2017	2016	2015
Service Cost	\$ -	\$ -	\$ -
Interest on total pension liability	134,711	132,879	124,394
Effect of economic/demographic gains or losses	-	54,634	-
Effect of assumptions, changes or inputs	118,450	38,254	-
Changes in benefit terms	-	-	-
Benefit payments	(113,479)	(100,131)	(92,141)
Net change in total pension liability	139,682	125,636	32,253
Total pension liability - beginning	1,980,231	1,854,595	1,822,342
Total pension liability - ending	<u>\$ 2,119,913</u>	<u>\$ 1,980,231</u>	<u>\$ 1,854,595</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - employer (current year)	\$ 42,826	\$ 26,458	\$ 54,775
Contributions - employee (current year)	-	-	-
Net investment income	186,638	18,860	41,942
Benefit payments	(121,340)	(107,807)	(100,071)
Net change in plan fiduciary net position	108,124	(62,489)	(3,354)
Plan fiduciary net position - beginning	1,869,311	1,931,800	1,935,154
Plan fiduciary net position - ending (plan assets)	<u>\$ 1,977,435</u>	<u>\$ 1,869,311</u>	<u>\$ 1,931,800</u>
Net Pension Liability (overfunding)	<u>\$ 142,478</u>	<u>\$ 110,920</u>	<u>\$ (77,205)</u>
Plan fiduciary net position as a percentage of the total pension liability	93.28%	94.40%	104.16%
Covered employee payroll	\$ 808,659	\$ 785,106	\$ 1,239,392
Net pension liability as percentage of covered employee payroll	17.62%	14.13%	-6.23%

Schedule of Employer Contributions

Actuarially determined contribution	\$ 3,010	\$ 6,555	\$ 10,369
Actual employer contribution	(42,826)	(26,458)	(54,775)
Contribution deficiency (excess)	<u>\$ (39,816)</u>	<u>\$ (19,903)</u>	<u>\$ (44,406)</u>
Covered payroll	\$ 808,659	\$ 785,106	\$ 1,239,392
Contribution as a percentage of covered employee payroll	5.30%	3.37%	4.42%

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits Plan (unaudited)
As of June 30, 2017

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend information from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
January 1, 2012	\$ 746,467	\$ 191,919	\$ 554,548	25.7%	\$ 6,750,391	8.2%
January 1, 2015	\$ 1,244,601	\$ 336,206	\$ 908,395	27.0%	\$ 7,357,926	12.3%
June 30, 2017	\$ 1,260,536	\$ 336,206	\$ 924,330	26.7%	\$ 4,617,105	20.0%

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Note to Budgetary Comparison Information (unaudited)
Year Ended June 30, 2017

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
Required Supplementary Information
Budgetary Comparison - General Fund No. 100
Year Ended June 30, 2017

	<u>Budget Amounts (unaudited)</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflow)				
Property taxes	\$ 3,491,692	\$ 3,491,692	\$ 3,486,307	\$ (5,385)
Sales tax	2,563,400	2,563,400	2,617,013	53,613
Transient Occupancy tax	16,915,365	16,915,365	18,985,334	2,069,969
Business tax	317,634	317,634	323,353	5,719
Franchise fees	811,656	811,656	1,018,703	207,047
License and permits	417,430	417,430	415,753	(1,677)
Fees and charges	815,970	815,970	863,338	47,368
Fines and forfeitures	77,800	77,800	94,020	16,220
State grants	122,892	122,892	128,240	5,348
State shared revenue	3,500	3,500	3,689	189
Interest	25,033	25,033	126,120	101,087
Refunds and reimbursements	15,525	15,525	37,169	21,644
Other revenue	-	-	72,215	72,215
Transfers in from other funds	656,134	656,134	908,134	252,000
Amounts Available for Appropriation	<u>26,234,031</u>	<u>26,234,031</u>	<u>29,079,388</u>	<u>2,845,357</u>
Charges to Appropriations (Outflow)				
Town Council	196,085	196,085	149,405	46,680
Legal services	210,000	210,000	167,879	42,121
Town Manager department	648,460	648,460	647,588	872
Town Clerk department	191,605	191,605	191,926	(321)
Finance department	1,169,656	1,169,656	1,167,053	2,603
General services	1,684,387	1,684,387	1,510,531	173,856
Human Resources department	134,979	134,979	145,332	(10,353)
Information Technology Services	464,951	464,951	416,742	48,209
Police department	3,889,445	3,889,445	3,582,294	307,151
Wildlife management	69,355	69,355	67,055	2,300
Recreation Programs department	592,268	592,268	623,436	(31,168)
Whitmore Pool & Recreation area	209,701	209,701	202,401	7,300
Parks, Buildings & Trails Mgmt	462,922	462,922	474,930	(12,008)
Planning Division	698,298	698,298	630,713	67,585
Building Division	573,591	573,591	601,804	(28,213)
Code Compliance	102,588	102,588	108,737	(6,149)
Housing Programs & Planning	380,384	380,384	353,700	26,684
Street Maintenance	-	-	925	(925)
Department 452	85,000	85,000	51,019	33,981
Engineering and Public Works dept.	615,683	615,683	651,301	(35,618)
Facilities Maintenance	101,791	101,791	101,880	(89)
Transit Services	1,088,100	1,088,100	926,896	161,204
Tourism & Business Development	3,076,959	3,076,959	3,672,685	(595,726)
Transfers out to other funds	9,020,994	9,020,994	9,122,023	(101,029)
Total Charges to Appropriations	<u>25,667,202</u>	<u>25,667,202</u>	<u>25,568,255</u>	<u>98,947</u>
Surplus (Deficit)	<u>\$ 566,829</u>	<u>\$ 566,829</u>	<u>\$ 3,511,133</u>	<u>\$ 2,944,304</u>

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Budgetary Comparison - Capital Projects Fund No. 300
Year Ended June 30, 2017

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Resources (Inflow)				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
ATP Grant - Mammoth Creek Gap	-	-	13,974	13,974
Federal grants	650,000	650,000	1,040,097	390,097
State grants	211,732	211,732	132,705	(79,027)
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue - Refunds & Rebates	-	-	958,605	958,605
Transfers in from other funds	2,934,114	2,934,114	3,024,222	90,108
Amounts Available for Appropriation	<u>3,795,846</u>	<u>3,795,846</u>	<u>5,169,603</u>	<u>1,373,757</u>
Charges to Appropriations (Outflow)				
Capital projects - streets	1,123,624	1,123,624	30,667	1,092,957
Capital projects - other	2,692,211	2,692,211	6,080,224	(3,388,013)
Transfers out to other funds	89,850	89,850	797,711	(707,861)
Total Charges to Appropriations	<u>3,905,685</u>	<u>3,905,685</u>	<u>6,908,602</u>	<u>(3,002,917)</u>
Surplus (Deficit)	<u>\$ (109,839)</u>	<u>\$ (109,839)</u>	<u>\$ (1,738,999)</u>	<u>\$ (1,629,160)</u>

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Budgetary Comparison - Tourism Business Improvement District Fund No. 218
Year Ended June 30, 2017

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<i>Resources (Inflow)</i>				
TBID assessment	\$ 5,500,000	\$ 5,500,000	\$ 5,868,759	\$ 368,759
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	3,915	3,915
Other revenue	-	-	-	-
Transfers in from other funds	-	-	-	-
Amounts Available for Appropriation	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,872,674</u>	<u>372,674</u>
<i>Charges to Appropriations (Outflow)</i>				
Contractual finance services	110,000	110,000	117,454	(7,454)
Transfers out to other funds	5,390,000	5,390,000	5,755,220	(365,220)
Total Charges to Appropriations	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,872,674</u>	<u>(372,674)</u>
<i>Surplus (Deficit)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF MAMMOTH LAKES
Required Supplementary Information
Budgetary Comparison - Housing & Community Development Fund No. 245
Year Ended June 30, 2017

	Budget Amounts (unaudited)		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflow)				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental Housing grants	1,623,400	1,623,400	504,148	(1,119,252)
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue	-	-	-	-
Transfers in from other funds	-	-	-	-
Amounts Available for Appropriation	1,623,400	1,623,400	504,148	(1,119,252)
Charges to Appropriations (Outflow)				
Housing Community development	1,623,400	1,623,400	672,030	951,370
Transfers out to other funds	-	-	-	-
Total Charges to Appropriations	1,623,400	1,623,400	672,030	951,370
Surplus (Deficit)	\$ -	\$ -	\$ (167,882)	\$ (167,882)

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MAMMOTH LAKES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Capital Projects Funds:

	DIF Admin Overhead	DIF Facilities Fund	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE Library	DIF Circulation (Streets)	DIF MCOE Child Care	DIF Fire Facility, Veh. & Eq.	DIF Airport Improvement	DIF Transit & Trails	Public Arts Program	Total Capital Projects Funds
Assets													
Cash and investments	\$ 5,233	\$ 6,913	\$ 1,869	\$ 8,114	\$ 19,188	\$ 14,886	\$ 2,787	\$ 45,994	\$ 25,765	\$ 13,675	\$ 13,632	\$ 62,087	\$ 220,143
Receivables	10	11	3	14	35	39	5	75	44	26	23	120	405
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>\$ 5,243</u>	<u>\$ 6,924</u>	<u>\$ 1,872</u>	<u>\$ 8,128</u>	<u>\$ 19,223</u>	<u>\$ 14,925</u>	<u>\$ 2,792</u>	<u>\$ 46,069</u>	<u>\$ 25,809</u>	<u>\$ 13,701</u>	<u>\$ 13,655</u>	<u>\$ 62,207</u>	<u>\$ 220,548</u>
Liabilities													
Payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to the general fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances													
Special revenue funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects funds	5,243	6,924	1,872	8,128	19,223	14,925	2,792	46,069	25,809	13,701	13,655	62,207	220,548
Debt service fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>5,243</u>	<u>6,924</u>	<u>1,872</u>	<u>8,128</u>	<u>19,223</u>	<u>14,925</u>	<u>2,792</u>	<u>46,069</u>	<u>25,809</u>	<u>13,701</u>	<u>13,655</u>	<u>62,207</u>	<u>220,548</u>
Total Liabilities and Fund Balances	<u>\$ 5,243</u>	<u>\$ 6,924</u>	<u>\$ 1,872</u>	<u>\$ 8,128</u>	<u>\$ 19,223</u>	<u>\$ 14,925</u>	<u>\$ 2,792</u>	<u>\$ 46,069</u>	<u>\$ 25,809</u>	<u>\$ 13,701</u>	<u>\$ 13,655</u>	<u>\$ 62,207</u>	<u>\$ 220,548</u>

TOWN OF MAMMOTH LAKES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds:						Total		Total	
	Gas	Measure	Measure	Measure U	Drug	LTC Planning	Special	Capital	Debt	Total
	Tax	R	R	Utility	Enforcement	Transportation	Revenue	Projects	Service	Nonmajor
	Fund	Trails	Sales Tax	Users Tax	Fund	& Transit	Funds	Funds	Fund	Governmental
										Funds
Assets										
Cash and investments	\$ 2,211,126	\$ 931,772	\$ 2,752,742	\$ 2,465,983	\$ 17	\$ -	\$ 8,361,640	\$ 220,143	\$ 224,448	\$ 8,806,231
Receivables	52,000	899	95,774	128,655	-	54,133	331,461	405	-	331,866
Due from other funds	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	315,993	315,993
Totals	<u>\$ 2,263,126</u>	<u>\$ 932,671</u>	<u>\$ 2,848,516</u>	<u>\$ 2,594,638</u>	<u>\$ 17</u>	<u>\$ 54,133</u>	<u>\$ 8,693,101</u>	<u>\$ 220,548</u>	<u>\$ 540,441</u>	<u>\$ 9,454,090</u>
Liabilities										
Payables	\$ 153,853	\$ 45,079	\$ 3,155	\$ -	\$ 17	\$ 604	202,708	\$ -	\$ -	\$ 202,708
Cash overdraft	-	-	-	-	-	53,529	53,529	-	-	53,529
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Due to the general fund	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Totals	<u>153,853</u>	<u>45,079</u>	<u>3,155</u>	<u>-</u>	<u>17</u>	<u>54,133</u>	<u>256,237</u>	<u>-</u>	<u>-</u>	<u>256,237</u>
Fund Balances										
Special revenue funds	2,109,273	887,592	2,845,361	2,594,638	-	-	8,436,864	-	-	8,436,864
Capital projects funds	-	-	-	-	-	-	-	220,548	-	220,548
Debt service fund	-	-	-	-	-	-	-	-	540,441	540,441
Totals	<u>2,109,273</u>	<u>887,592</u>	<u>2,845,361</u>	<u>2,594,638</u>	<u>-</u>	<u>-</u>	<u>8,436,864</u>	<u>220,548</u>	<u>540,441</u>	<u>9,197,853</u>
Total Liabilities and										
Fund Balances	<u>\$ 2,263,126</u>	<u>\$ 932,671</u>	<u>\$ 2,848,516</u>	<u>\$ 2,594,638</u>	<u>\$ 17</u>	<u>\$ 54,133</u>	<u>\$ 8,693,101</u>	<u>\$ 220,548</u>	<u>\$ 540,441</u>	<u>\$ 9,454,090</u>

TOWN OF MAMMOTH LAKES
Combining Statement of Revenue, Expenditures, and Change in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

Capital Projects Funds:

	DIF	DIF	DIF	DIF	DIF	DIF	DIF	DIF	DIF	DIF	DIF	Public	Total
	Admin	Gen. Fac.	Law	Storm	Parks &	MCOE	Circulation	MCOE	Fire Facility,	Airport	Transit	Arts	Capital
	Overhead	Fund	Enforcement	Drains	Recreation	Library	(Streets)	Child Care	Veh. & Eq.	Improve.	& Trails	Program	Projects
													Funds
Revenue													
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	4,044	858	4,836	4,080	23,718	1,518	2,994	20,789	-	7,950	-	70,787
Taxes and assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	32	29	9	34	495	241	12	171	113	83	57	375	1,651
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	32	4,073	867	4,870	4,575	23,959	1,530	3,165	20,902	83	8,007	375	72,438
Expenditures													
General government	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	30,000	-	-	-	30,000
Tourism, parks, recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	25,000	-	-	-	-	-	-	25,000
Public works / streets	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and transit	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	25,000	-	-	30,000	-	-	-	55,000
Excess Revenue over (under) Expenditures	32	4,073	867	4,870	4,575	(1,041)	1,530	3,165	(9,098)	83	8,007	375	17,438
Other Financing Sources (Uses)													
Transfers in	-	-	-	-	-	-	-	21,750	-	-	-	-	21,750
Transfers (out)	-	-	-	-	(150,000)	(21,750)	-	-	-	-	-	-	(171,750)
Proceeds from new financing	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	(150,000)	(21,750)	-	21,750	-	-	-	-	(150,000)
Change in Fund Balances	32	4,073	867	4,870	(145,425)	(22,791)	1,530	24,915	(9,098)	83	8,007	375	(132,562)
Fund Balances - beginning	5,211	2,851	1,005	3,258	164,648	37,716	1,262	21,154	34,907	13,618	5,648	61,832	353,110
Fund Balances - end of year	\$ 5,243	\$ 6,924	\$ 1,872	\$ 8,128	\$ 19,223	\$ 14,925	\$ 2,792	\$ 46,069	\$ 25,809	\$ 13,701	\$ 13,655	\$ 62,207	\$ 220,548

TOWN OF MAMMOTH LAKES
Combining Statement of Revenue, Expenditures, and Change in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds:						Total	Total	Debt	Total
	Gas	Measure	Measure	Measure U	Drug	LTC Planning	Special	Capital	Service	Nonmajor
	Tax	R	R	Utility	Enforcement	Transportation	Revenue	Project	Fund	Governmental
	Fund	Trails	Sales Tax	Users Tax	Fund	& Transit	Funds	Funds	Fund	Funds
Revenue										
Intergovernmental	\$ 1,340,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,340,570	\$ -	\$ -	\$ 1,340,570
Charge for services	38,305	-	-	-	-	31,184	69,489	70,787	-	140,276
Taxes and assessments	-	-	1,307,487	709,543	-	-	2,017,030	-	-	2,017,030
Use of money and property	2,062	3,162	16,860	14,326	-	-	36,410	1,651	222	38,283
Other revenue	52,149	-	-	-	-	-	52,149	-	-	52,149
Total Revenue	1,433,086	3,162	1,324,347	723,869	-	31,184	3,515,648	72,438	222	3,588,308
Expenditures										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	30,000	-	30,000
Tourism, parks, recreation	-	369,201	231,738	314,505	-	-	915,444	-	-	915,444
Community development	-	-	-	-	-	-	-	25,000	-	25,000
Public works / streets	3,556,052	-	-	-	-	31,184	3,587,236	-	-	3,587,236
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	2,395,250	2,395,250
Total Expenditures	3,556,052	369,201	231,738	314,505	-	31,184	4,502,680	55,000	2,395,250	6,952,930
Excess Revenue over (under) Expenditures	<u>(2,122,966)</u>	<u>(366,039)</u>	<u>1,092,609</u>	<u>409,364</u>	<u>-</u>	<u>-</u>	<u>(987,032)</u>	<u>17,438</u>	<u>(2,395,028)</u>	<u>(3,364,622)</u>
Other Financing Sources (Uses)										
Transfers in	4,709,277	800,000	10,628	-	-	-	5,519,905	21,750	3,250,236	8,791,891
Transfers (out)	(2,203,078)	-	(860,763)	-	-	-	(3,063,841)	(171,750)	(340,520)	(3,576,111)
Proceeds from new financing	-	-	-	-	-	-	-	-	-	-
Total Other Sources (Uses)	2,506,199	800,000	(850,135)	-	-	-	2,456,064	(150,000)	2,909,716	5,215,780
Change in Fund Balances	383,233	433,961	242,474	409,364	-	-	1,469,032	(132,562)	514,688	1,851,158
Fund Balances - beginning	1,726,040	453,631	2,602,887	2,185,274	-	-	6,967,832	353,110	25,753	7,346,695
Fund Balances - end of year	<u>\$ 2,109,273</u>	<u>\$ 887,592</u>	<u>\$ 2,845,361</u>	<u>\$ 2,594,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,436,864</u>	<u>\$ 220,548</u>	<u>\$ 540,441</u>	<u>\$ 9,197,853</u>

TOWN OF MAMMOTH LAKES
Internal Service Funds
Combining Statement of Net Position
June 30, 2017

Page 1 of 2

	<u>Vehicle Service</u>	<u>Self- Insurance</u>	<u>Totals</u>
Assets			
Cash and investments	\$ 7,192,690	\$ 364,354	\$ 7,557,044
Receivables	154,453	-	154,453
Prepaid expenses	632,647	-	632,647
Interfund loans	-	-	-
Interfund loans - general fund	3,511,207	-	3,511,207
Capital assets, net of depreciation	1,277,039	-	1,277,039
Total assets	<u>12,768,036</u>	<u>364,354</u>	<u>13,132,390</u>
Liabilities			
Payables	81,907	13,464	95,371
Compensated absences	34,725	-	34,725
Total liabilities	<u>116,632</u>	<u>13,464</u>	<u>130,096</u>
Net Position			
Net investment in capital assets	1,277,039	-	1,277,039
Unrestricted	11,374,365	350,890	11,725,255
Total net position	<u>\$ 12,651,404</u>	<u>\$ 350,890</u>	<u>\$ 13,002,294</u>

TOWN OF MAMMOTH LAKES

Internal Service Funds

Combining Statement of Revenue, Expenses, and Change in Net Position

Year Ended June 30, 2017

Page 2 of 2

	<u>Vehicle Service</u>	<u>Self- Insurance</u>	<u>Totals</u>
Operating Revenue			
Charges for services	\$ 2,214,838	\$ 279,370	\$ 2,494,208
Operating Expenses			
Personal services	630,102	-	630,102
Operations and maintenance	404,621	-	404,621
Benefit claims	-	191,808	191,808
Depreciation	377,328	-	377,328
Total operating expenses	<u>1,412,051</u>	<u>191,808</u>	<u>1,603,859</u>
Operating Income (Loss)	<u>802,787</u>	<u>87,562</u>	<u>890,349</u>
Nonoperating Revenue (Expenses)			
Investment earnings	35,620	-	35,620
Other revenue	1,835	-	1,835
Total nonoperating revenue (expenses)	<u>37,455</u>	<u>-</u>	<u>37,455</u>
Income Before Transfers	840,242	87,562	927,804
Capital grants	-	-	-
Transfers in from other funds	499,638	-	499,638
Transfers (out) to other funds	<u>(408,853)</u>	<u>-</u>	<u>(408,853)</u>
Change in Net Position	931,027	87,562	1,018,589
Net Position - beginning	<u>11,720,377</u>	<u>263,328</u>	<u>11,983,705</u>
Net Position - end of year	<u>\$ 12,651,404</u>	<u>\$ 350,890</u>	<u>\$ 13,002,294</u>

APPENDIX A

TOWN OF MAMMOTH LAKES
California

Single Audit Report

Year Ended
June 30, 2017

TOWN OF MAMMOTH LAKES

Single Audit Report

Table of Contents

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 2

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards..... 3-4

Schedule of Expenditures of Federal Awards 5

Notes to the Schedule of Expenditures of Federal Awards 6

Schedule of Findings and Questioned Costs 7

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mammoth Lakes, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Mammoth Lakes' basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 31, 2017

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Mammoth Lakes' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and have issued our report thereon dated October 31, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 31, 2017

TOWN OF MAMMOTH LAKES, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION (DOT)		
Highway Planning & Construction (Federal-Aid Highway Program) Passed through the State of California		
North Main Street Sidewalk and Safety Project CA ID #09-1500-0008	20.205	\$ 99,218
Meridian MUP Trail CA ID #CAP 16-0009	20.205	23,835
Sarbanes Transit Enhancement #CA-20-20x012-00 Planning Transportation	20.205	68,976
Construction of Lake George Path	20.205	<u>881,991</u>
SUBTOTAL CFDA No. 20.205		<u>1,074,020</u>
 U.S. DEPARTMENT OF TRANSPORTATION (DOT)		
Airport Improvement Program Direct Award: Federal Aviation Administration (FAA)		
FAA Grant: AIP Project #03-06-0146-031	20.106	205,619
FAA Grant: AIP Project #03-06-0146-034	20.106	50,000
FAA Grant: AIP Project #03-06-0146-035	20.106	<u>73,690</u>
SUBTOTAL CFDA No. 20.106		<u>329,309</u>
 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 #14-CDBG-9903		
	14.228	<u>24,783</u>
Total Expenditures of Federal Awards		<u>\$ 1,428,112</u>

TOWN OF MAMMOTH LAKES, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the expenditures for all federal award programs received by the Town of Mammoth Lakes, California (Town). The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 change in net position of the Town.

Note 2 - Summary of Significant Accounting Policies

The federal award expenditures reported in the Schedule are prepared from records maintained by the Town for federal funds and reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, when applicable, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - De Minimis Cost Rates

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Pass-through

Federal awards passed through the State of California are identified on the Schedule.

Note 5 - Subrecipients

There were no subrecipients of federal awards this year.

Note 6 - Catalog of Federal Domestic Assistance Numbers

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.

TOWN OF MAMMOTH LAKES, CALIFORNIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: *Unmodified Opinion*
2. Internal controls examined during the audit of the financial statements:
 - a. Material weaknesses identified? *None disclosed*
 - b. Significant deficiencies identified? *None disclosed*
3. Noncompliance material to the financial statements identified during the audit? *None disclosed*
4. Internal control over major programs examined during the audit of the financial statements:
 - a. Material weaknesses identified? *None disclosed*
 - b. Significant deficiencies identified? *None disclosed*
5. Type of auditor's report issued on compliance for major programs: *Unmodified Opinion*
6. Any audit findings relating to major programs disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? *None disclosed*
7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	US Department of Transportation (DOT)
8. Dollar threshold used to distinguish between Type A and Type B programs? *\$750,000*
9. Auditee qualifies as a low-risk auditee? *Yes*

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year: *None disclosed*
Prior Year: *None disclosed*

SECTION III - MAJOR FEDERAL PROGRAMS FINDINGS AND QUESTIONED COSTS

Current Year: *None disclosed*
Prior Year: *None disclosed*

