

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

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**Annual Financial Report**  
**June 30, 2018**

**TOWN OF MAMMOTH LAKES**

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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8715 Seville Circle / Granite Bay, California 95746

### 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, 2018, 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, 2018, 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 (1) management's discussion and analysis, (2) pension plan liability and contributions schedules, (3) other postemployment benefits plan total liability, net position, and net liability schedules, and (4) the respective budgetary comparison information of the 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 November 15, 2018 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

*Marcello & Company*

Certified Public Accountants  
Sacramento, California  
November 15, 2018

***MANAGEMENT'S DISCUSSION & ANALYSIS***

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



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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, 2018 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 (historic cost 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 as shown in the following table totals \$60 million as of June 30, 2018. The net position declined by \$5.2 million primarily due to changes in long-term debt and obligations. The Town issued Bonds for a Multi-Use Facility (\$5.5M), realized an increase in its Net Pension Plan Liability (\$2.1M) and an increase in its Other Post-Employment Benefits (OPEB) Plan Liability (\$2.5M).

### Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Current and other assets	45,760,780	43,166,182	1,544,072	1,393,277	47,304,852	44,559,459
Capital assets, net of depreciation	64,487,081	63,107,401	4,242,913	5,564,851	68,729,994	68,672,252
<b>Total assets</b>	<b>110,247,861</b>	<b>106,273,583</b>	<b>5,786,985</b>	<b>6,958,128</b>	<b>116,034,846</b>	<b>113,231,711</b>
Deferred Outflow of Resources						
Deferred Pensions	5,640,649	5,170,758	151,035	115,679	5,791,684	5,286,437
<b>Total Assets and Deferred Resources</b>	<b>115,888,510</b>	<b>111,444,341</b>	<b>5,938,020</b>	<b>7,073,807</b>	<b>121,826,530</b>	<b>118,518,148</b>
Long-term debt outstanding	56,484,813	46,741,094	1,771,230	1,412,645	58,256,043	48,153,739
Other liabilities	2,658,723	4,258,153	26,901	92,415	2,685,624	4,350,568
<b>Total liabilities</b>	<b>59,143,536</b>	<b>50,999,247</b>	<b>1,798,131</b>	<b>1,505,060</b>	<b>60,941,667</b>	<b>52,504,307</b>
Deferred Inflow of Resources						
Deferred OPEB	297,106	-	22,363	-	319,469	-
Deferred Pensions	405,019	644,083	105,865	123,784	510,884	767,867
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>59,845,661</b>	<b>51,643,330</b>	<b>1,926,359</b>	<b>1,628,844</b>	<b>61,772,020</b>	<b>53,272,174</b>
<u>Net position:</u>						
Invested in capital assets	64,487,081	59,466,707	4,242,913	5,564,851	68,729,994	65,031,558
Restricted	5,762,155	8,783,266	-	-	5,762,155	8,783,266
Unrestricted	(14,206,387)	(8,448,962)	(231,252)	(119,888)	(14,437,639)	(8,568,850)
<b>Total net position</b>	<b>56,042,849</b>	<b>59,801,011</b>	<b>4,011,661</b>	<b>5,444,963</b>	<b>60,054,510</b>	<b>65,245,974</b>

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

### General Fund Budgetary Highlights

At the end of the fiscal year, the General Fund outpaced the budget to a sum of \$1.3 million. Revenue outperformed expectations with near record Transient Occupancy Tax and strong performance from Property tax, Sales tax, franchise fees, interest income and miscellaneous revenue allowing revenue to exceed the amended budget by \$760,917. Appropriations were closer to budget with \$514,823 in net savings.



## General Government Functions

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

### Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017-18</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2016-17</u>
<b>Revenue:</b>						
Program Revenue:						
Charges for services	1,363,567	1,058,121	529,558	477,516	1,893,125	1,535,637
Operating grants & contributions	3,322,586	2,060,005	-	-	3,322,586	2,060,005
Capital grants & contributions	1,829,071	1,103,420	7,820	281,720	1,836,891	1,385,140
General revenue:						
Transient occupancy tax	17,908,834	18,985,334	-	-	17,908,834	18,985,334
Sales tax	3,839,051	3,924,500	-	-	3,839,051	3,924,500
Property tax	3,635,160	3,486,307	-	-	3,635,160	3,486,307
Other taxes	7,245,507	7,920,358	-	-	7,245,507	7,920,358
Other	2,654,121	1,798,227	709,658	767,647	3,363,779	2,565,874
Transfers in (out)	(885,156)	(771,598)	-	-	(885,156)	(771,598)
Total Revenue	<u>40,912,741</u>	<u>39,564,674</u>	<u>1,247,036</u>	<u>1,526,883</u>	<u>42,159,777</u>	<u>41,091,557</u>
<b>Expenses:</b>						
General government	5,353,587	3,818,085	-	-	5,353,587	3,818,085
Public safety	4,587,340	3,253,181	-	-	4,587,340	3,253,181
Tourism & recreation	11,620,363	10,483,067	-	-	11,620,363	10,483,067
Community development	2,947,724	2,148,460	-	-	2,947,724	2,148,460
Public works	10,922,216	11,516,725	-	-	10,922,216	11,516,725
Airport	-	-	2,677,040	2,577,709	2,677,040	2,577,709
Waste (Mineral Pit)	-	-	3,298	3,154	3,298	3,154
Debt service (Interest)	9,239,673	3,245,879	-	-	9,239,673	3,245,879
Total expenses	<u>44,670,903</u>	<u>34,465,397</u>	<u>2,680,338</u>	<u>2,580,863</u>	<u>47,351,241</u>	<u>37,046,260</u>
Change in net position	(3,758,162)	5,099,277	(1,433,302)	(1,053,980)	(5,191,464)	4,045,297
Net position - beginning of year	59,801,011	54,701,734	5,444,963	6,498,943	65,245,974	61,200,677
Prior Period Adjustment	-	-	-	-	-	-
Net position- end of year	<u>56,042,849</u>	<u>59,801,011</u>	<u>4,011,661</u>	<u>5,444,963</u>	<u>60,054,510</u>	<u>65,245,974</u>

## 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 other governmental agencies that have contracted with the Town to receive garage motor pool services such as fuel and vehicle maintenance, in addition to services that the garage provides to individual Town departments.
- b.) The internal service 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, which, in turn, processes certain medical expense employee 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 is reported in comparable private enterprises. As of June 30, 2018, 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 year 2015. Construction of the new Public Safety facility was completed in 2017. The debt is scheduled to mature in fiscal year 2029-30 and had an outstanding balance of \$3,061,000 as of June 30, 2018.

The Town received a California State Water Resources Control Board loan for storm drain improvements, and had an outstanding balance of \$76,990 as of June 30, 2018, which is expected to be repaid in full in fiscal year 2018-19.

In 2010 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. In October 2018 the Town refunded the award by issuing Obligation Bonds at a reduced interest rate. The outstanding balance at June 30, 2018 was \$23,995,000.

In 2017 the Town entered into an installment sales agreement in the amount of \$5,550,000 for the initial phase of construction for a new multi-use facility. The outstanding balance at June 30, 2018 was \$4,895,000.

### **Outlook for the Future**

The Town anticipates continued strong revenue growth from Transient Occupancy Tax (TOT) revenue. While the winter months, December – April, generate over 59% of TOT revenue, depending on snowfall, collections for the summer months continue to increase year by year. This summer increase is 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.

There has been considerable discussion related to housing needs in the community. In an effort to make progress towards a solution to our housing needs, the Town acquired the Shady Rest land parcel, aka "The Parcel," in March 2018 for \$6.5 million. The purchase of this property was completed using several Town funds and reserves, and without incurring new debt. The process to develop The Parcel will take a considerable amount of time with careful planning and consideration of a broad range of issues. In the near term, housing growth is expected to continue at a moderate pace with the construction of approved units near Canyon Lodge, Snowcreek phase 7, and infill development of individual parcels. One commercial project was approved and will be completed in fiscal year 2018-19 comprising of a Grocery Outlet store.

The Town secured two debt issuances in fiscal year 2017-18. The first bond issue is to support the construction of a new Multi-Use Facility (\$5.5 million) secured by Measure R restricted revenue (a voter approved 0.5% Transactions and Use Tax). This bond issue has a 10-year amortization term with annual debt service payments of approximately \$617,000. The second debt issue refinanced the settlement reached in the litigation noted above. In preparation for the bond sale, the Town consulted with S&P Global Ratings on the proposed \$26,000,000 Judgment Refinancing Bonds. The Town eventually achieved an “A” rating, which was a 2-step increase over the prior rating of “BBB+.” In February 2018, S&P Global Ratings increased the Town’s credit rating from “A” to “A+.” This bond refunding allowed the Town to reduce the debt service payments by approximately \$130,000 per year while retaining the same terms of repayment.

Mammoth Resorts (includes Mammoth Mountain Ski Area) became a part of Alterra Mountain Company, a collective of 14 resorts across the continent and headquartered in Denver, Colorado. This new company is anticipated to bring new capital investment to the Ski Area in the coming years. The first planned project is an upgrade to Canyon Lodge, one of the key portals to Mammoth Mountain.

The Town is anticipating continued investment in infrastructure as State grants and allocated funding through the Local Transportation Commission, and Senate Bill 1, is appropriated for scheduled projects. In fiscal year 2017-18 the Town put into place a regulatory framework and tax/fee for implementing Proposition 64 (Recreational Cannabis) within Town boundaries. This framework allows for the opening of retail stores, manufacturing and distribution facilities within specific zoning restrictions. This should provide a new revenue stream in future fiscal years.

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 \$250,000 to \$3,650,000. As part of the fiscal year 2017-18 budget process, the Town established a reserve policy that includes an Operating Reserve (OR) and funding of \$100,000 for contingency. With a balance of \$3,650,000, the REU was funded at 100% of policy and the OR was funded \$302,071 or 14.7% of policy.

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, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 30,107,964	\$ 1,496,978	\$ 31,604,942
Receivables	3,272,217	43,236	3,315,453
Prepaid expenses	587,186	3,858	591,044
Restricted cash	316,597	-	316,597
Total current assets	<u>34,283,964</u>	<u>1,544,072</u>	<u>35,828,036</u>
<b>Noncurrent Assets</b>			
Notes receivable	11,476,816	-	11,476,816
Capital assets not being depreciated	13,022,832	544,316	13,567,148
Capital assets, net of depreciation	51,464,249	3,698,597	55,162,846
Total noncurrent assets	<u>75,963,897</u>	<u>4,242,913</u>	<u>80,206,810</u>
Total assets	<u>110,247,861</u>	<u>5,786,985</u>	<u>116,034,846</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension outflows	5,640,649	151,035	5,791,684
Total assets and deferred outflows of resources	<u>115,888,510</u>	<u>5,938,020</u>	<u>121,826,530</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	1,684,205	26,901	1,711,106
Deferred revenue	110,998	-	110,998
Accrued interest	863,520	-	863,520
Total current liabilities	<u>2,658,723</u>	<u>26,901</u>	<u>2,685,624</u>
<b>Noncurrent liabilities</b>			
Due within one year	1,898,246	8,577	1,906,823
Due in more than one year	54,586,567	1,762,653	56,349,220
Total noncurrent liabilities	<u>56,484,813</u>	<u>1,771,230</u>	<u>58,256,043</u>
Total liabilities	<u>59,143,536</u>	<u>1,798,131</u>	<u>60,941,667</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension inflows	405,019	105,865	510,884
Deferred OPEB inflows	297,106	22,363	319,469
Total liabilities and deferred inflows of resources	<u>59,845,661</u>	<u>1,926,359</u>	<u>61,772,020</u>
<b>Net Position</b>			
Net investment in capital assets	64,487,081	4,242,913	68,729,994
Restricted	5,762,155	-	5,762,155
Unrestricted	(14,206,387)	(231,252)	(14,437,639)
Total net position	<u>\$ 56,042,849</u>	<u>\$ 4,011,661</u>	<u>\$ 60,054,510</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, 2018**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>Governmental Activities</b>						
General government	\$ 5,353,587	\$ 365,531	\$ -	\$ -	\$ (4,988,056)	\$ (4,988,056)
Public safety	4,587,340	3,343	194,225	-	(4,389,772)	(4,389,772)
Tourism, parks and recreation	11,620,363	222,374	-	-	(11,397,989)	(11,397,989)
Community development	2,947,724	120,051	969,932	-	(1,857,741)	(1,857,741)
Public works / streets	2,650,706	549,709	2,158,429	1,829,071	1,886,503	1,886,503
Transportation and transit	997,362	102,559	-	-	(894,803)	(894,803)
Capital projects	2,821,959	-	-	-	(2,821,959)	(2,821,959)
Depreciation expense	4,452,189	-	-	-	(4,452,189)	(4,452,189)
Interest on long-term debt	9,239,673	-	-	-	(9,239,673)	(9,239,673)
Total governmental activities	<u>44,670,903</u>	<u>1,363,567</u>	<u>3,322,586</u>	<u>1,829,071</u>	<u>(38,155,679)</u>	<u>(38,155,679)</u>
<b>Business-type Activities</b>						
Airport	2,677,040	495,630	-	7,820		\$ (2,173,590)
Landfill management	3,298	33,928	-	-		30,630
Total business-type activities	<u>2,680,338</u>	<u>529,558</u>	<u>-</u>	<u>7,820</u>		<u>(2,142,960)</u>
Total primary government	<u>\$ 47,351,241</u>	<u>\$ 1,893,125</u>	<u>\$ 3,322,586</u>	<u>\$ 1,836,891</u>	<u>(38,155,679)</u>	<u>(2,142,960)</u>
				<b>General Revenue</b>		
				Transient occupancy	17,908,834	-
				Property tax	3,635,160	-
				Tourism tax	5,147,739	-
				Sales tax	2,433,682	-
				Measure R tax	1,405,369	-
				Utility users tax	834,351	-
				Business taxes	349,361	-
				Franchise fees	914,056	-
				Licenses & permits	823,861	-
				Fines & forfeitures	112,340	-
				Investment earnings	328,873	18,155
				Other revenue	1,389,047	10,489
				Transfers in (out)	(885,156)	681,014
					<u>34,397,517</u>	<u>709,658</u>
				<b>Change in Net Position</b>	(3,758,162)	(1,433,302)
				Net Position - beginning	59,801,011	5,444,963
				Net Position - end of year	<u>\$ 56,042,849</u>	<u>\$ 4,011,661</u>
						<u>\$ 60,054,510</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, 2018**

	General Fund	Capital Projects Fund	Tourism Business Improvement District	Housing & Community Development Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 7,522,777	\$ 9,006,559	\$ 172,534	\$ 234,689	\$ 274,962	\$ 5,182,274	\$ 22,393,795
Receivables	2,292,114	230,546	272,932	-	23,848	292,557	3,111,997
Notes receivable	-	-	-	11,476,816	-	-	11,476,816
Interfund loans	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	316,597	316,597
Total assets	<u>\$ 9,814,891</u>	<u>\$ 9,237,105</u>	<u>\$ 445,466</u>	<u>\$ 11,711,505</u>	<u>\$ 298,810</u>	<u>\$ 5,791,428</u>	<u>\$ 37,299,205</u>
<b>Liabilities</b>							
Payables	\$ 808,176	\$ 42,054	\$ 436,676	\$ 10,885	\$ 98,810	\$ 104,707	\$ 1,501,308
Cash overdraft	-	-	-	-	-	199,683	199,683
Deferred revenue	110,998	-	-	11,476,816	-	-	11,587,814
Interfund loans	3,171,207	-	-	-	-	-	3,171,207
Total liabilities	<u>4,090,381</u>	<u>42,054</u>	<u>436,676</u>	<u>11,487,701</u>	<u>98,810</u>	<u>304,390</u>	<u>16,460,012</u>
<b>Fund Balances</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	8,790	223,804	200,000	5,329,561	5,762,155
Committed	739,539	9,195,051	-	-	-	157,477	10,092,067
Assigned	-	-	-	-	-	-	-
Unassigned	4,984,971	-	-	-	-	-	4,984,971
Total fund balances	<u>5,724,510</u>	<u>9,195,051</u>	<u>8,790</u>	<u>223,804</u>	<u>200,000</u>	<u>5,487,038</u>	<u>20,839,193</u>
Total liabilities and fund balances	<u>\$ 9,814,891</u>	<u>\$ 9,237,105</u>	<u>\$ 445,466</u>	<u>\$ 11,711,505</u>	<u>\$ 298,810</u>	<u>\$ 5,791,428</u>	<u>\$ 37,299,205</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, 2018**

Total fund balances of governmental funds - page 12 \$ 20,839,193

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

- (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. 64,487,081
  
- (2) Deferred revenue related to long-term notes receivable is not recognized in the governmental funds financial statements until collected, but is recognized in the government-wide financial statements the year incurred. 11,476,816
  
- (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:
  - Debt and obligations (56,484,813)
  - Accrued interest (863,520)
  
- (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. 11,649,568
  
- (5) Deferred outflows of resources are not recognized as expenditures in the governmental funds financial statements but are recognized in the government-wide financial statements. 5,640,649
  
- (6) Deferred inflows of resources are not recognized as revenue in the governmental funds financial statements but are recognized in the government-wide financial statements. (702,125)

Net Position of governmental activities - page 10 \$ 56,042,849

*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, 2018**

	General Fund	Capital Projects Fund	Tourism Business Improvement District	Housing & Community Development Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>							
Taxes and assessments	\$ 25,241,093	\$ -	\$ 5,147,739	\$ -	\$ -	\$ 2,239,720	\$ 32,628,552
Licenses and permits	823,861	-	-	-	-	-	823,861
Intergovernmental	306,367	1,829,071	-	969,932	1,999,232	47,055	5,151,657
Charge for services	882,972	-	-	-	9,993	470,602	1,363,567
Fines and forfeitures	112,340	-	-	-	-	-	112,340
Use of money and property	184,879	-	5,778	-	22,463	115,753	328,873
Other revenue	401,572	376,019	-	-	201	611,255	1,389,047
Total revenue	<u>27,953,084</u>	<u>2,205,090</u>	<u>5,153,517</u>	<u>969,932</u>	<u>2,031,889</u>	<u>3,484,385</u>	<u>41,797,897</u>
<b>Expenditures</b>							
Current -							
General government	4,623,761	-	-	-	-	-	4,623,761
Public safety	4,049,456	-	-	-	-	-	4,049,456
Tourism, parks and recreation	4,036,534	-	5,144,727	-	-	825,449	10,006,710
Community development	1,732,359	-	-	865,477	-	42,525	2,640,361
Public works / streets	841,603	-	-	-	3,030,282	81,630	3,953,515
Transportation and transit	882,101	-	-	-	-	-	882,101
Capital projects	-	6,091,634	-	-	-	-	6,091,634
Debt service	-	-	-	-	-	9,773,314	9,773,314
Total expenditures	<u>16,165,814</u>	<u>6,091,634</u>	<u>5,144,727</u>	<u>865,477</u>	<u>3,030,282</u>	<u>10,722,918</u>	<u>42,020,852</u>
Excess Revenue over (under) Expenditures	<u>11,787,270</u>	<u>(3,886,544)</u>	<u>8,790</u>	<u>104,455</u>	<u>(998,393)</u>	<u>(7,238,533)</u>	<u>(222,955)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	512,153	11,717,962	-	124,158	2,418,282	9,554,456	24,327,011
Transfers (out)	(12,262,097)	(72,780)	-	(130,663)	(3,329,162)	(9,417,465)	(25,212,167)
Proceeds from new financing	-	-	-	-	-	5,500,000	5,500,000
Total other sources (uses)	<u>(11,749,944)</u>	<u>11,645,182</u>	<u>-</u>	<u>(6,505)</u>	<u>(910,880)</u>	<u>5,636,991</u>	<u>4,614,844</u>
<b>Change in Fund Balances</b>	37,326	7,758,638	8,790	97,950	(1,909,273)	(1,601,542)	4,391,889
Fund Balances - beginning	5,687,184	1,436,413	-	125,854	2,109,273	7,088,580	16,447,304
Fund Balances - end of year	<u>\$ 5,724,510</u>	<u>\$ 9,195,051</u>	<u>\$ 8,790</u>	<u>\$ 223,804</u>	<u>\$ 200,000</u>	<u>\$ 5,487,038</u>	<u>\$ 20,839,193</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, 2018**

Change in fund balances - governmental funds (page 8) \$ 4,391,889

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

- (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current year. 1,379,678
  
- (2) Proceeds from new long-term debt provide current resources in the funds financial statements but have no effect on net position in the government-wide financials. (34,260,994)
  
- (3) The repayment of the principal portion of long-term debt consumes the current financial resources of government funds. However, in the government-wide financials these transactions have no effect on net position. 24,447,825
  
- (4) Certain deferred revenue and deferred 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: 283,440

Change in net position of governmental activities \$ (3,758,162)

*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, 2018**

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
<b>Assets and Deferred Outflows</b>				
Current assets:				
Cash and investments	\$ 1,407,759	\$ 89,219	\$ 1,496,978	\$ 7,913,852
Receivables	42,878	358	43,236	160,220
Prepaid expenses	3,858	-	3,858	587,186
Interfund loans	-	-	-	3,171,207
Total current assets	<u>1,454,495</u>	<u>89,577</u>	<u>1,544,072</u>	<u>11,832,465</u>
Noncurrent assets:				
Capital assets not being depreciated	544,316	-	544,316	-
Capital assets, net of depreciation	3,698,597	-	3,698,597	1,997,325
Total noncurrent assets	<u>4,242,913</u>	<u>-</u>	<u>4,242,913</u>	<u>1,997,325</u>
Total assets	<u>5,697,408</u>	<u>89,577</u>	<u>5,786,985</u>	<u>13,829,790</u>
Deferred outflows of resources:				
Deferred pension outflows	151,035	-	151,035	-
Total deferred outflows	<u>151,035</u>	<u>-</u>	<u>151,035</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>5,848,443</u>	<u>89,577</u>	<u>5,938,020</u>	<u>13,829,790</u>
<b>Liabilities and Deferred Inflows</b>				
Current liabilities: Payables	26,695	206	26,901	182,897
Noncurrent liabilities:				
Due in one year	8,577	-	8,577	31,978
Due after one year	1,762,653	-	1,762,653	-
Total noncurrent liabilities	<u>1,771,230</u>	<u>-</u>	<u>1,771,230</u>	<u>31,978</u>
Total liabilities	<u>1,797,925</u>	<u>206</u>	<u>1,798,131</u>	<u>214,875</u>
Deferred inflows of resources:				
Deferred pension inflows	105,865	-	105,865	-
Deferred OPEB inflows	22,363	-	22,363	-
Total deferred inflows	<u>128,228</u>	<u>-</u>	<u>128,228</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>1,926,153</u>	<u>206</u>	<u>1,926,359</u>	<u>214,875</u>
<b>Net Position</b>				
Net investment in capital assets	4,242,913	-	4,242,913	1,997,325
Unrestricted	(320,623)	89,371	(231,252)	11,617,590
Total net position	<u>\$ 3,922,290</u>	<u>\$ 89,371</u>	<u>\$ 4,011,661</u>	<u>\$ 13,614,915</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, 2018**

	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
<b>Operating Revenue</b>				
Charge for services	\$ 495,630	\$ 33,928	\$ 529,558	\$ 2,109,684
<b>Operating Expenses</b>				
Personnel costs	938,146	3,298	941,444	600,713
Operations and maintenance	416,957	-	416,957	585,707
Benefit claims	-	-	-	181,240
Depreciation	1,321,937	-	1,321,937	253,603
Total operating expenses	2,677,040	3,298	2,680,338	1,621,263
<b>Operating Income (Loss)</b>	(2,181,410)	30,630	(2,150,780)	488,421
<b>Nonoperating Revenue (Expenses)</b>				
Investment earnings	17,178	977	18,155	44,228
Other nonoperating revenue	10,489	-	10,489	42,718
Total nonoperating revenue (expenses)	27,667	977	28,644	86,946
<b>Income Before Contributions/Transfers</b>	(2,153,743)	31,607	(2,122,136)	575,367
Capital grants	7,820	-	7,820	-
Transfers in	681,014	-	681,014	435,535
Transfers (out)	-	-	-	(398,280)
<b>Change in Net Position</b>	(1,464,909)	31,607	(1,433,302)	612,622
Net position - beginning	5,387,199	57,764	5,444,963	13,002,293
Net position - end of year	\$ 3,922,290	\$ 89,371	\$ 4,011,661	\$ 13,614,915

*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, 2018**

CASH FLOWS PROVIDED BY (USED FOR)	Business-type Activities			Governmental Activities - Internal Service Funds
	Airport	Landfill Management	Total Enterprise Funds	
<b>Operating Activities</b>				
Cash received from customers/operating grants	\$ 465,773	\$ 34,092	\$ 499,865	\$ 2,103,917
Cash paid for personal costs	(610,473)	(3,504)	(613,977)	(602,783)
Cash paid for operations and maintenance	(428,483)	-	(428,483)	(546,355)
Cash paid for benefit claims	-	-	-	(181,240)
Net cash provided (used)	<u>(573,183)</u>	<u>30,588</u>	<u>(542,595)</u>	<u>773,539</u>
<b>Noncapital Financing Activities</b>				
Transfers in	681,014	-	681,014	435,535
Transfers (out)	-	-	-	(398,280)
Net cash provided (used)	<u>681,014</u>	<u>-</u>	<u>681,014</u>	<u>37,255</u>
<b>Capital &amp; Related Financing Activities</b>				
Internal loan proceeds & repayments	-	-	-	340,000
Other cash received	10,489	-	10,489	42,718
Capital grant proceeds	62,014	-	62,014	
Purchase of capital assets	(54,193)	-	(54,193)	(880,932)
Net cash provided (used)	<u>18,310</u>	<u>-</u>	<u>18,310</u>	<u>(498,214)</u>
<b>Investing Activities</b>				
Investment earnings	<u>17,178</u>	<u>977</u>	<u>18,155</u>	<u>44,228</u>
<b>Net Increase (Decrease) in Cash</b>	<u>143,319</u>	<u>31,565</u>	<u>174,884</u>	<u>356,808</u>
Cash and cash equivalents - beginning	1,264,440	57,654	1,322,094	7,557,044
Cash and cash equivalents - end of year	<u>\$ 1,407,759</u>	<u>\$ 89,219</u>	<u>\$ 1,496,978</u>	<u>\$ 7,913,852</u>
<b>Operating Activities Analysis</b>				
Operating Income (Loss) (page 17)	\$ (2,181,410)	\$ 30,630	\$ (2,150,780)	\$ 488,421
Reconciliation adjustments:				
Depreciation and dispositions	1,321,938	-	1,321,938	160,647
(Increase) decrease in receivables	(29,857)	(248)	(30,105)	(5,767)
(Increase) decrease in prepaid expenses	(35,356)	-	(35,356)	45,461
Increase (decrease) in payables	125,606	206	125,812	84,777
Net cash provided (used)	<u>\$ (799,079)</u>	<u>\$ 30,588</u>	<u>\$ (768,491)</u>	<u>\$ 773,539</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, 2018**

**Assets**

Cash and investments	\$ 4,149,033
Accounts receivables	51,897
Cash with fiscal agent	<u>130,584</u>
Total assets	<u><u>\$ 4,331,514</u></u>

**Liabilities**

Accounts payable	\$ 9,315
Assets held as agency for others	<u>4,322,199</u>
Total liabilities	<u><u>\$ 4,331,514</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, 2018**

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 - Other Postemployment Benefits Plan (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, 2018**

***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. The Corporation does not issue separate financial statements. Financial information for the 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 applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described as follows:

Financial Statements

The Town's basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the 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, 2018**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

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:

- *The General Fund* is the Town's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue 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* 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* 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* 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* 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* 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.
- *Fiduciary Fund Types* are used to 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:

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(1) *Expendable Trust 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* 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.
- Gas Tax Fund - this fund is used to account for gasoline tax revenue collected by the State of California with a pro-rata share passed through to local governments, for the purpose of maintaining streets and sidewalks.

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

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

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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

Cash and investments held in the Town's investment pool are reported as cash and investments since "funds" can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents if they are liquid. Investments are stated at fair value.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments either: (1) with a maturity of three months or less when purchased to be cash equivalents or (2) collected within sixty days of the fiscal year end. Cash and cash equivalents are reported under the caption "cash and investments" on the statement of net position and balance sheet.

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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

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.

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.

Notes Receivable - Economic and Community Development Loans

The majority of these loans consist of deferred repayment loans under the Town's housing and economic development programs. These programs were funded from government grant awards to the Town, which were reported as grant revenue in the year received, and expenditures in the year the loans were made. A deferred loan is required to be repaid in full when the secured property is sold or transferred. Prior to the sale or transfer, loan payments are generally not required. Principal and interest payments which are receivable at year end are offset by an equal amount of deferred revenue. Such payments are recognized as program revenue when received.

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.

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Deferred Revenue

The Town reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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 or social security and medicare taxes, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. 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.

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the applicable column on the statement of net position. For the most part, 75% of compensated absences are generally considered due after one year.

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

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action or policy of the Town Council or its appointed official.

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

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

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

#### Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting. In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees Retirement System (CalPERS). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the Town's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position, have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

#### Other Postemployment Benefits Plan (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the Town's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date

June 30, 2017

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Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017

Property Tax Revenue

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.

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.

**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.



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- 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:

	2014	2015	2016	2017	2018
Transient Occupancy tax	63%	64%	67%	67%	64%
Property tax	19%	18%	14%	12%	13%
Sales tax (excludes Meas R)	17%	17%	8%	9%	9%
	<u>99%</u>	<u>99%</u>	<u>89%</u>	<u>88%</u>	<u>86%</u>

Cash Deficit Balances by Fund

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

LTC Planning Transportation & Transit fund	\$ 40,563
Debt Service fund	159,120
	<u>\$ 199,683</u>

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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 August 31, 2023. 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.

Voter Approved Initiatives:

Measure R - In 2010 the Town Council approved a ballot measure titled 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 titled 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.

**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:

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Statement of Net Position	
Cash and investments	\$ 31,604,942
Restricted cash with fiscal agent	316,597
	31,921,539
Statement of Fiduciary Assets and Liabilities	
Cash and investments	4,149,033
Restricted cash with fiscal agent	130,584
	4,279,617
Total	\$ 36,201,156

Cash and Investments are comprised of the following:

Deposits with financial institutions	\$ 854,630
Investment with County Investment Pool	3,422,218
Investment with Local Agency Investment Fund	31,477,128
Investments by fiscal agents	447,180
Total	\$ 36,201,156

Collateral and Categorization Requirements

At fiscal year end, the Town's carrying amount of demand deposits was \$1,176,978 and the bank account balances were \$1,581,970. The difference of \$404,992 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$281,181 was insured by the 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 2017-18, 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
<u>Investment Type B:</u>		
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.

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- Type B investments require a specific resolution of the Town Council prior to the investment purchase/deposit.

Disclosures Relating to 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 which provide cash flow and liquidity needed for operations.

Disclosures Relating to 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	\$ 31,477,128	6 months	1.90%	87%
Mono County Investment Pool	3,422,218	24 months	1.76%	9%
Demand Deposits (checking)	829,201	on demand	0.00%	3%
Money Market (with fiscal agent)	447,180	on demand	1.45%	1%

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 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

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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, 2018, PMIA had approximately \$88.8 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer's website at [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The fair value of the Town's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

County Pool - The Town is a voluntary participant in Mono County's Investment Pool (the Pool). As of June 30, 2018, the Pool had approximately \$93.6 million in investments. Audited financial statements may be obtained from the Mono County Treasury Oversight Committee, Post Office Box 556, Bridgeport, California 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	\$ 621,075
Tourism, trails, recreation	246,033
Tourism / Chamber of Commerce	436,676
Housing	68,703
Other	128,821
	<u>\$ 1,501,308</u>

Business-type Activities:

Airport vendors and supplies	\$ 26,901
Internal service vendors and supplies	182,896
	<u>\$ 209,797</u>

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**Note 6 - Receivables**

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

<u>Governmental Activities:</u>	
Transit occupancy tax	\$ 1,088,726
Sales tax	684,944
Utility users tax	56,983
TBID	272,932
Intergovernmental	186,883
Capital grant reimbursements	238,465
Interest	70,084
Other	512,980
	\$ 3,111,997
<u>Business-type Activities:</u>	
Rents and fees	\$ 40,931
Grants	1,947
Landfill customers	358
	\$ 43,236

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:

<u>Notes Receivable</u>	
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
Mammoth Lakes Housing, Inc.	853,600
	\$ 11,476,816

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**Note 7 - Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Non-depreciable Assets</u></i>				
Land	\$ 10,338,316	\$ -	\$ -	\$ 10,338,316
Construction-in-progress	2,684,516	1,841,908	-	4,526,424
	<u>13,022,832</u>	<u>1,841,908</u>	<u>-</u>	<u>14,864,740</u>
<i><u>Depreciable Assets</u></i>				
Buildings and structures	22,424,722	3,269,675	-	25,694,397
Streets and roads	188,972,873	-	-	188,972,873
Storm drains	16,035,895	-	-	16,035,895
Vehicles and equipment	1,443,370	-	-	1,443,370
	<u>228,876,860</u>	<u>3,269,675</u>	<u>-</u>	<u>232,146,535</u>
<i><u>Accumulated Depreciation</u></i>	<u>(180,069,330)</u>	<u>(4,452,189)</u>	<u>-</u>	<u>(184,521,519)</u>
Depreciable assets, net	<u>48,807,530</u>	<u>(1,182,514)</u>	<u>-</u>	<u>47,625,016</u>
Total capital assets, net	<u>\$ 61,830,362</u>	<u>\$ 659,394</u>	<u>\$ -</u>	<u>\$ 62,489,756</u>

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

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Depreciable Assets</u></i>				
Vehicles and equipment	\$ 9,688,848	\$ 974,566	\$ (93,634)	\$ 10,569,780
<i><u>Accumulated depreciation</u></i>	<u>(8,411,808)</u>	<u>(254,282)</u>	<u>93,634</u>	<u>(8,572,456)</u>
Total capital assets, net	<u>\$ 1,277,040</u>	<u>\$ 720,284</u>	<u>\$ -</u>	<u>\$ 1,997,324</u>

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

	<u>Governmental</u>	<u>Internal Service</u>	<u>Total</u>
Capital assets not being depreciated	\$ 14,864,740	\$ -	\$ 14,864,740
Capital assets, net of depreciation	47,625,016	1,997,324	49,622,340
Net capital assets	62,489,756	1,997,324	64,487,080
Acquisition debt	(3,137,990)	-	(3,137,990)
Net investment in capital assets	<u>\$ 59,351,766</u>	<u>\$ 1,997,324</u>	<u>\$ 61,349,090</u>

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

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<i><u>Non-depreciable Assets</u></i>				
Land	\$ 544,316	\$ -	\$ -	\$ 544,316
Construction-in-progress	-	-	-	-
	<u>544,316</u>	<u>-</u>	<u>-</u>	<u>544,316</u>
<i><u>Depreciable Assets</u></i>				
Buildings and runway	16,884,451	-	-	16,884,451
Vehicles and equipment	2,542,155	-	-	2,542,155
	19,426,606	-	-	19,426,606
<i><u>Accumulated Depreciation</u></i>	<u>(14,406,071)</u>	<u>(1,321,938)</u>	<u>-</u>	<u>(15,728,009)</u>
Depreciable assets, net	<u>5,020,535</u>	<u>(1,321,938)</u>	<u>-</u>	<u>3,698,597</u>
Total capital assets, net	<u>\$ 5,564,851</u>	<u>\$ (1,321,938)</u>	<u>\$ -</u>	<u>\$ 4,242,913</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
<i><u>Governmental Activities</u></i>					
Lease Revenue Bonds	\$ 3,263,000	\$ (202,000)	\$ -	\$ 3,061,000	\$ 210,000
Installment Sales Agreement	-	-	5,500,000	5,500,000	495,000
State Loan	152,173	(75,183)	-	76,990	76,990
Taxable Judgment Obligation Bds	24,170,642	(24,170,642)	23,995,000	23,995,000	1,010,000
Net pension liability (CalPERS)	17,717,375	-	2,064,576	19,781,951	-
Net pension liability (PARS)	142,478	-	61,461	203,939	-
Net OPEB liability	868,870	-	2,572,039	3,440,909	-
Compensated absences	391,831	-	33,193	425,024	106,256
	<u>\$ 46,706,369</u>	<u>\$ (24,447,825)</u>	<u>\$ 34,226,269</u>	<u>\$ 56,484,813</u>	<u>\$ 1,898,246</u>
<i><u>Business-type Activities</u></i>					
Net pension liability (CalPERS)	\$ 1,322,530	\$ -	\$ 155,398	\$ 1,477,928	\$ -
Net OPEB liability	55,460	-	203,533	258,993	-
Compensated absences	34,655	(346)	-	34,309	8,577
	<u>\$ 1,412,645</u>	<u>\$ (346)</u>	<u>\$ 358,931</u>	<u>\$ 1,771,230</u>	<u>\$ 8,577</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



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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:

Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
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	240,000	74,394	314,394
2024-2028	1,336,000	238,118	1,574,118
2029-2030	603,000	26,694	629,694
	<u>\$ 3,061,000</u>	<u>\$ 716,162</u>	<u>\$ 3,777,162</u>

Installment Sales Agreement

In 2017, the Town entered into an Installment Sales Agreement in the amount of \$5,550,000 for the initial phase of construction for a new multi-use facility. Semi-annual interest payments are due April 1, with combined principal and interest payments due October 1. Total annual payments are approximately \$615,000, with a fixed interest rate of 2.23% per annum. The debt is scheduled to mature in fiscal year 2027-28.

Future debt service requirements are as follows:

Year Ending June 30,	Installment Sales Agreement		
	Principal	Interest	Total
2019	\$ 495,000	\$ 117,131	\$ 612,131
2020	510,000	105,925	615,925
2021	520,000	94,440	614,440
2022	530,000	82,733	612,733
2023	545,000	70,747	615,747
2024-2028	2,295,000	157,829	2,452,829
	<u>\$ 4,895,000</u>	<u>\$ 628,805</u>	<u>\$ 5,523,805</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 \$78,917 are due each January, with 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
2019	<u>\$ 76,990</u>	<u>\$ 1,927</u>	<u>\$ 78,917</u>

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Taxable Judgment Obligation Bonds

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:

Year Ending June 30,	Taxable Judgment Obligation Bonds		
	Principal	Interest	Total
2019	\$ 1,010,000	\$ 858,537	\$ 1,868,537
2020	1,030,000	839,400	1,869,400
2021	1,050,000	817,287	1,867,287
2022	1,075,000	792,037	1,867,037
2023	1,105,000	763,406	1,868,406
2024-2028	6,085,000	3,261,539	9,346,539
2029-2033	7,385,000	1,960,962	9,345,962
2034-2036	5,255,000	351,639	5,606,639
	<u>\$ 23,995,000</u>	<u>\$ 9,644,807</u>	<u>\$ 33,639,807</u>

Compensated Absences

Town employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities the expenditure is allocated to each function based on usage. Vested compensated absences payable in accordance with various collective bargaining agreements at year end was reported in the statement of net position, with approximately 25% considered due within the next fiscal year.

Operating Leases

In 2009, the Town entered into a real estate lease renewal amendment agreement for the continuing occupancy of Town hall office space which expires September 30, 2021. The monthly rent, including common area maintenance, is approximately \$29,000, adjusted annually in accordance with the consumer price index (CPI).

**Note 9 - Interfund Balances**

The Town reports an outstanding 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 \$3,171,207 at fiscal year end.

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**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 generally through its gas tax and capital project funds. Such expenditures are primarily funded from general fund revenue, tax revenue, grants and developer impact fees. Transfers into the agency funds are generally for street related expenditures. These transfers are reported in the fiscal period in which the transactions are approved and recorded.

The following table reports operating transfers by fund type:

<u>Fund type</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
General fund	\$ 512,153	\$ 12,262,097
Gasoline tax fund	2,418,282	3,329,162
Measure R fund	300,000	8,460,442
Measure U fund	-	500,000
Housing fund	124,158	130,663
Capital Projects fund	11,717,962	72,780
Airport fund	681,014	-
Vehicle Service fund	435,535	398,280
Developer Impact Fees funds	13,823	13,823
Debt Service fund	9,202,850	443,200
Agency funds	204,670	-
	<u>\$ 25,610,447</u>	<u>\$ 25,610,447</u>

**Note 11 - Other Postemployment Benefits Plan (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 California Public Employees' Retirement System (CalPERS) pension. Eligible retirees are entitled to the minimum CalPERS medical benefit (\$133 per month for 2018 and \$136 per month for 2019). 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. This benefit expires when the employee/retiree qualifies for Medicare.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms:

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Active employees with coverage	57
Active employees without current coverage	7
Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>93</u>

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial methods and assumptions:

Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017
Valuation Date	June 30, 2017
Reporting Date	June 30, 2018

Actuarial Assumptions:

Actuarial Cost Method	Entry Age Normal Cost, Level of Percent of Pay
Amortization Method	Straight-line amortization over a closed 5-year period
Discount Rate	3.82%
General Inflation	2.50%
CPI Medical Care	4.00%
Payroll Growth Rate	3.00%
Participation Rate	100% for employees that qualify for subsidized coverage 50% for future employees
Spouse Coverage	60% of future retirees
Healthcare Cost Trend Rate	6.80% for fiscal year 2018
Mortality Factors	Based upon the December 2017 CalPERS experience study

Discount Rate

Valuation results were computed at a 3.82% discount rate, which the Actuary has determined is a reasonable long-term assumption of the Town's expected return on its investments.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the fiscal year ended June 30, 2018:

Total OPEB Liability	\$ 4,062,276
Fiduciary Net Position	<u>362,374</u>
Net OPEB Liability	<u>\$ 3,699,902</u>

	Discount Rate -1%	Current Discount	Discount Rate +1%
	<u>2.82%</u>	<u>Rate 3.82%</u>	<u>4.82%</u>
Net OPEB Liability	\$4,254,210	\$3,699,902	\$3,243,898

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability calculated using the Healthcare cost trend rate assumed to start at 6.80% for fiscal year 2018, gradually decreasing over several decades to an ultimate rate of 4.00% in fiscal year 2075 and later years:

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	Current Trend less 1%	Healthcare Cost Trend Rate 6.80%	Current Trend plus 1%
Net OPEB Liability	\$3,196,501	\$3,699,902	\$4,325,691

**Contributions**

The contribution requirements of plan members and the Town are established and may be amended by the Town Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due).

**OPEB Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2018, total OPEB expense was \$240,459.

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 312,139
Net difference between projected and actual earnings of OPEB Plan investments	-	7,330
Totals	\$ -	\$ 319,469

When applicable, deferred outflows of resources are contributions made subsequent to the measurement date, and are recognized as a reduction of the total OPEB liability in future years. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30:	
2019	\$ (48,630)
2020	(48,630)
2021	(48,630)
2022	(48,632)
2023	(46,798)
thereafter	(78,149)
	\$ (319,469)

**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.

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At June 30, 2018, the Town was in contract for several grant funded airport and street projects, which are expected to be completed by December 31, 2018.

**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	\$ 1,110,172
CFD No. 2001-1 (North Village Area) 2016 Special Tax Refunding Bonds	\$ 6,009,717

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

Overview of the Pension Plan

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68), requires public employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position. Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. This may be a net pension asset when the Plan's fiduciary net position exceeds its total pension liability. Pension expense is the change in net pension liability from the previous reporting period to the current reporting period less adjustments. This may be a negative expense (pension income), which should be reported as a credit in pension expense. Deferred outflows of resources and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expense.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
Actuarial Valuation Date	June 30, 2016

Plan Description, Benefits Provided and Employees Covered

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website: <https://www.calpers.ca.gov>

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Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using Membership Data
Investment Rate of Return	7.00%
Post Retirement Benefit Increase	Contract COLA up to 2.75%

Change of Assumptions

In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and

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the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Returns Years 11+ (2)</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Other	3.00%	3.90%	5.36%
Liquid Assets	<u>2.00%</u>	-0.04%	-0.90%
	100.00%		

- (1) An expected inflation rate of 2.5% used for this period
- (2) An expected inflation rate of 3.0% used for this period

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss, as follows:

- Net Difference between projected and actual earnings on pension plan investments: 5 year straight-line amortization.
- All Other Amounts: Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized \$3,345,447 as pension expense. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2018**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 137,266
Changes of assumptions	2,806,148	214,460
Net difference between projected and actual earnings	626,220	-
Change in employer's proportion	263,468	41,932
Differences between employer's share of contributions	104,220	71,436
Pension contributions subsequent to measurement date	1,886,543	-
<b>Totals</b>	<b>\$ 5,686,599</b>	<b>\$ 465,094</b>

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

<u>Fiscal Year Ending June 30:</u>	
2019	\$ 905,778
2020	1,755,819
2021	1,043,223
2022	(368,859)

Net Pension Liability

As of June 30, 2018, the Town reported a net pension liability in its Defined Benefit Pension Plan as follows:

Total pension liability	\$ 66,882,183
Fiduciary net position	45,622,304
Net pension liability	21,259,879

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 calculated using the 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%
	<u>6.15%</u>	<u>Rate 7.15%</u>	<u>8.15%</u>
Net Pension Liability	\$ 30,517,310	\$ 21,259,879	\$ 13,629,572

**Note 15 - Single Employer Defined Benefit Pension 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, 2018**

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 are made in accordance with the contribution requirements determined by the actuarial valuation of the plan.

Deferred Outflows/Inflows of Resources Related to Pensions

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
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:

Year Ended June 30,	
2019	\$ 29,407
2020	11,017
2021	(11,696)
2022	10,129
2023	10,129

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2018**

Actuarial Assumptions

The following actuarial methods and assumptions were used in the funding valuation:

	<u>Safety Plan</u>
Valuation Date	June 30, 2017
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%

Change of Assumptions

In 2017, the investment return assumption was lowered from 7.00% to 6.50% in conjunction with CalPERS decision to lower its investment return rate from 7.50% to 7.00% over a period of years.

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>

Net Pension Liability

As of June 30, 2018, the Town reported a net pension liability in its Retirement Enhancement Plan as follows:

Total pension liability	\$	2,181,374
Fiduciary net position		1,977,435
Net pension liability		203,939

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

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:

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2018**

	Discount Rate -1%	Current Discount	Discount Rate +1%
	5.50%	Rate 6.50%	7.50%
Net pension liability / (asset)	\$ 596,213	\$ 203,939	\$ (47,767)

**Note 16 - Risk Management**

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The Town is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 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.

Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2018**

million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

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. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance

The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. The Town property currently has all-risk property insurance protection in the amount of \$37,202,709. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

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. The Town property currently has earthquake protection in the amount of \$16,714,700. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The Town purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

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 Town 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 facilitated by the Authority.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

**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, 2018 through January 25, 2019, 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.

**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. 83, *Certain Asset Retirement Obligations*

**TOWN OF MAMMOTH LAKES**  
**Notes to Financial Statements**  
**June 30, 2018**

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. 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, 2018**

**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	-	223,804	-	223,804
Tourism Business Imp. District	-	8,790	-	8,790
Gas Tax Street Capital Projects	-	200,000	-	200,000
Capital Projects - DIF	-	-	570,849	570,849
Solid Waste	-	-	82,475	82,475
Measure R projects	-	-	1,813,075	1,813,075
Measure U projects	-	-	2,863,162	2,863,162
Total restricted fund balances	<u>-</u>	<u>432,594</u>	<u>5,329,561</u>	<u>5,762,155</u>
Committed for:				
Reserve for Economic Uncertainty	3,422,218	-	-	3,422,218
Housing	91,758	-	-	91,758
Tourism	728,039	-	-	728,039
Transit	938,845	-	-	938,845
Comprehensive leave	739,539	-	-	739,539
Capital Projects	-	9,195,051	-	9,195,051
Debt Service Obligations	-	-	157,477	157,477
Total committed fund balances	<u>5,920,399</u>	<u>9,195,051</u>	<u>157,477</u>	<u>15,272,927</u>
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>(195,889)</u>	<u>-</u>	<u>-</u>	<u>(195,889)</u>
Total Fund Balances	<u>\$ 5,724,510</u>	<u>\$ 9,627,645</u>	<u>\$ 5,487,038</u>	<u>\$ 20,839,193</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

***(unaudited)***



**TOWN OF MAMMOTH LAKES**  
**Required Supplementary Information (unaudited)**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Year Ended June 30, 2018**

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 (unaudited)**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Last 4 Fiscal Years**

**Schedule of the Town's Proportionate Share of the Plan's Net Position Liability**

Measurement Date - Fiscal Year Ending:	2017	2016	2015	2014
Town's proportion of the net pension liability	21.4400%	0.2200%	0.2314%	0.2170%
Town's proportionate share of the net pension liability	\$ 21,259,879	\$ 19,039,905	\$ 15,881,436	\$ 13,498,217
Town's covered-employee payroll *	\$ 4,927,404	\$ 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	431.5%	412.4%	327.7%	291.5%
Plan fiduciary net position as a percentage of the total pension liability	73.3%	74.1%	78.4%	79.8%

\* for the fiscal year ending on the measurement date

**Schedule of the Town's Contributions**

Fiscal Year Ended June 30:	2018	2017	2016	2015
Contractually required employer contribution	\$ 1,886,543	\$ 1,773,473	\$ 1,595,253	\$ 1,132,342
Contributions in relation to the contractually required employer contribution	<u>1,886,543</u>	<u>1,773,473</u>	<u>1,595,253</u>	<u>1,132,342</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll **	\$ 5,296,220	\$ 4,927,404	\$ 4,617,105	\$ 4,845,793
Contributions as a percentage of covered-employee payroll	35.62%	35.99%	34.55%	23.37%

\*\* for the fiscal year ending on the date shown

**TOWN OF MAMMOTH LAKES**  
**Required Supplementary Information (unaudited)**  
**Single Employer Defined Benefit Pension Plan**  
**Year Ended June 30, 2018**

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 (unaudited)**  
**Single Employer Defined Benefit Pension Plan**  
**Last 3 Fiscal Years**

**Schedule of Changes in the Net Pension Liability and Related Ratios**

Measurement Date - Fiscal Year Ending:	2017	2016	2015
<u>Total Pension Liability</u>			
Service Cost	\$ -	\$ -	\$ -
Interest on total pension liability	134,711	132,879	124,394
Effect of economic/demographic gains or losses	61,461	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	201,143	125,636	32,253
Total pension liability - beginning	1,980,231	1,854,595	1,822,342
Total pension liability - ending	<u>\$ 2,181,374</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	(113,280)	(99,751)	(100,071)
Administrative expenses	(8,060)	(8,056)	-
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>\$ 203,939</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	25.22%	14.13%	-6.23%
<b>Schedule of Employer Contributions</b>			
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 (unaudited)**  
**Other Postemployment Benefits Plan**  
**As of June 30, 2018**

**Schedule of Changes in Net OPEB Liability and Related Ratios**

For Reporting at Fiscal Year Ended June 30:	2018
Measurement Date - Fiscal Year Ending June 30:	2017
<hr/>	
<b>Total OPEB Liability</b>	
Service cost	\$ 167,398
Interest on the total OPEB liability	137,748
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(358,937)
Contribution from the employer	-
Benefit payments	(178,946)
Net Change in Total OPEB Liability	<u>(232,737)</u>
Total OPEB Liability - beginning	4,295,013
Total OPEB Liability - ending (a)	<u><u>\$ 4,062,276</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 178,946
Net investment income	30,084
Benefit payments	(178,946)
Administrative expense	(4,865)
Net Change in Plan Fiduciary Net Position	<u>25,219</u>
Plan Fiduciary Net Position - beginning	337,155
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 362,374</u></u>
<b>Net OPEB Liability - ending (a) - (b)</b>	<u><u>\$ 3,699,902</u></u>
Fiduciary Net Position as a % of Total OPEB Liability	8.90%
Covered-employee payroll	\$ 4,742,733
Net OPEB liability as a percentage of covered-employee payroll	78.01%

**TOWN OF MAMMOTH LAKES**  
**Required Supplementary Information (unaudited)**  
**Note to Budgetary Comparison Information**  
**Year Ended June 30, 2018**

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 (unaudited)**  
**Budgetary Comparison - General Fund No. 100**  
**Year Ended June 30, 2018**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflow)</b>				
Property taxes	\$ 3,620,322	\$ 3,620,322	\$ 3,635,160	\$ 14,838
Sales tax	2,428,000	2,428,000	2,433,682	5,682
Transient Occupancy tax	17,888,555	17,888,555	17,908,834	20,279
Business tax	349,340	349,340	349,361	21
Franchise fees	909,490	909,490	914,056	4,566
License and permits	687,910	687,910	823,861	135,951
Fees and charges	762,516	762,516	813,858	51,342
Fines and forfeitures	111,720	111,720	112,340	620
Federal grants	54,200	54,200	78,589	24,389
State grants	105,000	105,000	171,918	66,918
State shared revenue	3,500	3,500	55,860	52,360
Interest	85,000	85,000	184,879	99,879
Refunds and reimbursements	357,500	357,500	401,572	44,072
Transfers in from other funds	272,153	272,153	512,153	240,000
Amounts Available for Appropriation	<u>27,635,206</u>	<u>27,635,206</u>	<u>28,396,123</u>	<u>760,917</u>
<b>Charges to Appropriations (Outflow)</b>				
Town Council	147,141	147,141	139,269	7,872
Legal services	270,000	270,000	162,596	107,404
Town Manager department	716,493	716,493	686,266	30,227
Town Clerk department	210,913	210,913	187,092	23,821
Finance department	1,176,409	1,176,409	1,125,653	50,756
General services	1,881,317	1,881,317	1,822,727	58,590
Human Resources department	146,854	146,854	150,027	(3,173)
Information Technology Services	410,461	410,461	350,130	60,331
Police department	4,078,366	4,078,366	3,980,186	98,180
Wildlife management	75,114	75,114	69,270	5,844
Recreation Programs department	573,976	573,976	661,761	(87,785)
Whitmore Pool & Recreation area	225,745	225,745	234,020	(8,275)
Parks, Buildings & Trails Mgmt	701,811	701,811	705,753	(3,942)
Planning Division	580,373	580,373	575,782	4,591
Building Division	614,664	614,664	664,928	(50,264)
Code Compliance	107,622	107,622	107,588	34
Housing Programs & Planning	333,232	333,232	383,981	(50,749)
Department 452	-	-	80	(80)
Engineering and Public Works dept.	632,849	632,849	738,682	(105,833)
Facilities Maintenance	115,239	115,239	102,921	12,318
Transit Services	916,360	916,360	882,101	34,259
Tourism & Business Development	2,767,615	2,767,615	2,435,000	332,615
Transfers out to other funds	12,260,180	12,260,180	12,262,097	(1,917)
Total Charges to Appropriations	<u>28,942,734</u>	<u>28,942,734</u>	<u>28,427,910</u>	<u>514,824</u>
<b>Surplus (Deficit)</b>	<u>\$ (1,307,528)</u>	<u>\$ (1,307,528)</u>	<u>\$ (31,787)</u>	<u>\$ 1,275,741</u>

**TOWN OF MAMMOTH LAKES**  
**Required Supplementary Information (unaudited)**  
**Budgetary Comparison - Capital Projects Fund No. 300**  
**Year Ended June 30, 2018**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflow)</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
ATP Grant - Mammoth Creek Gap	-	-	301,914	301,914
Federal grants	-	-	1,431,794	1,431,794
State grants	-	-	95,363	95,363
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue - Refunds & Rebates	-	-	376,019	376,019
Transfers in from other funds	7,302,800	7,302,800	11,717,962	4,415,162
Amounts Available for Appropriation	<u>7,302,800</u>	<u>7,302,800</u>	<u>13,923,052</u>	<u>6,620,252</u>
<b>Charges to Appropriations (Outflow)</b>				
Capital projects - streets	-	-	1,541,559	(1,541,559)
Capital projects - other	474,053	474,053	4,550,075	(4,076,022)
Transfers out to other funds	63,703	63,703	72,780	(9,077)
Total Charges to Appropriations	<u>537,756</u>	<u>537,756</u>	<u>6,164,414</u>	<u>(5,626,658)</u>
<b>Surplus (Deficit)</b>	<u>\$ 6,765,044</u>	<u>\$ 6,765,044</u>	<u>\$ 7,758,638</u>	<u>\$ 993,594</u>



**TOWN OF MAMMOTH LAKES**  
**Required Supplementary Information (unaudited)**  
**Budgetary Comparison - Tourism Business Improvement District Fund No. 218**  
**Year Ended June 30, 2018**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflow)</b>				
TBID assessment	\$ 5,000,000	\$ 5,000,000	\$ 5,147,739	\$ 147,739
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	5,778	5,778
Other revenue	-	-	-	-
Transfers in from other funds	-	-	-	-
Amounts Available for Appropriation	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,153,517</u>	<u>153,517</u>
<b>Charges to Appropriations (Outflow)</b>				
Contractual finance services	100,000	100,000	102,894	(2,894)
Transfers out to other funds	4,900,000	4,900,000	5,041,833	(141,833)
Total Charges to Appropriations	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,144,727</u>	<u>(144,727)</u>
<b>Surplus (Deficit)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,790</u>	<u>\$ 8,790</u>

**TOWN OF MAMMOTH LAKES**  
**Required Supplementary Information (unaudited)**  
**Budgetary Comparison - Housing & Community Development Fund No. 245**  
**Year Ended June 30, 2018**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflow)</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental Housing grants	300,000	300,000	969,932	669,932
Charge for services	-	-	-	-
Fines and penalties	-	-	-	-
Use of money and property	-	-	-	-
Other revenue	-	-	-	-
Transfers in from other funds	124,158	124,158	124,158	-
Amounts Available for Appropriation	<u>424,158</u>	<u>424,158</u>	<u>1,094,090</u>	<u>669,932</u>
<b>Charges to Appropriations (Outflow)</b>				
Housing Community development	300,000	300,000	865,477	(565,477)
Transfers out to other funds	100,663	-	130,663	(130,663)
Total Charges to Appropriations	<u>400,663</u>	<u>300,000</u>	<u>996,140</u>	<u>(696,140)</u>
<b>Surplus (Deficit)</b>	<u>\$ 23,495</u>	<u>\$ 124,158</u>	<u>\$ 97,950</u>	<u>\$ (26,208)</u>

**TOWN OF MAMMOTH LAKES**  
**Required Supplementary Information (unaudited)**  
**Budgetary Comparison - Gas Tax Fund No. 210**  
**Year Ended June 30, 2018**

	<u>Budget Amounts (unaudited)</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflow)</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental Housing grants	1,911,018	1,911,018	1,999,232	88,214
Charge for services	10,000	10,000	9,993	(7)
Fines and penalties	-	-	-	-
Use of money and property	-	-	22,463	22,463
Other revenue	13,000	13,000	201	(12,799)
Transfers in from other funds	2,410,927	2,410,927	2,418,282	7,355
Amounts Available for Appropriation	<u>4,344,945</u>	<u>4,344,945</u>	<u>4,450,171</u>	<u>105,226</u>
<b>Charges to Appropriations (Outflow)</b>				
Public Works / Streets	4,513,299	3,033,299	3,030,282	3,017
Transfers out to other funds	1,994,384	3,320,085	3,329,162	(9,077)
Total Charges to Appropriations	<u>6,507,683</u>	<u>6,353,384</u>	<u>6,359,444</u>	<u>(6,060)</u>
<b>Surplus (Deficit)</b>	<u>\$ (2,162,738)</u>	<u>\$ (2,008,439)</u>	<u>\$ (1,909,273)</u>	<u>\$ 99,166</u>

***OTHER SUPPLEMENTARY INFORMATION***

**TOWN OF MAMMOTH LAKES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

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
<b>Assets</b>													
Cash and investments	\$ 19,109	\$ 34,589	\$ 24,420	\$ 26,581	\$ 41,006	\$ 47,527	\$ 18,691	\$ 54,007	\$ 130,038	\$ 13,810	\$ 96,246	\$ 62,704	\$ 568,728
Receivables	21	126	99	94	151	170	73	209	493	56	376	253	2,121
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>\$ 19,130</u>	<u>\$ 34,715</u>	<u>\$ 24,519</u>	<u>\$ 26,675</u>	<u>\$ 41,157</u>	<u>\$ 47,697</u>	<u>\$ 18,764</u>	<u>\$ 54,216</u>	<u>\$ 130,531</u>	<u>\$ 13,866</u>	<u>\$ 96,622</u>	<u>\$ 62,957</u>	<u>\$ 570,849</u>
<b>Liabilities</b>													
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>
<b>Fund Balances</b>													
Special revenue funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects funds	19,130	34,715	24,519	26,675	41,157	47,697	18,764	54,216	130,531	13,866	96,622	62,957	570,849
Debt service fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>19,130</u>	<u>34,715</u>	<u>24,519</u>	<u>26,675</u>	<u>41,157</u>	<u>47,697</u>	<u>18,764</u>	<u>54,216</u>	<u>130,531</u>	<u>13,866</u>	<u>96,622</u>	<u>62,957</u>	<u>570,849</u>
Total Liabilities and Fund Balances	<u>\$ 19,130</u>	<u>\$ 34,715</u>	<u>\$ 24,519</u>	<u>\$ 26,675</u>	<u>\$ 41,157</u>	<u>\$ 47,697</u>	<u>\$ 18,764</u>	<u>\$ 54,216</u>	<u>\$ 130,531</u>	<u>\$ 13,866</u>	<u>\$ 96,622</u>	<u>\$ 62,957</u>	<u>\$ 570,849</u>

**TOWN OF MAMMOTH LAKES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds:						Total	Capital	Debt	Total
	Solid	Measure	Measure	Measure U	Drug	LTC Planning	Special	Projects	Service	Nonmajor
	Waste	R	R	Utility	Enforcement	Transportation	Revenue	Funds	Fund	Governmental
	Fund	Trails	Sales Tax	Users Tax	Fund	& Transit	Funds	Funds	Fund	Funds
<b>Assets</b>										
Cash and investments	\$ 98,165	\$ 863,777	\$ 845,408	\$ 2,806,179	\$ 17	\$ -	\$ 4,613,546	\$ 568,728	\$ -	\$ 5,182,274
Receivables	-	3,631	189,161	56,983	-	40,661	290,436	2,121	-	292,557
Due from other funds	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-	-	-	316,597	316,597
Totals	<u>\$ 98,165</u>	<u>\$ 867,408</u>	<u>\$ 1,034,569</u>	<u>\$ 2,863,162</u>	<u>\$ 17</u>	<u>\$ 40,661</u>	<u>\$ 4,903,982</u>	<u>\$ 570,849</u>	<u>\$ 316,597</u>	<u>\$ 5,791,428</u>
<b>Liabilities</b>										
Payables	\$ 15,690	\$ 86,201	\$ 2,701	\$ -	\$ 17	\$ 98	104,707	\$ -	\$ -	\$ 104,707
Cash overdraft	-	-	-	-	-	40,563	40,563	-	159,120	199,683
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Due to the general fund	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Totals	<u>15,690</u>	<u>86,201</u>	<u>2,701</u>	<u>-</u>	<u>17</u>	<u>40,661</u>	<u>145,270</u>	<u>-</u>	<u>159,120</u>	<u>304,390</u>
<b>Fund Balances</b>										
Special revenue funds	82,475	781,207	1,031,868	2,863,162	-	-	4,758,712	-	-	4,758,712
Capital projects funds	-	-	-	-	-	-	-	570,849	-	570,849
Debt service fund	-	-	-	-	-	-	-	-	157,477	157,477
Totals	<u>82,475</u>	<u>781,207</u>	<u>1,031,868</u>	<u>2,863,162</u>	<u>-</u>	<u>-</u>	<u>4,758,712</u>	<u>570,849</u>	<u>157,477</u>	<u>5,487,038</u>
Total Liabilities and										
Fund Balances	<u>\$ 98,165</u>	<u>\$ 867,408</u>	<u>\$ 1,034,569</u>	<u>\$ 2,863,162</u>	<u>\$ 17</u>	<u>\$ 40,661</u>	<u>\$ 4,903,982</u>	<u>\$ 570,849</u>	<u>\$ 316,597</u>	<u>\$ 5,791,428</u>

**TOWN OF MAMMOTH LAKES**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2018**

Capital Projects Funds:

	DIF Admin Overhead	DIF Gen. Fac. Fund	DIF Law Enforcement	DIF Storm Drains	DIF Parks & Recreation	DIF MCOE Library	DIF Circulation (Streets)	DIF MCOE Child Care	DIF Fire Facility, Veh. & Eq.	DIF Airport Improve.	DIF Transit & Trails	Public Arts Program	Total Capital Projects Funds
<b>Revenue</b>													
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	28,695	23,435	19,096	22,457	33,701	16,506	7,862	108,102	-	85,748	-	345,602
Taxes and assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	64	244	149	215	375	419	126	599	944	165	649	750	4,699
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	<u>64</u>	<u>28,939</u>	<u>23,584</u>	<u>19,311</u>	<u>22,832</u>	<u>34,120</u>	<u>16,632</u>	<u>8,461</u>	<u>109,046</u>	<u>165</u>	<u>86,397</u>	<u>750</u>	<u>350,301</u>
<b>Expenditures</b>													
General government	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-
Tourism, parks, recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-	-	-	-
Public works / streets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and transit	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<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>
Excess Revenue over (under) Expenditures	<u>64</u>	<u>28,939</u>	<u>23,584</u>	<u>19,311</u>	<u>22,832</u>	<u>34,120</u>	<u>16,632</u>	<u>8,461</u>	<u>109,046</u>	<u>165</u>	<u>86,397</u>	<u>750</u>	<u>350,301</u>
<b>Other Financing Sources (Uses)</b>													
Transfers in	13,823	-	-	-	-	-	-	-	-	-	-	-	13,823
Transfers (out)	-	(1,148)	(937)	(764)	(898)	(1,348)	(660)	(314)	(4,324)	-	(3,430)	-	(13,823)
Proceeds from new financing	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Sources (Uses)	<u>13,823</u>	<u>(1,148)</u>	<u>(937)</u>	<u>(764)</u>	<u>(898)</u>	<u>(1,348)</u>	<u>(660)</u>	<u>(314)</u>	<u>(4,324)</u>	<u>-</u>	<u>(3,430)</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balances</b>	<u>13,887</u>	<u>27,791</u>	<u>22,647</u>	<u>18,547</u>	<u>21,934</u>	<u>32,772</u>	<u>15,972</u>	<u>8,147</u>	<u>104,722</u>	<u>165</u>	<u>82,967</u>	<u>750</u>	<u>350,301</u>
Fund Balances - beginning	<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>
Fund Balances - end of year	<u>\$ 19,130</u>	<u>\$ 34,715</u>	<u>\$ 24,519</u>	<u>\$ 26,675</u>	<u>\$ 41,157</u>	<u>\$ 47,697</u>	<u>\$ 18,764</u>	<u>\$ 54,216</u>	<u>\$ 130,531</u>	<u>\$ 13,866</u>	<u>\$ 96,622</u>	<u>\$ 62,957</u>	<u>\$ 570,849</u>

**TOWN OF MAMMOTH LAKES**  
**Combining Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2018**

Special Revenue Funds:

	Solid Waste Fund	Measure R Trails	Measure R Sales Tax	Measure U Utility Users Tax	Drug Enforcement Fund	LTC Planning Transportation & Transit	Total Special Revenue Funds	Total Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenue</b>										
Intergovernmental	\$ -	\$ 13,208	\$ -	\$ -	\$ -	\$ 33,847	\$ 47,055	\$ -	\$ -	\$ 47,055
Charge for services	125,000	-	-	-	-	-	125,000	345,602	-	470,602
Taxes and assessments	-	-	1,405,369	834,351	-	-	2,239,720	-	-	2,239,720
Use of money and property	-	12,077	30,733	31,299	-	-	74,109	4,699	36,945	115,753
Other revenue	-	7,500	-	-	-	10,000	17,500	-	593,755	611,255
Total Revenue	<u>125,000</u>	<u>32,785</u>	<u>1,436,102</u>	<u>865,650</u>	<u>-</u>	<u>43,847</u>	<u>2,503,384</u>	<u>350,301</u>	<u>630,700</u>	<u>3,484,385</u>
<b>Expenditures</b>										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Tourism, parks, recreation	-	439,170	289,153	97,126	-	-	825,449	-	-	825,449
Community development	42,525	-	-	-	-	-	42,525	-	-	42,525
Public works / streets	-	-	-	-	-	81,630	81,630	-	-	81,630
Transportation and transit	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	9,773,314	-	9,773,314
Total Expenditures	<u>42,525</u>	<u>439,170</u>	<u>289,153</u>	<u>97,126</u>	<u>-</u>	<u>81,630</u>	<u>949,604</u>	<u>-</u>	<u>9,773,314</u>	<u>10,722,918</u>
Excess Revenue over (under) Expenditures	<u>82,475</u>	<u>(406,385)</u>	<u>1,146,949</u>	<u>768,524</u>	<u>-</u>	<u>(37,783)</u>	<u>1,553,780</u>	<u>350,301</u>	<u>(9,142,614)</u>	<u>(7,238,533)</u>
Other Financing Sources (Uses)										
Transfers in	-	300,000	-	-	-	37,783	337,783	13,823	9,202,850	9,554,456
Transfers (out)	-	-	(8,460,442)	(500,000)	-	-	(8,960,442)	(13,823)	(443,200)	(9,417,465)
Proceeds from new financing	-	-	5,500,000	-	-	-	5,500,000	-	-	5,500,000
Total Other Sources (Uses)	<u>-</u>	<u>300,000</u>	<u>(2,960,442)</u>	<u>(500,000)</u>	<u>-</u>	<u>37,783</u>	<u>(3,122,659)</u>	<u>-</u>	<u>8,759,650</u>	<u>5,636,991</u>
<b>Change in Fund Balances</b>	<u>82,475</u>	<u>(106,385)</u>	<u>(1,813,493)</u>	<u>268,524</u>	<u>-</u>	<u>-</u>	<u>(1,568,879)</u>	<u>350,301</u>	<u>(382,964)</u>	<u>(1,601,542)</u>
Fund Balances - beginning	<u>-</u>	<u>887,592</u>	<u>2,845,361</u>	<u>2,594,638</u>	<u>-</u>	<u>-</u>	<u>6,327,591</u>	<u>220,548</u>	<u>540,441</u>	<u>7,088,580</u>
Fund Balances - end of year	<u>\$ 82,475</u>	<u>\$ 781,207</u>	<u>\$ 1,031,868</u>	<u>\$ 2,863,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,758,712</u>	<u>\$ 570,849</u>	<u>\$ 157,477</u>	<u>\$ 5,487,038</u>



**TOWN OF MAMMOTH LAKES**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

Page 1 of 2

	<b>Vehicle Service</b>	<b>Self- Insurance</b>	<b>Totals</b>
<b>Assets</b>			
Cash and investments	\$ 7,437,119	\$ 476,733	\$ 7,913,852
Receivables	160,220	-	160,220
Prepaid expenses	587,186	-	587,186
Interfund loans	-	-	-
Interfund loans - general fund	3,171,207	-	3,171,207
Capital assets, net of depreciation	1,997,325	-	1,997,325
Total assets	<u>13,353,057</u>	<u>476,733</u>	<u>13,829,790</u>
<b>Liabilities</b>			
Payables	166,492	16,404	182,896
Compensated absences	31,978	-	31,978
Total liabilities	<u>198,470</u>	<u>16,404</u>	<u>214,874</u>
<b>Net Position</b>			
Net investment in capital assets	1,997,325	-	1,997,325
Unrestricted	11,157,261	460,329	11,617,590
Total net position	<u>\$ 13,154,586</u>	<u>\$ 460,329</u>	<u>\$ 13,614,915</u>

**TOWN OF MAMMOTH LAKES****Internal Service Funds****Combining Statement of Revenue, Expenses, and Change in Net Position**

Year Ended June 30, 2018

Page 2 of 2

	<u>Vehicle Service</u>	<u>Self- Insurance</u>	<u>Totals</u>
<b>Operating Revenue</b>			
Charges for services	\$ 1,819,004	\$ 290,680	\$ 2,109,684
<b>Operating Expenses</b>			
Personal costs	600,713	-	600,713
Operations and maintenance	585,707	-	585,707
Benefit claims	-	181,240	181,240
Depreciation	253,603	-	253,603
Total operating expenses	<u>1,440,023</u>	<u>181,240</u>	<u>1,621,263</u>
<b>Operating Income (Loss)</b>	<u>378,981</u>	<u>109,440</u>	<u>488,421</u>
<b>Nonoperating Revenue (Expenses)</b>			
Investment earnings	44,228	-	44,228
Other revenue	42,718	-	42,718
Total nonoperating revenue (expenses)	<u>86,946</u>	<u>-</u>	<u>86,946</u>
<b>Income Before Transfers</b>	465,927	109,440	575,367
Capital grants	-	-	-
Transfers in from other funds	435,535	-	435,535
Transfers (out) to other funds	<u>(398,280)</u>	<u>-</u>	<u>(398,280)</u>
<b>Change in Net Position</b>	503,182	109,440	612,622
Net Position - beginning	12,651,404	350,889	13,002,293
Net Position - end of year	<u>\$ 13,154,586</u>	<u>\$ 460,329</u>	<u>\$ 13,614,915</u>

## **APPENDIX A**

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

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**Single Audit Report**

**Year Ended**  
**June 30, 2018**

**TOWN OF MAMMOTH LAKES, CALIFORNIA**

**Single Audit Report**

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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8715 Seville Circle / Granite Bay, California 95746

### **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 the Town of Mammoth Lakes, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Mammoth Lakes basic financial statements, and have issued our report thereon dated November 15, 2018.

#### **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  
November 15, 2018

# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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8715 Seville Circle / Granite Bay, California 95746

**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, 2018. 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, 2018.

### **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, 2018, and have issued our report thereon dated November 15, 2018, 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  
November 15, 2018



**TOWN OF MAMMOTH LAKES, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
 <b>U.S. DEPARTMENT OF TRANSPORTATION (DOT)</b>		
Highway Planning & Construction (Federal-Aid Highway Program) Passed through the State of California		
North Main Street (SR 203) Sidewalk and Safety Project CA ID #09-1500-0008	20.205	\$ 1,717,771
 <b>U.S. DEPARTMENT OF TRANSPORTATION (DOT)</b>		
Airport Improvement Program Direct Award: Federal Aviation Administration (FAA)		
FAA Grant: AIP Project #03-06-0146-035	20.106	5,500
FAA Grant: AIP Project #03-06-0146-037	20.106	<u>2,320</u>
SUBTOTAL CFDA No. 20.106		<u>7,820</u>
 <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</b>		
Community Development Block Grants/State's Program Passed through the State of California, Department of Housing and Community Development Community Development Block Grant (CDBG) Program CDBG Standard Agreement #14-CDBG-9903		
	14.228	<u>490,712</u>
 Total Expenditures of Federal Awards		 <u>\$ 2,216,303</u>

**TOWN OF MAMMOTH LAKES, CALIFORNIA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

***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, 2018**

**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*

