

MAMMOTH COMMUNITY WATER DISTRICT

FINANCIAL STATEMENTS

Year Ended March 31, 2020

Mammoth Community Water District
Financial Statements
Year Ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mammoth Community Water District
Mammoth Lakes, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Mammoth Community Water District (the "District") as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 District'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 purpose of expressing an opinion on the effectiveness of the District'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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District, as of March 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii to viii be presented to supplement the basic financial statements. Such information, although not a 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 historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were 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 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 combining schedules 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 report dated August 21, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Jeaman Ramirez & Smith, Llc.

Riverside, California
August 21, 2020

Management's Discussion and Analysis

As management of the Mammoth Community Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended March 31, 2020.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$92,031,628 (*net position*). Of this amount, \$27,167,628 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The total net position increased by \$2,050,296. This increase is attributable to higher than expected operating and tax revenue, lower than expected operating expenditures and the deferral of a well drilling project until fiscal year 2021.
- Capital assets, net of accumulated depreciation, decreased by \$1,148,647. This decrease reflects the net of capital projects completed in fiscal year 2020 and the depreciation of all District capital assets. Capital assets equal to \$3,041,939 were added in fiscal year 2020. Significant additions to District assets include installation of a grit removal system at the wastewater treatment plant, upgrade to the PLC system for the wastewater treatment plant, rehabilitation of a water tank and two sewer lift stations and ongoing replacement and rehabilitation of water and sewer distribution and collection systems.
- Construction in progress totals \$938,673. This reflects capital projects started but not completed within the fiscal year.
- The District's total liabilities at the end of fiscal year 2020 were \$1,104,700, of which \$410,996 is due within the next year. The District's only long-term liability is the value of accrued leave time for employees. This liability will be paid as employees take paid time off or separate from District service. Total liabilities decreased \$226,949 from last fiscal year.
- Cash and investments had a net increase of \$3,133,067. This net increase was a result of cash inflows from revenue that exceeded cash expenditures on expenses and deferred capital projects.
- Operating Revenue decreased from the prior year by \$70,600. Water and wastewater revenue decreased by \$63,008 and revenue from connection fees decreased by \$7,592. Offsetting the decrease in operating revenue, property taxes increased from the prior year by \$614,588 due to an increase in assessed valuation and collection by Mono County.
- Operating Expenses, including Depreciation and Amortization, decreased over prior year by \$476,644, a 3.5% decrease.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, 4) Statement of Fiduciary Assets and Liabilities and 5) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Statement of Net Position* presents information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *Statement of Cash Flows* presents information on cash receipts and payments for the fiscal year.

The *Statement of Fiduciary Assets and Liabilities* accounts for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* because the resources of those funds are not available to support the District’s own program. The accounting used for fiduciary funds is much like that used for proprietary funds.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed above. The *Notes to the Financial Statements* can be found in pages 6-21 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* of the District’s Water, Wastewater and New Enterprise activities.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District’s financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$92,031,628 at the close of fiscal year 2020, an increase of 2.3% over the previous year.

By far the largest portion of the District’s net position (73%) is represented by its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The District does not have any debt related to capital assets.

The remaining balance of *unrestricted net position*, \$27,167,628, may be used to meet the District’s ongoing obligations to citizens and creditors. The following table shows the projected capital project expenditures for the next five years:

Fiscal Year(s):	2021	2022	2023	2024	2025
Projected Capital Costs:	\$6,358,800	\$6,306,000	\$4,395,000	\$5,894,000	\$4,673,000

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Net Position

	<u>FY 2020</u>	<u>FY 2019</u>
Current and Other Assets	\$29,594,818	\$26,540,083
Capital Assets	<u>\$64,864,000</u>	<u>\$66,012,647</u>
 Total Assets	 <u>\$94,458,818</u>	 <u>\$92,552,730</u>
Noncurrent Liabilities	\$ 693,704	\$ 751,989
Other Liabilities	<u>\$ 410,996</u>	<u>\$ 579,660</u>
 Total Liabilities	 <u>\$ 1,104,700</u>	 <u>\$ 1,331,649</u>
 Deferred Inflows of Resources	 <u>\$ 1,322,490</u>	 <u>\$ 1,239,749</u>
Net Position:		
Net Investment in Capital Assets	\$64,864,000	\$66,012,647
Unrestricted	<u>\$27,167,628</u>	<u>\$23,968,685</u>
 Total Net Position	 <u><u>\$92,031,628</u></u>	 <u><u>\$89,981,332</u></u>

Change in Net Position

	2020	2019
Revenues:		
Water Services	\$ 3,488,811	\$ 3,584,223
Wastewater Services	2,791,303	2,758,899
Permits	305,639	313,231
Non-Operating	8,635,948	7,548,999
Total Revenues	15,221,701	14,205,352
Expenses:		
Operating:		
General and Administrative	3,217,594	3,046,519
Water Services	3,355,626	3,848,466
Wastewater Services	2,203,895	2,208,263
Depreciation and Amortization	4,394,290	4,544,821
Total Expenses	13,171,405	13,648,069
Change in Net Position	2,050,296	557,283
Net Position, Beginning	89,981,332	89,424,049
Net Position, Ending	\$ 92,031,628	\$ 89,981,332

- The District’s total water revenue (base rate and water sales) decreased by \$95,412 (-2.7%). The water rates have scheduled increases of 2% per year, but an extended winter and cool spring weather delayed the start of summer landscape irrigation with a corresponding reduction to water sales revenue. Wastewater revenue increased by \$32,404, consistent with the scheduled 1% increase in wastewater base rates.

- Factors influencing the decrease in the Water Services and Wastewater Services operating expenses include: substantial repairs to the roof of the Lake Mary water treatment plant in the previous fiscal year and reduced expenses for professional services and utilities in FY 2020.

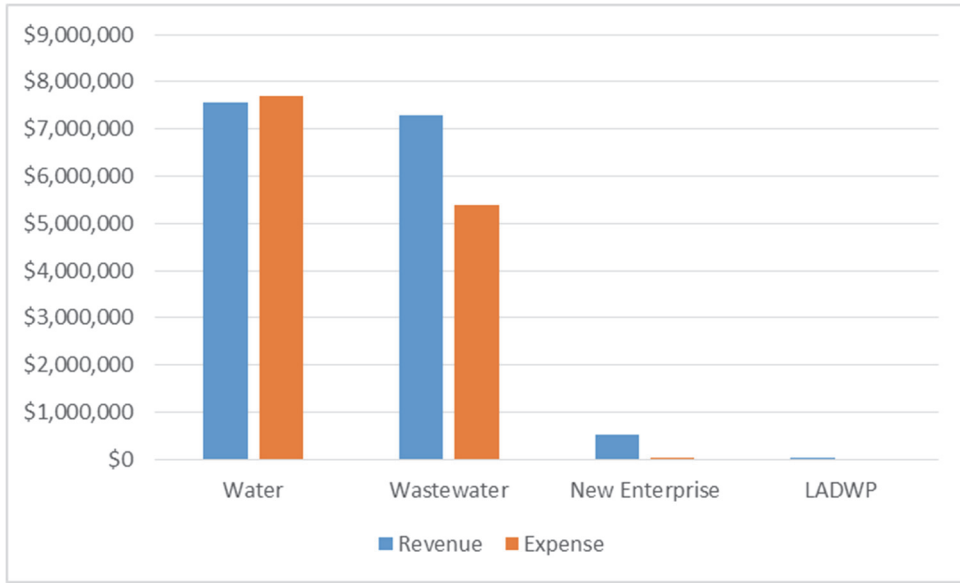
- The District’s water and wastewater rate structure, effective from April 2016 – March 2021, provides for incremental annual rate increases. The rates are expected to meet the operating and capital needs of the District and provide stable revenue during periods of drought.

- Permit revenue decreased slightly by \$7,592, reflecting the annual variability in building activity in the Town.

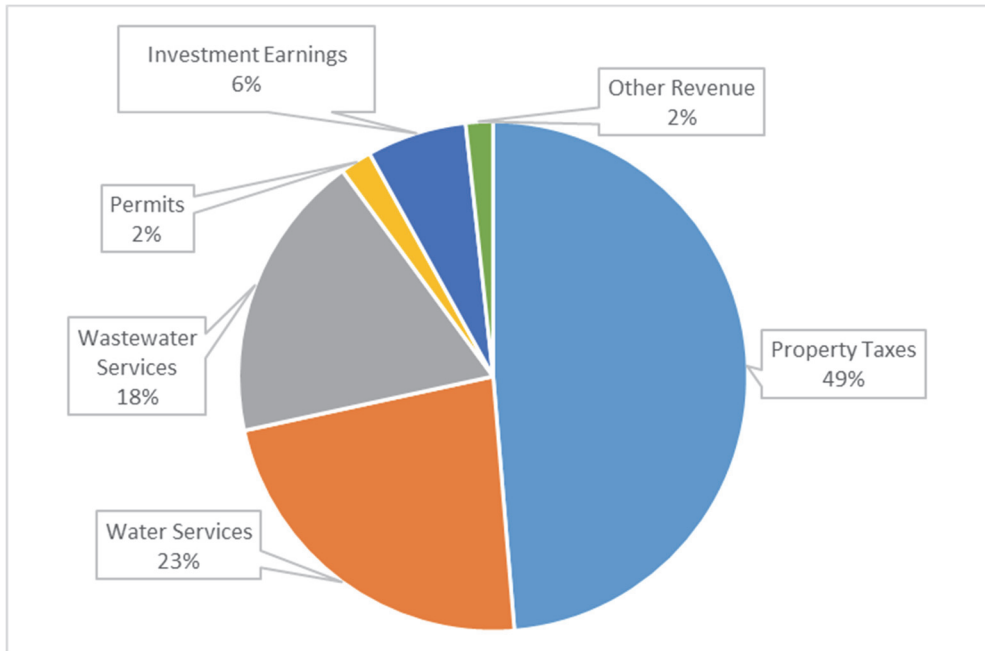
- The increase in net position of \$2,050,296 (2.3%) from fiscal year 2019 to 2020 is due to an increase of non-operating revenue (primarily property tax and investment income) and a decrease in operating expenses.

District Activities: The District's Wastewater, Water and New Enterprise activities are as follows.

Expenses and Program Revenues



Revenues by Source



Capital Asset and Debt Administration

Capital Assets: The District's capital assets for its business-type activities as of March 31, 2020 amounts to \$64,864,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. Additional information on the District's capital assets can be found in Note 5 of the *Notes to Financial Statements*.

Major capital asset additions during fiscal year 2020 include the following completed capital projects: installation of a grit removal system at the wastewater treatment plant, upgrade to the PLC system for the wastewater treatment plant, rehabilitation of a water tank and two sewer lift stations and ongoing replacement and rehabilitation of water and sewer distribution and collection systems.

Mammoth Community Water District's Capital Assets (Net of Depreciation)

	<u>2020</u>	<u>2019</u>
Land	\$ 444,330	\$ 312,000
Construction in Progress	938,673	734,969
Subsurface Lines	37,242,958	36,687,400
General Plant Administration Facilities	13,773,962	13,070,895
Water Treatment Facilities	33,904,539	33,513,166
Wastewater Collection and Treatment Facilities	49,396,502	48,364,359
Source of Supply	4,964,661	4,964,661
Vehicles and Equipment	<u>4,954,695</u>	<u>4,798,754</u>
Total Capital Assets	145,620,320	142,446,204
Less Accumulated Depreciation	<u>(80,756,320)</u>	<u>(76,433,557)</u>
Total Capital Assets, Net	<u>\$ 64,864,000</u>	<u>\$ 66,012,647</u>

Long-term Liability: At the end of the current fiscal year, the District had a total long-term liability outstanding of \$770,783. This liability represents the value of accumulated employee leave balances. Of this total, \$77,079 is estimated to be payable within one year. Additional information on the District's long-term liability can be found in Note 6 of the *Notes to Financial Statements*.

Mammoth Community Water District's Outstanding Debt

	<u>2020</u>	<u>2019</u>
Compensated Leave Balances	\$ 770,783	\$ 835,542
Long-term Liability	<u>\$ 770,783</u>	<u>\$ 835,542</u>

The decrease in long-term liability is due to the decrease in the value of employee compensated leave balances.

Economic Factors and Next Year's Budgets and Rates

The financial position of the District is significantly influenced by weather, with both operating cost and revenue affected. In years of low snowfall, the District must impose water use restrictions and operating costs increase as the water source shifts from surface to groundwater. When there is average snowfall, more recreational visitors generate additional revenue, and water treatment and delivery costs decrease with the use of surface water. After four years of historic drought ending in 2015, the winters of 2016 through 2020 alternated between high and average snowfall.

Because of the wide and unpredictable variation in snowfall, the District's rate structure has a provision for a Water Shortage Surcharge (WSS) which can be imposed by the Board during periods of water use restrictions to offset the loss of revenue. Since approximately 95% of the District's operating costs are fixed, the WSS provides a structure that matches fixed and variable costs and revenue.

Water sales typically provides between 10% and 15% of the District's total revenue. This segment of our revenue decreased by \$132,723 (7.6% decrease in water sales revenue) from FY 2019 to FY 2020.

Property valuation and related tax revenue continues to increase gradually. New housing development generates connection fee revenue designated for future infrastructure needs and increases the assessed valuation of our tax base. The District has projected revenue conservatively and anticipated rising operating costs in the preparation of the budget for the 2020 fiscal year. The FY 2021 capital budget of \$6,358,800 includes completion of a new production well with expected cost of approximately \$1,600,000, additional water system improvements of approximately \$1,630,000, and improvements to the wastewater collection system and treatment plant of approximately \$1,960,000.

In March 2020, as the fiscal year ended, California elected officials were beginning to shut down the state's economy in response to the COVID-19 virus. The extent and duration of economic damage is unknown.

Requests for Information

This report is designed to provide a general overview of the Mammoth Community Water District for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, P.O. Box 597, Mammoth Lakes, CA 93546.

BASIC FINANCIAL STATEMENTS

Mammoth Community Water District
Statement of Net Position
March 31, 2020

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 8,825,903
Investments	14,765,231
Receivables:	
Billings	426,321
Interest	77,718
Property Taxes	2,589,795
Loans	2,481,197
Other	25,468
Inventory	320,639
Deposits and Prepaid Items	<u>82,546</u>
Total Current Assets	29,594,818

Land and Construction in Progress, Not Being Depreciated	1,383,003
Capital Assets, Net of Depreciation	<u>63,480,997</u>
Total Assets	<u>94,458,818</u>

LIABILITIES

Current Liabilities:

Accounts Payable	161,155
Accrued Expenses	114,320
Deposits Payable	58,442
Current Maturities of Long-Term Debt	<u>77,079</u>
Total Current Liabilities	410,996

Noncurrent Liabilities:

Long-Term Debt:	
Compensated Absences	<u>693,704</u>
Total Liabilities	<u>1,104,700</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Property Taxes	<u>1,322,490</u>
Total Deferred Inflows of Resources	<u>1,322,490</u>

NET POSITION

Net Investment in Capital Assets	64,864,000
Unrestricted	<u>27,167,628</u>
Total Net Position	<u>\$ 92,031,628</u>

The accompanying notes are an integral part of this statement.

Mammoth Community Water District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended March 31, 2020

OPERATING REVENUES	
Water Services	\$ 3,488,811
Wastewater Services	2,791,303
Permits	<u>305,639</u>
Total Operating Revenues	<u>6,585,753</u>
OPERATING EXPENSES	
General and Administrative	3,217,594
Water Services	3,355,626
Wastewater Services	2,203,895
Depreciation and Amortization	<u>4,394,290</u>
Total Operating Expenses	<u>13,171,405</u>
Operating Income (Loss)	<u>(6,585,652)</u>
NON-OPERATING REVENUES (EXPENSES)	
Property Taxes	7,408,473
Investment Earnings	964,253
Other Revenues	256,271
Gain (Loss) on Sale of Assets	<u>6,951</u>
Total Non-Operating Revenues (Expenses)	<u>8,635,948</u>
Change in Net Position	2,050,296
Net Position - Beginning	<u>89,981,332</u>
Net Position - Ending	<u><u>\$ 92,031,628</u></u>

The accompanying notes are an integral part of this statement.

Mammoth Community Water District
Statement of Cash Flows
Year Ended March 31, 2020

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Receipts from Customers	\$ 6,620,337
Payments to Suppliers	(2,771,969)
Payments to Employees	(6,506,399)
Other Receipts	<u>741,019</u>
 Net Cash Provided (Used) by Operating Activities	 <u>(1,917,012)</u>

**CASH FLOWS FROM NON-CAPITAL
FINANCING ACTIVITIES**

Property Taxes	<u>7,294,688</u>
 Net Cash Provided (Used) by Non-Capital Financing Activities	 <u>7,294,688</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Proceeds from Sale of Assets	6,951
Aquisition and Construction of Capital Assets	<u>(3,211,587)</u>
 Net Cash Provided (Used) by Capital and Related Financing Activities	 <u>(3,204,636)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(14,327,247)
Proceeds from the Sale and Maturities of Investments	12,475,235
Interest on Investments	<u>960,027</u>
 Net Cash Provided by Investing Activities	 <u>(891,985)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	1,281,055
 Cash and Cash Equivalents - Beginning of Year	 <u>7,544,848</u>
 Cash and Cash Equivalents - End of Year	 <u><u>\$ 8,825,903</u></u>

The accompanying notes are an integral part of this statement.

Mammoth Community Water District
Statement of Cash Flows - Continued
Year Ended March 31, 2020

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (6,585,652)
Depreciation and Amortization	4,394,290
Other Receipts	750,019
Change in Assets and Liabilities:	
Decrease (Increase) in Operating Assets:	
Accounts Receivable	(275,219)
Inventory	(12,728)
Deposits and Prepaid Expenses	73,283
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(1,198)
Accounts Payable Related to Capital Assets	(34,056)
Accrued Expenses	(164,957)
Deposits Payable	3,965
Compensated Absences	<u>(64,759)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (1,917,012)</u></u>

The accompanying notes are an integral part of this statement.

Mammoth Community Water District
Statement of Fiduciary Assets and Liabilities
Agency Funds
March 31, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and Investments	<u>\$ 76,103</u>
Total Assets	<u><u>\$ 76,103</u></u>
 LIABILITIES	
Deposits Payable	<u>\$ 76,103</u>
Total Liabilities	<u><u>\$ 76,103</u></u>

The accompanying notes are an integral part of this statement.

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Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Mammoth Community Water District (District) was organized in 1957, for the purpose of providing water distribution services as well as wastewater collection and treatment facilities for the residents and businesses of the Mammoth Lakes area. The District's name was Mammoth County Water District and was changed by the Board of Directors (Board) in January 1995, to Mammoth Community Water District.

The District's basic financial statements include the operations of all organizations for which the District Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying basic financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statements No. 39, No. 80 and No. 90.

The basic financial statements include the activities of the New Enterprise Division (expansion and other activities), the Water Division (water distribution services), the Wastewater Division (wastewater collection and treatment facilities) and the Los Angeles Department of Water and Power (LADWP) settlement reserve (see Note 9). The activities for each division and the settlement reserve are reflected in the combining schedules.

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting standards followed by governmental entities in the United States of America.

The District reports its activities as an enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of cash flows.

Additionally the District reports the following fund type:

The *Agency Funds* are used to account for activities related to the Trout Habitat Enhancement Program.

Net position is displayed as three components: (1) Net investment in capital assets, which reflects the cost of capital assets less accumulated depreciation and capital-related deferred outflows of resources, less the outstanding principal of related debt not associated with unspent bond proceeds and deferred inflows of resources; (2) Restricted, which reflect the carrying value of assets less related liabilities and deferred inflows of resources that are restricted by outside covenants or by law; and (3) Unrestricted, which represents the remaining net position.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The District distinguished operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by water sales and wastewater services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and wastewater treatment services.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standard Board Statement No. 83

In November of 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement was issued to address the criteria for the recognition and measurement of the liability and corresponding deferred outflows of resources associated with certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 is effective for reporting periods beginning after June 15, 2018. Due to the COVID-19 pandemic, GASB No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after June 15, 2019. The District elected to early implement and, currently, this Statement has no effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 84

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This Statement establishes the criteria for identifying fiduciary activities which should be reported in a fiduciary fund in the basic financial statements. The fiduciary funds that should be reported, if applicable: a) pensions trust funds, b) investment trust funds, c) private purpose trust funds, d) custodial funds. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Due to the COVID-19 pandemic, GASB No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2019. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standard Board Statement No. 88

In March of 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Statement No. 88 is effective for fiscal years beginning after June 15, 2018. Due to the COVID-19 pandemic, GASB No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after June 15, 2019. The District elected to early implement and, currently, this Statement has no effect on the District's financial statements.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 90

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This Statement was issued to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Statement No. 90 is effective for fiscal years beginning after December 15, 2018. Due to the COVID-19 pandemic, GASB No. 95 delayed the implementation of this GASB Statement by one year for reporting periods beginning after December 15, 2019. The District elected to early implement and, currently, this Statement has no effect on the District's financial statements.

D) Budget and Budgeting

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following April 1. The budgets are used as a management tool and are not a legal requirement.

E) Cash Equivalents

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

F) Allowances for Uncollectible Accounts

The District does not provide an allowance for uncollectible accounts. Based upon prior experience and management's assessment of the collectability of existing specific accounts, all past due accounts have been paid. When accounts become past due, they are transferred to the tax roll and eventually collected.

G) Inventory and Prepaid Items

Inventories of supplies and expendable equipment are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than purchased.

H) Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets, donated work of art and similar items are recorded at their estimated acquisition value rather than fair value. Capital assets purchased of at least \$5,000 are capitalized if they have an expected useful life of 5 years or more.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Capital Assets - Continued

Depreciation is calculated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Plant and Pipelines	30-60
Vehicles and Equipment	5-15

I) Compensated Absences

All earned vacation and accumulated sick leave payable upon termination or retirement are accrued as compensated absences. A liability is accrued for a portion of the sick leave balances of all employees who are currently eligible to receive a payment for sick leave upon termination, as well as for those expected to become eligible. As of March 31, 2020, the total estimated liability for all compensated absences was \$770,783.

J) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expense) until then. Currently, the District has no items that qualify for this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. The deferred property taxes are related to property taxes receivables. The District will receive the second installment of property taxes from the County that relate to the period of January to June subsequent to year end. Only half of those property taxes relate to the current year and the other half is deferred to be recognized in the following year.

K) Property Taxes

The County of Mono (County) is responsible for the assessment, collection, and apportionment of property taxes for the District.

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 the County of Mono for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State of California (Proposition 13 adopted by the votes on September 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, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K) Property Taxes - Continued

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1 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 proceeding 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 as it exists at that time. 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 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, does not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments - Due to the nature of the District-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 the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 90-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Administrative fees are expensed and included in general and administrative expenses.

L) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows and inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

2) CASH AND INVESTMENTS

The primary goals of the District’s investment policy are to assure compliance with all Federal, State, and Local laws governing the investment of funds under the control of the organization, protect the principal of investments entrusted, and generate income under the parameters of such policies.

The District’s investment policy and State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, prime commercial paper, banker acceptances, repurchase agreements, negotiable certificates of deposits and other investments. Funds may also be invested in the State Treasurer’s Local Agency Investment Fund (LAIF), County Pooled Investment Funds, and the Investment Trust of California (CalTRUST).

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Cash Equivalents	\$ 8,825,903
Investments	14,765,231
Statement of Fiduciary Assets and Liabilities:	
Cash and Investments	76,103
Total Cash and Investments	\$ 23,667,237

Cash and investments consist of the following:

Cash on Hand	\$ 300
Deposits with Financial Institutions	1,084,422
Investments	22,582,515
Total Cash and Investments	\$ 23,667,237

Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s investment policy.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the District's Investment Policy - Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Bankers' Acceptance	180 days	40%	None
Commercial Paper	270 days	25% ⁽²⁾	10%
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits and Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds and Money Market Funds	N/A	20%	10% ⁽³⁾
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass Through and Asset-Backed Securities	5 years ⁽⁴⁾	20%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

⁽¹⁾ Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

⁽²⁾ Pooled funds can be 40% of the maximum percentage of the portfolio.

⁽³⁾ The 10% limitation does not apply to money market funds.

⁽⁴⁾ The California Government Code has a maximum maturity of 5 years. Under Government Code Section 53601, the District's Board of Directors may grant authority to exceed this maximum maturity. For Mortgage Pass Through and Asset-Backed Securities, the Board of Directors have approved certain investments to exceed the 5 years maturity.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee, are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

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 District manages its exposure to interest rates risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

Investment Type	Remaining Maturity (in Months)			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money Market	\$ 516,153	\$ 516,153	\$	\$
U.S. Treasury Obligations	3,378,200	110,497	638,860	2,628,843
Federal Agency Securities	4,532,750	608,194	1,106,036	2,818,520
Commercial Paper	399,403	399,403		
Medium Term Notes	4,633,678	1,167,161	1,923,439	1,543,078
Mortgage Pass Through and Asset-Backed Securities	2,821,918	7,726	653,688	1,054,820
State Investment Pool - LAIF	4,573,202	4,573,202		1,105,684
Investment Trust of California (CalTRUST)	1,712,934	1,712,934		
Mono County Investment Pool	<u>14,277</u>	<u>14,277</u>		
Total	<u>\$ 22,582,515</u>	<u>\$ 9,109,547</u>	<u>\$ 4,322,023</u>	<u>\$ 8,045,261</u>
			<u>\$ 1,105,684</u>	

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. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Exempt From Disclosure
Money Market	N/A	\$
U.S. Treasury Obligations	N/A	
Federal Agency Securities	N/A	
Commercial Paper		
Medium Term Notes	A	
Mortgage Pass Through and Asset-Backed Securities ⁽¹⁾	AA	
State Investment Pool - LAIF	N/A	
Investment Trust of California (CalTRUST)	N/A	
Mono County Investment Pool	N/A	
Total	<u>\$ 22,582,515</u>	<u>\$ 0</u>

⁽¹⁾ The issuing Agency must have a minimum A rating.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

Investment Type	Ratings of Year End				
	AAA	AA	A	P-1	Not Rated
Money Market	\$ 516,153	\$ 516,153	\$	\$	\$
U.S. Treasury Obligations	3,378,200	3,378,200			
Federal Agency Securities	4,532,750	4,532,750			
Commercial Paper	399,403			399,403	
Medium Term Notes	4,633,678		2,296,221	2,337,457	
Mortgage Pass Through and Asset-Backed Securities	2,821,918	2,821,918			
State Investment Pool - LAIF Investment Trust of California (CalTRUST)	4,573,202				4,573,202
Mono County Investment Pool	1,712,934		1,712,934		
	14,277				14,277
Total	\$22,582,515	\$11,249,021	\$ 4,009,155	\$ 2,337,457	\$ 399,403
					\$ 4,587,479

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District's investments is as follows:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association (FNMA)	Medium-Term Notes	\$ 1,745,419
Federal Home Loan Bank (FHLB)	Medium-Term Notes	\$ 2,492,719

Custodial Credit Risk

Custodial 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 custodial 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 District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

As of March 31, 2020, none of the District’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of March 31, 2020, District investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

Investment Type	Reported Amount
Money Market	\$ 516,153
U.S. Treasury Obligations	3,378,200
Federal Agency Securities	4,532,750
Commercial Paper	399,403
Medium Term Notes	4,633,678
Mortgage Pass Through and Asset-Backed Securities	2,821,918

Local Agency Investment Fund (LAIF)

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The District may invest up to \$75,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California. The yield of LAIF during the quarter ended March 31, 2020 was 2.03%. The carrying value and estimated market value of the LAIF Pool at March 31, 2020 was \$98,299,616,913 and \$99,034,997,869, respectively. The District's share of the Pool at March 31, 2020 was approximately 0.0046 percent.

The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’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. Included in LAIF's investment portfolio are structured notes and asset-backed securities totaling \$1,325,000,000 and \$2,037,318,000, respectively. LAIF's and the District's exposure to risk (credit, market or legal) is not currently available.

The LAIF has oversight by the Local Investment Advisory Board. The LAIF Board consists of five members as designated by Statute. LAIF is also regulated by California Government Code Section 16429.

Investment Trust of California (CalTRUST)

The Investment Trust of California (CalTRUST) is organized as a Joint Powers Authority (“JPA”) that was established by public agencies in California for the purpose of pooling and investing local agency funds - operating reserves as well as bond proceeds. Investments with CalTRUST are highly liquid. CalTRUST is governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST. CalTRUST offers the option of four accounts to provide participating agencies - a governmental fund, a money market fund, a short-term account, and a medium-term account. As of March 31, 2020, the District’s investment in CalTRUST is \$1,712,934 in the short-term account. Amounts that may be withdrawn from the money market fund are based upon the fund’s assets valued using the amortized cost method. Amounts that may be withdrawn from the short-term and medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

2) CASH AND INVESTMENTS - Continued

Collateral for Deposits

All Cash and certificates of deposits are entirely insured or collateralized.

Under the provisions of the California Government Code, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

The District may waive the 110% collateral requirement for deposits which are insured up to \$250,000 by the FDIC.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

3) FAIR VALUE MEASUREMENTS - Continued

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Significant Other Observable Inputs (Level 2)	Uncategorized
Money Market	\$ 516,153	\$	\$ 516,153
U.S. Treasury Obligations	3,378,200	3,378,200	
Federal Agency Securities	4,532,750	4,532,750	
Commercial Paper	399,403	399,403	
Medium Term Notes	4,633,678	4,633,678	
Mortgage Pass Through and Asset-Backed Securities	2,821,918	2,821,918	
State Investment Pool - LAIF	4,573,202		4,573,202
Investment Trust of California (CalTRUST)	1,712,934		1,712,934
Mono County Investment Pool	14,277		14,277
Total	\$ 22,582,515	\$ 15,765,949	\$ 6,816,566

Fair values for investments are determined by using a matrix pricing technique. Matrix pricing is used to value securities based on the security's relationship to benchmark quoted prices. Uncategorized investments do not fall under the fair value hierarchy as there is no active market for the investments.

4) LOANS RECEIVABLE

Loans receivable includes \$2,269,268 of loans to employees for home down payment assistance and \$250 in miscellaneous loans. The District has a program for employee home down payment assistance to assist employees in purchasing homes within the District's geographic area. The down payment assistance is secured by the property being purchased and subject to the terms of each employee down payment agreement.

On April 8, 2015, the District approved a promissory note to loan amounts to Snowcreek Investment Company for \$365,000. The loan was provided for the purpose of assisting the company with recycled water and untreated groundwater service. Interest accrues at an annual rate of 5%. Principal and Interest are due in 120 monthly payments of \$3,881 commencing on June 15, 2015. All accrued and unpaid interest and principal balance shall be due the earlier of (i) June 14, 2025; (ii) at such time as the company commences construction of the additional 9 holes to be added to the existing 9 holes of Snowcreek Golf Course; (iii) the date of funding of the construction loan use to construct the new 9 holes to be added to the existing 9 holes of the Snowcreek Golf Course; (iv) the sale of the of the property; and (v) any change in the ownership of the company. The balance of the loan is \$211,679 as of March 31, 2020.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

5) CAPITAL ASSETS

Capital Assets are presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated:				
Land	\$ 312,000	\$ 132,330	\$	\$ 444,330
Construction in Progress	734,969	3,311,310	3,107,606	938,673
Total Capital Assets, Not Depreciated	1,046,969	3,443,640	3,107,606	1,383,003
Capital Assets, Being Depreciated:				
Subsurface Lines	36,687,400	555,558		37,242,958
General Plant Administration Facilities	13,070,895	703,067		13,773,962
Water Treatment Facilities	33,513,166	391,373		33,904,539
Wastewater Collection and Treatment Facilities	48,364,359	1,032,143		49,396,502
Source of Supply	4,964,661			4,964,661
Vehicles and Equipment	4,798,754	227,468	71,527	4,954,695
Total Capital Assets Being Depreciated	141,399,235	2,909,609	71,527	144,237,317
Less Accumulated Depreciation	(76,433,557)	(4,394,290)	(71,527)	(80,756,320)
Total Capital Assets Being Depreciated, Net	64,965,678	(1,484,681)	0	63,480,997
Total Capital Assets, Net	\$ 66,012,647	\$ 1,958,959	\$ 3,107,606	\$ 64,864,000

6) LONG-TERM LIABILITIES

A) Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 835,542	\$ 503,684	\$ 568,443	\$ 770,783	\$ 77,079
Total Long-Term Liabilities	\$ 835,542	\$ 503,684	\$ 568,443	\$ 770,783	\$ 77,079

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

6) LONG-TERM LIABILITIES - Continued

B) Compensated Absences

District employees accumulate earned but unused vacation benefits and sick leave benefits which can be converted to cash at termination of employment. In accordance with GASB Codification Section C60, a liability is recorded for unused vacation and sick leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payment upon termination or retirement. Management has estimated the amount expected to be liquidated in the next current period and reflected this amount as a current liability. The remaining liability is reported as long-term debt on the Statement of Net Position.

7) DEFINED CONTRIBUTION PLANS

The District provides pension benefits for all its eligible represented and non-represented employees through a defined contribution plan (the "Plan"). The Money Purchase Pension Plan is administered for the District by Orion Portfolio Solutions, LLC. The District retains the authority to define and amend Plan provisions. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees are eligible to participate from the first full month following the date of employment if they are over 18 years of age. The District's contributions for each employee vest annually at 20% per year after 1,000 hours of service for that year and are fully vested after five year continuous service. District's contributions for, and earnings forfeited by, employees who leave employment before five years of service are used to supplement the District's current period contribution requirement. The District contributed an amount equal to 20% of the participant's total compensation for both represented and non-represented employees. In addition, the District matches employee's contributions to their 457 deferred compensation plan to a maximum of 2% of compensation. There were no changes to the Plans during the fiscal year ended March 31, 2020.

Employees are not required to, and do not, contribute to the Money Purchase Pension Plan. During the fiscal year ended March 31, 2020, payroll for covered employees was \$3,947,509. Contributions for the fiscal year ended March 31, 2020 was \$1,163,807.

8) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWAJPIA), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of ACWAJPIA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expenses. The District pays an annual premium to the ACWAJPIA for its general liability, automobile, and property coverage. The agreement for formation of the ACWAJPIA provides that the ACWAJPIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. The District continues to carry commercial insurance for all other risks of loss, including worker's compensation, employee health, and accident insurance.

Mammoth Community Water District
Notes to Financial Statements
Year Ended March 31, 2020

9) COMMITMENTS AND CONTINGENCIES

Various claims have been filed against the District. In the opinion of the District's management and legal counsel, the claims will not have a material impact on the basic financial statements.

Los Angeles Department of Water and Power Settlement

The District entered into a settlement agreement with the Los Angeles Department of Water of Power (LADWP) regarding water rights from the Mammoth Creek and the Owens River watershed. As part of the settlement, the District during the 2014 fiscal year paid LADWP \$3,400,000 for implementation of, and on-going operation and maintenance of, water conservation and water use efficiency actions in the watershed. The settlement agreement is effective for a primary term of 50 years, until January 1, 2064, and can be extended for up to ten years subject to the District's savings in water consumption of less than 4,387 acre feet per year.

The agreement may extend for a second fifty year term, after the primary term extension, subject to the District paying LADWP \$2,400,000. The \$2,400,000 will be adjusted for an annual escalation rate, from January 1, 2014, equal to the smaller of the consumer price index (CPI) for that year or three percent. The CPI as of January 1, 2020 was 3.1%. Therefore, the annual escalation rate used was 3% for fiscal year 2020. As of March 31, 2020, the LADWP adjusted extension payment was \$2,755,189. This was an increase of \$80,248 over the prior year's estimated adjusted extension payment. The Board of Directors have authorized to set aside annual amounts to pay the future obligation to LADWP. The balance of the amounts set aside was \$316,580 on March 31, 2020.

10) SUBSEQUENT EVENTS

On March 19, 2020, the Governor of the State of California issued a Stay at Home Order for all California residences and nonessential services until further notice. This order was in response to the COVID-19 outbreak which the World Health Organization has characterized as pandemic. The stock markets subsequently were affected by large declines and volatility. The impact of COVID-19 on the District's operational and financial performance is uncertain at this time.

SUPPLEMENTARY SCHEDULES

Mammoth Community Water District
Combining Schedule of Net Position
March 31, 2020

	<u>New Enterprise</u>	<u>Water</u>	<u>Wastewater</u>	<u>LADWP</u>	<u>Totals</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$	\$ 2,677,679	\$ 5,831,644	\$ 316,580	\$ 8,825,903
Investments	628,154	10,306,131	3,830,946		14,765,231
Receivables:					
Billings		276,436	149,885		426,321
Interest		47,265	30,453		77,718
Property Taxes		1,295,164	1,294,631		2,589,795
Loans	2,481,197				2,481,197
Other	7,732	3,491	14,245		25,468
Inventory		161,505	159,134		320,639
Deposits and Prepaid Items		48,477	34,069		82,546
Total Current Assets	3,117,083	14,816,148	11,345,007	316,580	29,594,818
Land and Construction in Progress, Not Being Depreciated	186,330	976,699	219,974		1,383,003
Capital Assets, Net of Depreciation	1,105,218	42,599,194	19,776,585		63,480,997
Total Assets	4,408,631	58,392,041	31,341,566	316,580	94,458,818
LIABILITIES					
Current Liabilities:					
Accounts Payable	17,078	95,980	48,097		161,155
Accrued Expenses		68,438	45,882		114,320
Deposits Payable	8,610	24,994	24,838		58,442
Current Maturities of Long-Term Debt		39,939	37,140		77,079
Total Current Liabilities	25,688	229,351	155,957	0	410,996
Noncurrent Liabilities:					
Long-Term Debt:					
Compensated Absences		359,452	334,252		693,704
Total Liabilities	25,688	588,803	490,209	0	1,104,700
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes		661,245	661,245		1,322,490
Total Deferred Inflows of Resources	0	661,245	661,245	0	1,322,490
NET POSITION					
Net Investment in Capital Assets	1,291,548	43,575,893	19,996,559		64,864,000
Unrestricted	3,091,395	13,566,100	10,193,553	316,580	27,167,628
Total Net Position	\$ 4,382,943	\$ 57,141,993	\$ 30,190,112	\$ 316,580	\$ 92,031,628

Mammoth Community Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended March 31, 2020

	<u>New Enterprise</u>	<u>Water</u>	<u>Wastewater</u>	<u>LADWP</u>	<u>Totals</u>
OPERATING REVENUES					
Water Services	\$	\$ 3,488,811	\$	\$	\$ 3,488,811
Wastewater Services			2,791,303		2,791,303
Permits		165,334	140,305		305,639
		<u>0</u>	<u>3,654,145</u>	<u>0</u>	<u>6,585,753</u>
OPERATING EXPENSES					
General and Administrative	49,263	1,584,166	1,584,165		3,217,594
Water Services		3,355,626			3,355,626
Wastewater Services			2,203,895		2,203,895
Depreciation and Amortization	22,521	2,768,614	1,603,155		4,394,290
	<u>71,784</u>	<u>7,708,406</u>	<u>5,391,215</u>	<u>0</u>	<u>13,171,405</u>
Operating Income (Loss)	<u>(71,784)</u>	<u>(4,054,261)</u>	<u>(2,459,607)</u>	<u>0</u>	<u>(6,585,652)</u>
NON-OPERATING REVENUES					
(EXPENSES)					
Property Taxes	152,683	3,267,924	3,987,866		7,408,473
Investment Earnings	132,230	558,052	270,330	3,641	964,253
Other Revenues	74,807	87,268	94,196		256,271
Gain (Loss) on Sale of Assets		4,513	2,438		6,951
	<u>359,720</u>	<u>3,917,757</u>	<u>4,354,830</u>	<u>3,641</u>	<u>8,635,948</u>
Total Non-Operating Revenues (Expenses)		<u>359,720</u>	<u>3,917,757</u>	<u>4,354,830</u>	<u>8,635,948</u>
Income before Transfers	287,936	(136,504)	1,895,223	3,641	2,050,296
Transfers In		1,513,892	1,513,892	150,000	3,177,784
Transfers Out		(2,178,616)	(999,168)		(3,177,784)
Change in Net Position	287,936	(801,228)	2,409,947	153,641	2,050,296
Net Position - Beginning	<u>4,095,007</u>	<u>57,943,221</u>	<u>27,780,165</u>	<u>162,939</u>	<u>89,981,332</u>
Net Position - Ending	<u>\$ 4,382,943</u>	<u>\$ 57,141,993</u>	<u>\$ 30,190,112</u>	<u>\$ 316,580</u>	<u>\$ 92,031,628</u>

Mammoth Community Water District
Combining Schedule of Cash Flows
Year Ended March 31, 2020

	<u>New Enterprise</u>	<u>Water</u>	<u>Wastewater</u>	<u>LADWP</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 3,200	\$ 3,690,129	\$ 2,927,008	\$	\$ 6,620,337
Payments to Suppliers	(311)	(1,521,559)	(1,250,099)		(2,771,969)
Payments to Employees	(345,790)	(3,511,086)	(2,649,523)		(6,506,399)
Other Receipts	507,151	109,277	124,591		741,019
Net Cash Provided (Used) by Operating Activities	<u>164,250</u>	<u>(1,233,239)</u>	<u>(848,023)</u>	<u>0</u>	<u>(1,917,012)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Advances from Other Funds		1,513,892	1,513,892	150,000	3,177,784
Advances to Other Funds		(2,178,616)	(999,168)		(3,177,784)
Property Taxes	152,683	3,324,505	3,817,500		7,294,688
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>152,683</u>	<u>2,659,781</u>	<u>4,332,224</u>	<u>150,000</u>	<u>7,294,688</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Sale of Assets		4,513	2,438		6,951
Acquisition & Construction of Capital Assets	(798,777)	(1,271,089)	(1,141,721)		(3,211,587)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(798,777)</u>	<u>(1,266,576)</u>	<u>(1,139,283)</u>	<u>0</u>	<u>(3,204,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Investments	(612,598)	(10,052,071)	(3,662,578)		(14,327,247)
Proceeds from the Sale and Maturities of Investments	810,890	8,707,714	2,956,631		12,475,235
Interest on Investments	132,230	555,939	268,217	3,641	960,027
Net Cash Provided by Investing Activities	<u>330,522</u>	<u>(788,418)</u>	<u>(437,730)</u>	<u>3,641</u>	<u>(891,985)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(151,322)	(628,452)	1,907,188	153,641	1,281,055
Cash and Cash Equivalents - Beginning of Year	<u>151,322</u>	<u>3,306,131</u>	<u>3,924,456</u>	<u>162,939</u>	<u>7,544,848</u>
Cash and Cash Equivalents - End of Year	<u>\$ 0</u>	<u>\$ 2,677,679</u>	<u>\$ 5,831,644</u>	<u>\$ 316,580</u>	<u>\$ 8,825,903</u>

Mammoth Community Water District
Combining Schedule of Cash Flows - Continued
Year Ended March 31, 2020

	<u>New Enterprise</u>	<u>Water</u>	<u>Wastewater</u>	<u>LADWP</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH PROVIDED (USED) BY					
OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (71,784)	\$ (4,054,261)	\$ (2,459,607)	\$	\$ (6,585,652)
Depreciation and Amortization	22,521	2,768,614	1,603,155		4,394,290
Other Receipts	507,151	109,277	124,591		741,019
Change in Assets and Liabilities:					
Decrease (Increase) in Operating Assets:					
Account Receivable	(296,838)	35,865	(5,246)		(266,219)
Inventory		(6,364)	(6,364)		(12,728)
Deposits and Prepaid Expenses		39,238	34,045		73,283
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	17,078	(19,166)	890		(1,198)
Accounts Payable Related to Capital Assets	(17,078)	(6,515)	(10,463)		(34,056)
Accrued Expenses		(92,900)	(72,057)		(164,957)
Deposits Payable	3,200	119	646		3,965
Compensated Absences		(7,146)	(57,613)		(64,759)
Net Cash Provided (Used) by Operating Activities	<u>\$ 164,250</u>	<u>\$ (1,233,239)</u>	<u>\$ (848,023)</u>	<u>\$ 0</u>	<u>\$ (1,917,012)</u>