



Mammoth Community Water District

Financial Statements With Independent Auditor's Report

Year Ended March 31, 2024



MAMMOTH COMMUNITY WATER DISTRICT
TABLE OF CONTENTS

	PAGE
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	15

FINANCIAL SECTION



 3880 Lemon St., Ste. 300
Riverside, CA 92501

 P.O. Box 1529
Riverside, CA 92502-1529

 951-241-7800

 www.eadiepaynellp.com

Independent Auditor's Report

To the Board of Directors
Mammoth Community Water District
Mammoth Lakes, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Mammoth Community Water District (District) as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the District as of March 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States, and State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issued our report 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 solely 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 the District's internal control over financial reporting and compliance.

Eadie and Payne, LLP

Riverside, California
October 8, 2024

MAMMOTH COMMUNITY WATER DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS

For the fiscal year ended March 31, 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Mammoth Community Water District (District) introduces the financial statements of the District for the year ended March 31, 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2024 by \$108,598,738 (net position). Of this amount, \$41,477,570 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The total net position increased by \$7,234,862. This increase is attributable to higher revenue from property taxes, permit and connection fees, investment income, a gain from insurance proceeds related to damaged capital assets and a capital asset acquired with contributed funds.
- Capital assets, net of accumulated depreciation, increased by \$2,941,164. This increase reflects the net of capital projects completed in fiscal year 2024 and the depreciation of all District capital assets. Capital assets equal to \$7,432,184 were added in fiscal year 2024. Significant additions to District assets include a battery back-up and storage project, a water storage tank, heavy equipment, employee housing, and ongoing replacement and rehabilitation of water and sewer distribution and collection systems.
- Land and Construction in Progress totals \$3,742,342. Construction in Progress reflects capital projects started but not completed within the fiscal year.
- The District's total liabilities at the end of fiscal year 2024 were \$1,669,645, of which \$905,077 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 increased \$524,073 from the prior fiscal year.
- Cash and investments had a net increase of \$3,439,457. This net increase was a result of cash inflows from revenue that exceeded cash expenditures on expenses and deferred capital projects.
- Operating Revenue increased from the prior fiscal year by \$527,573. Water revenue decreased by \$40,896. Wastewater revenue increased by \$55,499 and revenue from connection and permit fees increased by \$512,970. Connection fee revenue varies significantly from year to year based on the progress of specific development projects, but generally follows the trend of economic cycles.
- Non-operating and other revenue increased by \$4,517,799. The primary components of this increase were: contributed assets of \$1,690,255, an increase of \$1,556,023 on gain on disposal of assets, an increase of \$795,865 in investment earnings, and an increase in property taxes of \$684,823.
- Operating Expenses, including depreciation and amortization, increased from the prior year by \$1,920,073, a 14% increase.

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 and 4) 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.

**MAMMOTH COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the fiscal year ended March 31, 2024

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 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 beginning on page 15 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. The District's assets exceeded liabilities and deferred inflows of resources by \$108,598,738 at the close of fiscal year 2024, an increase of 7.1% over the previous year.

The largest portion of the District's net position (62%) is represented by its net 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 has a liability related to subscriptions to a right-of-use asset that is classified as a capital asset.

The remaining balance of unrestricted net position, \$41,477,570, may be used to meet the District's ongoing obligations to our customers and vendors. The following table shows the projected capital project expenditures for the next five years:

Fiscal Year	2025	2026	2027	2028	2029
Projected Capital Costs	\$ 8,891,200	\$ 5,619,000	\$ 4,831,000	\$ 6,279,000	\$ 3,503,000

MAMMOTH COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS

For the fiscal year ended March 31, 2024

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.

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Assets:		
Current Assets	\$ 40,903,356	\$ 36,779,355
Noncurrent Assets	71,216,257	67,414,725
Total Assets	<u>112,119,613</u>	<u>104,194,080</u>
Liabilities		
Current Liabilities	905,077	669,222
Long-term Obligations	764,568	476,350
Total Liabilities	<u>1,669,645</u>	<u>1,145,572</u>
Deferred Inflows of Resources	<u>1,851,230</u>	<u>1,684,632</u>
Net Position		
Net Investment in Capital Assets	67,121,168	64,965,184
Unrestricted Net Position	41,477,570	36,398,692
Total Net Position	<u>\$ 108,598,738</u>	<u>\$ 101,363,876</u>

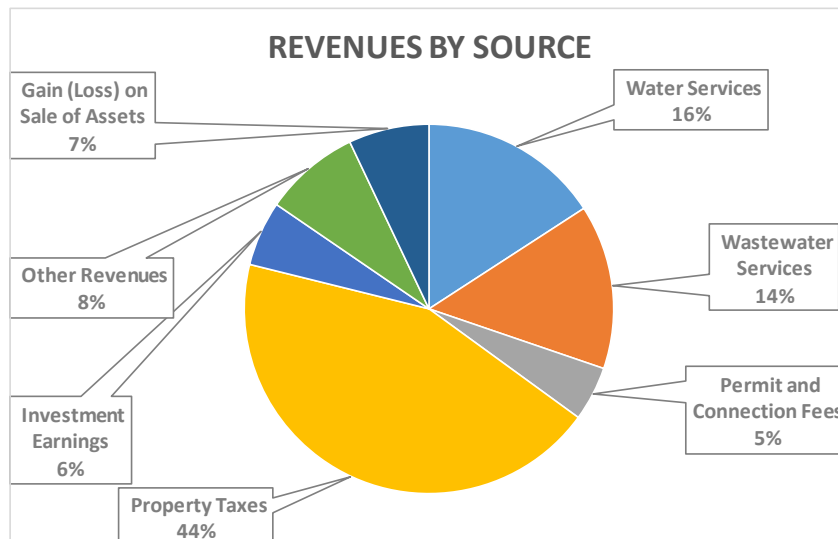
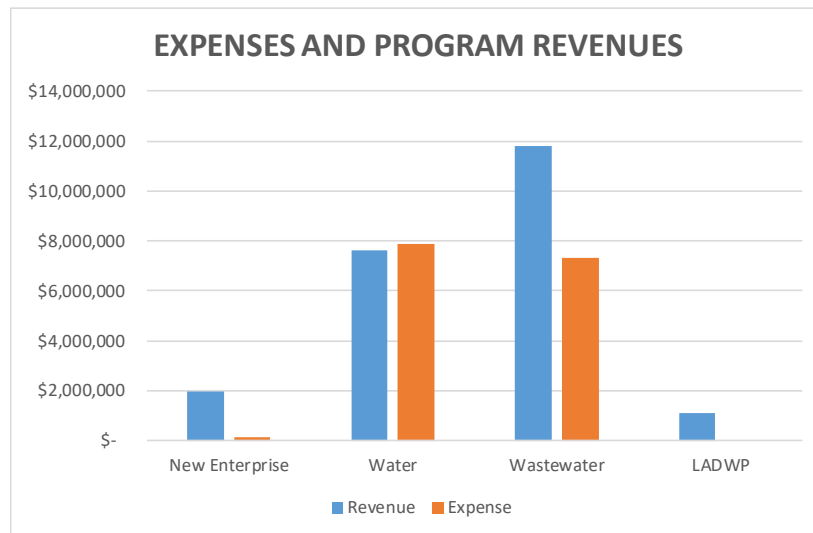
Condensed Revenues, Expenses and Changes in Net Position

	<u>FY 2024</u>	<u>FY 2023</u>
Revenues		
Water Service	\$ 3,558,061	\$ 3,598,957
Wastewater Service	3,235,242	3,179,743
Connection and Permit Fees	1,073,676	560,706
Non-Operating and Other	14,602,731	10,084,932
Total Revenues	<u>\$ 22,469,710</u>	<u>\$ 17,424,338</u>
Expenses		
Operating:		
General and Administrative	\$ 5,174,280	\$ 3,675,370
Water Services	3,035,468	2,805,749
Wastewater Services	2,887,665	2,973,451
Depreciation and Amortization	4,137,435	3,860,205
Total Expenses	<u>\$ 15,234,848</u>	<u>\$ 13,314,775</u>
Change in Net Position	7,234,862	4,109,563
Net Position, Beginning	<u>101,363,876</u>	<u>97,254,313</u>
Net Position, Ending	<u>\$ 108,598,738</u>	<u>\$ 101,363,876</u>

**MAMMOTH COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the fiscal year ended March 31, 2024

- Factors influencing the net increase in the Water Services and Wastewater Services operating expenses include: inflationary increases to wages, vehicles and equipment maintenance and repairs, the cost of treatment chemicals, and insurance.
- The increase in net position of \$7,234,862 (7.1%) from fiscal year 2023 to 2024 is due primarily to an increase in nonoperating revenue and an increase in all operating revenue sources other than water services.
- The District’s water and wastewater rate structure provides for incremental annual rate increases. The rate structure is effective through fiscal year 2027 and will provide revenue sufficient to meet the ongoing operating and capital expenses of the District.
- **District Activities:** The District’s Wastewater, Water and New Enterprise activities are as follows:



**MAMMOTH COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the fiscal year ended March 31, 2024

Capital Asset and Debt Administration

Capital Assets: The District's capital assets (net of accumulated depreciation) as of March 31, 2024 amount to \$67,176,260. 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 4 of the Notes to Financial Statements.

Major capital asset additions during fiscal year 2024 include the following completed capital projects: a battery back-up and storage project, replacement of a water storage tank, heavy equipment, additions to the District's employee housing, and ongoing replacement and rehabilitation of water and sewer distribution and collection systems.

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

	<u>FY 2024</u>	<u>FY 2023</u>
Land	\$ 444,330	\$ 444,330
Construction in Progress	3,298,012	4,028,098
Subsurface Lines	33,631,644	31,534,927
General Plant Administration Facilities	8,774,195	7,674,189
Water Treatment Facilities	29,353,917	29,945,674
Wastewater Collection and Treatment Facilities	58,281,624	55,616,195
Source of Supply	2,055,824	1,858,068
Vehicles and Equipment	7,064,493	6,325,183
Right of Use of Asset - Software	199,240	-
Total Capital Assets	<u>143,103,279</u>	<u>137,426,664</u>
Less: Accumulated Depreciation	<u>75,927,019</u>	<u>72,461,482</u>
Total Capital Assets, Net	<u>\$ 67,176,260</u>	<u>\$ 64,965,182</u>

Long-Term Liabilities: At the end of the 2024 fiscal year, the District had a total long-term liabilities outstanding of \$764,568. This liability represents the value of accumulated employee leave balances not expected to be paid within one year. The total value of all employee leave balances is \$849,517, with \$84,949 estimated to be payable within one year. Additional information on the District's long-term liabilities can be found in Note 5 of the Notes to Financial Statements.

Mammoth Community Water District's Long-Term Liabilities

	<u>FY 2024</u>	<u>FY 2023</u>
Compensated leave balance	\$ 849,517	\$ 529,277
Long-term portion	<u>\$ 764,568</u>	<u>\$ 476,350</u>

The increase in long-term liability is due to the increase in the total hours of employee compensated leave balances as well as increases in pay rates.

**MAMMOTH COMMUNITY WATER DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**

For the fiscal year ended March 31, 2024

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 2022 alternated between high and below average snowfall and the winter of 2023 brought epic snowfall. The budget for fiscal year 2025 was developed with an assumption of average snowfall with average water use revenue and average water treatment and distribution cost.

Because of the wide and unpredictable variation in snowfall, the District has two provisions to adapt to variations in water sales. The District has established operating reserves that can be used to offset the loss of revenue from water sales, and the adopted rate structure has a provision for a Water Shortage Surcharge (WSS) which can be imposed by the Board to offset the loss of revenue during periods of water use restrictions. Since approximately 95% of the District's operating costs are fixed, the reserve funds and the WSS provide a structure that matches fixed and variable costs and revenue.

Water sales typically provide between 10% and 15% of the District's total revenue. This segment of our revenue decreased by \$81,2671 (5% decrease in water sales revenue) from fiscal year 2023 to fiscal year 2024.

Property valuation increased substantially over the year, mirroring the trend across the country. The corresponding increase to property tax revenue historically lags by about two years. New housing development generates connection fee revenue 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 2025 fiscal year. The fiscal year 2025 capital budget of \$8,891,200 includes repaving the District administrative campus and wastewater treatment plant, improvements to the water and wastewater distribution and collection systems, expansion of the sewer collection system, rehabilitation of water storage tanks, improvements to the wastewater treatment plant, replacement of aging equipment, and additions to the District's employee housing program.

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, 2024

Assets

Current Assets

Cash and cash equivalents	\$ 4,728,912
Restricted cash and cash equivalents	128,317
Investments	30,489,708
Receivables	
Billings	495,363
Interest	166,868
Property taxes	3,753,180
Other	200,259
Inventory	555,550
Deposits and prepaid items	329,132
Current portion of notes receivable	56,067
Total Current Assets	<u>40,903,356</u>

Noncurrent Assets

Capital assets, not being depreciated	3,742,342
Capital assets, net of depreciation	63,433,918
Notes receivable	4,039,997
Total Noncurrent Assets	<u>71,216,257</u>
Total Assets	<u>112,119,613</u>

Liabilities, Deferred Inflows of Resources, and Net Position

Current Liabilities

Accounts payable	465,959
Restricted accounts payable	128,317
Accrued expenses	110,678
Deposits payable	60,082
Subscription liability	55,092
Current portion of compensated absences	84,949
Total Current Liabilities	<u>905,077</u>

Noncurrent Liabilities

Compensated absences	764,568
Total Liabilities	<u>1,669,645</u>

Deferred Inflows of Resources

Deferred property taxes	1,851,230
-------------------------	-----------

Net Position

Net Investment in capital assets	67,121,168
Unrestricted	41,477,570
Total Net Position	<u>108,598,738</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 112,119,613</u>

The accompanying notes are an integral part of the financial statements.

MAMMOTH COMMUNITY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended March 31, 2024

Operating Revenues	
Water services	\$ 3,558,061
Wastewater services	3,235,242
Permit and connection fees	<u>1,073,676</u>
Total Operating Revenues	<u>7,866,979</u>
Operating Expenses	
General and administrative	5,174,280
Water services	3,035,468
Wastewater services	2,887,665
Depreciation and amortization	<u>4,137,435</u>
Total Operating Expenses	<u>15,234,848</u>
Operating Loss	<u>(7,367,869)</u>
Non-Operating Revenues	
Property taxes	9,854,806
Net investment income	1,277,467
Other revenues	197,644
Gain on disposal of assets	<u>1,582,559</u>
Total Non-Operating Revenues	<u>12,912,476</u>
Income Before Other Capital Contributions	<u>5,544,607</u>
Other Capital Contributions	
Capital contributions	<u>1,690,255</u>
Change in Net Position	7,234,862
Net Position, Beginning of Year	<u>101,363,876</u>
Net Position, End of Year	<u>\$ 108,598,738</u>

The accompanying notes are an integral part of the financial statements.

MAMMOTH COMMUNITY WATER DISTRICT

STATEMENT OF CASH FLOWS

March 31, 2024

Cash Flows From Operating Activities

Cash receipts from customers and others	\$ 7,871,551
Cash paid to employees	(6,476,545)
Cash paid to vendors for materials and services	<u>(5,255,360)</u>
Net Cash Used by Operating Activities	<u>(3,860,354)</u>

Cash Flows From Capital and Related Financing Activities

Property taxes	<u>9,685,598</u>
Net Cash Provided by Capital and Related Financing Activities	<u>9,685,598</u>

Cash Flows From Capital and Related Financing Activities

Proceeds from the sale of assets	1,932,530
Capital contributions	1,690,255
Acquisition and construction of capital assets	(7,232,944)
Principal payments on subscription liabilities	<u>(53,095)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,663,254)</u>

Cash Flows From Investing Activities

Net purchases of investments	(2,542,706)
Interest on investments	<u>1,163,545</u>
Net Cash Used by Investing Activities	<u>(1,379,161)</u>
Net Increase in Cash and Cash Equivalents	<u>782,829</u>

Cash and Cash Equivalents

Beginning of year	<u>4,074,400</u>
End of year	<u><u>\$ 4,857,229</u></u>

Classification on Statements of Net Position

Cash and cash equivalents	\$ 4,728,912
Restricted cash and cash equivalents	<u>128,317</u>
	<u><u>\$ 4,857,229</u></u>

The accompanying notes are an integral part of the financial statements.

MAMMOTH COMMUNITY WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)

For the year ended March 31, 2024

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Loss	\$ (7,367,869)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities	
Depreciation and amortization expense	4,137,435
Other revenues	197,644
Non-cash expense of assets	642,647
Changes in Assets – (Increase) Decrease	
Accounts receivable	(196,544)
Inventory	15,970
Deposits and prepaid expenses	(112,097)
Notes receivable	(1,646,521)
Changes in Liabilities – Increase (Decrease)	
Accounts payable	140,011
Restricted accounts payable	13,944
Accrued expenses	(8,686)
Deposits payable	3,472
Compensated absences	320,240
Net Cash Used by Operating Activities	<u><u>\$ (3,860,354)</u></u>

The accompanying notes are an integral part of the financial statements.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

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), Trout Habitat Enhancement Program and the Los Angeles Department of Water and Power (LADWP) settlement reserve.

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

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

The District reports its activities as a proprietary fund (enterprise fund). Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

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, Restricted Cash and Cash Equivalents and Restricted Accounts Payable

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.

Restricted cash and cash equivalents consist of amounts restricted for the trout habitat enhancement program as part of a legal settlement. These amounts are offset against restricted accounts payable since the District is holding these funds until they are used for specified projects. See Note 10.

F. Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1: Investments reflect prices quoted (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation includes prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active.

Level 3: Inputs are unobservable for an asset or liability where there is little market activities. The inputs into the determination of fair value are based upon unobservable sources and may require estimation.

The hierarchy levels of each classification of the District's investments are detailed in Note 2.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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. Management believes all accounts receivable are collectible and therefore no allowance at March 31, 2024 is provided.

I. 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.

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

<u>Asset Class</u>	<u>Useful Lives</u>
Subsurface Lines	30 - 60 years
General Plant Administration Facilities	30 - 60 years
Water Treatment Facilities	30 - 60 years
Wastewater Collection and Treatment Facilities	30 - 60 years
Source of Supply	5 - 50 years
Vehicles and Equipment	5 - 15 years

K. Subscription-based Information Technology Arrangements (SBITA)

A SBITA is a contract, with a term in excess of twelve months, that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with a tangible capital asset (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The District recognizes a subscription liability and an intangible right-of-use asset (subscription asset), except short-term SBITAs. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. The subscription asset is measured as the sum the amount of the initial measurement of the subscription liability, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, if applicable, and the capitalizable initial implementation costs less any SBITA vendor incentives.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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, 2024, the total estimated liability for all compensated absences was \$849,517.

M. 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/expenditure) 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.

N. Net Position

In the statement of net position, net position is categorized as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net amount of assets that are not included in the determination of restricted or net investment in capital assets.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. 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.

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

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
P. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standard Board Statement No. 96

In May of 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs) for government end users (governments). Statement No. 96 is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. With the implementation of this statement, the District recognized intangible right-to-use subscription asset and corresponding subscription liabilities. The District implemented this statement as of April 1, 2023. See Note 6.

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, assure sufficient liquidity to meet the District’s cash flow needs, 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 as of March 31, 2024, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 4,728,912
Restricted cash and cash equivalents	128,317
Investments	<u>30,489,708</u>
	<u>\$ 35,346,937</u>

Cash and investments as of March 31, 2024, consist of the following:

Cash on hand	\$ 300
Deposits with financial institutions	512,381
Investments	<u>34,834,256</u>
	<u>\$ 35,346,937</u>

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2024

2. CASH AND INVESTMENTS (Continued)

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.

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 ⁴	None	None
State Obligations - CA and Others	5 years	30% ²	5%
CA Local Agency Obligations	5 years	30% ²	5%
Federal Agency Securities	5 years ⁴	None	25%
Bankers' Acceptance	180 days	40%	5%
Commercial Paper	270 days	25% ²	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Non-negotiable Certificates of Deposit	5 years	20%	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%	5%
Mutual Funds and Money Market Funds	N/A	20%	10% ³
Collateralized Bank Deposits	5 years	20%	None
Mortgage Pass Through and Asset-Backed Securities	5 years ⁴	20%	5%
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool ⁵	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%	10%

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

² No more than 30% of the portfolio may be in Municipal Securities. 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 these investments, the Board of Directors have approved certain investments to exceed the 5 years maturity.

⁵ This investment type includes amounts with the Investment Trust of California (CalTRUST).

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2024

2. CASH AND INVESTMENTS (Continued)

Interest and Credit 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.

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	Fair Value Measurement	Credit Rating	Fair Value March 31, 2024	Maturity	
				12 Months or Less	More than 12 Months
U.S. Treasury Obligations	Level 2	AAA/A-1+	\$ 14,697,024	\$ 7,836,057	\$ 6,860,967
Commercial Mortgage Back Security (Agency CMBS)	Level 2	AAA	656,282	167,084	489,198
Mortgage-backed Securities (Agency MBS)	Level 2	AAA	142,403	-	142,403
Federal Agency Securities	Level 2	AAA	8,468,791	979,975	7,488,816
Asset-backed Securities (ABS)	Level 2	AAA	1,438,880	248,860	1,190,020
Certificates of Deposit	Level 2	N/A	483,796	-	-
Commercial Paper	Level 2	N/A	372,849	-	372,849
Medium Term Notes	Level 2	A/A-1+/A+/AA/AA-/AAA	6,763,853	2,098,521	4,665,332
Supranational	Level 2	AAA	901,718	213,876	687,842
Money Market	Uncategorized	AAA	861,452	610,261	251,191
California Local Agency Investment Fund (LAIF)	Uncategorized	N/A	47,208	47,208	-
Total Investments			\$ 34,834,256	\$ 12,201,842	\$ 22,148,618

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 Credit System	Federal Agency Securities	\$ 3,684,605
Federal Home Loan Banks (FHLB)	Federal Agency Securities	\$ 3,306,256

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

2. CASH AND INVESTMENTS (Continued)

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.

Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the District's name. As of March 31, 2024, the District's deposits with institutions in excess of federal depository insurance limits were \$226,003. As of March 31, 2024, the District had no investments that were held by the same broker-dealer (counterparty) that was used by the District to buy the securities.

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, 2024 was 4.30%. The carrying value and estimated market value of the LAIF Pool at March 31, 2024 was \$156,472,442,295 and \$156,266,877,819, respectively. The District's share of the Pool at March 31, 2024 was approximately 0.0000307 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 \$800,000,000 and \$2,424,526,000, respectively. LAIF's and the District's exposure to risk (credit, market or legal) is not currently available.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

2. CASH AND INVESTMENTS (Continued)

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.

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. NOTES RECEIVABLE

Employee Home Purchase Assistance Program Loans

The District's Employee Home Purchase Assistance Program is designed to facilitate home ownership for District employees and to provide an incentive for recruiting potential employees to ensure the District maintains the most skilled workforce and professional workforce possible. The program offers three options for home loan assistance:

Shared Value Program - The District will contribute up to 50% of the home purchase price and share appreciation in value with the employee upon sale;

Subordinate Loan Program - The District will lend up to 35% of the home purchase price in a loan with a maximum term of 15 years and a variable interest rate set each year according to the yield on 10-year Treasury note on the first business day of the year; and

Combined Primary Loan/Shared Value Program - The District will provide primary financing at a fixed interest rate of 5% and contribute up to 50% of the purchase price as shared value to assist employees in the current high-interest-rate, high-priced local residential real estate program.

All loans are secured by the property being purchased and subject to the terms of each employee home purchase assistance agreement. As of March 31, 2024, the total loan receivable balance was \$4,043,388.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2024

3. NOTES RECEIVABLE (Continued)

Snowcreek Investment Company Loan

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. As of March 31, 2024, the total loan receivable balance was \$52,676.

4. CAPITAL ASSETS

Changes in capital assets for the year ended March 31, 2024 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, Not Depreciated					
Land	\$ 444,330	\$ -	\$ -	\$ -	\$ 444,330
Construction in progress	4,028,098	3,386,915	(545,315)	(3,571,686)	3,298,012
Total Capital Assets, Not Depreciated	<u>4,472,428</u>	<u>3,386,915</u>	<u>(545,315)</u>	<u>(3,571,686)</u>	<u>3,742,342</u>
Capital Assets, Being Depreciated					
Subsurface lines	31,534,927	-	-	2,096,717	33,631,644
General plant administration facilities	7,674,189	1,100,006	(188,385)	188,385	8,774,195
Water treatment facilities	29,945,674	-	(617,499)	25,742	29,353,917
Wastewater collection and treatment facilities	55,616,195	1,690,256	-	975,173	58,281,624
Source of supply	1,858,068	-	(49,506)	247,262	2,055,824
Vehicles and equipment	6,325,183	1,055,767	(354,864)	38,407	7,064,493
Right of use of asset - software	-	199,240	-	-	199,240
	<u>132,954,236</u>	<u>4,045,269</u>	<u>(1,210,254)</u>	<u>3,571,686</u>	<u>139,360,937</u>
Less: Accumulated depreciation	<u>72,461,482</u>	<u>4,137,436</u>	<u>(671,899)</u>	<u>-</u>	<u>75,927,019</u>
Total Capital Assets, Being Depreciated, Net	<u>60,492,754</u>	<u>(92,167)</u>	<u>(538,355)</u>	<u>3,571,686</u>	<u>63,433,918</u>
Total Capital Assets, Net	<u>\$ 64,965,182</u>	<u>\$ 3,294,748</u>	<u>\$ (1,083,670)</u>	<u>\$ -</u>	<u>\$ 67,176,260</u>

Construction in progress consist of various capital projects in which the District has expended \$3,298,012 as of March 31, 2024. The District estimates that the projects will be completed in the next one to two years and will need to expend an additional \$4,860,000 to bring the projects to completion.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2024

5. SCHEDULE OF LONG-TERM LIABILITIES

A summary of changes in long-term debt and liabilities for the year ended March 31, 2024, were as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 476,350	\$ 288,218	\$ -	\$ 764,568	\$ 140,041
Subscription liability	-	108,187	53,095	55,092	55,092
Total Long-Term Liabilities	<u>\$ 476,350</u>	<u>\$ 396,405</u>	<u>\$ 53,095</u>	<u>\$ 819,660</u>	<u>\$ 195,133</u>

*The change in the compensated absences liability is presented as a net change.

6. SUBSCRIPTION LIABILITIES

For the year ended March 31, 2024, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

During the year ended March 31, 2024, the Agency had one noncancelable subscription agreement for various information technology platform with an initial subscription term of sixty months. Subscription payments of \$55,947 are payable annually with the subscriptions maturing beginning August 2025. The subscription has an interest rate of 3.70% per annum.

Annual requirements for the subscription including principal and interest as of March 31, 2024 is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$ 54,084</u>	<u>\$ 1,863</u>	<u>\$ 55,947</u>

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.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2024

7. DEFINED CONTRIBUTION PLANS (Continued)

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 year ended March 31, 2024.

Employees are not required to, and do not, contribute to the Money Purchase Pension Plan. During the year ended March 31, 2024, payroll for covered employees was \$4,498,609. Contributions for the year ended March 31, 2024 was \$988,558.

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 (JPIA), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of JPIA 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 PIA for its general liability, automobile, and property coverage. The agreement for formation of the JPIA provides that the JPIA 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.

Condensed audited financial information of the JPIA for the year ended September 30, **2023** is as follows:

Total assets	\$ 288,462,503
Deferred outflows of resources	<u>4,654,911</u>
Total assets and deferred outflows of resources	<u>\$ 293,117,414</u>
Total liabilities	\$ 167,203,667
Deferred inflows of resources	5,200,835
Net position	<u>120,712,912</u>
Total liabilities, deferred inflows, and net position	<u>\$ 293,117,414</u>
Total revenues	\$ 229,844,143
Total expenses	(240,084,673)
Total other income	<u>18,169,521</u>
Change in net position	<u>\$ 7,928,991</u>

The District's share of year-end assets, liabilities, or net position has not been calculated. Complete separate financial statements for the JPIA may be obtained at 2100 Professional Drive, Roseville, California 95661.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2024

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.

A. 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, 2024 was 5.8%. Therefore, the annual escalation rate used was 3.0% for fiscal year 2023. As of March 31, 2024, the LADWP adjusted extension payment was \$2,949,287. This was an increase of \$85,902 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 District set aside \$1,00,000 during the fiscal year. The balance of the amounts set aside was \$2,071,821 on March 31, 2024.

Fiscal Year	CPI-U ¹	Actual Factor	Adjusted Settlement Due	Funding	Reserve Balance ²
2015	N/A	0.0%	\$ 2,400,000	\$ -	\$ -
2016	-0.1%	-0.1%	\$ 2,397,600	\$ -	\$ -
2017	3.1%	3.0%	\$ 2,469,528	\$ 50,000	\$ 50,825
2018	2.1%	2.1%	\$ 2,521,388	\$ 55,000	\$ 107,810
2019	3.5%	3.0%	\$ 2,597,030	\$ 55,000	\$ 166,042
2020	3.2%	3.0%	\$ 2,674,941	\$ 150,000	\$ 322,769
2021	3.1%	3.0%	\$ 2,755,189	\$ 50,000	\$ 379,141
2022	0.9%	0.9%	\$ 2,779,986	\$ 75,000	\$ 459,404
2023	7.5%	3.0%	\$ 2,863,385	\$ 600,000	\$ 1,002,248
2024	5.8%	3.0%	\$ 2,949,287	\$ 1,000,000	\$ 2,071,821

¹ The Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles area as of January 1st of each year.

² Reserve balance includes investment earnings on the amounts set aside.

MAMMOTH COMMUNITY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2024

9. COMMITMENTS AND CONTINGENCIES (Continued)

B. Trout Habitat Enhancement Program

The District entered into a settlement agreement with the California Department of Fish and Game and the California Trout, Inc., regarding the fishery bypass flow requirements for Mammoth Creek. As part of the settlement, the District agreed to contribute \$10,000 per year, adjusted annually for inflation or deflation using the ENR Construction Cost Index (CCI) to support appropriate projects selected for implementation under the Trout Habitat Enhancement Program. The contributions are required for 20 consecutive years from the effective date of the agreement which was January 28, 2010. The Governance Committee, consisting of one member from each party above, will select projects to fund and implement and have designated the District as the fiscal agent. Currently, the District has \$128,317 of restricted cash and cash equivalents and related restricted accounts payable to this settlement agreement.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 8, 2024, which is the date the financial statements were issued. There were no subsequent events to disclose.