

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

COMPONENT UNIT FINANCIAL STATEMENTS

JUNE 30, 2012

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

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*Larry Bain, CPA,
An Accounting Corporation
2148 Frascati Drive
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Bishop Sunrise Mobile Home Park
Bishop, California

We have audited the accompanying Component Unit financial statements of the City of Bishop Sunrise Mobile Home Park, a component unit of the City of Bishop, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These Component Unit financial statements are the responsibility of the Sunrise Mobile Home Park's management. Our responsibility is to express an opinion on these Component Unit financial statements based on our audit.

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

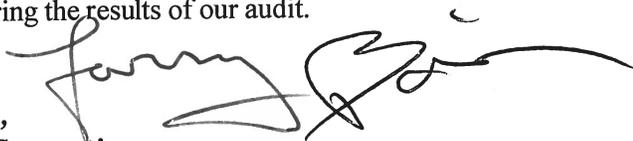
In our opinion, the Component Unit financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Sunrise Mobile Home Park, as of June 30, 2012, and changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the Component Unit Financial Statements. Such information has not been subjected to the auditing procedures applied in the audit of the Component Unit Financial Statements and accordingly, we express no opinion on it.

In accordance with Governmental Auditing Standards, we have also issued a report dated November 18, 2012 on our consideration of the Sunrise Mobile Home Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and regulatory agreement. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Larry Bain, CPA,
An Accounting Corporation
December 29, 2012*



**CITY OF BISHOP
SUNRISE MOBILE HOME PARK
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2012**

This section of the City of Bishop Sunrise Mobile Home Park's (Project) annual financial report presents an analysis of the Project's financial performance during the fiscal years ended June 30, 2012. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2012

The Project's net loss was \$33,841 for the fiscal year ended June 30, 2012 compared to a loss of \$12,814 for the fiscal year ended June 30, 2011. The \$21,027 change was mainly due to \$27,343 excess program payment the State took away from the project in the 2011/12 fiscal year.

Operating revenues decreased by \$7,188 or 7.77 percent from \$92,507 to \$85,319. The decrease was normal because of vacancies and lower rents.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis and Basic Financial Statements. The financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial Statements of the Project report information utilizing the full accrual basis of accounting. The financial Statements are in accordance with accounting principles which are generally accepted in the United States of America. The Statements of Net Assets include information on the Project's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Project creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Assets identify the Project's revenues and expenses for the fiscal year ended June 30, 2012. This statement provides information on the Project's operations over the past year and can be used to determine whether the Project has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the Project's cash receipts, cash payments and changes in cash resulting from operations, investments and financial activities. From the Statements of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for the last fiscal year.

CITY OF BISHOP
SUNRISE MOBILE HOME PARK
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2012

FIANANCIAL ANALYSIS OF THE PROJECT

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide an indication of the Project's financial condition and indicate that the financial condition of the Project has improved during the last fiscal year. The Project's net assets reflect the difference between assets and liabilities. A decrease in net assets over time typically indicates an adjustment to rates and fees is needed to improve the financial condition of the entity. The Project is accounted for as an Enterprise fund and acts in a manner similar to a business. As such operations of the Project including depreciation on capital assets are financed or recovered principally by user fees. The Project does receive an annual operating subsidy from the State of California.

NET ASSETS

A summary of the Project's Statements of Net Assets is presented below.

Table 1
Condensed Statement of Net Assets

Statement of Net Assets
June 30, 2012 and 2011

		<u>2012</u>		<u>2011</u>
Current assets	\$	161,654	\$	184,568
Capital Assets-Net		<u>381,538</u>		<u>392,533</u>
Total Assets	\$	<u><u>543,192</u></u>	\$	<u><u>577,101</u></u>
 Liabilities				
Current/non current	\$	<u>14,357</u>	\$	<u>14,425</u>
Net assets restricted	\$	399,854	\$	406,700
Unrestricted net assets		<u>128,981</u>		<u>155,976</u>
Total Net Assets	\$	<u><u>528,835</u></u>	\$	<u><u>562,676</u></u>

CITY OF BISHOP
SUNRISE MOBILE HOME PARK
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2012

Table 2
Condensed Statement of Revenue and Expenses

Fiscal Years
Ended June 30, 2012 and 2011

	2012	2011
Operating Revenues	\$ 85,319	\$ 92,507
Non-operating Revenue	607	833
Total Revenues	<u>85,926</u>	<u>93,340</u>
Depreciation Expense	10,995	18,137
Operating Expense	<u>108,772</u>	<u>88,017</u>
Total Expense	119,767	106,154
Changes in Net Assets	<u>(33,841)</u>	<u>(12,814)</u>
Beginning Net Assets	<u>562,676</u>	<u>575,490</u>
Ending Net Assets	<u><u>\$ 528,835</u></u>	<u><u>\$ 562,676</u></u>

CAPITAL ASSETS

As of June 30, 2012 the Project's investment in capital assets totaled \$381,538 which was a \$10,995 decrease or 2.8 percent from the capital asset balance at June 30, 2011 of \$392,533. The capital asset balance changed as a result of recording \$10,995 current year depreciation expense.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the Project's budget for the 2012/13 fiscal year based on receiving no operating subsidy from the State of California and charging rental fees with little adjustment. No major projects were funded for this fiscal year but minor maintenance projects were completed from replacement reserves. The regulatory agreement between the City of Bishop and the Department of Housing and Community Development dated May 29th 1981 is due to end in the 2012/13 fiscal year. The City anticipates running the housing program and maintaining the assets after the term of the contract.

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2012**

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Project's customers, and other interested parties with an overview of the Project's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Sunrise Mobile Home Park at 377 West Line Street Bishop, California 93514.

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Statement of Net Assets
June 30, 2012**

	Mobile Home Park
Assets	
Current assets:	
Cash and investments	\$ 129,235
Restricted cash and investments	28,152
Receivables	
Accounts	4,136
Interest	131
Total current assets	161,654
Capital assets:	
Nondepreciable capital assets:	
Land	324,850
Depreciable capital assets:	
Building	511,496
Less accumulated depreciation	(454,808)
Total capital assets (net of accumulated depreciation)	381,538
Total Assets	\$ 543,192
Liabilities	
Current liabilities:	
Accounts payable	\$ 4,681
Total current liabilities	4,681
Noncurrent liabilities:	
Due within one year	814
Due in more than one year	8,862
Total noncurrent liabilities	9,676
Total Liabilities	14,357
Net assets:	
Invested in capital assets, net of related debt	380,724
Restricted for capital replacement	19,130
Unreserved	128,981
Total Net Assets	\$ 528,835

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

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012**

Operating Revenues	
Rents	\$ 65,530
Utility reimbursement	<u>19,789</u>
Total Operating Revenues	<u>85,319</u>
Operating Expenses	
Salaries & benefits	27,038
Service & supplies	81,734
Depreciation expense	<u>10,995</u>
Total Operating Expenses	<u>119,767</u>
Operating Income (Loss)	<u>(34,448)</u>
Non-Operating Revenues (Expenses)	
Interest income	<u>607</u>
Total Non-Operating Revenues	<u>607</u>
Increase (decrease) in net assets	(33,841)
Net Assets, July 1	<u>562,676</u>
Net Assets, June 30	<u><u>\$ 528,835</u></u>

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

CITY OF BISHOP
SUNRISE MOBILE HOME PARK
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from customers	\$ 85,159
Cash payments to suppliers for goods and services	(77,445)
Cash payments for administration and salaries	<u>(27,038)</u>
Net cash used in operating activities	<u>(19,324)</u>
Cash flows from capital and related financing activities:	
Reduction in advance from other fund	<u>(4,197)</u>
Net cash used in capital and related financing activities	<u>(4,197)</u>
Cash flows from investing activities:	
Interest received on investments	<u>711</u>
Net increase (decrease) in cash and cash equivalents	(22,810)
Cash and cash equivalents, beginning of year	<u>180,197</u>
Cash and cash equivalents, end of year	<u><u>\$ 157,387</u></u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash	\$ 129,235
Restricted cash	28,152
Cash and cash equivalents, June 30	<u><u>\$ 157,387</u></u>
Reconciliation of operating income (loss) to	
Net cash provided by operating activities	
Operating Income (Loss)	\$ (34,448)
Adjustments to reconcile operating income (loss) to	
net cash provided by operating activities:	
Depreciation	10,995
Changes in assets and liabilities:	
Accounts receivable	-
Accounts payable	4,289
Customer deposits	<u>(160)</u>
Net Cash Used In Operating Activities	<u><u>\$ (19,324)</u></u>

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

CITY OF BISHOP
SUNRISE MOBILE HOME PARK

Notes to Financial Statements
June 30, 2012

Note 1: Summary of Significant Accounting Policies

The Sunrise Mobile Home Park (Project) is a state assisted project to provide housing for low income persons. The Project is comprised of 16 city owned mobile homes, built in 1982, which are the financially assisted units and 26 cement pads designed for other low income persons to place their own mobile homes on. Revenue to finance operations is provided from the following sources:

1. Rent income from the non-assisted and assisted units is calculated as a percentage of the tenants' gross income less a state calculated utility allowance or base rent, whichever is greater.
2. A monthly annuity fund payment from the Rental Housing Construction Program of the State of California is based on the budgeted revenues and expenses taking into consideration the ratio of assisted unit square footage to non-assisted unit square footage.

A. Reporting Entity

The Project meets the criteria set forth in U.S. GAAP for inclusion as a blended component unit of the City of Bishop and is included in the City's financial statements.

The primary criterion for a potential component unit within a reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The City Council members serve as the Governing Board of the Project and all accounting and administrative functions are performed by the City, which records all activity of the Project in the Enterprise fund of the City. The Project is, therefore, reported as a blended component unit of the City.

B. Fund Accounting

The accounting records of the Project are organized on the U.S. generally accepted basis of accounting for an enterprise fund.

Enterprise Fund - Enterprise funds are used to account for the Project's operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Governing Board is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Notes to Financial Statements
June 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Project's financial records are maintained on the accrual basis of accounting as prescribed by the Controller of the State of California. Under the accrual basis of accounting, revenues are recognized when the income is earned rather than when received and expenses are recognized when the obligation is incurred rather than when paid.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

E. Fixed Assets

Fixed assets are carried at the actual amounts expended by the Sunrise Mobile Home Park and the State of California. Depreciation expense is calculated based on the half year convention and using the straight line method of depreciation. The assets are depreciated over their useful life which is 30 years for the mobile homes and community center. Land is not a depreciable asset. Maintenance and repairs are charged to expense as incurred. Significant additions or improvements are capitalized and depreciated over the revised estimated useful lives.

F. Restricted Assets

The State of California requires restricted accounts be set aside for replacement reserves and tenant security deposits.

G. Net Assets

Reserves represent those portions of net assets legally segregated for a specific future use.

H. Cash Equivalents

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

I. Proprietary Fund Accounting

The Project is in conformance with Governmental Accounting Standards Board Statement No. 20, and has elected not to follow Financial Accounting Standards Board Statements after November 30, 1989.

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Notes to Financial Statements
June 30, 2012**

Note 2: Cash

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments shown on the balance sheet represent the Project's share of the City's cash and investment pool. Refer to the City's financial statements for disclosures of cash and investments and related risk categorization.

Note 3: Restricted Cash

Restricted cash consists of the following at June 30, 2012:

Security deposits	\$ 7,395
Reserve for replacement	<u>19,178</u>
 Total Restricted Cash	 <u>\$ 26,573</u>

The operating account and the security deposits account are invested in the pooled cash of the City of Bishop. The replacement reserve account is maintained in a separate account at a commercial bank. See the City of Bishop financial statements for additional information on cash and investments.

Note 4: Fixed Assets

On June 30, 2012, fixed assets consist of the following:

Land	\$ 324,850
Buildings	511,496
Accumulated depreciation	<u>(454,808)</u>
 Total	 <u>\$ 381,538</u>

Note 5: Interfund Transactions

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as advances to other funds:

Interfund transactions for fiscal year ending June 30, 2012 are summarized as follows:

	Due Within One Year	Long-Term Portion	Total
Payable to the general fund of the City of Bishop, 30-year term, non-interest bearing, maturing September, 2012.	<u>\$ 814</u>	<u>\$ -</u>	<u>\$ 814</u>

Maturities of the advance from the general fund are as follows:

Fiscal Year Ended	
<u>June 30,</u>	
2013	\$ 814
Total Advance From Other Funds	<u>\$ 814</u>

CITY OF BISHOP
SUNRISE MOBILE HOME PARK

Notes to Financial Statements
June 30, 2012

Note 6: Risk Management

The Project is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Park participates in the Southern California Joint Powers Insurance Authority (SCJPIA) as a component unit of the City of Bishop. The purpose of SCJPIA is to spread the adverse effects of losses among the member agencies and to purchase excess insurance as a group, thereby reducing expenses. The Project, through cost allocation from the City, contributes its pro rata share of insurance premiums to pools administered by SCJPIA.

Note 7: Related Party Transactions

The City of Bishop provides staff and other services to the Project, for which the City is reimbursed. All operating revenues and expenses are deposited in and paid from the City's treasury. The Project maintains a separate replacement reserve fund in the Projects name. The City has also loaned funds to the Project as described in Note 5.

Note 8: Subsequent Event

Subsequent to fiscal year end the regulatory agreement with the California Department of Housing and Community Development dated May 29th 1981 is set to expire. The City expects to take over operations of the Project.

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Supplementary Schedule of Revenues
For the Fiscal Year Ended June 30, 2012**

<u>Revenues:</u>	<u>UNIT CATEGORY</u>		<u>Total</u>
	<u>Assisted</u>	<u>Non-Assisted</u>	
Rent	\$ 47,920	\$ 17,610	\$ 65,530
Utility subsidy-City	19,789		19,789
Interest-operating account		607	607
Total Revenue	<u>\$ 67,709</u>	<u>\$ 18,217</u>	<u>\$ 85,926</u>

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

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Supplementary Schedule of Expenses
For the Fiscal Year Ended June 30, 2012**

<u>Expenses :</u>	UNIT CATEGORY		Total
	Assisted	Non-Assisted	
Management fee	\$ 5,634	\$ 8,811	\$ 14,445
Miscellaneous administration	427	667	1,094
Total administration	<u>6,060</u>	<u>9,479</u>	<u>15,539</u>
On-Site Manager			
Wages	3,547	5,549	9,096
Housing allowance	1,872	2,928	4,800
Overhead-utilities	600	939	1,539
Payroll tax and fringe benefits	764	1,194	1,958
Total Salaries and Benefits	<u>6,783</u>	<u>10,610</u>	<u>17,393</u>
Supplies	250	392	642
Professional services	697	1,091	1,788
Services purchased from replacement reserve	1,429	2,236	3,665
Maintenance and service	2,549	3,987	6,536
Total Maintenance and Supplies	<u>4,926</u>	<u>7,705</u>	<u>12,631</u>
Utilities	<u>15,628</u>	<u>24,445</u>	<u>40,073</u>
Property taxes	<u>231</u>	<u>362</u>	<u>593</u>
Replacement reserve annual transfer	<u>3,933</u>		<u>3,933</u>
Debt service	<u>4,197</u>		<u>4,197</u>
Total Expenses for State Reporting	<u>\$ 41,759</u>	<u>\$ 52,600</u>	<u>\$ 94,359</u>
Adjust For Financial Statement Presentation			
Replacement reserve annual transfer			(3,933)
Housing allowance			(4,800)
Annual debt service			(4,197)
Excess program payments			27,343
Depreciation expense			<u>10,995</u>
Total Expenses for Financial Statement Presentation			<u>\$ 119,767</u>

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

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Supplementary Schedule on Replacement Reserve Account
For the Fiscal Year Ended June 30, 2012**

Balance as of July 1, 2011	\$ 19,178
Deposits	
Annual replacement reserve increase 2011-2012	3,933
Current year replacement costs	(3,665)
Bank charges	(316)
Interest revenue	<u> </u>
Balance as of June 30, 2012	<u><u>\$ 19,130</u></u>

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

*Larry Bain, CPA,
An Accounting Corporation
2148 Frascati Drive
El Dorado Hills, CA 95762*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Bishop Sunrise Mobile Home Park
Bishop, California

We have audited the financial statements of the City of Bishop Sunrise Mobile Home Park, a component unit of the City of Bishop, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 29, 2012. In our report, our opinion was unqualified. We conducted our audit in accordance with U.S. generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Sunrise Mobile Home Park's financial statements are free of material misstatement, we performed tests of its compliance. Compliance with laws, regulations and regulatory agreement applicable to the City of Bishop Sunrise Mobile Home Park is the responsibility of the Sunrise Mobile Home Park's management. As part of obtaining reasonable assurance about whether the Sunrise Mobile Home Park's financial statements are free of material misstatement, we performed tests of its compliance with California Health and Safety Code 50735-50770 *et seq.* and the regulatory agreement between the City of Bishop and the Department of Housing and Community Development dated May 29th 1981. Based on our audit, we found that for the items tested there were two exceptions noted as FS 12-1 and FS 12-2 in the following attachment where the management of the Sunrise Mobile Home Park did not comply with the laws and regulations of the State requirements referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the management of the Sunrise Mobile Home Park had not complied with the State requirements. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sunrise Mobile Home Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Sunrise Mobile Home Park Governing Board, management and the State Controller's Office of the State of California. However, this report is a matter of public record and its distribution is not limited.



Larry Bain, CPA,
An Accounting Corporation
December 29, 2012

**CITY OF BISHOP
SUNRISE MOBILE HOME PARK**

**Attachment 1
June 30, 2012**

The following comments are made in accordance with the California Rental Housing Construction Program of 1979's "Memo to Auditors of Rental Housing Developments funded by HCD" dated September 12, 2004.

Financial Health of Organization and Project:

Nothing came to our attention that would lead us to believe that the Sunrise Mobile Home Park would not be able to continue as a going concern.

Internal Controls and Compliance with Laws and Regulations:

FS 12-1: During our testing of reserve withdrawals we noted one instance where remodel work was performed prior to receiving authorization from the State. The regulatory agreement requires authorization to be given prior to the work being performed.

FS 12-2: During our testing of new tenant files we noted one instance where there was no documentation to verify that the tenant met the financial eligibility requirements.

Appropriateness of Bookkeeping Practices:

The bookkeeping of the Sunrise Mobile Home Park is integrated with the accounting department of the City of Bishop. During the course of the audit, nothing came to our attention that would lead us to believe that the system in place is not adequate for the required reporting functions.

Taxes and Insurance:

The taxes and insurance were paid in full during the 2011/2012 fiscal year. See note 6 for additional information on insurance coverage.

Debt Service:

The Project has an advance from the general fund of the City of Bishop which was paid during the 2011/2012 fiscal year in accordance with the agreement. See note 5 for additional information on the debt payments.

Required Accounts:

See note 3 and the supplementary information titled "Report on Replacement Reserve Account" for detail on the required accounts.