

CITY OF BISHOP
FINANCIAL STATEMENTS
JUNE 30, 2014

CITY OF BISHOP

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Bishop, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bishop, California, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City of Bishop as of June 30, 2014, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

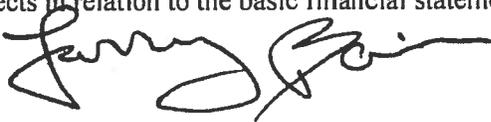
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2014 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion of the internal control over financial reporting or on compliance.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



*Larry Bain, CPA,
An Accounting Corporation
November 25, 2014*

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2014

This section of the City of Bishop's annual financial report presents an analysis of the City's financial performance during the fiscal year ended June 30, 2014. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014

- The assets of the City exceeded liabilities at the close of the 2013-2014 fiscal year by \$19,036,143 (net position). Of this amount, \$4,681,928 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$14,320,985 is invested in capital assets - net of related debt.
- As of June 30, 2014 the City's governmental funds reported combined fund balances of \$2,939,463 approximately 97% of the combined fund balances, \$2,843,852 is available to meet the City's current and future needs (unrestricted fund balance).
- At the end of the fiscal year, unrestricted fund balance for the general fund was \$2,843,852 or 52% of total general fund expenditures.
- The City's long-term debt decreased by \$83,074. The net decrease resulted from payments of governmental and business-type debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also includes additional required supplementary information in addition to the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

Government-Wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The Statements of Net Position include information on the City's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to City creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statements of Activities presents information showing how 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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other function that are intended to recover all or a portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public protection, public ways and facilities and community development. The business-type activities are water, sewer and the Sunrise Mobile Home Park.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2014

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and to demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds – are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as of balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changed in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

Proprietary funds – The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of Bishop maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer enterprises as well as the mobile home park operated by the City. The funds provide the same type of information as the government-wide financial statements, only more in detail. The proprietary fund financial statements provide separate information for the water sewer and mobile home Park, all of which are considered major funds of the City.

Fiduciary funds – are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's budgetary comparative information for the general fund and the major special revenue fund. Also the funding progress of the City's pension is presented as required supplementary information.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The below Condensed Statement of Net Position below presents the City's governmental and business activities in total for the years ending June 30, 2014 and June 30, 2013.

	June 30, 2014			June 30, 2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 6,430,943	\$ 2,341,926	\$ 8,772,869	\$ 6,609,291	\$ 2,088,068	\$ 8,697,359
Capital Assets	9,245,352	5,457,734	14,703,086	8,673,983	5,057,161	13,731,144
Total Assets	15,676,295	7,799,660	23,475,955	15,283,274	7,145,229	22,428,503
Liabilities						
Current/non current	3,818,531	621,282	4,439,813	4,236,874	606,484	4,843,358
Net Position:						
Net investment in capital assets	9,190,620	5,130,365	14,320,985	8,567,077	4,698,892	13,265,969
Net position restricted		33,230	33,230		24,285	24,285
Unrestricted net position	2,667,144	2,014,783	4,681,928	2,479,323	1,815,568	4,294,891
Total Net Position	\$ 11,857,764	\$ 7,178,378	\$ 19,036,143	\$ 11,046,400	\$ 6,538,745	\$ 17,585,145

Net Position increased by \$1,450,998 over the prior year primarily resulting from net income of \$639,633 in business-type activities, a net increase of \$702,728 in governmental activities and prior period adjustments of positive \$108,636 in governmental activities.

As the above table indicates, total assets increased \$1,047,452 from \$22,428,503 to \$23,475,955 during the fiscal year ended June 30, 2014. This is comprised of a net increase of \$971,942 in capital assets mostly funded by grant revenues and an increase in current and other assets totaling \$75,510.

Total liabilities decreased \$403,545 from \$4,843,358 to \$4,439,813. This represents decreases of \$654,551 in deferred revenue, \$100,055 in retro insurance liability, and \$83,074; increases of \$272,327 in OPEB obligations and a net increase of \$161,808 in all other liabilities.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2014

Change in Net Position

The below statement of activities identify the various revenue and expense items which affect the change in net position. The \$764,721 increase to revenue from June 30, 2013 to June 30, 2014 operations was primarily due to an increase in governmental revenue for capital grants and business-type activity charges for services. Property taxes and transaction occupancy taxes increased slightly with sales tax revenue slightly decreased.

Condensed Statement of Activities

	Fiscal Year Ended June 30, 2014			Fiscal Year Ended June 30, 2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues:						
Charges for services	\$ 833,860	\$ 2,500,224	\$ 3,334,084	\$ 847,181	\$ 2,340,554	\$ 3,187,735
Capital grants and contributions	1,056,011		1,056,011	351,828		351,828
Operating grants	131,842		131,842	198,407		198,407
General Revenue:						
Property taxes and assessments	1,072,872		1,072,872	948,788		948,788
Sales and use tax	2,039,388		2,039,388	2,226,441		2,226,441
Other revenue	2,552,227	23,260	2,575,487	2,461,393	67,517	2,528,910
Interest and investment income	83,747	5,337	89,084	86,339	5,599	91,938
Total Revenue	7,769,947	2,528,821	10,298,768	7,120,377	2,413,670	9,534,047
Expenses:						
Governmental activities:						
General government	1,630,025		1,630,025	1,984,244		1,984,244
Public safety	3,705,412		3,705,412	3,568,427		3,568,427
Public works	1,164,246		1,164,246	1,160,395		1,160,395
Community services/recreation	564,426		564,426	685,804		685,804
Business-type activities						
Water		855,086	855,086		855,026	855,026
Sewer		815,302	815,302		778,645	778,645
Mobile home park		207,757	207,757		139,328	139,328
Interest on long-term debt	3,110	11,043	14,153	5,649	12,006	17,655
Total Expense	7,067,219	1,889,189	8,956,408	7,404,519	1,785,005	9,189,524
Change in net position	\$ 702,728	\$ 639,633	\$ 1,342,361	\$ (284,142)	\$ 628,665	\$ 344,523

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

As noted earlier the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The general government functions are contained in the general, special revenue, debt service and capital project funds. The focus of the City's governmental funds is to provide information on near-term inflow, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2014

At June 30, 2014, the City's governmental funds (general, special revenue, debt service, and capital projects) reported combined fund balances of \$2,939,463, an 11% increase over the prior year.

Of the combined fund balances, \$2,188,891 (74%) is considered unassigned and available for General Fund appropriation.

Proprietary Funds

The proprietary funds include the Water and Sewer funds which account for the City's water and sewer utilities and the Sunrise Mobile Home Park fund which accounts for a city-owned senior mobile home park.

At June 30, 2014, the City's proprietary funds reported a combined ending net position of \$7,178,378, a 9% increase over the prior year.

Budgetary Highlights

General fund revenues for the 2013-2014 fiscal year were budgeted at \$5,661,970 (final amended budget). The actual revenues were \$5,854,538 leaving a favorable variance of \$192,568. The increase was due to a combination of an increase in Property Tax, Transient Occupancy Tax and an increased insurance refund.

General fund expenditures were budgeted at \$5,863,375. The actual amount expended was \$5,485,736 or \$377,639 less than the final amended budget. The favorable expenditure variance was due to lower expenditures compared to those budgeted by each department with the largest positive variances in the reduction of liability and property insurance, postponement of expenditures in deferred maintenance and savings in Public Safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The capital assets of the City are those assets used in performance of City functions. Investment in capital assets includes equipment, buildings, land, site improvements, and infrastructure.

As of June 30, 2014 the City's investment in capital assets totaled \$14,703,086 net of accumulated depreciation.

	CAPITAL ASSETS					
	(net of accumulated depreciation)					
	Governmental Activities		Business-type Activities		Total Government	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Land	\$ 341,105	\$ 341,105	\$ 481,056	\$ 481,056	\$ 822,161	\$ 822,161
Construction in progress	1,003,779	896,471	1,147,994	606,656	2,151,773	1,503,127
Buildings and improvements	681,575	769,158	63,497	69,015	745,072	838,173
Site improvements	116,180	155,653	-	-	116,180	155,653
Equipment	207,801	322,184	148,356	203,058	356,157	525,242
Infrastructure	6,894,912	6,189,412	3,616,831	3,697,376	10,511,743	9,886,788
Total	\$ 9,245,352	\$ 8,673,983	5,457,734	5,057,161	\$ 14,703,086	\$ 13,731,144

Additional detail is presented in Note 5 of the financial statements.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Concluded)
June 30, 2014

LONG – TERM DEBT

As of June 30, 2014, the City had \$54,732 in outstanding governmental-type long-term debt and \$327,369 in outstanding business-type long-term debt as reported in the notes to the financial statements and in the statement of net position. The City's debt decreased by principal payments made during the fiscal year. The outstanding debt represents a final capital leases payment, proceeds of which were used for lease purchase of a fire truck and one note payable proceeds of which were used for water infrastructure improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Tourism and recreation is a major driver of the Bishop Area economy. The City works closely with the Chamber of Commerce and Visitor's Center to promote our city. Additionally, through funding from a Community Development Block Grant, the City is coordinating efforts with a consultant, local business owners and agencies to develop an Economic Development Element in conjunction with the Land Use Element. The Economic Development Element focuses on a basic strategy for enhancing the City's economic future through specific programs for sustainable business retention and growth, new investment, and job creation.

The City continues to perform reimbursable STIP Projects. A STIP Project is a project reimbursable through California Transportation Act Federal and State Funds. The Wye Road Intersection Improvement project completed in the 2013-2014 fiscal year; the Warren Street Improvements Projects are scheduled for completion in FY 2014-15.

A water and sewer rate study was completed in November 2013 resulting in changes to the rate structure categories to better ensure fair and equitable rates while covering operating and capital improvement expenses. This rate study is intended to cover fiscal years 2014/15-2018/19 with allowance for inflation increases.

For fiscal year 2014-2015, the City Council approved a total budget of \$12.9 million. This includes both operating and non-operating funds. The General Fund budget is \$6.4 million, Enterprise Funds budgets total \$2.5 million, and Special Revenue and Capital Funds make up the remaining \$4 million.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the City's customers, investors and other interested parties with an overview of the City'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 Finance Department, at the City of Bishop, 377 West Line Street, Bishop, California 93514.

CITY OF BISHOP

**Statement of Net Position
June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 2,207,175	\$ 2,275,027	\$ 4,482,202
Accounts receivables	836,614	33,669	870,283
Due from other governments	447,213		447,213
Interest receivable	494,499	-	494,499
Prepaid expenses	94,971		94,971
Deposits	15,332		15,332
Restricted cash and investments	115,239	33,230	148,469
Total Current Assets	<u>4,211,043</u>	<u>2,341,926</u>	<u>6,552,969</u>
Non Current Assets			
Loans receivable	2,219,900		2,219,900
Capital assets:			
Land	341,105	481,056	822,161
Construction in Progress	1,003,779	1,147,994	2,151,773
Buildings	4,621,187	562,574	5,183,761
Site improvements	622,545		622,545
Equipment	3,185,040	813,158	3,998,198
Infrastructure	8,248,177	10,323,362	18,571,539
Less: accumulated depreciation	<u>(8,776,481)</u>	<u>(7,870,410)</u>	<u>(16,646,891)</u>
Total Capital Assets	<u>9,245,352</u>	<u>5,457,734</u>	<u>14,703,086</u>
Total Non Current Assets	<u>11,465,252</u>	<u>5,457,734</u>	<u>16,922,986</u>
Total Assets	<u>\$ 15,676,295</u>	<u>\$ 7,799,660</u>	<u>\$ 23,475,955</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 255,261	\$ 34,227	\$ 289,488
Retro insurance liability	63,440		63,440
Accrued wages	93,580		93,580
Due to others	-		-
Accrued interest payable	2,236	2,643	4,879
Long-term liabilities-due within one year	230,728	31,903	262,631
Total Current Liabilities	<u>645,245</u>	<u>68,773</u>	<u>714,018</u>
Liabilities-due in more than one year:			
Customer deposits		11,860	11,860
Compensated absences	156,236	69,744	225,980
OPEB liability	797,150	175,439	972,589
Leases payable	-		-
Note payable		295,466	295,466
Deferred revenue	2,219,900		2,219,900
Total Liabilities Due In More Than One Year	<u>3,173,286</u>	<u>552,509</u>	<u>3,725,795</u>
Total Liabilities	<u>3,818,531</u>	<u>621,282</u>	<u>4,439,813</u>
Net Position			
Net investment in capital assets	9,190,620	5,130,365	14,320,985
Restricted for capital replacement		33,230	33,230
Unrestricted	2,667,144	2,014,783	4,681,927
Total Net Position	<u>\$ 11,857,764</u>	<u>\$ 7,178,378</u>	<u>\$ 19,036,142</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 1,630,025	\$ 321,994	\$ -	\$ -	\$ (1,308,031)	\$ -	\$ (1,308,031)
Public safety	3,705,412	226,408	-	96,950	(3,382,054)	-	(3,382,054)
Public works	1,164,246	170,413	1,056,011	26,667	88,845	-	88,845
Community services/recreation	564,426	115,045	-	8,225	(441,156)	-	(441,156)
Interest on long-term debt	3,110	-	-	-	(3,110)	-	(3,110)
Total Governmental Activities	7,067,219	833,860	1,056,011	131,842	(5,045,506)		(5,045,506)
Business-type Activities:							
Water	855,086	1,245,947	-	-	-	390,861	390,861
Sewer	815,302	1,125,365	-	-	-	310,063	310,063
Mobile home park	207,757	128,912	-	-	-	(78,845)	(78,845)
Interest on long-term debt	11,043	-	-	-	-	(11,043)	(11,043)
Total Business-type Activities	1,889,189	2,500,224				611,036	611,036
Total Government	\$ 8,956,408	\$ 3,334,084	\$ 1,056,011	\$ 131,842	(5,045,506)	611,036	(4,434,470)
General Revenues:							
Taxes:							
Property taxes					1,072,872		1,072,872
Sales and use tax					2,039,388		2,039,388
Transient occupancy tax					2,026,422		2,026,422
Franchise tax					55,518		55,518
Motor vehicle in lieu tax					283,212		283,212
Gain on sale of assets						23,260	23,260
Other taxes					187,075		187,075
Investment income					83,747	5,337	89,084
Total general revenues					5,748,234	28,597	5,776,831
Change in net position					702,728	639,633	1,342,361
Net position - beginning					11,046,400	6,538,745	17,585,145
Prior period adjustment					108,636		108,636
Net position - ending					\$ 11,857,764	\$ 7,178,378	\$ 19,036,142

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Balance Sheet
Governmental Funds
June 30, 2014

	General	Special Revenue Fund		Capital Project Fund		Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
		Home Fund Willow Street	Measure A	Hwy 6 & Wye Rd	Pine to Park	Debt Service		
Assets								
Cash and investments	\$ 2,141,551	\$ -	\$ 65,624	\$ -	\$ -	\$ -	\$ -	\$ 2,207,175
Restricted cash and investments							115,239	115,239
Receivables								
Accounts	824,031						12,583	836,614
Due from other governments	6,791		91,678		202,556		146,188	447,213
Interest	-	494,499						494,499
Prepaid expense	94,971							94,971
Due from other funds	198,330							198,330
Deposits	15,332							15,332
Loans/notes receivable	-	2,219,900						2,219,900
Advances to other funds	-							-
Total Assets	<u>\$ 3,281,006</u>	<u>\$ 2,714,399</u>	<u>\$ 157,302</u>	<u>\$ -</u>	<u>\$ 202,556</u>	<u>\$ -</u>	<u>\$ 274,010</u>	<u>\$ 6,629,273</u>
Liabilities								
Accounts payable	\$ 66,160	\$ -	\$ 6,677	\$ -	\$ 176,276	\$ -	\$ 6,148	\$ 255,261
Retro insurance liability	63,440							63,440
Accrued wages	86,852						6,728	93,580
Due to other funds					38,011		160,319	198,330
Total Liabilities	<u>216,452</u>		<u>6,677</u>		<u>214,287</u>		<u>173,195</u>	<u>610,611</u>
Deferred Inflows of Resources								
Unavailable revenue-taxes	30,214							30,214
Unavailable revenue-charges for services	3,545							3,545
Unavailable revenue-capital grants					202,556		128,485	331,041
Unavailable revenue-loans receivable		2,714,399						2,714,399
Total Deferred Inflows of Resources	<u>33,759</u>	<u>2,714,399</u>			<u>202,556</u>		<u>128,485</u>	<u>3,079,199</u>
Fund Balances								
Restricted for petty cash	640							640
Nonspendable	94,971							94,971
Assigned for special revenue funds			150,625				124,113	274,738
Assigned for capital projects funds					(214,287)		(151,783)	(366,070)
Assigned for general fund	746,293							746,293
Unassigned	2,188,891							2,188,891
Total Fund Balances	<u>3,030,795</u>		<u>\$ 150,625</u>		<u>(214,287)</u>		<u>(27,670)</u>	<u>2,939,463</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,281,006</u>	<u>\$ 2,714,399</u>	<u>\$ 157,302</u>	<u>\$ -</u>	<u>\$ 202,556</u>	<u>\$ -</u>	<u>\$ 274,010</u>	<u>\$ 6,629,273</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP
Reconciliation of the Statement of Net Position
of Governmental Funds to the Balance Sheet
As of June 30, 2014

Fund Balances of Governmental Funds	\$ 2,939,463
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	9,245,352
Certain revenues received after sixty days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	859,299
Some liabilities, including long-term debt, compensated absences and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,186,350)</u>
Net position of governmental activities	<u>\$ 11,857,764</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Special Revenue Fund		Capital Project Fund		Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
		Home Funds Willow Street	Measure A	Hyw 6 & Wye Rd	Pine to Park	Debt Service		
Revenues								
Taxes	\$ 4,875,558	\$ -	\$ 573,700	\$ -	\$ -	\$ -	\$ -	\$ 5,449,258
Licenses and permits	155,943							155,943
Intergovernmental	405,456		82,073	655,152	18,948		399,973	1,561,602
Fines, forfeitures and penalties	6,078						65,514	71,592
Charges for current services	141,600							141,600
Use of money and property	124,037							124,037
Other	145,866							145,866
Total Revenues	5,854,538	-	655,773	655,152	18,948	-	465,487	7,649,898
Expenditures								
Current:								
General government	997,912		568,206 00					1,566,118
Public ways and facilities/ transportation	710,363						140,996	851,359
Public safety	3,288,229						147,630	3,435,859
Community development	464,638							464,638
Capital Outlay	24,594		-	653,959	220,755		190,079	1,089,387
Debt service								
Principal						52,174		52,174
Interest						5,243		5,243
Total Expenditures	5,485,736	-	568,206	653,959	220,755	57,417	478,705	7,464,778
Excess (Deficit) of Revenues over Expenditures	368,802	-	87,567	1,193	(201,807)	(57,417)	(13,218)	185,120
Other Financing Sources (Uses)								
Operating transfers in						57,417		57,417
Operating transfers out	(57,417)							(57,417)
Total Other Financing Sources (Uses)	(57,417)	-	-	-	-	57,417	-	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	311,385	-	87,567	1,193	(201,807)	-	(13,218)	185,120
Fund Balances, July 1, 2013	2,603,249	-	63,058	(1,193)	(12,480)	-	(6,927)	2,645,707
Prior period adjustment	116,161	-	-	-	-	-	(7,525)	108,636
Fund Balances, June 30, 2014	\$ 3,030,795	\$ -	\$ 150,625	\$ -	\$ (214,287)	\$ -	\$ (27,670)	\$ 2,939,463

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 185,120
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized	1,089,387
Depreciation expense	(518,017)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	52,174
Changes in accrued interest reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	2,134
Certain revenues received after sixty days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	120,047
Changes in other pension expense benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	(223,067)
Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>(5,050)</u>
Change in net position of governmental activities	<u>\$ 702,728</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

**Statement of Net Position
Proprietary Funds
June 30, 2014**

	Water	Sewer	Mobile Home Park	Totals
Current assets:				
Cash and investments	\$ 1,191,379	\$ 1,017,048	\$ 66,600	\$ 2,275,027
Restricted cash and investments			33,230	33,230
Receivables				
Accounts	14,864	14,603	4,202	33,669
Interest	-	-	-	-
Total current assets	<u>1,206,243</u>	<u>1,031,651</u>	<u>104,032</u>	<u>2,341,926</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,882	324,850	481,056
Construction in progress	634,542	513,452		1,147,994
Depreciable capital assets				
Building	64,759	94,877	402,938	562,574
Site improvements				-
Equipment	288,419	524,739		813,158
Infrastructure	6,480,215	3,843,147		10,323,362
Less accumulated depreciation	(3,903,690)	(3,598,091)	(368,629)	(7,870,410)
Total capital assets (net of accumulated depreciation)	<u>3,631,569</u>	<u>1,467,006</u>	<u>359,159</u>	<u>5,457,734</u>
Total Assets	<u>\$ 4,837,812</u>	<u>\$ 2,498,657</u>	<u>\$ 463,191</u>	<u>\$ 7,799,660</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 13,755	\$ 19,401	\$ 1,071	\$ 34,227
Current portion - note payable	31,903			31,903
Interest payable	2,643			2,643
Total current liabilities	<u>48,301</u>	<u>19,401</u>	<u>1,071</u>	<u>68,773</u>
Noncurrent liabilities:				
Customer deposits	1,429	1,230	9,201	11,860
Compensated absences	34,836	34,908		69,744
OPEB liability	87,009	85,990	2,440	175,439
Note payable	295,466			295,466
Total noncurrent liabilities	<u>418,740</u>	<u>122,128</u>	<u>11,641</u>	<u>552,509</u>
Total Liabilities	<u>467,041</u>	<u>141,529</u>	<u>12,712</u>	<u>621,282</u>
Net position:				
Net investment in capital assets	3,304,200	1,467,006	359,159	5,130,365
Restricted			33,230	33,230
Unreserved	1,066,571	890,122	58,090	2,014,783
Total Net Position	<u>\$ 4,370,771</u>	<u>\$ 2,357,128</u>	<u>\$ 450,479</u>	<u>\$ 7,178,378</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014**

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,218,124	\$ 1,111,524	\$ -	\$ 2,329,648
Rent			79,973	79,973
Utility reimbursement			28,524	28,524
Other income	27,823	13,841	20,415	62,079
Total Operating Revenues	<u>1,245,947</u>	<u>1,125,365</u>	<u>128,912</u>	<u>2,500,224</u>
Operating Expenses				
Salaries and benefits	585,674	573,883	139,704	1,299,261
Services and supplies	144,430	172,405	65,869	382,704
Depreciation expense	124,982	69,014	2,184	196,180
Total Operating Expenses	<u>855,086</u>	<u>815,302</u>	<u>207,757</u>	<u>1,878,145</u>
Operating Income (Loss)	<u>390,861</u>	<u>310,063</u>	<u>(78,845)</u>	<u>622,079</u>
Non-Operating Revenues (Expenses)				
Interest income	2,700	2,334	303	5,337
Gain on sale of assets			23,260	23,260
Interest expense	(11,043)			(11,043)
Total Non-Operating Revenues (Expenses)	<u>(8,343)</u>	<u>2,334</u>	<u>23,563</u>	<u>17,554</u>
Net Income (Loss)	382,518	312,397	(55,282)	639,633
Net Position, July 1, 2013	<u>3,988,253</u>	<u>2,044,731</u>	<u>505,761</u>	<u>6,538,745</u>
Net Position, June 30, 2014	<u>\$ 4,370,771</u>	<u>\$ 2,357,128</u>	<u>\$ 450,479</u>	<u>\$ 7,178,378</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014**

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,254,602	\$ 1,133,044	\$ 129,173	\$ 2,516,819
Cash payments to suppliers	(144,683)	(169,855)	(77,302)	(391,840)
Cash payments to employees	(558,697)	(547,300)	(137,264)	(1,243,261)
Net Cash Provided By (Used For) Operating Activities	551,222	415,889	(85,393)	881,718
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(424,942)	(171,811)		(596,753)
Reductions of debt	(30,899)			(30,899)
Sale of capital assets			23,260	23,260
Interest expense	(11,294)			(11,294)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(467,135)	(171,811)	23,260	(615,686)
Cash Flows from Investing Activities:				
Interest income	2,700	2,334	303	5,337
Net Cash Provided By Investing Activities	2,700	2,334	303	5,337
Net Increase (Decrease) in Cash and Cash Equivalents	86,787	246,412	(61,830)	271,369
Cash and Cash Equivalents, July 1, 2013	1,104,592	770,636	161,660	2,036,888
Cash and Cash Equivalents, June 30, 2014	\$ 1,191,379	\$ 1,017,048	\$ 99,830	\$ 2,308,257
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,191,379	\$ 1,017,048	\$ 66,600	\$ 2,275,027
Restricted cash and investments			33,230	33,230
Total Cash and Cash Equivalents	\$ 1,191,379	\$ 1,017,048	\$ 99,830	\$ 2,308,257
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 390,861	\$ 310,063	\$ (78,845)	\$ 622,079
Adjustments to operating income:				
Depreciation	124,982	69,014	2,184	196,180
(Increase) decrease in accounts receivable	9,136	8,114	261	17,511
Increase (decrease) in accounts payable	(253)	2,550	(11,433)	(9,136)
Increase (decrease) in customer deposits	(481)	(435)	-	(916)
Increase in OPEB liability	23,605	23,215	2,440	49,260
Increase (decrease) in compensated absences	3,372	3,368		6,740
Net Cash Provided By (Used For) Operating Activities	\$ 551,222	\$ 415,889	\$ (85,393)	\$ 881,718

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2014

	Agency Funds				Totals
	Bond & Trust	Canine Donations	PARS Trust Fund	OPEB Trust Fund	
<u>Assets</u>					
Cash and investments	\$ 2,695	\$ 11,020	\$ 2,722,614	\$ 1,601,161	\$ 4,337,490
Due from other fund	-	-	-	-	-
Total Assets	\$ 2,695	\$ 11,020	\$ 2,722,614	\$ 1,601,161	\$ 4,337,490
<u>Liabilities</u>					
Due to others	\$ 2,695	\$ 11,020	\$ -	\$ -	\$ 13,715
Total Liabilities	2,695	11,020	-	-	13,715
<u>Net Position</u>					
Held in trust for benefits	-	-	2,722,614	1,601,161	4,323,775
Total Net Position	\$ -	\$ -	\$ -	\$ -	\$ -

Changes in Fiduciary Net Position-PARS Retirement Fund and OPEB Trust Fund

<u>Additions:</u>					
Employer contributions			\$ 280,253	\$ 217,202	\$ 497,455
Total contributions			280,253	217,202	497,455
<u>Investment income (loss):</u>					
Net adjustment to fair value of investments			207,337	231,920	439,257
Distributions			(216,823)		(216,823)
Total Additions (Deductions)			(9,486)	231,920	222,434
Change in plan net assets			270,767	449,122	719,889
<u>Net Position:</u>					
Held in trust for OPEB benefits:					
Beginning of year			2,451,847	1,152,039	\$ 3,603,886
End of year			\$ 2,722,614	\$ 1,601,161	\$ 4,323,775

The accompanying notes are an integral part of these financial statements

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies

The City of Bishop, California (the City) was incorporated in 1903, as a municipal corporation operating under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, public safety and parks and recreation.

The accounting policies of the City of Bishop, California conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The City has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the 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. All such component units have been "blended" with the City's other fund types and account groups. All of the blended component units have June 30 year-ends.

Based upon the aforementioned oversight criteria, the City has no component units.

B. Basis of Accounting

The government-wide, proprietary and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from sales tax is recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or as a reservation of fund balance. The City considers property taxes available if they are collected within sixty-days after year-end.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies

B. Basis of Accounting (Continued)

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as compensated absences and claims and judgments are recorded only when payment is due. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financial sources.

When applicable, the City reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue source does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the occurrences of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has legal claim to the resources, deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non exchange transactions or ancillary activities.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the City) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in separate columns. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

The City reports the following major governmental funds:

General Fund - This fund accounts for all the financial resources not required to be accounted for in another fund. This fund consists primarily of general government type activities.

The Home Funds Willow Street Special Revenue Fund - was established to account for funds received by the City and loaned to Developers for the sole purpose of building affordable housing on Willow Street.

The Measure A Fund - was established to account for the City's portion of a County-Wide tax that can be used for general operations and capital additions of the City.

The Hwy 6 & Wye Rd. Capital Project Fund- was established to account for grant funding and a deposit received from K-mart used for street improvements made on Highway 6 and Wye Road.

The Debt Service Fund - was established to accumulated resources from various funds to pay debt obligations of the City.

The City reports the following major enterprise funds.

Water and Sewer Funds - account for the operation of the City's water and sewer utilities. Activities of these funds include administration, operation and maintenance of the water and sewer systems and billing and collection activities. The Funds also accumulate resources for, and payment of long-term debt principal and interest. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Funds.

Sunrise Mobile Home Park - accounts for the operation of the City owned Mobile Home Park. Customers pay rent for the City owned mobile homes and reimburse the City for utilities based on ability to pay. A portion of the operation was subsidized through the State of California, through a Community Development Block Grant program. The State subsidized program ended during the 2012/13 fiscal year.

The City also reports the following Fiduciary Fund type:

Agency Funds - are used to account for assets held by the City in an agency capacity for individuals, local law enforcement agencies or developers.

D. Use of Estimates

The preparation of financial statements in conformity with 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

E. Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Restricted cash and unrestricted pooled cash and investments held by the City are considered cash equivalents for purposes of the combined statement of cash flow's because the City's cash management pool and funds invested by the City possess the characteristics of demand deposit accounts.

F. Fixed Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the government-wide financial statements on the straight-line basis over the useful life of the assets as follows:

<u>Assets</u>	<u>Useful Life</u>
Buildings	20-30 years
Building improvements	10-15 years
Site improvements	15-20 years
Equipment and machinery	3-20 years
Infrastructure	30-45 years

G. Property Tax

Inyo County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is levied each July 1 on the assessed values as of the prior January 1 for all real and personal property located in the City. Property sold after the assessment date (January 1) is reassessed and the amount of property tax levied is prorated.

Secured property taxes are due in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax is levied on July 1 and due on July 31 and becomes delinquent on August 31.

Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the City, eliminating the need for an allowance for uncollectable. The County, in return, receives all penalties and interest on the related delinquent taxes.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

H. Balance Sheet Classifications

Certain resources are classified as restricted assets as their use is restricted for specific purposes by bond agreements, lease agreements, trust agreements, grant agreements, City Charter provisions, or other requirements. Governmental fund types' restricted assets are for grant and bond agreements. Proprietary fund types' restricted assets are for renewal and replacement of equipment and security deposits.

I. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from federal and state agencies, developers, customers, or other funds.

J. Fund Equity

The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. Unrestricted net position for proprietary funds represents the net position available for future operations.

Restrictions of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

Restricted net position for proprietary funds represent the net position legally identified for specific purposes.

K. Deferred Revenue

The City recorded deferred revenue by expending grant monies for capital projects and not receiving reimbursement within sixty days after fiscal year end (unavailable.) The amount of the deferred revenue was \$3,079,199, which is recorded in the fund financial statement. Included in the deferred revenue balance is \$2,219,000 for the workforce housing loan receivable that will not be repaid until future years. \$378,571 of the fund financial statement deferred revenue is recognized as revenue in the statement of net position under the required full accrual method of accounting.

L. Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of the vacation time accrued and none of the accrued sick leave.

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2013, because the City does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability.

Proprietary Funds – Proprietary funds accrue a liability for unused compensated absences earned through year-end. An expense is recognized for the increase in liability from the prior year.

**City of Bishop
Notes to Financial Statements
June 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

M. Intergovernmental Revenues

Federal and state governments reimburse the City for costs incurred on certain fixed asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a Capital Projects Fund or to contributed capital if administered by a Proprietary Fund. Additionally, the City receives reimbursement from federal and state governments for other programs, such as housing and rehabilitation. These reimbursements are recorded in the fund administering the program as intergovernmental revenues with the related program costs included in expenditures.

The respective grant agreements generally require the City to maintain accounting records and substantiating evidence to determine if all costs incurred and claimed are proper and that the City is in compliance with other terms of the grant agreements. These records are subject to audit by the appropriate government agency. Any amounts disallowed will reduce future claims or be directly recovered from the City.

N. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation of the current year financial statements.

Note 2: Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Unless otherwise dictated by legal or contractual requirements, income earned or losses arising from the investment of pooled cash are allocated on a quarterly basis to the participating funds and component units based on their proportionate shares of the average quarterly cash balance.

The City maintains "restricted cash and investments". Monies restricted are for capital asset funds and customer deposits and replacement reserves established in the Sunrise Mobile Home Park.

Cash and investments at June 30, 2014, consisted of the following:

Cash and investments	\$ 4,482,202
Restricted cash and investments	<u>148,469</u>
Cash and investments, statement of net position	4,630,671
Cash and investments, agency funds	<u>13,715</u>
Total cash and investments	<u><u>\$ 4,644,386</u></u>
Checking account	\$ 470,989
Imprest cash	840
Local agency investment fund	<u>4,172,557</u>
Total cash and investments	<u><u>\$ 4,644,386</u></u>

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 2: Cash and Investments (Continued)

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
Investment pools authorized under CA			
Statutes governed by Government Code	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	None	None
Bank Savings Accounts	N/A	25%	None
Federal Agencies	5 years	75%	None
Commercial Paper	180 days	20%	None
Negotiable Certificates of Deposit	180 days	20%	None
Re-Purchase Agreements	180 days	20%	None
Corporate Debt	5 years	25%	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of all investments. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investment maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
State Investment Pool*	\$ 4,411,753	\$ 4,411,753	\$ -	\$ -	\$ -
Totals	\$ 4,411,753	\$ 4,411,753	\$ -	\$ -	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 2: Cash and Investments (Continued)

D. 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 deposit 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 of collateral securities that are in the possession of another party. The California Government Code and the City'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 secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair 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 the City's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2014, the City's deposits balance was \$649,100 and the carrying amount was \$470,989. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the City's name.

E. Investment in State Investment Pool

LAIIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$64.85 billion. Of the \$64.85 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 3.72% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The City reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Loan Receivable

The City is participating in an affordable workforce housing loan program designed to construct low to moderate income housing. Under the terms of the loan the City is providing a 3% note to the developer, Bishop Pacific Associates. The maximum amount available under the loan is \$2,220,000. As of June 30, 2014 the City had loaned \$2,219,900. The term of the note commenced on September 1, 2006 and will expire on the date that is fifty-five years after issuance of the date of completion, but no longer than fifty-eight years from the date of commencement. The source of the funding for the loan was a grant to the City from the State of California, Housing and Community Development, Home Funds program.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 4: Liability, Insured Programs and Workers Compensation Protection

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-Insurance Programs Authority

General Liability Each Member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

C. Purchased Insurance

Environmental Insurance The City of Bishop participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is for a 3-year period from July 1, 2012 through July 1, 2014. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance The City participates in the all risk property protection program of the Authority. This insurance is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection up to pooled limits. There is a deductible of 5% of property value with a minimum deductible of \$100,000.

Earthquake and Flood Insurance The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake and flood protection up to pooled limits. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually.

Crime Insurance The City purchases crime insurance coverage in the amount of \$1,000,000 with a deductible. The fidelity coverage is provided through the Authority. Premiums for the coverage are paid annually.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in the pooled or insured liability coverage from coverage in the prior year.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Retirements/ Adjustments	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 341,105	\$ -	\$ -	\$ 341,105
Construction in progress	896,471	415,114	(307,806)	1,003,779
Capital assets, being depreciated:				
Buildings and improvements	4,615,687	5,500	-	4,621,187
Site improvements	622,545		-	622,545
Equipment	3,157,226	27,814	-	3,185,040
Infrastructure	7,299,413	948,764	-	8,248,177
Total capital assets, being depreciated	15,694,871	982,078		16,676,949
Less accumulated depreciation for:				
Buildings and improvements	(3,846,529)	(93,083)		(3,939,612)
Site Improvements	(466,892)	(39,473)		(506,365)
Equipment	(2,835,042)	(142,197)		(2,977,239)
Infrastructure	(1,110,001)	(243,264)		(1,353,265)
Total accumulated depreciation	(8,258,464)	(518,017)	-	(8,776,481)
Total capital assets, being depreciated	7,436,407	464,061		7,900,468
Governmental activities capital assets, net	<u>\$ 8,673,983</u>	<u>\$ 879,175</u>	<u>\$ (307,806)</u>	<u>\$ 9,245,352</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 481,056	\$ -	\$ -	\$ 481,056
Construction in progress	606,656	541,338		1,147,994
Capital assets, being depreciated:				
Buildings and improvements	584,759	-	(22,185)	562,574
Equipment	813,158	-	-	813,158
Infrastructure	10,267,947	55,415	-	10,323,362
Total capital assets, being depreciated	11,665,864	55,415	(22,185)	11,699,094
Less accumulated depreciation for:				
Buildings and improvements	(515,744)	(5,518)	22,185	(499,077)
Equipment	(610,100)	(54,702)	-	(664,802)
Infrastructure	(6,570,571)	(135,960)	-	(6,706,531)
Total accumulated depreciation	(7,696,415)	(196,180)	22,185	(7,870,410)
Total capital assets, being depreciated	3,969,449	(140,765)	-	3,828,684
Business- type activities capital assets, net	<u>\$ 5,057,161</u>	<u>\$ 400,573</u>	<u>\$ -</u>	<u>\$ 5,457,734</u>

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 5: Capital Assets (Continued)

Depreciation

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General government	\$ 40,868
Public safety	134,840
Streets and roads	265,469
Parks	<u>76,840</u>
Total	<u>\$ 518,017</u>

Note 6: Lease Income

The City of Bishop derives a portion of its revenue from the rental of real property based on a fixed lease amount. All leases of the City are treated as operating leases for accounting purposes. Lease terms are for a period of five years and can be terminated by lessor at any time and without cause by giving the City thirty days written notice of termination. Because these are cancelable leases we do not present the operating revenue over the term of the lease.

Note 7: Long-term Liabilities

A summary of the changes in the City's long-term liabilities reported in the governmental activities column of the government-wide financial statements for the year ended June 30, 2013:

	Balance <u>July 1, 2013</u>	Additions	Retirements	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
Compensated absences	\$ 327,180	\$ 357,045	\$ (351,992)	\$ 332,233	\$ 175,996
OPEB liability	574,083	223,067		797,150	-
Capital lease	106,906	-	(52,174)	54,732	54,732
Total	<u>\$ 1,008,169</u>	<u>\$ 580,112</u>	<u>\$ (404,166)</u>	<u>\$ 1,184,115</u>	<u>\$ 230,728</u>

Governmental Activities:

Capital Leases Payable

A. On October 1, 2004 the City obtained financing from First Bankers Corporation to lease a fire truck. The lease calls for annual payments of \$57,417, including interest, beginning September 1, 2005 and maturing September 1, 2014. The City shall have the option to purchase all of the equipment by paying to the lessor all rent payments then due (including accrued interest, if any) plus the termination value as stipulated in the lease agreement. Interest rates on the capital lease are imputed at the lessor's rate of return.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 7: Long-term Liabilities (Continued)

Capital Leases Payable (Continued)

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of minimum lease payments as of June 30, 2014:

Fiscal Year Ended	
June 30,	
2015	\$ 57,417
Total minimum lease payments	<u>57,417</u>
Less: Amount representing interest	<u>(2,685)</u>
Present value of minimum lease payments	<u>\$ 54,732</u>

Business-Type Activities:

Note Payable

Note payable represents one secured loan to the State of California for the purpose of assisting in financing the construction of a project, which will enable the City to meet safe drinking water standards established by the State. All improvements financed by this loan, along with future improvements, shall remain the property of the State until the loan is repaid in full. Principal matures semi-annually from October 1, 1993, through April 1, 2023, with an interest rate of 3.2205%.

The annual requirements to amortize the California Safe Drinking Water Note Payable as of June 30, 2014, are as follows:

Fiscal Year Ended	Principal	Interest	Total
June 30,			
2015	\$ 31,903	\$ 10,289	\$ 42,192
2016	32,920	9,272	42,192
2017	34,024	8,167	42,191
2018	35,111	7,080	42,191
2019	36,251	5,940	42,191
2020-2022	<u>157,160</u>	<u>11,607</u>	<u>168,767</u>
Totals	<u>\$ 327,369</u>	<u>\$ 52,355</u>	<u>\$ 379,724</u>

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 8: Fund Balances – Governmental Funds

The City adopted a policy for GASB Statement No. 54, Fund Balance Reporting. GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the City's various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on governmental fund-type, fund balances are as follows:

	<u>General Fund</u>	<u>Measure A</u>	<u>Home Fund Willow Street</u>	<u>Pine to Park</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Project</u>
Restricted for:						
Petty cash	\$ 640	\$ -	\$ -	\$ -	\$ -	\$ -
Total restricted	<u>640</u>					
Nonspendable						
Prepaid expense	<u>94,971</u>					
Total nonspendable	<u>94,971</u>					
Committed						
Assigned to:						
Next years budget	746,293	16,035			29,100	
Economic uncertainties						
Special Revenue Funds		134,590			95,013	
Capital Project Funds				<u>(214,287)</u>		<u>(151,783)</u>
Total assigned	<u>746,293</u>	<u>150,625</u>		<u>(214,287)</u>	<u>124,113</u>	<u>(151,783)</u>
Unassigned	<u>2,188,891</u>					
Total fund balance	<u>\$ 3,030,795</u>	<u>\$ 150,625</u>	<u>\$ -</u>	<u>\$ (214,287)</u>	<u>\$ 124,113</u>	<u>\$ (151,783)</u>

Note 9: Defined Benefit Pension Plans

CalPERS

A. Plan Description

The City's defined benefit pension plan, the California Public Employees' Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 9: Defined Benefit Pension Plans (Continued)

B. Funding Policy

Active miscellaneous plan members in the City's defined pension plan are required to contribute 7% of their annual covered salary for tier 1, 6.5% for tier 2 and 6.25% for tier 3 members. Active safety plan members in the City's defined benefit pension plan are required to contribute 9% of their annual covered salary for tier 1, and 6.5% for tier 2. The city is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS' Board of Administration. The required employer contribution rate for fiscal 2013/14 was 21.472% for miscellaneous tier 1, 9.255% for miscellaneous tier 2, 6.70% for miscellaneous tier 3, 32.906% for safety members tier 1 and 23.628% for safety members tier 2. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2013/14, the City's annual pension cost was \$920,593 and the City actually contributed \$920,593. The City contributes both the employee and employer portions for tier 1 miscellaneous and safety plan members, a portion of miscellaneous and safety tier 2 plan members contribution and none of the miscellaneous and safety plan members contribution. The required contribution for fiscal year 2013/14 was determined as part of the June 30, 2011, actuarial valuation using entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous and safety members and (c) .25% salary adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period (smoothed market value). The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 20 years for miscellaneous members and 21 years for safety members as of the valuation date.

<u>Three – Year Trend Information for the City</u>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	\$ 882,446	100%	\$ -
06/30/13	\$ 842,795	100%	\$ -
06/30/14	\$ 920,593	100%	\$ -

PARS

During the 2001/2002 fiscal year the City offered its full time miscellaneous employees a 3% at 55 retirement formula based on years of service with the City and CalPERS. The plan is available to eligible employees by purchasing a 1% retirement enhancement program from Public Agency Retirement Systems (PARS), a private corporation. The requirements for eligibility include: A minimum ten years of service with the City, retirement on or after the employee's 55th birthday, a non-disability retirement, retirement from the City of Bishop, retirement eligibility with PERS under the 2% at 55 program and actual retirement. During the 2009/2010 fiscal year the City implemented a second tier whereby new employees will be eligible under CalPERS 2% @ 60 formula with an additional 1% enhancement provided by PARS resulting in a combined 3% @ 60 years of age. A third tier was added for two employees under an employment contract with retirement at age 55 and no service requirement. During the 2012/2013 fiscal year the City amended the plan limiting participation to miscellaneous employee's in management and mid management groups hired prior to July 1, 2012. Furthermore the plan was frozen during the 2012/13 Fiscal year with no new participants eligible for the plan.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 9: Defined Benefit Pension Plan (Continued)

The City's funding policy for PARS is to contribute the annual required contribution. The annual required contribution equals the sum of:

- Normal Cost,
- Amortization of the unfunded actuarial accrued liability.

The annual pension cost equals the plan's annual required contribution adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the City's annual required contribution the sum of a) normal cost and b) amortization of the unfunded actuarial accrued liability.

For year ending June 30, 2014, the City's annual required contribution was \$280,253 and the City actually contributed \$280,252. The required contribution was based on June 30, 2013 actuarial valuation using the entry age normal (level of percentage of pay) actuarial cost method. The actuarial assumptions included a) 5.5% interest rate (net of administrative expenses), b) the CalPERS 1997-2011 Experience Study table for Males and Females, c) projected annual payroll increases based on active closed-group payroll, and d) cost of living adjustment of 2% per year after retirement. Both a) and c) include an inflation component of 3.00%. The unfunded actuarial accrued liability is being amortized as a level percent of pay. The amortization periods are 1) 20 years for initial unfunded accrued liability (from January 1, 2001), 2) 15 years for gains/losses 3) 20 years for plan amendments and 4) 20 years for assumption changes.

The following table provides 3 years of historical information of the pension cost:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	\$ 304,758	100%	\$ -
06/30/13	\$ 303,148	100%	\$ -
06/30/14	\$ 280,253	100%	\$ -

Note 10: Post Retirement Healthcare Benefits

The Board of Directors passed a resolution to establish health benefit vesting requirements for future retirees under public employees' medical and hospital care act, whereas an employee who is 50 and has 5 years vested full-time service and separated from the City into a retirement status within the PERS Retirement System. Retirees who have met other vesting requirements as defined by Government Code 20079, shall receive up to a maximum 90% of the health benefit premium in the PERS Choice Other Southern/Basic Supplemental plan for the employee including family members. Council members leaving the City, after two full terms or seven and one half years whichever is less, who have reached the age of 62 years of age, will be eligible for benefits during his/her lifetime, whereby the City will pay 90% of the monthly premium cost for the member and dependents in the PERS Choice Other Southern/Basic Supplemental plan, subject to requirements placed upon participants by such plans relating to offsetting cost contributions from Medicare, etc. A contribution of 10% per month will be paid by the member and 10% per month of the additional cost to add dependent coverage. The total City expense, on the pay as you go basis for postretirement health benefits in the 2013/2014 fiscal year was \$397,472. As of June 30, 2014, forty two retired employees were receiving postretirement health benefits. On July 13, 2009 the City approved funding the post-retirement health benefit liability over a 30 year amortization period.

**City of Bishop
Notes to Financial Statements
June 30, 2014**

Note 10: Post Retirement Health Care Benefits (Continued)

Tier II. For represented employees hired after January 1, 2010 the City implemented a Tier II program. These employees will receive a city contribution up to greater of active contribution per PEMHCA Section 22893. The vesting schedule applied to the City contribution will be 0% for less than 10 years of CalPERS service, 50% for between 10 and 20 years of CalPERS service and 90% for greater than 20 years of CalPERS service. The Tier II program is based on all CalPERS service, a minimum of 5 years of City service, 100% vested if a disability retirement and if the employee has 20 years or more of City service they do not need to retire directly from the City.

Plan Description. The City's Post-Retirement Healthcare Plan is a single employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits only to eligible retirees and their eligible dependents. The City approved post retirement health insurance benefits for all of its employees under the Public Employees' Medical and Hospital Care Act (PEMHCA). The minimum age for receiving benefits is 50 and there is no cap. The plan also provides coverage for eligible family members. For employees who are eligible to participate in the plan the City will contribute the health benefit cost for the retiree and eligible family members up to 90% of the least expensive PERS plan, except as noted under the tier II plan. A retiree with less than the required years of service with the City will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law. The retiree is on the same medical plan as the City's active employees, however monthly rates for coverage of covered active and retired employees are computed separately.

Funding Policy. The contribution requirement of plan members is established by the City Council. The 2013-2014 fiscal year contribution was based on amortized funding over a 30 year period using entry age normal cost. For the fiscal year ending June 30, 2014 the City contributed \$217,201 towards the unfunded actuarial accrued liability (UAAL). Because of budget constraints the City opted not to fully fund the ARC during the 2013/14 fiscal year. The City chose the California Employers Retiree Benefit Trust (CERBT) as the trustee for the plan. The City also made the net contribution for fiscal year end June 30, 2014 directly to health insurance providers totalling \$421,753 that was not reimbursed by the CERBT. Plan members receiving benefits contributed \$0 of the total premiums.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to CPUD's Healthcare Plan:

Payment of Unfunded Actuarial Accrued Liability	\$ (217,201)
Unreimbursed retiree premiums paid to plan providers	<u>(397,472)</u>
Increase (decrease) in net OPEB obligation	(614,673)
Net OPEB obligation - beginning of year	700,262
Annual Required Contribution (ARC).	<u>887,000</u>
Net OPEB obligation - end of year	<u><u>\$ 972,589</u></u>

**City of Bishop
Notes to Financial Statements
June 30, 2014**

Note 10: Post Retirement Health Care Benefits (Continued)

Three year disclosure of the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
June 30, 2012	874,000	72%	(427,063)
June 30, 2013	920,000	70%	(700,262)
June 30, 2014	887,000	69%	(972,589)

Funded Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$7,458,000 and the unfunded actuarial accrued liability (UAAL) for benefits was \$6,331,000. As of June 30, 2014, the City's annual required contributions were underfunded by \$972,589.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2013, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of between 6.85% and 7.25%. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The annual healthcare premiums will increase between 5% and 7.8% from 2016 to 2021 and then increase 5% from 2021 forward. Payroll is assumed to increase 3.25% annually.

Note 11: Deferred Inflows of Resources

Deferred inflows of resources in governmental funds arise when potential revenue does not meet the "available" criteria for recognition in the current period. Deferred inflows of resources (deferred revenue in accrual based statements) also arises when resources are received by the District before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

Note 12: Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period.

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 12: Interfund Transactions (Continued)

Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either “due from/due to other funds” (amounts due within one year), “advances to/from other funds” (non-current portions of interfund lending/borrowing transactions), or “loans to/from other funds” (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Interfund transactions for the fiscal year ended June 30, 2013 are summarized as follows:

<u>Fund Type</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General	\$ -	\$ 198,330	\$ -	\$ 57,417
Special Revenue	433	-	-	-
Debt Service	-	-	57,417	-
Capital Projects	197,897	-	-	-
Enterprise	-	-	-	-
Total	<u>\$ 198,330</u>	<u>\$ 198,330</u>	<u>\$ 57,417</u>	<u>\$ 57,417</u>

Note 13: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

Capital project funds have six funds with deficit fund balances and there is one special revenue fund with a deficit fund balance. The deficit fund balances are expected to be eliminated upon receipt of funding from granting agencies or through matching funds/contributions from the general fund of the City.

B. Restatement of Net Position and Fund Balance

Adjustments resulting from errors or a change to comply with provisions of previously issued or retroactively applied accounting standards are treated as prior period adjustments. Accordingly the City reports these changes as a restatement to beginning net position in the government-wide statement of activities and proprietary fund statement of revenue, expenses and changes in net position and as a restatement to beginning fund balance in the statement of revenues expenditures and changes in fund balance. During the current fiscal year prior period adjustments were required to correct misstatements of capital assets, accounts receivable, accounts payable, and deferred revenue.

The impact of the restatements to beginning government-wide financial statement net position is presented below:

	<u>Governmental Activities</u>
Net Position Reported as of June 30, 2013	\$ 11,046,400
Adjustments for:	
Record prior year insurance reimbursement	176,628.00
Restate prior year accounts receivable	21,360.00
Record prior year accrued pay	<u>(81,827.00)</u>
Total adjustment	<u>116,161</u>
Net Position, July 1, 2013 as restated	<u>\$ 11,162,561</u>

City of Bishop
Notes to Financial Statements
June 30, 2014

Note 13: Stewardship, Compliance and Accountability (Continued)

The impact of restatements on governmental fund, fund balance as previously stated is as follows:

	General Fund
Fund Balance, June 30, 2013	\$ 2,603,249
Adjustments for:	
Record prior year insurance reimbursement	176,628.00
Restate prior year accounts receivable	21,360.00
Record prior year accrued pay	(81,827)
Total adjustment	116,161
Fund Balance, July 1, 2013 as restated	\$ 2,719,410

Note 14: Revenue Limitations Imposed by California Proposition 218

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

Note 15: Economic Dependency

The City's general fund revenue relies heavily on tourism, which provides transient occupancy taxes and sales taxes. During the 2013-2014 fiscal year the City collected \$2,142,162 in transient occupancy tax which accounted for 37% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Sales tax revenue (including triple flip) was \$2,017,306 or 35% of general fund revenue for the 2013-2014 fiscal year.

Because the tourism industry and related sales taxes account for a significant portion of the City's general fund revenues, a downturn in tourism could result in a substantial reduction in general fund revenues and the City may not have sufficient resources to pay all of its general fund obligations.

Note 16: Commitments and Contingencies

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CITY OF BISHOP

Required Supplementary Information
Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured	\$ 370,000	\$ 370,000	\$ 411,228	\$ 41,228
Property - unsecured	90,000	90,000	71,488	(18,512)
Prior year and other	34,000	34,000	11,625	(22,375)
Homeowners	3,000	3,000	4,831	1,831
Sales (including triple flip)	2,140,000	2,140,000	2,017,306	(122,694)
DWP water agreement	186,000	186,000	187,075	1,075
Transient occupancy	1,800,000	1,800,000	2,142,162	342,162
Sales tax - public safety	18,000	18,000	22,082	4,082
Real property transfer	4,000	4,000	7,761	3,761
Total Taxes	4,645,000	4,645,000	4,875,558	230,558
Licenses and Permits				
Business licenses	50,000	50,000	48,374	(1,626)
Use permits	3,750	3,750	5,740	1,990
Building permits	40,320	40,320	46,311	5,991
Electrical permits				
Plumbing permits				
Electrical franchise	34,000	34,000	42,937	8,937
TV franchise	12,000	12,000	12,581	581
Total Licenses and Permits	140,070	140,070	155,943	15,873
Intergovernmental				
Motor vehicle in lieu (includes VLF swap)	280,000	280,000	283,212	3,212
Off-highway motor vehicle fees	100	100		(100)
Reimbursement - highway sweeping	20,000	20,000	21,667	1,667
Reimbursement - fire district	61,800	61,800	45,727	(16,073)
Peace officers training	9,600	9,600	4,240	(5,360)
Dispatch contracts	18,000	44,700	43,819	(881)
Grants	30,000	41,000	6,791	(34,209)
Total Intergovernmental	419,500	457,200	405,456	(51,744)
Fines, Forfeitures and Penalties				
Parking citations	15,000	15,000	6,078	(8,922)
Asset forfeiture	52,000	52,000		(52,000)
Total Fines, Forfeitures and Penalties	67,000	67,000	6,078	(60,922)
Charges for Current Services				
Plan checking	5,000	5,000		(5,000)
Fingerprinting and reports	35,000	35,000	29,985	(5,015)
Parks and recreation	91,700	91,700	111,615	19,915
Total Charges for Current Services	131,700	131,700	141,600	9,900
Use of Money and Property				
Interest and investment income	12,000	12,000	4,687	(7,313)
Rent	120,000	120,000	119,350	(650)
Total Use of Money and Property	132,000	132,000	124,037	(7,963)
Other				
Insurance refunds and dividends	45,000	45,000	67,356	22,356
Miscellaneous - all others	44,000	44,000	78,510	34,510
Total Other	89,000	89,000	145,866	56,866
Total Revenues	\$ 5,624,270	\$ 5,661,970	\$ 5,854,538	\$ 192,568

The accompanying note to the required supplementary information is an integral part of this schedule

CITY OF BISHOP

Required Supplementary Information
 Budgetary Comparison Schedule (Continued)
 General Fund
 For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 5,624,270	\$ 5,661,970	\$ 5,854,538	\$ 192,568
Expenditures				
General Government				
City council	172,900	172,900	143,770	29,130
Administration - clerk	360,200	360,200	286,300	73,900
Finance	193,000	193,000	205,128	(12,128)
City treasurer	1,915	1,915	1,855	60
City attorney	71,300	71,300	82,137	(10,837)
Insurance	360,400	360,400	277,460	82,940
Elections	4,000	4,000	1,262	2,738
Total General Government	1,163,715	1,163,715	997,912	165,803
Public Ways and Facilities/Transportation				
Building and grounds	182,800	182,800	180,643	2,157
Building	122,895	122,895	111,922	10,973
Planning	234,260	234,260	182,511	51,749
Street maintenance	153,405	153,405	106,756	46,649
Street sweeping	96,600	96,600	84,763	11,837
Street lighting	40,000	40,000	43,768	(3,768)
Total Public Ways and Facilities/Transportation	829,960	829,960	710,363	119,597
Public Safety				
Police	3,131,500	3,131,500	3,108,701	22,799
Fire	161,100	161,100	177,235	(16,135)
Emergency preparedness	4,500	4,500	2,293	2,207
Total Public Safety	3,297,100	3,297,100	3,288,229	8,871
Community Development				
Parks and recreation	336,350	336,350	279,454	56,896
Community promotion	183,750	183,750	185,184	(1,434)
Civic arts commission				
Total Community Development	520,100	520,100	464,638	55,462
Capital Outlay				
Structures and improvements	32,000	32,000		32,000
Equipment	20,500	20,500	24,594	(4,094)
Total Capital Outlay	52,500	52,500	24,594	27,906
Total Expenditures	5,863,375	5,863,375	5,485,736	377,639
Excess (Deficit) of Revenues Over Expenditures	(239,105)	(201,405)	368,802	570,207
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out	(57,418)	(57,418)	(57,417)	1
Total Other Financing Sources (Uses)	(57,418)	(57,418)	(57,417)	1
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (296,523)	\$ (258,823)	311,385	\$ 570,208
Fund Balance, July 1, 2013			2,603,249	
Prior Period Adjustment			116,161	
Fund Balance, June 30, 2014			\$ 3,030,795	

The accompanying note to the required supplementary information is an integral part of this schedule

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Major Special Revenue Fund - Measure A
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 530,000	\$ 530,000	\$ 573,700	\$ 43,700
Intergovernmental	83,000	83,000	82,073	(927)
Total Revenues	<u>613,000</u>	<u>613,000</u>	<u>655,773</u>	<u>42,773</u>
EXPENDITURES				
General government	561,650	561,650	568,206	(6,556)
Capital outlay	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>561,650</u>	<u>561,650</u>	<u>568,206</u>	<u>(6,556)</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ 51,350</u>	<u>\$ 51,350</u>	87,567	<u>\$ 49,329</u>
Fund Balances, July 1, 2013			<u>63,058</u>	
Fund Balances, June 30, 2014			<u>\$ 150,625</u>	

The accompanying note to the required supplementary information is an integral part of this schedule

City of Bishop
Note to Required Supplementary Information
June 30, 2014

Budgets and Budgetary Accounting

As required by the laws of the State of California, the City prepares and legally adopts a final balanced operating budget. Public hearings were conducted on the proposed final budget to review all appropriations and the sources of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in financing requirements.

Budgets for the general, special revenue, debt service and capital project funds are adopted on the modified accrual basis of accounting. The budgets for the general and special revenue funds are the only legally adopted budgets. Budgets for the debt service, capital project funds and proprietary funds are used for management and control purposes only.

At the fund level, actual expenditures cannot exceed budgeted appropriations. In order to accommodate operational changes that may result during the course of a budget year, management can modify in line items of a budget, not to exceed 20% of said line item, with the limitation that the overall departmental budget shall not be exceeded without Council approval.

The budgetary data presented in the accompanying financial statements includes all revisions approved by the City Council.

CITY OF BISHOP

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds	Capital Project Funds	Total
<u>Assets</u>			
Restricted cash and investments	\$ 107,136	\$ 8,103	\$ 115,239
Receivables	12,583		12,583
Due from other governments	17,703	128,485	146,188
Total Assets	\$ 137,422	\$ 136,588	\$ 274,010
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 6,148	\$ -	\$ 6,148
Accrued wages	6,728		6,728
Due to other funds	433	159,886	160,319
Deferred revenue		-	-
Total Liabilities	13,309	159,886	173,195
Deferred Inflows of Resources			
Unavailable revenue-capital grants		128,485	128,485
Total Deferred Inflows of Resources		128,485	128,485
Fund Balances			
Assigned	124,113	(151,783)	(27,670)
Total Fund Balance	124,113	(151,783)	(27,670)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 137,422	\$ 136,588	\$ 274,010

CITY OF BISHOP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014**

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	210,598	189,375	399,973
Fines, forfeitures and penalties	65,514		65,514
Total Revenues	<u>276,112</u>	<u>189,375</u>	<u>465,487</u>
Expenditures			
Current:			
Public ways and facilities/ transportation	140,996	-	140,996
Public safety	147,630		147,630
Capital outlay		190,079	190,079
Total Expenditures	<u>288,626</u>	<u>190,079</u>	<u>478,705</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(12,514)</u>	<u>(704)</u>	<u>(13,218)</u>
Fund Balances, July 1, 2013	144,152	(151,079)	(6,927)
Prior period adjustment	<u>(7,525)</u>		<u>(7,525)</u>
Fund Balances, June 30, 2014	<u>\$ 124,113</u>	<u>\$ (151,783)</u>	<u>\$ (27,670)</u>

CITY OF BISHOP

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2014

	Gas Tax	Traffic Safety	Public Safety	Asset Forfeiture	Totals
<u>Assets</u>					
Restricted cash and investments	\$ 5,930	\$ -	\$ 40,653	\$ 60,553	\$ 107,136
Receivables	12,583				12,583
Due from other governments			17,703		17,703
Total Assets	\$ 18,513	\$ -	\$ 58,356	\$ 60,553	\$ 137,422
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 3,971	\$ -	\$ 2,177	\$ -	\$ 6,148
Accrued wages			6,728		6,728
Due to other funds		433			433
Deferred Revenue					
Total Liabilities	3,971	433	8,905		13,309
Fund Balances					
Assigned	14,542	(433)	49,451	60,553	124,113
Total Fund Balance	14,542	(433)	49,451	60,553	124,113
Total Liabilities and Fund Balances	\$ 18,513	\$ -	\$ 58,356	\$ 60,553	\$ 137,422

CITY OF BISHOP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2014**

	Gas Tax	Traffic Safety	Public Safety	Asset Forfeiture	Totals
Revenues					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	124,102	8,250	78,246		210,598
Fines, forfeitures and penalties		1,851		63,663	65,514
Total Revenues	124,102	10,101	78,246	63,663	276,112
Expenditures					
Current:					
Public ways and facilities/ transportation	140,996				140,996
Public safety		14,280	130,240	3,110	147,630
Capital outlay					
Total Expenditures	140,996	14,280	130,240	3,110	288,626
Excess (Deficit) of Revenues Over Expenditures	(16,894)	(4,179)	(51,994)	60,553	(12,514)
Fund Balances, July 1, 2013	31,436	3,746	108,970		144,152
Prior Period Adjustment			(7,525)		(7,525)
Fund Balances, June 30, 2014	\$ 14,542	\$ (433)	\$ 49,451	\$ 60,553	\$ 124,113

CITY OF BISHOP

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2014

	Fed Grant Mac Iver Extension	Snedden Improvements	GIS	Warren Improvements	SEIBU School Bike Path	Valley Apts CDBG	Totals
<u>Assets</u>							
Restricted cash and investments	\$ 1,714	-	\$ 6,389	\$ -	\$ -	\$ -	\$ 8,103
Due from other governments		3,277		109,974	8,800	6,434	128,485
Total Assets	\$ 1,714	\$ 3,277	\$ 6,389	\$ 109,974	\$ 8,800	\$ 6,434	\$ 136,588
<u>Liabilities</u>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-						-
Due to other funds		4,695	15,145	110,621	22,991	6,434	159,886
Total Liabilities		4,695	15,145	110,621	22,991	6,434	159,886
Deferred Inflows of Resources							
Unavailable revenue-capital grants		3,277		109,974	8,800	6,434	128,485
Total Deferred Inflows of Resources		3,277		109,974	8,800	6,434	128,485
Fund Balances							
Assigned	1,714	(4,695)	(8,756)	(110,621)	(22,991)	(6,434)	(151,783)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,714	\$ 3,277	\$ 6,389	\$ 109,974	\$ 8,800	\$ 6,434	\$ 136,588

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended June 30, 2014

	Fed Grant Maciver Extension	Snedden Improvements	GIS	Warren Improvements	SEIBU School Bike Path	Valley Apts CDBG	Totals
Revenues							
Intergovernmental Contributions	\$ -	\$ 54,011	\$ 3,500	\$ 116,353	\$ 15,511	\$ -	\$ 189,375
Use of money and property							-
Total Revenues		54,011	3,500	116,353	15,511		189,375
Expenditures							
Current:							
Public ways and facilities/ Transportation		-					-
Capital outlay		305		173,864	9,476	6,434	190,079
Total Expenditures		305		173,864	9,476	6,434	190,079
Excess (Deficit) of Revenues Over Expenditures		53,706	3,500	(57,511)	6,035	(6,434)	(704)
Fund Balances, July 1, 2013	1,714	(58,401)	(12,256)	(53,110)	(29,026)		(151,079)
Fund Balances, June 30, 2014	\$ 1,714	\$ (4,695)	\$ (8,756)	\$ (110,621)	\$ (22,991)	\$ (6,434)	\$ (151,783)

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

To the City Council
City of Bishop, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Bishop as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Bishop basic financial statements and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

This report is intended solely for the information and use of management, the audit committee, City Council, the Inyo County Auditor Controller's Office, the California State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Larry Bain, CPA,
An Accounting Corporation
November 25, 2014