

CITY OF BISHOP
FINANCIAL STATEMENTS
JUNE 30, 2015

CITY OF BISHOP

Table of Contents

Independent Auditor’s Report.....	1
Management Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	11
Reconciliation of the Governmental Funds Balance Sheet to the	
Government-Wide Statement of Net Position – Governmental Activities.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes	
In Fund Balances of Governmental Funds to the Government-Wide	
Statement of Activities – Governmental Activities.....	14
Proprietary Funds:	
Statement of Net Position.....	15
Statement of Revenues, Expenses and Changes in Net Position.....	16
Statement of Cash Flows.....	17
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	18
Notes to the Financial Statements.....	19
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund.....	39
Measure A-Special Revenue Fund.....	41
Schedule of the Plan’s Proportionate Shares of the Net Pension Liability.....	42
Schedule of City Contributions.....	43
Note to the Required Supplementary Information.....	44
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	46
Nonmajor Special Revenue Funds	
Combining Balance Sheet.....	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	48
Nonmajor Capital Projects Funds	
Combining Balance Sheet.....	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	50
Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance With <i>Government</i>	
<i>Auditing Standards</i>	51

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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, 2015, 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, 2015, 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, the budgetary comparison for the General fund and Measure A on pages 39, 40 and 41 the City's Employees' Retirement System Schedule of the City's Proportionate Share of the Net Pension Liability and the Retirement System Schedule of the City's Contributions on pages 42 and 43,; 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 (GASB), 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.

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the City of Bishop implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year 2015.

Other Information

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2015 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.

{Signature on File}

Larry Bain, CPA,
An Accounting Corporation
December 28, 2015

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2015

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, 2015. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015

- As of June 30, 2015 the City's governmental funds reported combined fund balances of \$3,562,159 approximately 97% of the combined fund balances, \$3,468,944 is available to meet the City's current and future needs (unrestricted fund balance).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$3,121,563 or 49% of total general fund expenditures.
- In fiscal year 2014-15, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity:
 - Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27," and
 - Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68"

Statement No. 68 establishes standards of accounting and financial reporting for governments providing defined benefit pensions to recognize long-term obligation for pension benefits as a liability. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions.

The significant impact to the City of implementing Statement No. 68 is the reporting of the City's unfunded pension liability (the difference between plan assets and actuarial plan liabilities) on the City's government-wide financial statements. The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures equal to the amount of the City's actuarially determined contribution (formerly referred to as the "annual required contribution").

To implement GASB 68, a prior period adjustment was made to the City's July 1, 2014 net position decreased the City's net position by \$11,510,570. Please refer to note 13B for detail on the adjustment of net position.

The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could meet the required implementation date of plan fiscal years beginning after June 15, 2014. Activity (i.e., contributions made by the City) occurring during fiscal year 2014-15 are reported as deferred outflows of resources in accordance with Statement No. 71.

- The City entered into a loan agreement, incurring additional long term debt of \$445,220, proceeds of which were used to pay of the CalPERS side fund, resulting in an overall savings of approximately \$88,000.

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.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2015

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.

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.

City of Bishop
Required Supplementary Information
Management’s Discussion and Analysis (Unaudited)
June 30, 2015

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.

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, 2015 and June 30, 2014.

	Condensed Statement of Net Position					
	June 30, 2015			June 30, 2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current Assets and						
Deferred Outflows	\$ 7,759,645	\$ 2,696,104	\$ 10,455,749	\$ 6,430,943	\$ 2,341,926	\$ 8,772,869
Capital Assets	11,138,195	6,064,083	17,202,278	9,245,352	5,457,734	14,703,086
Total Assets	18,897,840	8,760,187	27,658,027	15,676,295	7,799,660	23,475,955
Liabilities and Deferred Inflows						
Current/non current	12,941,357	3,874,502	16,815,859	3,818,531	621,282	4,439,813
Net Position:						
Net investment in capital assets	11,138,195	5,768,616	16,906,811	9,190,620	5,130,365	14,320,985
Net position restricted		33,230	33,230		33,230	33,230
Unrestricted net position	(5,181,712)	(916,161)	(6,097,872)	2,667,144	2,014,783	4,681,928
Total Net Position	\$ 5,956,483	\$ 4,885,685	\$ 10,842,169	\$ 11,857,764	\$ 7,178,378	\$ 19,036,143

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Net Position decreased by \$8,185,996 over the prior year primarily due to the implementation of GASB 68. Government-wide net income was \$3,253,746 of which \$610,187 was from business-type activities and \$2,643,559 was from governmental activities. Prior period adjustments of -\$11,447,719 were recognized, with a negative \$11,510,470 resulting from the implementation of GASB 68 and a positive \$62,851 resulting from other governmental activities. As the above table indicates, total assets and deferred outflows increased \$4,182,072 from \$23,475,955 to \$27,658,027 during the fiscal year ended June 30, 2015. This is comprised of a net increase of \$2,499,192 in capital assets mostly funded by grant revenues and an increase in current and other assets totaling \$43,306 and an increase of \$1,639,574 deferred outflows for pensions.

With the implementation of GASB 68, total liabilities increased \$8,461,129 from \$4,439,813 to \$12,900,942 and deferred inflows of resources increase \$3,914,917.

Change in Net Position

The below statement of activities identify the various revenue and expense items which affect the change in net position, highlights of which were noted above.

	Fiscal Year Ended June 30, 2015			Fiscal Year Ended June 30, 2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues:						
Charges for services	\$ 702,167	\$ 2,274,021	\$ 2,976,188	\$ 833,860	\$ 2,500,224	\$ 3,334,084
Capital grants and contributions	2,179,125		2,179,125	1,056,011		1,056,011
Operating grants	404,310		404,310	131,842		131,842
General Revenue:						
Property taxes and assessments	1,123,999		1,123,999	1,072,872		1,072,872
Sales and use tax	1,927,611		1,927,611	2,039,388		2,039,388
Other revenue	2,627,360		2,627,360	2,552,227	23,260	2,575,487
Interest and investment income	86,035	5,259	91,294	83,747	5,337	89,084
Total Revenue	9,050,607	2,279,280	11,329,887	7,769,947	2,528,821	10,298,768
Expenses:						
Governmental activities:						
General government	1,080,096		1,080,096	1,630,025		1,630,025
Public safety	3,415,874		3,415,874	3,705,412		3,705,412
Public works	980,556		980,556	1,164,246		1,164,246
Community services/recreation	930,075		930,075	564,426		564,426
Interest on long-term debt	447		447	-		-
Business-type activities						
Water		814,356	814,356		855,086	855,086
Sewer		695,062	695,062		815,302	815,302
Mobile home park		149,644	149,644		207,757	207,757
Interest on long-term debt		10,031	10,031	3,110	11,043	14,153
Total Expense	6,407,048	1,669,094	8,076,142	7,067,219	1,889,189	8,956,408
Change in net position	\$ 2,643,559	\$ 610,187	\$ 3,253,746	\$ 702,728	\$ 639,633	\$ 1,342,361
Net position - beginning	11,857,764	7,178,378	19,036,142	11,046,400	6,588,954	17,635,354
Prior period adjustment	(8,544,839)	(2,902,880)	(11,447,719)	108,636	-	108,636
Net position - ending	\$ 5,956,484	\$ 4,885,685	\$ 10,842,169	\$ 11,857,764	\$ 7,228,587	\$ 19,086,351

**City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2015**

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.

At June 30, 2015, the City's governmental funds (general, special revenue, debt service, and capital projects) reported combined fund balances of \$3,562,159, a 21% increase over the prior year.

Of the combined fund balances, \$3,121,563 (87%) 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, 2015, the City's proprietary funds reported a combined ending net position of \$4,887,925, a 32% net decrease over the prior year, comprised of a \$612,427 net increase in operational activity and the prior period adjustment decrease of \$2,902,880 for the GASB 68 implementation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

As of June 30, 2015 the City's investment in capital assets totaled \$17,202,278 net of accumulated depreciation.

**CAPITAL ASSETS
(net of accumulated depreciation)**

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Land	\$ 341,105	\$ 341,105	\$ 481,056	\$ 481,056	\$ 822,161	\$ 822,161
Construction in progress	2,749,947	1,003,779	681,861	1,147,994	3,431,808	2,151,773
Buildings and improvements	599,333	681,575	57,979	63,497	657,312	745,072
Site improvements	76,707	116,180	-	-	76,707	116,180
Equipment	170,678	207,801	877,008	148,356	1,047,686	356,157
Infrastructure	7,200,425	6,894,912	3,966,179	3,616,831	11,166,604	10,511,743
Total	\$ 11,138,195	\$ 9,245,352	6,064,083	5,457,734	\$ 17,202,278	\$ 14,703,086

Additional detail is presented in Note 3 of the financial statements.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2015

LONG-TERM DEBT

As of June 30, 2015, the City had \$249,323 in outstanding governmental-type long-term debt and \$482,459 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 or \$86,634, and increased \$436,315 in new debt incurred for the payoff of the CalPERS side fund. Other outstanding debt includes a note payable, proceeds of which were used for water infrastructure improvements with a balance of \$295,467.

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 Warren Street Improvements Projects are scheduled for completion in FY 2015-16.

For fiscal year 2015-2016, the City Council approved a total budget of \$9 million. This includes both operating and non-operating funds. The General Fund budget is \$6.3 million, Enterprise Funds budgets total \$2.5 million, and Special Revenue and Capital Funds make up the remaining \$200,000.

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, 2015**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 2,101,490	\$ 2,105,740	\$ 4,207,230
Accounts receivables	852,023	18,864	870,887
Due from other governments	623,801		623,801
Interest receivable	575,931	-	575,931
Prepaid expenses	92,575		92,575
Deposits	17,189	13,750	30,939
Restricted cash and investments	161,682	33,230	194,912
Total Current Assets	<u>4,424,691</u>	<u>2,171,584</u>	<u>6,596,275</u>
Non Current Assets			
Loans receivable	2,219,900		2,219,900
Capital assets:			
Land	341,105	481,056	822,161
Construction in Progress	2,749,947	681,861	3,431,808
Buildings	4,632,028	562,574	5,194,602
Site improvements	622,545		622,545
Equipment	3,184,824	1,619,335	4,804,159
Infrastructure	8,797,045	10,820,936	19,617,981
Less: accumulated depreciation	<u>(9,189,299)</u>	<u>(8,101,679)</u>	<u>(17,290,978)</u>
Total Capital Assets	<u>11,138,195</u>	<u>6,064,083</u>	<u>17,202,278</u>
Total Non Current Assets	<u>13,358,095</u>	<u>6,064,083</u>	<u>19,422,178</u>
Total Assets	<u>17,782,786</u>	<u>8,235,667</u>	<u>26,018,453</u>
Deferred Outflows of Resources			
Deferred outflows-pensions	1,115,054	524,520	1,639,574
Total Deferred Outflows of Resources	<u>\$ 1,115,054</u>	<u>\$ 524,520</u>	<u>\$ 1,639,574</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 113,389	\$ 9,510	\$ 122,899
Retro insurance liability	58,409		58,409
Accrued salary and benefits payable	34,780	438	35,218
Due to others	-		-
Accrued interest payable	-	2,385	2,385
Due within one year	226,763	112,932	339,695
Total Current Liabilities	<u>433,341</u>	<u>125,265</u>	<u>558,606</u>
Liabilities-due in more than one year:			
Customer deposits		23,553	23,553
Compensated absences	143,836	22,338	166,174
Net pension liability	7,547,116	2,719,146	10,266,262
OPEB liability	1,033,285	224,875	1,258,160
County loan	203,168	162,472	365,640
Note payable		262,547	262,547
Total Liabilities Due In More Than One Year	<u>8,927,405</u>	<u>3,414,931</u>	<u>12,342,336</u>
Total Liabilities	<u>9,360,746</u>	<u>3,540,196</u>	<u>12,900,942</u>
Deferred Inflows of Resources			
Deferred revenue-unearned	52,700		52,700
Deferred revenue-unavailable	2,219,900		2,219,900
Deferred inflows-pensions	1,308,011	334,306	1,642,317
Total Deferred Inflows of Resources	<u>3,580,611</u>	<u>334,306</u>	<u>3,914,917</u>
Net Position			
Net investment in capital assets	11,138,195	5,768,616	16,906,811
Restricted for capital replacement		33,230	33,230
Unrestricted	<u>(5,181,712)</u>	<u>(916,161)</u>	<u>(6,097,873)</u>
Total Net Position	<u>\$ 5,956,483</u>	<u>\$ 4,885,685</u>	<u>\$ 10,842,168</u>

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$1,080,096	\$ 267,956	\$ -	\$ 14,740	\$ (797,400)	\$ -	\$ (797,400)
Public safety	3,415,874	172,424	-	234,525	(3,008,925)	-	(3,008,925)
Public works	980,556	159,300	2,179,125	20,000	1,377,869	-	1,377,869
Community services/recreation	930,075	102,487	-	135,045	(692,543)	-	(692,543)
Interest on long-term debt	447	-	-	-	(447)	-	(447)
Total Governmental Activities	6,407,048	702,167	2,179,125	404,310	(3,121,446)	-	(3,121,446)
Business-type Activities:							
Water	814,356	1,164,547	-	-	-	350,191	350,191
Sewer	695,062	999,852	-	-	-	304,790	304,790
Mobile home park	149,644	109,622	-	-	-	(40,022)	(40,022)
Interest on long-term debt	10,031	-	-	-	-	(10,031)	(10,031)
Total Business-type Activities	1,669,093	2,274,021	-	-	-	604,928	604,928
Total Government	\$8,076,141	\$ 2,976,188	\$ 2,179,125	\$ 404,310	(3,121,446)	604,928	(2,516,518)
General Revenues:							
Taxes:							
Property taxes					1,123,999		1,123,999
Sales and use tax					1,927,611		1,927,611
Transient occupancy tax					2,087,919		2,087,919
Franchise tax					59,492		59,492
Motor vehicle in lieu tax					290,255		290,255
Other taxes					189,694		189,694
Transfers							
Investment income					86,034	5,259	91,293
Total general revenues					5,765,004	5,259	5,770,263
Change in net position					2,643,558	610,187	3,253,745
Net position - beginning					11,857,764	7,178,378	19,036,142
Prior period adjustment					(8,544,839)	(2,902,880)	(11,447,719)
Net position - ending					\$ 5,956,483	\$ 4,885,685	\$ 10,842,168

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General	Special Revenue Fund		Capital	Debt Service	Other	Total Governmental Funds
		Home Fund	Measure A	Project Fund	Fund	Nonmajor Funds	
		Willow Street		Warren Improvements	Debt Service		
<u>Assets</u>							
Cash and investments	\$1,998,275	\$ -	\$ 103,215	\$ -	\$ -	\$ -	\$ 2,101,490
Restricted cash and investments						161,682	161,682
Receivables							
Accounts	835,086					16,937	852,023
Due from other governments	-		133,774	435,851		54,176	623,801
Interest	-	575,931					575,931
Prepaid expense	92,575						92,575
Due from other funds	530,699						530,699
Deposits	17,189						17,189
Loans/notes receivable	-	2,219,900					2,219,900
Advances to other funds	-						-
Total Assets	<u>\$3,473,824</u>	<u>\$ 2,795,831</u>	<u>\$ 236,989</u>	<u>\$ 435,851</u>	<u>\$ -</u>	<u>\$ 232,795</u>	<u>\$ 7,175,290</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>							
<u>Liabilities</u>							
Accounts payable	\$ 110,290	\$ -	\$ 842	\$ 1,261	\$ -	\$ 998	\$ 113,391
Retro insurance liability	58,409						58,409
Accrued salary and benefits payable	34,102		(4,444)			5,122	34,780
Due to other funds			-	454,650		76,049	530,699
Total Liabilities	<u>202,801</u>		<u>(3,602)</u>	<u>455,911</u>		<u>82,169</u>	<u>737,279</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue-charges for services	56,245						56,245
Unavailable revenue-capital grants						23,776	23,776
Unavailable revenue-loans receivable		2,795,831					2,795,831
Total Deferred Inflows of Resources	<u>56,245</u>	<u>2,795,831</u>				<u>23,776</u>	<u>2,875,852</u>
<u>Fund Balances</u>							
Restricted for petty cash	640						640
Nonspendable	92,575						92,575
Assigned for special revenue funds			240,591			179,051	419,642
Assigned for capital projects funds				(20,060)		(52,201)	(72,261)
Assigned for general fund							
Unassigned	3,121,563						3,121,563
Total Fund Balances	<u>3,214,778</u>		<u>\$ 240,591</u>	<u>(20,060)</u>		<u>126,850</u>	<u>3,562,159</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$3,473,824</u>	<u>\$ 2,795,831</u>	<u>\$ 236,989</u>	<u>\$ 435,851</u>	<u>\$ -</u>	<u>\$ 232,795</u>	<u>\$ 7,175,290</u>

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund Balances of Governmental Funds	\$ 3,562,159
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.	11,138,195
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.	603,252
Certain amounts have been recorded as pension liability, deferred outflows and deferred inflows of resources that are not due and payable and not reported in the funds.	(7,740,073)
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>(1,607,050)</u>
Net position of governmental activities	\$ <u><u>5,956,483</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	Special Revenue Fund		Capital Project	Debt Service	Other	Total
		Home Funds		Fund	Fund	Nonmajor	Governmental
		Willow Street	Measure A	Warren Improvements	Debt Service	Funds	Funds
Revenues							
Taxes	\$5,009,408	\$ -	\$ 645,484	\$ -	\$ -	\$ -	\$ 5,654,892
Licenses and permits	162,116						162,116
Intergovernmental	207,225		-	2,229,758		592,332	3,029,315
Fines, forfeitures and penalties	7,427					232	7,659
Charges for current services	131,610						131,610
Use of money and property	122,124						122,124
Other	198,938						198,938
Total Revenues	5,838,848	-	645,484	2,229,758	-	592,564	9,306,654
Expenditures							
Current:							
General government	1,068,324		-				1,068,324
Public ways and facilities/ transportation	703,552					84,267	787,819
Public safety	3,617,347					79,738	3,697,085
Community development	931,448					5,088	936,536
Capital Outlay	101,452		-	2,139,197		170,302	2,410,951
Debt service							
Principal					54,733		54,733
Interest					2,684		2,684
Total Expenditures	6,422,123	-	-	2,139,197	57,417	339,395	8,958,132
Excess (Deficit) of Revenues over Expenditures before other financing Sources and (Uses)	(583,275)	-	645,484	90,561	(57,417)	253,169	348,522
Other Financing Sources (Uses)							
Proceeds of side fund payoff loan	249,323						249,323
Operating transfers in	555,518				57,417		612,935
Operating transfers out	(57,417)		(555,518)				(612,935)
Total Other Financing Sources (Uses)	747,424	-	(555,518)	-	57,417	-	249,323
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	164,149		89,966	90,561		253,169	597,845
Special Item-Litigation Expense	(38,000)						(38,000)
Net Change in Fund Balances	126,149	-	89,966	90,561	-	253,169	559,845
Fund Balances, July 1, 2014	3,030,795		150,625	(110,621)		(131,336)	2,939,463
Prior period adjustment	57,834					5,017	62,851
Fund Balances, June 30, 2015	\$3,214,778	\$ -	\$ 240,591	\$ (20,060)	\$ -	\$ 126,850	\$ 3,562,159

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ 559,845
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	2,410,951
Depreciation expense	(518,108)
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.	54,733
Proceeds of long-term debt principal is an other financing source in the governmental funds, but the principal portion is recorded as long-term liabilities in the Statement of Net Position.	(249,324)
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.	2,236
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.	(256,047)
Changes in 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.	867,618
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.	(236,135)
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>7,789</u>
Change in net position of governmental activities	<u>\$ 2,643,558</u>

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Water	Sewer	Mobile Home Park	Totals
Current assets:				
Cash and investments	\$ 1,009,225	\$ 1,057,134	\$ 39,381	\$ 2,105,740
Restricted cash and investments			33,230	33,230
Receivables				
Accounts	6,828	7,829	4,207	18,864
Interest	-	-	-	-
Deposits	7,500	6,250		13,750
Total current assets	<u>1,023,553</u>	<u>1,071,213</u>	<u>76,818</u>	<u>2,171,584</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,882	324,850	481,056
Construction in progress	15,510	666,351		681,861
Depreciable capital assets				
Building	64,759	94,877	402,938	562,574
Site improvements				-
Equipment	999,468	619,867		1,619,335
Infrastructure	6,965,524	3,855,412		10,820,936
Less accumulated depreciation	(4,059,772)	(3,671,094)	(370,813)	(8,101,679)
Total capital assets (net of accumulated depreciation)	<u>4,052,813</u>	<u>1,654,295</u>	<u>356,975</u>	<u>6,064,083</u>
Total Assets	<u>5,076,366</u>	<u>2,725,508</u>	<u>433,793</u>	<u>8,235,667</u>
Deferred Outflows of Resources				
Deferred outflows-pensions	262,260	262,260		524,520
Total Deferred Outflows of Resources	<u>262,260</u>	<u>262,260</u>		<u>524,520</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,338,626</u>	<u>\$ 2,987,768</u>	<u>\$ 433,793</u>	<u>\$ 8,760,187</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 5,901	\$ 4,350	\$ (741)	\$ 9,510
Accrued payroll			438	438
Interest payable	2,385			2,385
Compensated absences	23,294	23,294		46,588
County loan	16,712	16,712		33,424
Note payable	32,920			32,920
Total current liabilities	<u>81,212</u>	<u>44,356</u>	<u>(303)</u>	<u>125,265</u>
Noncurrent liabilities:				
Customer deposits	7,727	6,625	9,201	23,553
Compensated absences	10,860	11,478		22,338
Net pension liability	1,358,819	1,358,618	1,709	2,719,146
OPEB liability	111,354	109,869	3,652	224,875
County loan	76,784	76,784	8,904	162,472
Note payable	262,547			262,547
Total noncurrent liabilities	<u>1,828,091</u>	<u>1,563,374</u>	<u>23,466</u>	<u>3,414,931</u>
Total Liabilities	<u>1,909,303</u>	<u>1,607,730</u>	<u>23,163</u>	<u>3,540,196</u>
Deferred Inflows of Resources				
Deferred inflows-pensions	167,153	167,153		334,306
Total Deferred Inflows of Resources	<u>167,153</u>	<u>167,153</u>	<u>-</u>	<u>334,306</u>
Net Position:				
Net investment in capital assets	3,757,346	1,654,295	356,975	5,768,616
Restricted			33,230	33,230
Unreserved	(495,176)	(441,410)	20,425	(916,161)
Total Net Position	<u>3,262,170</u>	<u>1,212,885</u>	<u>410,630</u>	<u>4,885,685</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 5,338,626</u>	<u>\$ 2,987,768</u>	<u>\$ 433,793</u>	<u>\$ 8,760,187</u>

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,150,685	\$ 992,032	\$ -	\$ 2,142,717
Rent			80,042	80,042
Utility reimbursement			29,580	29,580
Other income	13,862	7,820	-	21,682
Total Operating Revenues	<u>1,164,547</u>	<u>999,852</u>	<u>109,622</u>	<u>2,274,021</u>
Operating Expenses				
Salaries and benefits	441,540	424,233	79,653	945,426
Services and supplies	216,734	197,826	67,807	482,367
Depreciation expense	156,082	73,003	2,184	231,269
Total Operating Expenses	<u>814,356</u>	<u>695,062</u>	<u>149,644</u>	<u>1,659,062</u>
Operating Income (Loss)	<u>350,191</u>	<u>304,790</u>	<u>(40,022)</u>	<u>614,959</u>
Non-Operating Revenues (Expenses)				
Interest income	2,679	2,407	173	5,259
Interest expense	(10,031)			(10,031)
Total Non-Operating Revenues (Expenses)	<u>(7,352)</u>	<u>2,407</u>	<u>173</u>	<u>(4,772)</u>
Net Income (Loss)	342,839	307,197	(39,849)	610,187
Net Position, July 1, 2014	<u>4,370,771</u>	<u>2,357,128</u>	<u>450,479</u>	<u>7,178,378</u>
Prior Period Adjustment	<u>(1,451,440)</u>	<u>(1,451,440)</u>		<u>(2,902,880)</u>
Net Position, June 30, 2015	<u>\$ 3,262,170</u>	<u>\$ 1,212,885</u>	<u>\$ 410,630</u>	<u>\$ 4,885,685</u>

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2015**

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,171,381	\$ 1,005,771	\$ 109,617	\$ 2,286,769
Cash payments to suppliers	(224,588)	(212,877)	(69,619)	(507,084)
Cash payments to employees	(605,605)	(588,419)	(76,294)	(1,270,318)
Net Cash Provided By (Used For) Operating Activities	<u>341,188</u>	<u>204,475</u>	<u>(36,296)</u>	<u>509,367</u>
Cash Flows from Noncapital Financing Activities				
Proceeds of County Loan	93,496	93,496	8,904	195,896
Net Cash Provided By Noncapital Financing Activities	<u>93,496</u>	<u>93,496</u>	<u>8,904</u>	<u>195,896</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(577,326)	(260,292)		(837,618)
Reductions of debt	(31,902)			(31,902)
Interest expense	(10,289)			(10,289)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(619,517)</u>	<u>(260,292)</u>	<u>-</u>	<u>(879,809)</u>
Cash Flows from Investing Activities:				
Interest income	2,679	2,407	173	5,259
Net Cash Provided By Investing Activities	<u>2,679</u>	<u>2,407</u>	<u>173</u>	<u>5,259</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(182,154)	40,086	(27,219)	(169,287)
Cash and Cash Equivalents, June 30, 2014	<u>1,191,379</u>	<u>1,017,048</u>	<u>99,830</u>	<u>2,308,257</u>
Cash and Cash Equivalents, June 30, 2015	<u>\$ 1,009,225</u>	<u>\$ 1,057,134</u>	<u>\$ 72,611</u>	<u>\$ 2,138,970</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,009,225	\$ 1,057,134	\$ 39,381	\$ 2,105,740
Restricted cash and investments			33,230	33,230
Total Cash and Cash Equivalents	<u>\$ 1,009,225</u>	<u>\$ 1,057,134</u>	<u>\$ 72,611</u>	<u>\$ 2,138,970</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 350,191	\$ 304,790	\$ (40,022)	\$ 614,959
Adjustments to operating income:				
Depreciation	156,082	73,003	2,184	231,269
(Increase) decrease in accounts receivable	8,036	6,774	(5)	14,805
(Increase) decrease in deposits	(7,500)	(6,250)		(13,750)
Increase (decrease) in accounts payable	(7,854)	(15,051)	(1,812)	(24,717)
Increase (decrease) in accrued payroll			2,147	2,147
Increase (decrease) in customer deposits	6,298	5,395	-	11,693
Increase in OPEB liability	24,345	23,879	1,212	49,436
Increase (decrease) pension adjustments	(187,728)	(187,929)		(375,657)
Increase (decrease) in compensated absences	(682)	(136)		(818)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 341,188</u>	<u>\$ 204,475</u>	<u>\$ (36,296)</u>	<u>\$ 509,367</u>

The notes to the financial statements are an integral part of this statement

CITY OF BISHOP

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-AGENCY FUNDS
FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds				Totals
	Bond & Trust	Canine Donations	PARS Trust Fund	OPEB Trust Fund	
<u>Assets</u>					
Cash and investments	\$ (35,870)	\$ 10,070	\$ 2,753,874	\$ 1,850,903	\$ 4,578,977
Due from others	87,143	-	-	-	87,143
Total Assets	\$ 51,273	\$ 10,070	\$ 2,753,874	\$ 1,850,903	\$ 4,666,120
<u>Liabilities</u>					
Due to others	\$ 51,273	\$ 10,070	\$ -	\$ -	\$ 61,343
Total Liabilities	51,273	10,070	-	-	61,343
<u>Net Position</u>					
Held in trust for benefits	-	-	2,753,874	1,850,903	4,604,777
Total Net Position	\$ -	\$ -	\$ 2,753,874	\$ 1,850,903	\$ 4,604,777

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

<u>Additions:</u>					
Employer contributions			\$ 238,126	\$ 251,001	\$ 489,127
Total contributions			238,126	251,001	489,127
<u>Investment income (loss):</u>					
Net adjustment to fair value of investments			30,860	(1,259)	29,601
Distributions			(237,726)		(237,726)
Total Additions (Deductions)			(206,866)	(1,259)	(208,125)
Change in plan net assets			31,260	249,742	281,002
<u>Net Position:</u>					
Held in trust for OPEB benefits:					
Beginning of year			2,722,614	1,601,161	\$ 4,323,775
End of year			\$ 2,753,874	\$ 1,850,903	\$ 4,604,777

The notes to the financial statements are an integral part of this statement

City of Bishop
Notes to Financial Statements
June 30, 2015

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.

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.

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies

B. Basis of Accounting (Continued)

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.

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 Warren Improvements Capital Project Fund- was established to account for grant funding used for improvements on Warren Street.

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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 and fiduciary assets held in trust for post-retirement health benefits.

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.

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

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

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 \$2,875,852, 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. \$603,252 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, 2015, 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.

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 Project 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.

O. Pensions

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

City of Bishop
Notes to Financial Statements
June 30, 2015

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 established in the Water, Sewer and Sunrise Mobile Home Park funds.

Cash and investments at June 30, 2015, consisted of the following:

Cash and investments	\$	4,207,230
Restricted cash and investments		194,912
		4,402,142
Cash and investments, statement of net position		(25,800)
		\$ 4,376,342
Checking account	\$	843,447
Imprest cash		840
Local agency investment fund		3,532,055
		\$ 4,376,342

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.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
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

**City of Bishop
Notes to Financial Statements
June 30, 2015**

Note 2: Cash and Investments (Continued)

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:

Investment Type	Totals	Remaining Maturity (in Months)	
		12 Months or Less	13-48 Months
State Investment Pool*	\$ 3,532,055	\$ 3,532,055	\$ -
Totals	\$ 3,532,055	\$ 3,532,055	\$ -

*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.

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, 2015, the City's deposits balance was \$1,153,967 and the carrying amount was \$843,448. 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

LAIF 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 \$69.67 billion. Of the \$69.67 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.08% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. 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.

City of Bishop
Notes to Financial Statements
June 30, 2015

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, 2015 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.

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, 2014 through July 1, 2017. 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.

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 4: Liability, Insured Programs and Workers Compensation Protection (Continued)

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.

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Retirements/ Adjustments	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 341,105	\$ -	\$ -	\$ 341,105
Construction in progress	1,003,779	2,237,318	(491,150)	2,749,947
Capital assets, being depreciated:				
Buildings and improvements	4,621,187	10,841	-	4,632,028
Site improvements	622,545		-	622,545
Equipment	3,185,040	105,074	(105,290)	3,184,824
Infrastructure	8,248,177	548,868	-	8,797,045
Total capital assets, being depreciated	16,676,949	664,783	(105,290)	17,236,442
Less accumulated depreciation for:				
Buildings and improvements	(3,939,612)	(93,083)		(4,032,695)
Site Improvements	(506,365)	(39,473)		(545,838)
Equipment	(2,977,239)	(142,197)	105,290	(3,014,146)
Infrastructure	(1,353,265)	(243,355)		(1,596,620)
Total accumulated depreciation	(8,776,481)	(518,108)	105,290	(9,189,299)
Total capital assets, being depreciated.	7,900,468	146,675		8,047,143
Governmental activities capital assets, net	<u>\$ 9,245,352</u>	<u>\$ 2,383,993</u>	<u>\$ (491,150)</u>	<u>\$ 11,138,195</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 481,056	\$ -	\$ -	\$ 481,056
Construction in progress	1,147,994	172,058	(638,191)	681,861
Capital assets, being depreciated:				
Buildings and improvements	562,574	-		562,574
Equipment	813,158	806,177	-	1,619,335
Infrastructure	10,323,362	552,139	(54,565)	10,820,936
Total capital assets, being depreciated	11,699,094	1,358,316	(54,565)	13,002,845
Less accumulated depreciation:	(7,870,410)	(231,269)		(8,101,679)
Total capital assets, being depreciated.	3,828,684	1,358,316	(54,565)	4,901,166
Business- type activities capital assets, net	<u>\$ 5,457,734</u>	<u>\$ 1,530,374</u>	<u>\$ (692,756)</u>	<u>\$ 6,064,083</u>

City of Bishop
Notes to Financial Statements
June 30, 2015

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	265,560
Parks	76,840
Total	<u>\$ 518,108</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, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 332,233	\$ 353,424	\$ (361,214)	\$ 324,443	\$ 180,607
OPEB liability (Note 10)	797,150	236,135		1,033,285	-
Net pension liability (Note 9)		7,547,116	-	7,547,116	
County loan-side fund payoff		249,323		249,323	46,156
Capital lease	54,732	-	(54,732)	-	-
Total	<u>\$ 1,184,115</u>	<u>\$ 8,385,998</u>	<u>\$ (415,946)</u>	<u>\$ 9,154,167</u>	<u>\$ 226,763</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. This lease was paid off during the 2014/15 fiscal year.

**City of Bishop
Notes to Financial Statements
June 30, 2015**

Note 7: Long-term Liabilities (Continued)

County Loan-Side Fund Payoff

During the 2014/15 fiscal year Inyo County loaned the City \$445,220 for a term of 60 months at 1.24% interest. The funds were used to pay-off the CalPERS miscellaneous plan side fund which the City was paying 7.5% interest. The loan agreement calls for 60 monthly payments of \$7,656.57.

Business-Type Activities:

A summary of the changes in the City's long-term business-type liabilities reported in the proprietary funds statement of net position and the business-type activities column of the government-wide financial statements for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 69,744	\$ 92,358	\$ (93,176)	\$ 68,926	\$ 46,588
OPEB liability (Note 10)	175,437	51,877	(2,439)	224,875	-
Net pension liability (Note 9)		2,719,396	-	2,719,396	
County loan-side fund payoff		186,992	-	186,992	33,424
Note payable	327,369	-	(31,902)	295,467	32,920
Total	<u>\$ 572,550</u>	<u>\$ 3,050,623</u>	<u>\$ (127,517)</u>	<u>\$ 3,495,656</u>	<u>\$ 112,932</u>

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, 2015, are as follows:

Business Type

DWR Loan

Fiscal Year Ended June 30,	Principal	Interest	Total
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	37,419	4,773	42,192
2020-2022	119,742	6,834	126,576
Totals	<u>\$ 295,467</u>	<u>\$ 42,066</u>	<u>\$ 337,533</u>

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:

**City of Bishop
Notes to Financial Statements
June 30, 2015**

Note 8: Fund Balances – Governmental Funds (Continued)

	General Fund	Measure A	Home Fund Willow Street	Warren Street	Non-Major Special Revenue	Non-Major Capital Project
Restricted for:						
Petty cash	\$ 640	\$ -	\$ -	\$ -	\$ -	\$ -
Total restricted	640					
Nonspendable						
Prepaid expense	92,575					
Total nonspendable	92,575					
Committed						
Assigned to:						
Special Revenue Funds		240,591			179,051	
Capital Project Funds				(20,060)		(52,201)
Total assigned		240,591		(20,060)	179,051	(52,201)
Unassigned	3,121,563					
Total fund balance	\$ 3,214,778	\$ 240,591	\$ -	\$ (20,060)	\$ 179,051	\$ (52,201)

Note 9: Defined Benefit Pension Cost-Sharing Employer Plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Tier 1	Miscellaneous Tier 2	PEPRA Miscellaneous Plan
	Prior to January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	56-60	57-62
Monthly benefits, as a % of eligible	1.5% to 2%	1.5% to 2%	1% to 2%
Required employee contribution rates	7%	7.00%	6.25%
Required employer contribution rates	21.993%	6.70%	6.25%

**City of Bishop
Notes to Financial Statements
June 30, 2015**

Note 9: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

A. *General Information about the Pension Plans*
(Continued)

	Safety Tier 1	Safety Tier 2
	Prior to January 1, 2013	Prior to January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	45-50	52-57
Monthly benefits, as a % of eligible	2.5% to 3%	2.2% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	35.01%	9.20%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2014, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	\$	746,514
Contributions-employee (paid by employer)	\$	196,931

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability
Miscellaneous Tier 1 Plan	\$ 3,660,192
Miscellaneous Tier 2 Plan	\$ 8,532
Miscellaneous PARS Enhancement	* \$ 2,805,983
PEPRA Miscellaneous Plan	\$ 45
Safety Tier 1 Plan	\$ 3,788,791
Safety Tier 2	\$ 2,969
* Single Employer Plan	

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 9: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The City's proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Plans	Safety Plans
Proportion - June 30, 2013	0.14379%	0.10402%
Proportion - June 30, 2014	0.14845%	0.10109%
Change - Increase (Decrease)	0.00466%	-0.00293%

For the year ended June 30, 2015, the City recognized pension expense of (\$1,241,314). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	-	(1,620,145)
Adjustments for differences in proportions		
City contributions subsequent to valuation date and proportionate share of contributions	54,577 161,593	(22,172)
City contributions subsequent to the measurement date	1,423,404	-
Total	\$ 1,639,574	\$ (1,642,317)

\$1,423,404 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period		
Ended June 30:		
2016	\$	464,334
2017		467,934
2018		493,879
2019		-
2020		-
Thereafter		-

**City of Bishop
Notes to Financial Statements
June 30, 2015**

Note 9: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2%
Investment Rate of Return	7.50%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each cost-sharing multiple employer Plan and 5.5% for the Miscellaneous PARS enhancement Single Employer Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current cost sharing 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 9: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.5	5.13
Infrastructure and Forestland	3.0	4.5	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate -1%</u> <u>(6.5%)</u>	<u>Current Discount</u> <u>Rate (7.50%)</u>	<u>Discount Rate +1%</u> <u>(8.50%)</u>
Miscellaneous Tier 1	\$ 6,058,560	\$ 3,660,192	\$ 1,669,774
Miscellaneous Tier 2	15,201	8,532	2,997
Miscellaneous PEPRA	81	45	16
Miscellaneous PARS Enhancement	*	*	*
Safety Tier 1	6,450,193	3,788,791	1,595,911
Safety Tier 2	5,110	2,969	1,206

* Information will be included in subsequent years

Note 10: Post Retirement Healthcare Benefits

The City Council 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 2014/2015 fiscal year was \$389,682. As of June 30, 2015, 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, 2015**

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 2014-2015 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, 2015 the City contributed \$251,002 towards the unfunded actuarial accrued liability (UAAL). Because of budget constraints the City opted not to fully fund the ARC during the 2014/15 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, 2015 directly to health insurance providers totalling \$389,682 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	\$ (250,719)
Unreimbursed retiree premiums paid to plan providers	(390,711)
Increase (decrease) in net OPEB obligation	(641,430)
Net OPEB obligation - beginning of year	973,139
Annual Required Contribution (ARC).	927,000
Net OPEB obligation - end of year	<u>\$ 1,258,709</u>

**City of Bishop
Notes to Financial Statements
June 30, 2015**

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, 2013	\$ 920,000	70%	\$ (700,262)
June 30, 2014	887,000	69%	(973,139)
June 30, 2015	927,000	69%	(1,258,709)

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, 2015, the City’s annual required contributions were underfunded by \$1,258,709.

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 City 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, 2015

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, 2015 are summarized as follows:

Fund Type	Due To Other Funds	Due From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ -	\$ 530,699	\$ 555,518	\$ 57,417
Special Revenue	5,114	-	-	555,518
Debt Service	-	-	57,417	-
Capital Projects	525,585	-	-	-
Enterprise	-	-	-	-
Total	\$ 530,699	\$ 530,699	\$ 612,935	\$ 612,935

Note 13: Stewardship, Compliance and Accountability

A. Deficit Fund Balances/Net Position

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.

The unreserved net position in the governmental activities and the water and sewer funds were deficit balances at June 30, 2015. The deficit was created as a result of GASB 68/71 implementation which required the City to record the net pension liability for the retirement plans. The deficits are expected to be eliminated as the City reduces the net pension liability.

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:

	Governmental Activities	Business-Type Activities
Net Position Reported as of June 30, 2014	\$ 11,857,764	\$ 7,178,378
Adjustments for:		
Adjust for GASB 68 implementation	(8,607,690)	(2,902,880)
Adjust for prior year accrued pay error	62,851	-
Total adjustment	(8,544,839)	(2,902,880)
Net Position, July 1, 2014 as restated	\$ 3,312,925	\$ 4,275,498

City of Bishop
Notes to Financial Statements
June 30, 2015

Note 13: Stewardship, Compliance and Accountability (Continued)

	General Fund	Public Safety Fund	Water Fund	Sewer Fund
Fund Balance/Net Position, June 30, 2014	\$ 3,030,795	\$ 49,451	\$ 4,370,771	\$ 2,357,128
Adjustments for:				
Adjust for GASB 68 implementation	-	-	(1,451,440.00)	(1,451,440.00)
Adjust for prior year accrued pay error	57,834	5,017		
Total adjustment	57,834	5,017	(1,451,440)	(1,451,440)
Fund Balance/Net Position, July 1, 2014 as restated	\$ 3,088,629	\$ 54,468	\$ 2,919,331	\$ 905,688

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 2014-2015 fiscal year the City collected \$2,118,133 in transient occupancy tax which accounted for 36% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Sales tax revenue was \$1,441,919 or 25% of general fund revenue for the 2014-2015 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
June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured	\$ 382,000	\$ 406,400	\$ 410,519	\$ 4,119
Property - unsecured	70,000	56,000	55,007	(993)
Prior year and other	4,000	5,000	9,895	4,895
Homeowners	3,000	1,000	3,094	2,094
VLF Swap/ property tax in lieu	280,000	289,595	290,255	660
Sales (including triple flip)	2,150,000	1,817,000	1,909,739	92,739
DWP water agreement	186,000	189,694	189,694	
Transient occupancy	1,830,000	2,095,000	2,118,133	23,133
Sales tax - public safety	17,000	20,000	17,872	(2,128)
Real property transfer	13,000	7,000	5,200	(1,800)
Total Taxes	<u>4,935,000</u>	<u>4,886,689</u>	<u>5,009,408</u>	<u>122,719</u>
Licenses and Permits				
Business licenses	50,000	48,625	50,354	1,729
Use permits	7,500	8,600	8,620	20
Building permits	50,000	43,000	43,650	650
Electrical permits				
Plumbing permits				
Electrical franchise	34,000	47,000	47,042	42
TV franchise	12,000	12,000	12,450	450
Total Licenses and Permits	<u>153,500</u>	<u>159,225</u>	<u>162,116</u>	<u>2,891</u>
Intergovernmental				
Off-highway motor vehicle fees	100			
Reimbursement - highway sweeping	20,000	20,000	20,000	
Reimbursement - fire district	41,800	128,670	124,842	(3,828)
Peace officers training	9,000	12,000	12,741	741
Dispatch contracts	18,000	1,200	1,200	
Mandated cost reimbursements		4,620	30,702	26,082
Grants	100,000		17,740	17,740
Total Intergovernmental	<u>188,900</u>	<u>166,490</u>	<u>207,225</u>	<u>40,735</u>
Fines, Forfeitures and Penalties				
Parking citations	10,000	6,000	7,427	1,427
Total Fines, Forfeitures and Penalties	<u>10,000</u>	<u>6,000</u>	<u>7,427</u>	<u>1,427</u>
Charges for Current Services				
Plan checking	7,500			
Fingerprinting and public safety	41,200	40,472	32,298	(8,174)
Parks and recreation	101,700	129,485	99,312	(30,173)
Total Charges for Current Services	<u>150,400</u>	<u>169,957</u>	<u>131,610</u>	<u>(38,347)</u>
Use of Money and Property				
Interest and investment income	10,000	4,400	4,603	203
Rent	115,000	118,500	117,521	(979)
Total Use of Money and Property	<u>125,000</u>	<u>122,900</u>	<u>122,124</u>	<u>(776)</u>
Other				
Insurance refunds, reimbursements and dividends	30,000	160,733	139,474	(21,259)
City cost plan		165,000		(165,000)
Miscellaneous - all others	38,450	19,151	59,464	40,313
Total Other	<u>68,450</u>	<u>344,884</u>	<u>198,938</u>	<u>(145,946)</u>
Total Revenues	<u>\$ 5,631,250</u>	<u>\$ 5,856,145</u>	<u>\$ 5,838,848</u>	<u>\$ (17,297)</u>

City of Bishop

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2015**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 5,631,250	\$ 5,856,145	\$ 5,838,848	\$ (17,297)
Expenditures				
General Government				
City council	146,200	148,401	123,373	25,028
Administration - clerk	321,600	437,861	394,533	43,328
Finance	189,500	251,807	202,149	49,658
City treasurer	1,915	1,845	1,844	1
City attorney	71,500	119,100	71,235	47,865
Insurance	330,400	281,570	250,196	31,374
Information technology		16,296	23,307	(7,011)
Elections	4,500	1,686	1,687	(1)
Total General Government	<u>1,065,615</u>	<u>1,258,566</u>	<u>1,068,324</u>	<u>190,242</u>
Public Ways and Facilities/Transportation				
Building and grounds	213,500	166,406	151,147	15,259
Building	126,895	117,067	136,385	(19,318)
Planning	284,560	166,602	162,718	3,884
Street maintenance	194,395	101,077	121,429	(20,352)
Street sweeping	96,300	89,447	87,573	1,874
Street lighting	43,000	46,000	44,300	1,700
Total Public Ways and Facilities/Transportatio	<u>958,650</u>	<u>686,599</u>	<u>703,552</u>	<u>(16,953)</u>
Public Safety				
Police	3,495,000	3,143,563	3,269,771	(126,208)
Fire	166,860	352,754	347,576	5,178
Emergency preparedness	3,300			
Total Public Safety	<u>3,665,160</u>	<u>3,496,317</u>	<u>3,617,347</u>	<u>(121,030)</u>
Community Development				
Parks and recreation	353,100	700,126	717,544	(17,418)
After school program		28,794	26,112	2,682
Community promotion	181,600	188,600	187,792	808
Civic arts commission				
Total Community Development	<u>534,700</u>	<u>917,520</u>	<u>931,448</u>	<u>(13,928)</u>
Capital Outlay				
Structures and improvements	26,000	10,841	24,148	(13,307)
Equipment	70,000	49,276	77,304	(28,028)
Total Capital Outlay	<u>96,000</u>	<u>60,117</u>	<u>101,452</u>	<u>(41,335)</u>
Total Expenditures	<u>6,320,125</u>	<u>6,419,119</u>	<u>6,422,123</u>	<u>(3,004)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(688,875)</u>	<u>(562,974)</u>	<u>(583,275)</u>	<u>(20,301)</u>
Other Financing Sources (Uses)				
Proceeds of side fund payoff loan			249,323	249,323
Operating transfers in		561,016	555,518	(5,498)
Operating transfers out	(57,418)	(57,418)	(57,417)	1
Total Other Financing Sources (Uses)	<u>(57,418)</u>	<u>503,598</u>	<u>747,424</u>	<u>243,826</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ (746,293)</u>	<u>\$ (59,376)</u>	<u>164,149</u>	<u>\$ 223,525</u>
Special Item-Litigation Expense			(38,000)	
Net Change In Fund Balances			<u>126,149</u>	
Fund Balances, July 1, 2014			3,030,795	
Prior Period Adjustment			57,834	
Fund Balances, June 30, 2015			<u>\$ 3,214,778</u>	

City of Bishop

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MEASURE A-SPECIAL REVENUE FUND
June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 610,000	\$ 580,000	\$ 645,484	\$ 65,484
Total Revenues	<u>610,000</u>	<u>580,000</u>	<u>645,484</u>	<u>65,484</u>
Other Financing Sources (Uses)				
Operating transfers out	<u>561,650</u>	<u>561,650</u>	<u>(555,518)</u>	<u>1,117,168</u>
Excess of Revenues over Other Financing Uses	<u>\$ 48,350</u>	<u>\$ 18,350</u>	89,966	<u>\$ (1,051,684)</u>
Fund Balances, July 1, 2014			<u>150,625</u>	
Fund Balances, June 30, 2015			<u>\$ 240,591</u>	

CITY OF BISHOP

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
JUNE 30, 2015**

<u>Actuarial Valuation Date</u>	<u>City's proportion of the net pension liability (asset)</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered-employee payroll</u>	<u>City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>CalPERS-Miscellaneous First Tier Plan</u>					
6/30/2014	0.05882%	\$3,660,192	\$1,523,447	240.26%	79.75%
<u>CalPERS-Miscellaneous Second Tier Plan</u>					
6/30/2014	0.00014%	\$8,532	\$191,543	4.45%	83.03%
<u>CalPERS-PEPRA Miscellaneous Plan</u>					
6/30/2014	0.00000%	\$45	\$30,529	0.15%	83.21%
<u>PARS Miscellaneous Single Employer Plan</u>					
6/30/2014 *	NA	\$2,805,983	\$1,542,000	181.97%	52.45%
<u>CalPERS-Safety First Tier Plan</u>					
6/30/2014	0.06089%	\$3,788,791	\$1,111,418	340.90%	80.93%
<u>CalPERS-Safety Second Tier Plan</u>					
6/30/2014	0.00005%	\$2,969	\$259,037	1.87%	81.42%

* Payroll is projected by actuary

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

CITY OF BISHOP

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
JUNE 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered-employee payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
<u>CalPERS-Miscellaneous First Tier Plan</u>					
6/30/2014	\$283,783	(\$283,783)	\$0	\$1,523,447	18.63%
<u>CalPERS-Miscellaneous Second Tier Plan</u>					
6/30/2014	\$17,435	(\$17,435)	\$0	\$191,543	9.10%
<u>CalPERS-PEPRA Miscellaneous Plan</u>					
6/30/2014	\$6,499	(\$6,499)	\$0	\$30,529	21.29%
<u>PARS Miscellaneous Single Employer Plan</u>					
6/30/2014 *	\$402,000	(\$238,126)	\$163,874	\$1,542,000	15.44%
<u>CalPERS-Safety First Tier Plan</u>					
6/30/2014	\$340,810	(\$340,810)	\$0	\$1,111,418	30.66%
<u>CalPERS-Safety Second Tier Plan</u>					
6/30/2014	\$37,086	(\$37,086)	\$0	\$159,037	23.32%

* Payroll is projected by actuary

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information available is presented.

City of Bishop
Note to Required Supplementary Information
June 30, 2015

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, 2015**

	Special Revenue Funds	Capital Project Funds	Total
<u>Assets</u>			
Restricted cash and investments	\$ 153,579	\$ 8,103	\$ 161,682
Receivables	16,937		16,937
Due from other governments	19,769	34,407	54,176
 Total Assets	 \$ 190,285	 \$ 42,510	 \$ 232,795
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 998	\$ -	\$ 998
Accrued wages	5,122		5,122
Due to other funds	5,114	70,935	76,049
 Total Liabilities	 11,234	 70,935	 82,169
 Deferred Inflows of Resources			
Unavailable revenue-capital grants		23,776	23,776
 Total Deferred Inflows of Resources	 	 23,776	 23,776
 Fund Balances			
Assigned	179,051	(52,201)	126,850
 Total Fund Balance	 179,051	 (52,201)	 126,850
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 190,285	\$ 42,510	\$ 232,795

CITY OF BISHOP

**Combining Statement of Revenues, Expenditure and
Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2015**

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	238,091	354,241	592,332
Fines, forfeitures and penalties	232		232
	<u>238,323</u>	<u>354,241</u>	<u>592,564</u>
Total Revenues	<u>238,323</u>	<u>354,241</u>	<u>592,564</u>
Expenditures			
Current:			
Public ways and facilities/ transportation	84,267	-	84,267
Public safety	79,738		79,738
Community development	5,088	-	5,088
Capital outlay	19,309	150,993	170,302
	<u>188,402</u>	<u>150,993</u>	<u>339,395</u>
Total Expenditures	<u>188,402</u>	<u>150,993</u>	<u>339,395</u>
Excess (Deficit) of Revenues Over Expenditures	<u>49,921</u>	<u>203,248</u>	<u>253,169</u>
Fund Balances, July 1, 2014	124,113	(255,449)	(131,336)
Prior period adjustment	5,017		5,017
Fund Balances, June 30, 2015	<u>\$ 179,051</u>	<u>\$ (52,201)</u>	<u>\$ 126,850</u>

CITY OF BISHOP

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015**

	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Public Safety</u>	<u>Asset Forfeiture</u>	<u>Home-9023 Grant</u>	<u>Totals</u>
<u>Assets</u>						
Restricted cash and investments	\$ 25,828	\$ -	\$ 75,221	\$ 52,530	\$ -	\$ 153,579
Receivables	11,849				5,088	16,937
Due from other governments			19,769			19,769
Total Assets	\$ 37,677	\$ -	\$ 94,990	\$ 52,530	\$ 5,088	\$ 190,285
<u>Liabilities and Fund Balances</u>						
<u>Liabilities</u>						
Accounts payable	\$ (996)	\$ -	\$ 1,994	\$ -	\$ -	\$ 998
Accrued wages	1,874	(269)	3,517			5,122
Due to other funds		26			5,088	5,114
Deferred Revenue						
Total Liabilities	878	(243)	5,511		5,088	11,234
<u>Fund Balances</u>						
Assigned	36,799	243	89,479	52,530		179,051
Total Fund Balance	36,799	243	89,479	52,530		179,051
Total Liabilities and Fund Balances	\$ 37,677	\$ -	\$ 94,990	\$ 52,530	\$ 5,088	\$ 190,285

CITY OF BISHOP

**Combining Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
June 30, 2015**

	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Public Safety</u>	<u>Asset Forfeiture</u>	<u>Home-9023 Grant</u>	<u>Totals</u>
Revenues						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	115,650	11,000	106,353		5,088	238,091
Fines, forfeitures and penalties		232				232
Total Revenues	<u>115,650</u>	<u>11,232</u>	<u>106,353</u>		<u>5,088</u>	<u>238,323</u>
Expenditures						
Current:						
Public ways and facilities/ transportation	84,267					84,267
Public safety		10,556	63,798	5,384		79,738
Community development					5,088	5,088
Capital outlay	9,126		7,544	2,639		19,309
Total Expenditures	<u>93,393</u>	<u>10,556</u>	<u>71,342</u>	<u>8,023</u>	<u>5,088</u>	<u>188,402</u>
Excess (Deficit) of Revenues Over Expenditures	<u>22,257</u>	<u>676</u>	<u>35,011</u>	<u>(8,023)</u>		<u>49,921</u>
Fund Balances, July 1, 2014	14,542	(433)	49,451	60,553		124,113
Prior Period Adjustment			5,017			5,017
Fund Balances, June 30, 2015	<u>\$ 36,799</u>	<u>\$ 243</u>	<u>\$ 89,479</u>	<u>\$ 52,530</u>	<u>\$ -</u>	<u>\$ 179,051</u>

CITY OF BISHOP

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2015**

	Fed Grant Mac Iver Exention	Sneden Improvements	GIS	SEIBU School Bike Path	Valley Apts CDBG	Pine to Park	Local Transportation Fund	Totals
<u>Assets</u>								
Restricted cash and investments	\$ 1,714	-	\$ 6,389	\$ -	\$ -	\$ -	\$ -	\$ 8,103
Due from other governments		3,891		14,655	11,118	4,743		34,407
Total Assets	\$ 1,714	\$ 3,891	\$ 6,389	\$ 14,655	\$ 11,118	\$ 4,743	\$ -	\$ 42,510
<u>Liabilities</u>								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-							-
Due to other funds		4,695	15,145	23,503	11,118	16,474	-	70,935
Total Liabilities		4,695	15,145	23,503	11,118	16,474		70,935
<u>Deferred Inflows of Resources</u>								
Unavailable revenue-capital grants		3,891		14,655	487	4,743	-	23,776
Total Deferred Inflows of Resources		3,891		14,655	487	4,743		23,776
<u>Fund Balances</u>								
Assigned	1,714	(4,695)	(8,756)	(23,503)	(487)	(16,474)		(52,201)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,714	\$ 3,891	\$ 6,389	\$ 14,655	\$ 11,118	\$ 4,743	\$ -	\$ 42,510

CITY OF BISHOP

**Combining Statement of Revenues, Expenditure, and
Changes in Fund Balance
Nonmajor Capital Projects Funds
June 30, 2015**

	Fed Grant Maciver Extention	Snedden Improvements	GIS	SEIBU School Bike Path	Valley Apts CDBG	Pine to Park	Local Transportation Fund	Totals
Revenues								
Intergovernmental Contributions	\$ -	\$ -	\$ -	\$ -	\$ 103,556	\$ 206,348	\$ 44,337	\$ 354,241
Use of money and property								-
Total Revenues					103,556	206,348	44,337	354,241
Expenditures								
Current:								
Public ways and facilities/ Transportation		-						-
Community development Capital outlay		-	-	512	97,609	8,535	44,337	150,993
Total Expenditures				512	97,609	8,535	44,337	150,993
Excess (Deficit) of Revenues Over Expenditures				(512)	5,947	197,813		203,248
Fund Balances, July 1, 2014	1,714	(4,695)	(8,756)	(22,991)	(6,434)	(214,287)		(255,449)
Fund Balances, June 30, 2015	\$ 1,714	\$ (4,695)	\$ (8,756)	\$ (23,503)	\$ (487)	\$ (16,474)	\$ -	\$ (52,201)

LARRY BAIN, CPA

An Accounting Corporation

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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, 2015, and the related notes to the financial statements, which collectively comprise City of Bishop basic financial statements and have issued our report thereon dated December 28, 2015.

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.

A significant deficiency is a deficiency, or 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. We consider findings 15-1, in the schedule of findings following this report to be significant deficiencies in the City's internal control.

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.

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{Signature on File}

***Larry Bain, CPA,
An Accounting Corporation***
December 28, 2015

CITY OF BISHOP

Schedule of Findings and Recommendations June 30, 2015

Finding 15-1: During our review of the Sunrise Mobile Home Park net position, we noted the net position and cash balance has been in a steady decline. The past five years have seen a net decrease in fund balance of \$39,849, \$55,282, \$23,074, \$33,841 and \$12,814 respectively. Over the past five years the cash balance has decreased from \$180,197 at June 30, 2011 to \$72,611 at June 30, 2015. Failure to correct the continuing losses and decline in the cash balance will result in the Sunrise Mobile Home Park's inability to continue as a going concern.

Recommendation: We recommend the City take action to reverse the continuing decline in net position and the cash balance of the Sunrise Mobile Home Park. These actions could include reducing expenses in the Mobile Home Park and/or increasing rents in the assisted and unassisted units and eliminating housing subsidies. The City could also consider selling the Mobile Home Park to an outside party.