

**CITY OF BISHOP**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

# CITY OF BISHOP

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# LARRY BAIN, CPA

An Accounting Corporation

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2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894

[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

## **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, 2016, 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, 2016, 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 39-41 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 42-43,; 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.

## Other Information

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion of the internal control over financial reporting or on compliance.

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



**Larry Bain, CPA,**  
**An Accounting Corporation**  
December 27, 2016

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

This section of the City of Bishop's annual financial report provides an analysis of the City's financial performance during the fiscal year ended June 30, 2016. This information is presented in conjunction with the audited basic financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016**

- As of June 30, 2016 the City's governmental funds reported combined fund balances of \$3.8 million. Approximately 90% of the combined fund balances, \$3.4 million, is available to meet the City's current and future needs (unrestricted fund balance).
- At the close of the fiscal year, the unrestricted fund balance for the general fund was \$3.3 million or 51% of total general fund expenditures.
- The unreserved net position in both governmental activities and water and sewer funds were deficit net position balances at June 30, 2016. This is the result of the implementation of GASB 68/71 which requires recording of net pension liability for the retirement plans. It is expected the deficits will be eliminated as the City reduces the net pension liability.
- Additions to capital assets in the proprietary fund in excess of \$750,000 include a solar project to implement solar power for water and sewer facilities and additional improvements to the water and sewer infrastructure. Additions to the governmental fund include park improvements of \$211,000.

**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.

**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 deferred inflows/outflows of resources, with the difference reported as net position. 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 works and facilities, and community development. The business- type activities are water, sewer and the Sunrise Mobile Home Park.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

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

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

The City of Bishop maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer enterprises as well as the low-income senior 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** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported 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** 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. The final item included in this report is a report on internal control

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

**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, 2016 and June 30, 2015.

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 7,394,703	\$ 2,024,338	\$ 9,419,041	\$ 6,644,591	\$ 2,171,584	\$ 8,816,175
Capital Assets	10,869,860	6,532,800	17,402,660	11,138,195	6,064,083	17,202,278
Total Assets	18,264,563	8,557,138	26,821,701	17,782,786	8,235,667	26,018,453
Deferred Outflows	1,135,517	368,528	1,504,045	1,115,054	524,520	1,639,574
Liabilities						
Current/non current	10,015,030	3,202,629	13,217,659	9,360,746	3,540,196	12,900,942
Deferred Inflows	3,554,620	644,942	4,199,562	3,580,611	334,306	3,914,917
Net Position:						
Net investment in capital assets	10,869,860	6,270,253	17,140,113	11,138,195	5,768,616	16,906,811
Net position restricted		33,230	33,230		33,230	33,230
Unrestricted net position	(5,039,430)	(1,225,388)	(6,264,818)	(5,181,712)	(916,161)	(6,097,873)
Total Net Position	\$ 5,830,430	\$ 5,078,095	\$10,908,525	\$ 5,956,483	\$ 4,885,685	\$ 10,842,168

Net Position increased slightly by \$66,357 as a result of prior period adjustments of (\$548,648) and current year positive change in net position of \$615,005.

Prior year adjustments were primarily the effects of GASB 68 restatement with an adjustment decrease of \$476,078 government-wide. This is divided into \$314,364 for governmental activities and \$161,714 business-type activities. Additional adjustments of (\$72,570) are the net effect attributed to an overpayment of sales tax revenue and settlement of hotel transient occupancy tax.

Significant changes in the current year include additions to capital assets through grant funds and proprietary-funded projects. Increase in cash position is a result of increased tax revenue and the sale of proprietary assets. Total liabilities increase of \$316,717 is mainly attributed to increased accounts payable reflecting the timing of invoices due at June 30, 2016 but not yet paid and recording the potential liability of an overpayment of sales tax revenue.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

**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, 2016			Fiscal Year Ended June 30, 2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 651,463	\$ 2,334,191	\$ 2,985,654	\$ 702,167	\$ 2,274,021	\$ 2,976,188
Capital grants and contributions	20,027		20,027	2,179,125		2,179,125
Operating grants	345,856	420	346,276	404,310		404,310
<b>General Revenue:</b>						
Property taxes and assessments	1,042,403		1,042,403	1,123,999		1,123,999
Sales and use tax	2,171,460		2,171,460	1,927,611		1,927,611
Other revenue	2,782,013	50,826	2,832,839	2,627,360		2,627,360
Interest and investment income	94,931	8,680	103,611	86,034	5,259	91,293
<b>Total Revenue</b>	<b>7,108,153</b>	<b>2,394,117</b>	<b>9,502,270</b>	<b>9,050,606</b>	<b>2,279,280</b>	<b>11,329,886</b>
<b>Expenses</b>						
<b>Governmental activities:</b>						
General government	1,004,769		1,004,769	1,080,096		1,080,096
Public safety	3,785,286		3,785,286	3,415,874		3,415,874
Public works	1,157,358		1,157,358	980,556		980,556
Community services/recreation	922,121		922,121	930,075		930,075
Interest on long-term debt	-		-	447		447
<b>Business-type activities</b>						
Water		1,023,027	1,023,027		814,356	814,356
Sewer		868,129	868,129		695,062	695,062
Mobile home park		115,209	115,209		149,644	149,644
Interest on long-term debt		11,366	11,366		10,031	10,031
<b>Total Expense</b>	<b>6,869,534</b>	<b>2,017,731</b>	<b>8,887,265</b>	<b>6,407,048</b>	<b>1,669,093</b>	<b>8,076,141</b>
<b>Change in net position</b>	<b>\$ 238,619</b>	<b>\$ 376,386</b>	<b>\$ 615,005</b>	<b>\$ 2,643,558</b>	<b>\$ 610,187</b>	<b>\$ 3,253,745</b>
Net position - beginning	5,956,483	4,885,685	10,842,168	11,857,764	7,178,378	19,036,142
Prior period adjustment	(364,672)	(183,976)	(548,648)	(8,544,839)	(2,902,880)	(11,447,719)
<b>Net position - ending</b>	<b>\$ 5,830,430</b>	<b>\$ 5,078,095</b>	<b>\$ 10,908,525</b>	<b>\$ 5,956,483</b>	<b>\$ 4,885,685</b>	<b>\$ 10,842,168</b>

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

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

**Governmental Funds**

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

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

At June 30, 2016, the City's governmental funds (general, special revenue, debt service, and capital projects) reported combined fund balances of \$3.8 million, a slight increase of 8% increase over the prior year.

Of the combined fund balances, \$3.3 million (85%) 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 low-income senior mobile home park.

At June 30, 2016, the City's proprietary funds reported a combined ending net position of \$5,078,095, a 4% net increase over the prior year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

As of June 30, 2016 the City's investment in capital assets totaled \$17.4 million net of accumulated depreciation.

**CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Land	\$ 341,105	\$ 341,105	\$ 481,056	\$ 481,056	\$ 822,161	\$ 822,161
Construction in progress	409,777	2,749,947	191,783	681,861	601,560	3,431,808
Buildings and improvements	5,263,815	5,254,573	518,204	562,574	5,782,019	5,817,147
Equipment	3,202,464	3,184,824	1,675,738	1,619,335	4,878,202	4,804,159
Infrastructure	11,337,411	8,797,045	11,980,974	10,820,936	23,318,385	19,617,981
Less accumulated depreciation	(9,684,712)	(9,189,299)	(8,314,955)	(8,101,679)	(17,999,667)	(17,290,978)
Total Capital Assets, net	<u>\$ 10,869,860</u>	<u>\$ 11,138,195</u>	<u>\$ 6,532,800</u>	<u>\$ 6,064,083</u>	<u>\$ 17,402,660</u>	<u>\$ 17,202,278</u>

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

**LONG-TERM DEBT**

At June 30, 2016, the City had a total of \$620,916 in long-term debt. This is made up of a note payable to the County of Inyo for \$358,369 for the CalPERS side fund refinancing, of which \$182,768 is governmental-type debt and \$175,601 is business-type debt. The remaining \$262,547 of debt is a note payable to the State of California for water infrastructure improvement.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

City Council approved a \$10 million budget for fiscal year 2016-2017 for both operating and non-operating budgets. The breakdown is \$6.9 million general fund, \$2.8 million enterprise funds, and approximately \$285,000 in special revenue funds. Included in the budget are various projects including the completion of the park restroom project and park path, various sidewalk projects, a bike path project, and water and sewer infrastructure improvements. In addition to enterprise funding for the water and sewer improvements, additional funding sources include reimbursement from the State Transportation Improvement Program (STIP), Local Transportation Commission funds (LTC), and a low-interest treasury loan through Inyo County.

Tourism and recreation is a major driver of the Bishop Area economy. The 2015-2016 transient occupancy tax revenue increased approximately 5.5% over the prior year. The City will continue to work closely with the Chamber of Commerce and Visitor's Center to promote our city.

**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, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 2,843,600	\$ 1,949,823	\$ 4,793,423
Accounts receivables	1,235,267	36,285	1,271,552
Due from other governments	36,283		36,283
Interest receivable	659,806	-	659,806
Prepaid expenses	144,996		144,996
Deposits	30,986	5,000	35,986
Restricted cash and investments	223,865	33,230	257,095
<b>Total Current Assets</b>	<u>5,174,803</u>	<u>2,024,338</u>	<u>7,199,141</u>
<b>Non Current Assets</b>			
Loans receivable	2,219,900		2,219,900
<b>Capital assets:</b>			
Land	341,105	481,056	822,161
Construction in Progress	409,777	191,783	601,560
Buildings	4,630,638	518,204	5,148,842
Site improvements	633,177		633,177
Equipment	3,202,464	1,675,738	4,878,202
Infrastructure	11,337,411	11,980,974	23,318,385
Less: accumulated depreciation	(9,684,712)	(8,314,955)	(17,999,667)
<b>Total Capital Assets</b>	<u>10,869,860</u>	<u>6,532,800</u>	<u>17,402,660</u>
<b>Total Non Current Assets</b>	<u>13,089,760</u>	<u>6,532,800</u>	<u>19,622,560</u>
<b>Total Assets</b>	<u>18,264,563</u>	<u>8,557,138</u>	<u>26,821,701</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows-pensions	1,135,517	368,528	1,504,045
<b>Total Deferred Outflows of Resources</b>	<u>\$ 1,135,517</u>	<u>\$ 368,528</u>	<u>\$ 1,504,045</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 335,083	\$ 22,057	\$ 357,140
Due to other government	230,606		230,606
Accrued salary and benefits payable	45,925	1,146	47,071
Accrued interest payable	-	2,113	2,113
Due within one year	168,614	125,059	293,673
<b>Total Current Liabilities</b>	<u>780,228</u>	<u>150,375</u>	<u>930,603</u>
<b>Liabilities-due in more than one year:</b>			
Customer deposits		17,507	17,507
Compensated absences	229,380	23,661	253,041
Net pension liability	7,835,131	2,425,322	10,260,453
OPEB liability	1,032,370	224,728	1,257,098
County loan	137,922	132,513	270,435
Note payable		228,523	228,523
<b>Total Liabilities Due In More Than One Year</b>	<u>9,234,802</u>	<u>3,052,254</u>	<u>12,287,057</u>
<b>Total Liabilities</b>	<u>10,015,030</u>	<u>3,202,629</u>	<u>13,217,659</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue-uneared	44,266		44,266
Deferred revenue-unavailable	2,219,900		2,219,900
Deferred inflows-pensions	1,290,454	644,942	1,935,396
<b>Total Deferred Inflows of Resources</b>	<u>3,554,620</u>	<u>644,942</u>	<u>4,199,562</u>
<b>Net Position</b>			
Net investment in capital assets	10,869,860	6,270,253	17,140,113
Restricted for capital replacement		33,230	33,230
Unrestricted	(5,039,430)	(1,225,388)	(6,264,818)
<b>Total Net Position</b>	<u>\$ 5,830,430</u>	<u>\$ 5,078,095</u>	<u>\$ 10,908,525</u>

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

**CITY OF BISHOP**

**STATEMENT OF ACTIVITIES  
JUNE 30, 2016**

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
<b>Governmental Activities:</b>							
General government	\$ 1,004,769	\$ 229,239	\$ -	\$ 62,843	\$ (712,687)	\$ -	\$ (712,687)
Public safety	3,785,286	157,620	-	208,178	(3,419,488)	-	(3,419,488)
Public works	1,157,358	147,097	20,027	25,000	(965,234)	-	(965,234)
Community services/recreation	922,121	117,507	-	49,835	(754,779)	-	(754,779)
Interest on long-term debt	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>6,869,534</b>	<b>651,463</b>	<b>20,027</b>	<b>345,856</b>	<b>(5,852,188)</b>		<b>(5,852,188)</b>
<b>Business-type Activities:</b>							
Water	1,023,027	1,196,558	-	-	-	173,531	173,531
Sewer	868,129	1,028,250	-	-	-	160,121	160,121
Mobile home park	115,209	109,383	-	420	-	(5,406)	(5,406)
Interest on long-term debt	11,366	-	-	-	-	(11,366)	(11,366)
<b>Total Business-type Activities</b>	<b>2,017,731</b>	<b>2,334,191</b>		<b>420</b>		<b>316,880</b>	<b>316,880</b>
<b>Total Government</b>	<b>\$8,887,265</b>	<b>\$ 2,985,654</b>	<b>\$ 20,027</b>	<b>\$ 346,276</b>	<b>(5,852,188)</b>	<b>316,880</b>	<b>(5,535,308)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					1,042,403		1,042,403
Sales and use tax					2,171,460		2,171,460
Transient occupancy tax					2,231,847		2,231,847
Franchise tax					62,206		62,206
Motor vehicle in lieu tax					297,318		297,318
Other taxes					190,642		190,642
Gain on sale of capital assets						50,826	50,826
Investment income					94,931	8,680	103,611
<b>Total general revenues</b>					<b>6,090,807</b>	<b>59,506</b>	<b>6,150,313</b>
<b>Change in net position</b>					<b>238,619</b>	<b>376,386</b>	<b>615,005</b>
<b>Net position - beginning</b>					<b>5,956,483</b>	<b>4,885,685</b>	<b>10,842,168</b>
<b>Prior period adjustment</b>					<b>(364,672)</b>	<b>(183,976)</b>	<b>(548,648)</b>
<b>Net position - ending</b>					<b>\$ 5,830,430</b>	<b>\$ 5,078,095</b>	<b>\$ 10,908,525</b>

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

**CITY OF BISHOP**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

	General	Special Revenue Fund		Other Nonmajor Funds	Total Governmental Funds
		Home Fund Willow Street	Measure A		
<u>Assets</u>					
Cash and investments	\$2,623,904	\$ -	\$ 219,696	\$ -	\$ 2,843,600
Restricted cash and investments				223,865	223,865
Receivables					
Accounts	1,228,059			7,208	1,235,267
Due from other governments	-		24,348	11,935	36,283
Interest	-	659,806			659,806
Prepaid expense	144,996				144,996
Due from other funds	11,141				11,141
Deposits	30,986				30,986
Loans/notes receivable	-	2,219,900			2,219,900
Advances to other funds	-				-
<b>Total Assets</b>	<b>\$4,039,086</b>	<b>\$ 2,879,706</b>	<b>\$ 244,044</b>	<b>\$ 243,008</b>	<b>\$ 7,405,844</b>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
<u>Liabilities</u>					
Accounts payable	\$ 333,924	\$ -	\$ -	\$ 1,161	\$ 335,085
Due to other government	230,606				230,606
Accrued salary and benefits payable	39,932		-	5,993	45,925
Due to other funds			-	11,141	11,141
<b>Total Liabilities</b>	<b>604,462</b>			<b>18,295</b>	<b>622,757</b>
<u>Deferred Inflows of Resources</u>					
Deferred revenue-advances				44,266	44,266
Unavailable revenue-charges for services	6,364				6,364
Unavailable revenue-capital grants				11,141	11,141
Unavailable revenue-loans receivable		2,879,706			2,879,706
<b>Total Deferred Inflows of Resources</b>	<b>6,364</b>	<b>2,879,706</b>		<b>55,407</b>	<b>2,941,477</b>
<u>Fund Balances</u>					
Restricted for petty cash	640				640
Nonspendable	144,996				144,996
Assigned for special revenue funds			244,044	180,447	424,491
Assigned for capital projects funds				(11,141)	(11,141)
Unassigned	3,282,624				3,282,624
<b>Total Fund Balances</b>	<b>3,428,260</b>		<b>244,044</b>	<b>169,306</b>	<b>3,841,610</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$4,039,086</b>	<b>\$ 2,879,706</b>	<b>\$ 244,044</b>	<b>\$ 243,008</b>	<b>\$ 7,405,844</b>

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, 2016**

Fund Balances of Governmental Funds	\$ 3,841,610
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.	10,869,860
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.	677,311
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.	(7,990,068)
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>(1,568,283)</u>
Net position of governmental activities	<u>\$ 5,830,430</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, 2016**

	General	Special Revenue Fund		Other Nonmajor Funds	Total Governmental Funds
		Home Funds			
		Willow Street	Measure A		
<b>Revenues</b>					
Taxes	\$5,513,216	\$ -	\$ 560,590	\$ -	\$ 6,073,806
Licenses and permits	194,640				194,640
Intergovernmental	225,409		-	232,797	458,206
Fines, forfeitures and penalties	7,698			-	7,698
Charges for current services	143,494				143,494
Use of money and property	127,794				127,794
Other	147,703				147,703
<b>Total Revenues</b>	<b>6,359,954</b>	<b>-</b>	<b>560,590</b>	<b>232,797</b>	<b>7,153,341</b>
<b>Expenditures</b>					
Current:					
General government	953,778		-		953,778
Public ways and facilities/ transportation	707,288			97,164	804,452
Public safety	3,677,287			88,229	3,765,516
Community development	855,891			5,612	861,503
Capital Outlay	213,107		-	36,406	249,513
Debt service					
Principal	43,296			3,660	46,956
Interest	-				-
<b>Total Expenditures</b>	<b>6,450,647</b>	<b>-</b>	<b>-</b>	<b>231,071</b>	<b>6,681,718</b>
<b>Excess (Deficit) of Revenues over Expenditures before other financing Sources and (Uses)</b>	<b>(90,693)</b>	<b>-</b>	<b>560,590</b>	<b>1,726</b>	<b>471,623</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	557,137			62,504	619,641
Operating transfers out	(60,790)		(557,137)	(1,714)	(619,641)
<b>Total Other Financing Sources (Uses)</b>	<b>496,347</b>	<b>-</b>	<b>(557,137)</b>	<b>60,790</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>405,654</b>	<b>-</b>	<b>3,453</b>	<b>62,516</b>	<b>471,623</b>
Fund Balances, July 1, 2015	3,214,778		240,591	106,790	3,562,159
Prior period adjustment	(192,172)				(192,172)
<b>Fund Balances, June 30, 2016</b>	<b>\$3,428,260</b>	<b>\$ -</b>	<b>\$ 244,044</b>	<b>\$ 169,306</b>	<b>\$ 3,841,610</b>

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

**CITY OF BISHOP**

**RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ 471,623
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	222,138
Depreciation expense	(490,473)
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.	44,294
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.	-
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.	(45,542)
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.	64,368
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.	915
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>(28,704)</u>
Change in net position of governmental activities	<u>\$ 238,619</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, 2016**

	Water	Sewer	Mobile Home Park	Totals
<b>Current assets:</b>				
Cash and investments	\$ 924,242	\$ 932,138	\$ 93,443	\$ 1,949,823
Restricted cash and investments			33,230	33,230
Receivables				
Accounts	11,838	24,447	-	36,285
Interest	-	-	-	-
Deposits	5,000	-		5,000
Total current assets	<u>941,080</u>	<u>956,585</u>	<u>126,673</u>	<u>2,024,338</u>
<b>Capital assets:</b>				
Nondepreciable capital assets:				
Land	67,324	88,882	324,850	481,056
Construction in progress	-	191,783		191,783
Depreciable capital assets				
Building	64,759	94,877	358,568	518,204
Site improvements				-
Equipment	1,031,996	643,742		1,675,738
Infrastructure	7,341,928	4,639,046		11,980,974
Less accumulated depreciation	<u>(4,247,840)</u>	<u>(3,738,488)</u>	<u>(328,627)</u>	<u>(8,314,955)</u>
Total capital assets (net of accumulated depreciation)	<u>4,258,167</u>	<u>1,919,842</u>	<u>354,791</u>	<u>6,532,800</u>
Total Assets	<u>5,199,247</u>	<u>2,876,427</u>	<u>481,464</u>	<u>8,557,138</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows-pensions	184,264	184,264		368,528
Total Deferred Outflows of Resources	<u>184,264</u>	<u>184,264</u>		<u>368,528</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,383,511</u>	<u>\$ 3,060,691</u>	<u>\$ 481,464</u>	<u>\$ 8,925,666</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 12,129	\$ 9,622	\$ 306	\$ 22,057
Accrued payroll			1,146	1,146
Interest payable	2,113			2,113
Compensated absences	23,974	23,974		47,947
County loan	21,544	21,544		43,088
Note payable	34,024			34,024
Total current liabilities	<u>93,783</u>	<u>55,139</u>	<u>1,452</u>	<u>150,375</u>
<b>Noncurrent liabilities:</b>				
Customer deposits	3,657	3,149	10,701	17,507
Compensated absences	11,730	11,932		23,661
Net pension liability	1,211,907	1,211,706	1,709	2,425,322
OPEB liability	111,281	109,797	3,650	224,728
County loan	64,465	64,465	3,583	132,513
Note payable	228,523			228,523
Total noncurrent liabilities	<u>1,631,563</u>	<u>1,401,049</u>	<u>19,643</u>	<u>3,052,254</u>
Total Liabilities	<u>1,725,346</u>	<u>1,456,188</u>	<u>21,095</u>	<u>3,202,629</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows-pensions	322,471	322,471		644,942
Total Deferred Inflows of Resources	<u>322,471</u>	<u>322,471</u>	<u>-</u>	<u>644,942</u>
<b>Net Position:</b>				
Net investment in capital assets	3,995,620	1,919,842	354,791	6,270,253
Restricted			33,230	33,230
Unreserved	<u>(659,926)</u>	<u>(637,810)</u>	<u>72,348</u>	<u>(1,225,388)</u>
Total Net Position	<u>3,335,694</u>	<u>1,282,032</u>	<u>460,369</u>	<u>5,078,095</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 5,383,511</u>	<u>\$ 3,060,691</u>	<u>\$ 481,464</u>	<u>\$ 8,925,666</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, 2016**

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,168,637	\$ 1,002,907	\$ -	\$ 2,171,544
Rent			79,943	79,943
Utility reimbursement			29,835	29,835
Other income	27,921	25,343	25	53,289
<b>Total Operating Revenues</b>	<b>1,196,558</b>	<b>1,028,250</b>	<b>109,803</b>	<b>2,334,611</b>
Operating Expenses				
Salaries and benefits	606,053	580,784	47,646	1,234,483
Services and supplies	229,312	219,987	65,379	514,678
Depreciation expense	187,662	67,358	2,184	257,204
<b>Total Operating Expenses</b>	<b>1,023,027</b>	<b>868,129</b>	<b>115,209</b>	<b>2,006,365</b>
<b>Operating Income (Loss)</b>	<b>173,531</b>	<b>160,121</b>	<b>(5,406)</b>	<b>328,246</b>
Non-Operating Revenues (Expenses)				
Interest income	4,179	4,195	306	8,680
Gain on sale of assets			50,826	50,826
Interest expense	(9,972)	(955)	(439)	(11,366)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(5,793)</b>	<b>3,240</b>	<b>50,693</b>	<b>48,140</b>
<b>Net Income (Loss)</b>	<b>167,738</b>	<b>163,361</b>	<b>45,287</b>	<b>376,386</b>
<b>Net Position, July 1, 2015</b>	<b>3,262,170</b>	<b>1,212,885</b>	<b>410,630</b>	<b>4,885,685</b>
<b>Prior Period Adjustment</b>	<b>(94,214)</b>	<b>(94,214)</b>	<b>4,452</b>	<b>(183,976)</b>
<b>Net Position, June 30, 2016</b>	<b>\$ 3,335,694</b>	<b>\$ 1,282,032</b>	<b>\$ 460,369</b>	<b>\$ 5,078,095</b>

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

**CITY OF BISHOP**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
JUNE 30, 2016**

	Water	Sewer	Mobile Home Park	Totals
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,189,978	\$ 1,014,406	\$ 115,510	\$ 2,319,894
Cash payments to suppliers	(223,084)	(214,715)	(64,332)	(502,131)
Cash payments to employees	(599,032)	(574,178)	(46,940)	(1,220,150)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>367,862</b>	<b>225,513</b>	<b>4,238</b>	<b>597,613</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Proceeds of County Loan				-
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of fixed assets	(393,017)	(332,905)		(725,922)
Sale of fixed assets			50,826	50,826
Reductions of debt	(53,764)	(20,844)	(869)	(75,477)
Interest expense	(10,244)	(955)	(439)	(11,638)
<b>Net Cash Provided By (Used For) Capital and Related Financing Activities</b>	<b>(457,025)</b>	<b>(354,704)</b>	<b>49,518</b>	<b>(762,211)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest income	4,180	4,195	306	8,681
<b>Net Cash Provided By Investing Activities</b>	<b>4,180</b>	<b>4,195</b>	<b>306</b>	<b>8,681</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(84,983)</b>	<b>(124,996)</b>	<b>54,062</b>	<b>(155,917)</b>
<b>Cash and Cash Equivalents, June 30, 2015</b>	<b>1,009,225</b>	<b>1,057,134</b>	<b>72,611</b>	<b>2,138,970</b>
<b>Cash and Cash Equivalents, June 30, 2016</b>	<b>\$ 924,242</b>	<b>\$ 932,138</b>	<b>\$ 126,673</b>	<b>\$ 1,983,053</b>
<b>Reconciliation of Cash and Cash Equivalents:</b>				
Cash and investments	\$ 924,242	\$ 932,138	\$ 93,443	\$ 1,949,823
Restricted cash and investments			33,230	33,230
<b>Total Cash and Cash Equivalents</b>	<b>\$ 924,242</b>	<b>\$ 932,138</b>	<b>\$ 126,673</b>	<b>\$ 1,983,053</b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities</b>				
Adjustments to operating income:				
Depreciation	187,662	67,358	2,184	257,204
(Increase) decrease in accounts receivable	(5,010)	(16,618)	4,207	(17,421)
(Increase) decrease in deposits	2,500	6,250		8,750
Increase (decrease) in accounts payable	6,228	5,272	1,047	12,547
Increase (decrease) in accrued payroll			708	708
Increase (decrease) in customer deposits	(4,070)	(3,476)	1,500	(6,046)
Increase in OPEB liability	(73)	(72)	(2)	(147)
Increase (decrease) pension adjustments	5,545	5,545		11,090
Increase (decrease) in compensated absences	1,549	1,133		2,682
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ 367,862</b>	<b>\$ 225,513</b>	<b>\$ 4,238</b>	<b>\$ 597,613</b>

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

**CITY OF BISHOP**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016**

	<u>Agency Funds</u>		PARS Trust Fund	OPEB Trust Fund	Totals
	Bond & Trust	Canine Donations			
<u>Assets</u>					
Cash and investments	\$ 8,832	\$ 8,355	\$ 2,793,155	\$ 2,288,265	\$ 5,098,607
Due from others	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 8,832</u>	<u>\$ 8,355</u>	<u>\$ 2,793,155</u>	<u>\$ 2,288,265</u>	<u>\$ 5,098,607</u>
<u>Liabilities</u>					
Due to others	\$ 8,832	\$ 8,355	\$ -	\$ -	\$ 17,187
<b>Total Liabilities</b>	<u>8,832</u>	<u>8,355</u>	<u>-</u>	<u>-</u>	<u>17,187</u>
<u>Net Position</u>					
Held in trust for benefits	-	-	2,793,155	2,288,265	5,081,420
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,793,155</u>	<u>\$ 2,288,265</u>	<u>\$ 5,081,420</u>

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

<u>Additions:</u>					
Employer contributions			\$ 216,260	\$ 411,461	\$ 627,721
Total contributions			<u>216,260</u>	<u>411,461</u>	<u>627,721</u>
<u>Investment income (loss):</u>					
Net adjustment to fair value of investments			69,468	25,901	95,369
Distributions			(246,447)		(246,447)
Total Additions (Deductions)			<u>(176,979)</u>	<u>25,901</u>	<u>(151,078)</u>
Change in plan net assets			<u>39,281</u>	<u>437,362</u>	<u>476,643</u>
<u>Net Position:</u>					
Held in trust for OPEB benefits:					
Beginning of year			2,753,874	1,850,903	\$ 4,604,777
End of year			<u>\$ 2,793,155</u>	<u>\$ 2,288,265</u>	<u>\$ 5,081,420</u>

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2016**

**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.

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, 2016**

**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. Non-operating 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 non-major 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, 2016**

**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 constructed

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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. 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, 2016**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**J. 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 \$2,941,477, 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. \$677,311 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.

**K. 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, 2016, 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.

**L. 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.

**M. Reclassifications**

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

**N. 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, 2016**

**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, 2016, consisted of the following:

Cash and investments	\$	4,793,423
Restricted cash and investments		257,095
Cash and investments, statement of net position		5,050,518
Cash and investments, agency funds		17,187
Total cash and investments	\$	5,067,705
Checking account	\$	718,987
Imprest cash		840
Local agency investment fund		4,347,878
Total cash and investments	\$	5,067,705

**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, 2016**

**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:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months or Less</u>	<u>13-48 Months</u>
State Investment Pool*	\$ 4,347,878	\$ 4,347,878	\$ -
Totals	<u>\$ 4,347,878</u>	<u>\$ 4,347,878</u>	<u>\$ -</u>

\*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, 2016, the City's deposits balance was \$772,183 and the carrying amount was \$718,987. 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 \$75.37 billion. Of the \$75.37 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.81% 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, 2016**

**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, 2016 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 \$2,500,000 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, 2016**

**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, 2016 was as follows:

<b>Governmental Activities</b>	Balance July 1, 2015	Additions	Retirements/ Adjustments	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 341,105	\$ -	\$ -	\$ 341,105
Construction in progress	2,749,947	211,328	(2,551,498)	409,777
Capital assets, being depreciated:				
Buildings and improvements	4,632,028		(1,390)	4,630,638
Site improvements	622,545	10,632	-	633,177
Equipment	3,184,824	18,535	(895)	3,202,464
Infrastructure	8,797,045	2,541,774	(1,408)	11,337,411
Total capital assets, being depreciated	17,236,442	2,570,941	(3,693)	19,803,690
Less accumulated depreciation for:				
Buildings and improvements	(4,032,695)	(90,757)	(1,989)	(4,125,441)
Site Improvements	(545,838)	(20,308)	18,004	(548,142)
Equipment	(3,014,146)	(67,925)	108,427	(2,973,644)
Infrastructure	(1,596,620)	(311,483)	(129,382)	(2,037,485)
Total accumulated depreciation	(9,189,299)	(490,473)	(4,940)	(9,684,712)
Total capital assets, being depreciated	8,047,143	2,080,468	(8,633)	10,118,978
Governmental activities capital assets, net	<u>\$ 11,138,195</u>	<u>\$ 2,291,796</u>	<u>\$ (2,560,131)</u>	<u>\$ 10,869,860</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 481,056	\$ -	\$ -	\$ 481,056
Construction in progress	681,861	37,374	(527,452)	191,783
Capital assets, being depreciated:				
Buildings and improvements	562,574	-	(44,370)	518,204
Equipment	1,619,335	56,403	-	1,675,738
Infrastructure	10,820,936	1,171,196	(11,158)	11,980,974
Total capital assets, being depreciated	13,002,845	1,227,599	(55,528)	14,174,916
Less accumulated depreciation:	(8,101,679)	(257,204)	43,928	(8,314,955)
Total capital assets, being depreciated	4,901,166	970,395	(11,600)	5,859,961
Business-type activities capital assets, net	<u>\$ 6,064,083</u>	<u>\$ 1,007,769</u>	<u>\$ (539,052)</u>	<u>\$ 6,532,800</u>

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 5: Capital Assets (Continued)**

Depreciation

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

General government	50,603
Parks	56,612
Public Safety	63,957
Streets and roads	319,301
Total	<u>\$ 490,473</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, 2016:

	Balance July 1, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016	Due Within One Year
Compensated absences	\$ 324,443	\$ 276,239	\$ (247,535)	\$ 353,147	\$ 123,768
OPEB liability (Note 10)	1,033,285		(915)	1,032,370	-
Net pension liability (Note 9)	7,547,116	606,324	(318,309)	7,835,131	-
County loan-side fund payof	249,324		(66,556)	182,768	44,846
Total	<u>\$ 9,154,168</u>	<u>\$ 882,563</u>	<u>\$ (633,315)</u>	<u>\$ 9,403,416</u>	<u>\$ 168,614</u>

Governmental Activities:

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 payable to the Inyo County.

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 7: Long-term Liabilities (Continued)**

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, 2016:

	Balance July 1, 2015	Additions	Adjustments/ Retirements	Balance June 30, 2016	Due Within One Year
Compensated absences	\$ 68,926	\$ 98,576	\$ (95,894)	\$ 71,608	\$ 47,947
OPEB liability (Note 10)	224,875		(147)	224,728	-
Net pension liability (Note 9)	2,719,396		(293,824)	2,425,572	
County loan-side fund payof	195,896	26,714	(47,009)	175,601	43,088
Note payable	295,467	-	(32,920)	262,547	34,024
Total	<u>\$ 3,504,560</u>	<u>\$ 125,290</u>	<u>\$ (469,794)</u>	<u>\$ 3,160,056</u>	<u>\$ 125,059</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, 2016, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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
2021	38,651	3,541	42,192
2022-2023	81,091	3,293	84,384
Totals	<u>\$ 262,547</u>	<u>\$ 32,794</u>	<u>\$ 295,341</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, 2016**

**Note 8: Fund Balances – Governmental Funds (Continued)**

	General Fund	Measure A	Non-Major Special Revenue	Non-Major Capital Project
Restricted for:				
Petty cash	\$ 640	\$ -	\$ -	\$ -
Total restricted	640			
Nonspendable				
Prepaid expense	144,996			
Total nonspendable	144,996			
Committed				
Assigned to:				
Special Revenue Funds		244,044	180,447	
Capital Project Funds				(11,141)
Total assigned		244,044	180,447	(11,141)
Unassigned	3,282,624			
Total fund balance	\$ 3,428,260	\$ 244,044	\$ 180,447	\$ (11,141)

**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, 2016, are summarized as follows:

	Miscellaneous Tier 1	Miscellaneous Tier 2	PEPRA Miscellaneous Plan
Hire date	Prior to January 1, 2010	After January 1, 2010	On or after January 1, 2013
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 compensation	1.5% to 2%	1.5% to 2%	1% to 2%
Required employee contribution rates	7%	7.00%	6.50%
Required employer contribution rates	9.454%	7.984%	6.724%

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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

	Safety Classic Tier 1	Safety Classic Tier 2
	Prior to January 1, 2010	After January 1, 2010
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 compensation	2.5% to 3%	2.2% to 2.7%
Required employee contribution rates	9.00%	9.00%
Required employer contribution rates	20.68%	18.48%

**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, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

CalPERS Contributions-employer	\$	705,756
PARS Contributions-employer	\$	216,265
Contributions-employee (paid by employer)	\$	214,842

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate share of Net pension liability</b>
Miscellaneous Plans	\$ 3,283,463
PARS Miscellaneous Plan *	\$ 2,579,156
Safety Plans	\$ 4,398,083

\* 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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2016**

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

The City's proportionate share of the net pension liability as of June 30, 2014 and 2015 was as follows:

	<b>Miscellaneous Plans</b>	<b>Safety Plans</b>
Proportion - June 30, 2014	0.14845%	0.10109%
Proportion - June 30, 2015	0.11968%	0.10674%
Change - Increase (Decrease)	-0.02877%	0.00565%

For the year ended June 30, 2016, the City recognized pension expense of \$1,084,356. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (324,520)
Changes of assumptions		(470,157)
Net difference between projected and actual earnings on pension plan investments	-	(355,370)
Adjustments for differences in proportions		(454,159)
City contributions subsequent to valuation date and proportionate share of contributions	255,589	
City contributions subsequent measurement date	922,022	-
<b>Total</b>	<b>\$ 1,177,611</b>	<b>\$ (1,604,206)</b>

\$922,022 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, 2017.

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

<b>Measurement Period</b>		
<b>Ended June 30:</b>		
2017	\$	(533,726)
2018		(571,551)
2019		(517,508)
2020		274,168
2021		-
Thereafter		-

**City of Bishop  
Notes to Financial Statements  
June 30, 2016**

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

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	PERS 7.65% PARS 5%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2%
Investment Rate of Return	PERS 7.5% PARS 5%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 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 be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each cost-sharing multiple employer Plan and 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 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.

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, 2016**

**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 (Excluding PARS)</u>	<u>Allocation</u>	<u>Years 1-10 (1)</u>	<u>Years 11+ (2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43
Inflation Sensitive	6%	0.45%	3.36
Private Equity	10%	6.83%	6.95
Real Estate	10%	4.50%	5.13
Infrastructure and Forestland	2%	4.50%	5.09
Liquidity	2%	-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>Current Discount Rate</u>	<u>Discount Rate +1%</u>
	<u>PERS 6.65%, PARS 4%</u>	<u>PERS 7.65%, PARS 5%</u>	<u>PERS 8.65%, PARS 6%</u>
Miscellaneous Plans	\$ 5,506,598	\$ 3,283,463	\$ 1,448,008
Miscellaneous PARS Enhancement	3,281,059	2,579,156	1,992,037
Safety Plans	\$ 7,051,639	\$ 4,398,083	\$ 2,222,218

**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 between 50 and 62 and has 5 to 10 years vested full-time service, depending in the subscriber group, 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 2015/2016 fiscal year was \$432,002. As of June 30, 2016, fifty three 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, 2016**

**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 10 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 2015-2016 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, 2016 the City contributed \$411,602 towards the unfunded actuarial accrued liability (UAAL). 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, 2016 directly to health insurance providers totalling \$432,002 that was not reimbursed by the CERBT. Plan members receiving benefits contributed 10% 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:

Payment of Unfunded Actuarial Accrued Liability	\$ (411,602)
Unreimbursed retiree premiums paid to plan providers	(432,002)
Increase (decrease) in net OPEB obligation	(843,604)
Net OPEB obligation - beginning of year	1,258,709
Annual Required Contribution (ARC).	842,542
Net OPEB obligation - end of year	<u>\$ 1,257,647</u>

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2014	\$ 887,000	69%	\$ (973,139)
June 30, 2015	927,000	69%	(1,258,709)
June 30, 2016	842,542	100%	(1,257,647)

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was \$9,033,734 and the unfunded actuarial accrued liability (UAAL) for benefits was \$7,182,831. As of June 30, 2016, the City’s annual required contributions were underfunded by \$1,257,647.

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 July 1, 2015, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of between 4% and 5%. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The annual healthcare premiums will increase between 8% and 5% from 2015 to 2024. Percent of retirees with covered spouses is assumed to be 50%.

**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, 2016**

**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, 2016 are summarized as follows:

Fund Type	Due To Other Funds	Due From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ -	\$ 11,141	\$ 557,137	\$ 60,790
Special Revenue	-	-	-	557,137
Capital Projects	11,141	-	62,504	1,714
<b>Total</b>	<b>\$ 11,141</b>	<b>\$ 11,141</b>	<b>\$ 619,641</b>	<b>\$ 619,641</b>

**Note 13: Stewardship, Compliance and Accountability**

A. Deficit Fund Balances/Net Position

Capital project funds have one fund with deficit fund balances and there is one special revenue fund with a deficit fund balance. The deficit fund balance is 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 net position balances at June 30, 2016. 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, 2015	\$ 5,956,483	\$ 4,885,685
Adjustments for:		
Adjust for GASB 68 implementation	(314,364)	(161,714)
Adjust for side fund liability reallocation	22,262	(22,262)
Adjust for hotel tax settlement related to prior year	132,237	
True up prior year deferred revenue	(12,635)	
Adjust for prior year sales tax overpayment	(192,172)	
Total adjustment	(364,672)	(183,976)
Net Position, July 1, 2015 as restated	<b>\$ 5,591,811</b>	<b>\$ 4,701,709</b>

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 13: Stewardship, Compliance and Accountability (Continued)**

	General Fund	Sunrise Mobile Home Park	Water Fund	Sewer Fund
Fund Balance/Net Position, June 30, 2015	\$ 3,214,778	\$ 410,630	\$ 3,262,170	\$ 1,212,885
Adjustments for:				
Adjust for GASB 68 implementation	-	-	(80,857)	(80,857)
Adjust for side fund liability reallocation	-	4,452	(13,357)	(13,357)
Adjust for prior year sales tax overpayment	(192,172)			
Total adjustment	(192,172)	4,452	(94,214)	(94,214)
Fund Balance/Net Position, July 1, 2015 as restated	\$ 3,022,606	\$ 415,082	\$ 3,167,956	\$ 1,118,671

**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 2015-2016 fiscal year the City collected \$2,364,084 in transient occupancy tax which accounted for 37% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Sales tax revenue was \$2,154,404 or 34% of general fund revenue for the 2015-2016 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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured	\$ 408,000	\$ 402,000	\$ 424,002	\$ 22,002
Property - unsecured	58,000	55,000	50,382	(4,618)
Prior year and other	7,000	7,623	4,262	(3,361)
Homeowners	1,000	1,000	3,167	2,167
VLF Swap/ property tax in lieu	280,000	295,000	295,752	752
Sales ( including triple flip)	1,845,000	1,860,000	2,154,404	294,404
DWP water agreement	191,000	191,000	190,642	(358)
Transient occupancy	2,100,000	2,138,610	2,364,084	225,474
Sales tax - public safety	20,000	18,000	17,056	(944)
Real property transfer	7,000	7,000	9,465	2,465
Total Taxes	<u>4,917,000</u>	<u>4,975,233</u>	<u>5,513,216</u>	<u>537,983</u>
Licenses and Permits				
Business licenses	48,000	50,750	52,787	2,037
Use permits	5,050	21,071	18,720	(2,351)
Building permits	45,600	45,600	60,927	15,327
Electrical permits				
Plumbing permits				
Electrical franchise	45,000	45,000	48,925	3,925
TV franchise	12,000	12,000	13,281	1,281
Total Licenses and Permits	<u>155,650</u>	<u>174,421</u>	<u>194,640</u>	<u>20,219</u>
Intergovernmental				
Off-highway motor vehicle fees		1,566	1,566	
Reimbursement - highway sweeping	20,000	20,000	20,000	
Reimbursement - fire district	107,064	123,048	118,721	(4,327)
Peace officers training	10,000	10,000	4,856	(5,144)
Dispatch contracts	1,200	1,200	1,200	
Mandated cost reimbursements		11,223	11,223	
Grants	3,600	68,600	67,843	(757)
Total Intergovernmental	<u>141,864</u>	<u>235,637</u>	<u>225,409</u>	<u>(10,228)</u>
Fines, Forfeitures and Penalties				
Parking citations	6,000	6,000	7,698	1,698
Total Fines, Forfeitures and Penalties	<u>6,000</u>	<u>6,000</u>	<u>7,698</u>	<u>1,698</u>
Charges for Current Services				
Plan checking				
Fingerprinting and public safety	30,000	30,000	29,222	(778)
Parks and recreation	102,520	108,503	114,272	5,769
Total Charges for Current Services	<u>132,520</u>	<u>138,503</u>	<u>143,494</u>	<u>4,991</u>
Use of Money and Property				
Interest and investment income	4,500	5,500	10,633	5,133
Rent	120,000	115,000	117,161	2,161
Total Use of Money and Property	<u>124,500</u>	<u>120,500</u>	<u>127,794</u>	<u>7,294</u>
Other				
Insurance refunds, reimbursements and dividends	79,500	83,970	86,357	2,387
City cost plan	167,620	186,359		(186,359)
Miscellaneous - all others	46,994	48,599	61,346	12,747
Total Other	<u>294,114</u>	<u>318,928</u>	<u>147,703</u>	<u>(171,225)</u>
Total Revenues	<u>\$ 5,771,648</u>	<u>\$ 5,969,222</u>	<u>\$ 6,359,954</u>	<u>\$ 390,732</u>

City of Bishop

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 5,771,648	\$ 5,969,222	\$ 6,359,954	\$ 390,732
Expenditures				
General Government				
City council	149,227	144,137	119,562	24,575
Administration - clerk	576,372	539,020	357,123	181,897
Finance	242,869	248,401	222,272	26,129
City treasurer	1,850	1,850	1,843	7
City attorney	81,500	109,000	98,161	10,839
Insurance	289,850	289,850	148,440	141,410
Information technology	20,000	8,750	4,844	3,906
Elections	2,700	2,200	1,533	667
Total General Government	1,364,368	1,343,208	953,778	389,430
Public Ways and Facilities/Transportation				
Building and grounds	146,571	144,814	128,731	16,083
Building	127,276	128,432	122,072	6,360
Planning	161,866	173,621	173,791	(170)
Street maintenance	114,439	149,617	146,472	3,145
Street sweeping	93,862	95,648	95,139	509
Street lighting	48,000	41,000	41,083	(83)
Total Public Ways and Facilities/Transportation	692,014	733,132	707,288	25,844
Public Safety				
Police	3,057,433	3,181,143	3,269,840	(88,697)
Fire	380,756	400,758	407,447	(6,689)
Emergency preparedness				
Total Public Safety	3,438,189	3,581,901	3,677,287	(95,386)
Community Development				
Parks and recreation	692,369	731,140	697,221	33,919
After school program	34,494	32,977	32,504	473
Community promotion	125,600	126,600	126,166	434
Civic arts commission				
Total Community Development	852,463	890,717	855,891	34,826
Debt Service				
Principal			43,296	(43,296)
Interest				
Total Debt service			43,296	(43,296)
Capital Outlay				
Structures and improvements				
Equipment		46,779	213,107	(166,328)
Total Capital Outlay		46,779	213,107	(166,328)
Total Expenditures	6,347,034	6,595,737	6,450,647	188,386
Excess (Deficit) of Revenues Over Expenditures	(575,386)	(626,515)	(90,693)	535,822
Other Financing Sources (Uses)				
Proceeds of side fund payoff loan				
Operating transfers in	575,954	626,512	557,137	(69,375)
Operating transfers out			(60,790)	(60,790)
Total Other Financing Sources (Uses)	575,954	626,512	496,347	(130,165)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ 568	\$ (3)	405,654	\$ 405,657
Fund Balances, July 1, 2015			3,214,778	
Prior Period Adjustment			(192,172)	
Fund Balances, June 30, 2016			\$ 3,428,260	

**City of Bishop**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MEASURE A-SPECIAL REVENUE FUND  
June 30, 2016**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 580,000	\$ 580,000	\$ 560,590	\$ (19,410)
Total Revenues	580,000	580,000	560,590	(19,410)
Other Financing Sources (Uses)				
Operating transfers out	(575,954)	(626,512)	(557,137)	69,375
Excess of Revenues over Other Financing Uses	\$ 4,046	\$ (46,512)	3,453	\$ 49,965
Fund Balances, July 1, 2015			240,591	
Fund Balances, June 30, 2016			\$ 244,044	

**CITY OF BISHOP**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY  
JUNE 30, 2016**

<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 Plan</u>					
6/30/2014	0.14844%	\$3,668,769	\$1,745,519	210.18%	79.76%
6/30/2015	0.11968%	\$3,283,463	\$1,710,487	191.96%	84.13%
<u>CalPERS-Safety Plan</u>					
6/30/2014	0.10109%	\$3,791,760	\$1,111,418	341.16%	80.93%
6/30/2015	0.10674%	\$4,398,084	\$1,239,937	354.70%	80.12%
<u>PARS Miscellaneous Single Employer Plan</u>					
6/30/2014	NA	\$2,805,983	\$1,542,000	181.97%	52.45%
6/30/2015	NA	\$2,579,156	\$1,020,118	252.83%	51.64%

\* 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.

***Note 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, 2016**

<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	\$307,717	(\$307,717)	\$0	\$1,745,519	17.63%
6/30/2015	\$275,081	(\$275,081)	\$0	\$1,710,487	16.08%
<u>PARS Miscellaneous Single Employer Plan</u>					
6/30/2014 *	\$402,000	(\$238,126)	\$163,874	\$1,542,000	15.44%
6/30/2015 *	\$271,900	(\$234,903)	\$36,997	\$1,020,118	23.03%
<u>CalPERS-Safety First Tier Plan</u>					
6/30/2014	\$377,896	(\$377,896)	\$0	\$1,270,455	29.74%
6/30/2015	\$430,675	(\$430,675)	\$0	\$1,239,937	34.73%

\* 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, 2016**

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 and special revenue 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, 2016**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>Assets</u>			
Restricted cash and investments	\$ 179,599	\$ 44,266	\$ 223,865
Receivables	7,208		7,208
Due from other governments	794	11,141	11,935
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 187,601</u>	<u>\$ 55,407</u>	<u>\$ 243,008</u>
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts payable	\$ 1,161	\$ -	\$ 1,161
Accrued wages	5,993		5,993
Due to other funds		11,141	11,141
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>7,154</u>	<u>11,141</u>	<u>18,295</u>
 <u>Deferred Inflows of Resources</u>			
Deferred revenue-advance		44,266	44,266
Unavailable revenue-capital grants		11,141	11,141
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	<u></u>	<u>55,407</u>	<u>55,407</u>
 <u>Fund Balances</u>			
Assigned	180,447	(11,141)	169,306
	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>180,447</u>	<u>(11,141)</u>	<u>169,306</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 187,601</u>	<u>\$ 55,407</u>	<u>\$ 243,008</u>

**CITY OF BISHOP**

**Combining Statement of Revenues, Expenditure and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
June 30, 2016**

	Special Revenue Funds	Capital Project Funds	Total
<b>Revenues</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	212,770	20,027	232,797
Fines, forfeitures and penalties			-
Total Revenues	212,770	20,027	232,797
<b>Expenditures</b>			
<b>Current:</b>			
Public ways and facilities/ transportation	97,117	47	97,164
Public safety	88,229		88,229
Community development	5,612	-	5,612
<b>Debt service</b>			
Principal	3,660		3,660
Interest			-
<b>Capital outlay</b>	16,756	19,650	36,406
Total Expenditures	211,374	19,697	231,071
<b>Excess (Deficit) of Revenues Over Expenditures Before Other Financing Sources</b>	1,396	330	1,726
<b>Other Financing Sources (Uses)</b>			
Operating transfers in		62,504	62,504
Operating transfers out		(1,714)	(1,714)
<b>Total Other Financing Sources   Sources (Uses)</b>		60,790	60,790
<b>Excess (Deficit) of Revenues Over Expenditures and Other Financing Sources</b>	1,396	61,120	62,516
<b>Fund Balances, July 1, 2015</b>	179,050	(72,261)	106,790
<b>Fund Balances, June 30, 2016</b>	\$ 180,446	\$ (11,141)	\$ 169,306

**CITY OF BISHOP**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2016**

	<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	\$ 8,534	\$ 1,703	\$ 140,938	\$ 28,424	\$ -	\$ 179,599
Receivables	7,208					7,208
Due from other governments			794			794
<b>Total Assets</b>	<b>\$ 15,742</b>	<b>\$ 1,703</b>	<b>\$ 141,732</b>	<b>\$ 28,424</b>	<b>\$ -</b>	<b>\$ 187,601</b>
<u>Liabilities and Fund Balances</u>						
<u>Liabilities</u>						
Accounts payable	\$ 857	\$ -	\$ (583)	\$ 887	\$ -	\$ 1,161
Accrued wages	1,874	(48)	4,167			5,993
Due to other funds						
Deferred Revenue						
<b>Total Liabilities</b>	<b>2,731</b>	<b>(48)</b>	<b>3,584</b>	<b>887</b>		<b>7,154</b>
<u>Fund Balances</u>						
Assigned	13,011	1,751	138,148	27,537		180,447
<b>Total Fund Balance</b>	<b>13,011</b>	<b>1,751</b>	<b>138,148</b>	<b>27,537</b>		<b>180,447</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,742</b>	<b>\$ 1,703</b>	<b>\$ 141,732</b>	<b>\$ 28,424</b>	<b>\$ -</b>	<b>\$ 187,601</b>

**CITY OF BISHOP**

**Combining Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
June 30, 2016**

	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Public Safety</u>	<u>Asset Forfeiture</u>	<u>Home-9023 Grant</u>	<u>Totals</u>
<b>Revenues</b>						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	85,338	11,000	110,820		5,612	212,770
Fines, forfeitures and penalties						
<b>Total Revenues</b>	<u>85,338</u>	<u>11,000</u>	<u>110,820</u>		<u>5,612</u>	<u>212,770</u>
<b>Expenditures</b>						
Current:						
Public ways and facilities/ transportation	97,117					97,117
Public safety		9,492	62,151	16,586		88,229
Community development					5,612	5,612
Debt Service						
Principal	3,660					3,660
Interest						
Capital outlay	8,349			8,407		16,756
<b>Total Expenditures</b>	<u>109,126</u>	<u>9,492</u>	<u>62,151</u>	<u>24,993</u>	<u>5,612</u>	<u>211,374</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(23,788)</u>	<u>1,508</u>	<u>48,669</u>	<u>(24,993)</u>		<u>1,396</u>
<b>Fund Balances, July 1, 2015</b>	<u>36,799</u>	<u>243</u>	<u>89,479</u>	<u>52,530</u>		<u>179,050</u>
<b>Fund Balances, June 30, 2016</b>	<u>\$ 13,011</u>	<u>\$ 1,751</u>	<u>\$ 138,148</u>	<u>\$ 27,537</u>	<u>\$ -</u>	<u>\$ 180,447</u>

**CITY OF BISHOP**

**Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2016**

	Fed Grant Mac Iver Extention	Sneden Improvements	GIS	SEIBU School Bike Path	Valley Apts CDBG	Warren Improvements	Pine to Park	Local Transportation Fund	Totals
<u>Assets</u>									
Restricted cash and investments	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,266	\$ 44,266
Due from other governments				11,141					11,141
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,141</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,266</b>	<b>\$ 55,407</b>
<u>Liabilities</u>									
<u>Liabilities</u>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue								44,266	44,266
Due to other funds				11,141					11,141
<b>Total Liabilities</b>				<b>11,141</b>				<b>44,266</b>	<b>55,407</b>
<u>Deferred Inflows of Resources</u>									
Unavailable revenue-capital grants				11,141					11,141
<b>Total Deferred Inflows of Resources</b>				<b>11,141</b>					<b>11,141</b>
<u>Fund Balances</u>									
Assigned				(11,141)					(11,141)
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,141</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,266</b>	<b>\$ 55,407</b>

**CITY OF BISHOP**

**Combining Statement of Revenues, Expenditure, and  
Changes in Fund Balance  
Nonmajor Capital Projects Funds  
June 30, 2016**

	Fed Grant Maciver Exention	Snedden Improvements	GIS	SEIBU School Bike Path	Valley Apts CDBG	Warren Improvements	Pine to Park	Local Transportation Fund	Totals
<b>Revenues</b>									
Intergovernmental Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,983	\$ -	\$ 44	\$ 20,027
Use of money and property									-
<b>Total Revenues</b>						19,983		44	20,027
<b>Expenditures</b>									
Current:									
Public ways and facilities/ Transportation		-		3				44	47
Community development Capital outlay		-	-	-		19,650		-	19,650
<b>Total Expenditures</b>				3		19,650		44	19,697
<b>Excess (Deficit) of Revenues Over Expenditures Before Other Financing Sources (Uses)</b>				(3)		333			330
<b>Other Financing Sources (Uses)</b>									
Operating transfers in		4,695	8,756	12,365	487	19,727	16,474		62,504
Operating transfers out	(1,714)								(1,714)
<b>Total Other Financing Sources</b>	(1,714)	4,695	8,756	12,365	487	19,727	16,474	-	60,790
<b>Excess (Deficit) of Revenues Over Expenditures and Other Financing Sources</b>	(1,714)	4,695	8,756	12,362	487	20,060	16,474		61,120
<b>Fund Balances, July 1, 2015</b>	1,714	(4,695)	(8,756)	(23,503)	(487)	(20,060)	(16,474)		(72,261)
<b>Fund Balances, June 30, 2016</b>	\$ -	\$ -	\$ -	\$ (11,141)	\$ -	\$ -	\$ -	\$ -	\$ (11,141)

# LARRY BAIN, CPA

An Accounting Corporation

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2148 Frascati Drive, El Dorado Hills, CA 95762 / 916.601-8894  
[lpbain@sbcglobal.net](mailto:lpbain@sbcglobal.net)

## **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, 2016, 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 27, 2016.

### **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 16-1, 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.



*Larry Bain, CPA,*  
*An Accounting Corporation*  
December 27, 2016

## CITY OF BISHOP

### Schedule of Findings and Recommendations June 30, 2016

**16-1 (Prior Year 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.

**Current Year Follow Up:** During the 2015/16 fiscal year the Sunrise Mobile Home Park had net income of \$45,287, however this included a gain on sale of assets of \$50,826. Excluding the gain on sale of assets the Park would have incurred a net loss of \$5,539.

**Recommendation:** We recommend the City take action to reverse the continuing decline in net position and 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.

**Management Response:** Operating losses associated with Sunrise Mobile Home Park have decreased from a high in 2013-14 of \$101,143 to approximately \$5,100 at fiscal year-end 2015-16. The drastic improvement is a product of substantially decreased operating expenditures coupled with slightly higher revenues. Future operating expenditures are projected to remain relatively flat (+/- 2%) while future revenues are estimated to increase 10% – 15% (2016-17) due to the full implementation of a Council approved, modified rate structure. The 2016-2017 Sunrise Mobile Home park budget projects net revenue of approximately \$9,000 excluding depreciation.