

CITY OF BISHOP
FINANCIAL STATEMENTS
JUNE 30, 2018

CITY OF BISHOP

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Bishop, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bishop, California, as of and for the year ended June 30, 2018, and the notes to the financial statements, 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, 2018, and the changes in financial position, of those activities and funds and where applicable, cash flows thereof, 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 45-47, 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 48-49 and as the City's Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the City's Net OPEB Liability and Related Ratios on page 50, 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 January 29, 2019 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.

The combining and individual fund financial statements and schedules on pages 52 to 57 are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Larry Bain, CPA,
An Accounting Corporation
January 29, 2019

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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, 2018. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

- The City's total assets were \$29 million as of June 30, 2018. Of this total, \$20 million are governmental assets and \$9 million are business type assets.
- At June 30, 2018, the City's governmental funds reported combined fund balances of \$5.22 million. Approximately 90% of the combined fund balances, \$4.65 million, is available to meet the City's current and future needs (assigned and unassigned fund balance).
- At the close of the fiscal year, the unassigned fund balance for the general fund was \$4.65 million or 69% of total general fund expenditures.

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, 2018

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, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 9,593,966	\$ 3,164,824	\$ 12,758,790	\$ 8,331,547	\$ 2,605,356	\$ 10,936,903
Capital Assets	10,489,858	6,177,211	16,667,069	10,722,098	6,354,483	17,076,581
Total Assets	20,083,824	9,342,035	29,425,859	19,053,645	8,959,839	28,013,484
Deferred Outflows	3,027,439	969,722	3,997,161	2,113,844	651,608	2,765,452
Liabilities						
Current/non current	19,109,736	5,327,100	24,436,836	11,279,460	3,998,449	15,277,909
Deferred Inflows	409,103	226,619	635,722	2,967,533	309,798	3,277,331
Net Position						
Net investment in capital assets	10,489,858	5,983,800	16,473,658	10,722,098	6,125,894	16,847,992
Unrestricted	(6,897,434)	(1,225,762)	(8,123,196)	(3,801,602)	(822,694)	(4,624,296)
Total Net Position	\$ 3,592,424	\$ 4,758,038	\$ 8,350,462	\$ 6,920,496	\$ 5,303,200	\$ 12,223,696

The below Condensed Statement of Net Position below presents the City's governmental and business activities in total for the years ending June 30, 2018 and June 30, 2017.

Net Position decreased 3.8 million for year ending June 30, 2018. This is mainly attributed to a change in reporting criteria for post-retirement health care. Expenditures were also up approximately \$550,000

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Change in Net Position

The statement of activities on the following page identifies the various revenue and expense items which affect the change in net position, highlights of which were noted above.

	Fiscal Year Ending June 30, 2018			Fiscal Year Ending June 30, 2017		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Governmental Activities:						
Charges for services	\$ 678,314	\$ 2,490,811	\$ 3,169,125	\$ 703,134	\$ 2,439,257	\$ 3,142,391
Capital grants and contributions	148,742	26,101	174,843	187,481	27,625	215,106
Operating grants	616,258		616,258	305,477		305,477
General Revenue:			-			-
Property Tax and assessments	1,176,356		1,176,356	1,165,456		1,165,456
Sales and use tax	1,938,790		1,938,790	1,962,571		1,962,571
Other Revenue	3,342,406	31,065	3,373,471	3,153,553	34,374	3,187,927
Investment income	114,682	30,167	144,849	22,158	17,005	39,163
Total Revenue	<u>8,015,548</u>	<u>2,578,144</u>	<u>10,593,692</u>	<u>7,499,830</u>	<u>2,518,261</u>	<u>10,018,091</u>
Expenses:						
General government	\$ 1,035,988		\$ 1,035,988	\$ 970,856		\$ 970,856
Public Safety	4,149,071		4,149,071	3,764,356		3,764,356
Public Works	1,401,359		1,401,359	1,218,467		1,218,467
Community development/recreation	1,211,668		1,211,668	837,773		837,773
Interest on debt	6,965		6,965	2,110		2,110
Business-type activities:						
Water		1,086,065	1,086,065		850,135	850,135
Sewer		950,989	950,989		947,613	947,613
Mobile Home Park		117,302	117,302		104,587	104,587
Interest on debt		7,953	7,953		10,616	10,616
Total Expenses	<u>7,805,051</u>	<u>2,162,309</u>	<u>9,967,360</u>	<u>6,793,562</u>	<u>1,912,951</u>	<u>8,706,513</u>
Change in net position	\$ 210,497	\$ 415,835	\$ 626,332	\$ 706,268	\$ 605,310	\$ 1,311,578
Net Position:						
Net Position - beginning (restated)	3,381,927	4,342,203	7,724,130	5,841,560	5,078,095	10,919,655
Prior period adjustment			-	372,668	(380,205)	(7,537)
Net Position - Ending	<u>\$ 3,592,424</u>	<u>\$ 4,758,038</u>	<u>\$ 8,350,462</u>	<u>\$ 6,920,496</u>	<u>\$ 5,303,200</u>	<u>\$ 12,223,696</u>

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2018

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

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

Governmental Funds

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

At June 30, 2018, the City's governmental funds (general, special revenue, debt service, and capital projects) reported combined fund balances of \$5.22 million, a 7.4% increase over the prior year. Of the combined fund balances, \$4.89 million (89%) 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, 2018, the City's proprietary funds reported a combined ending net position of \$4,758,038, an 11% net decrease 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, 2018 the City's investment in capital assets totaled \$16.6 million net of accumulated depreciation.

CAPITAL ASSETS

	Governmental Activities		Business Type Activities		Total Government	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Land	341,105.00	341,105.00	481,056.00	481,056.00	822,161.00	822,161.00
Construction in Progress	305,691.00	301,367.00	207,960.00	209,628.00	513,651.00	510,995.00
Buildings	4,979,568.00	5,717,356.00	418,465.00	440,650.00	5,398,033.00	6,158,006.00
Site improvements	765,039.00		-		765,039.00	
Equipment	3,431,611.00	3,164,403.00	1,746,705.00	1,770,644.00	5,178,316.00	4,935,047.00
Infrastructure	11,337,411.00	11,337,411.00	12,164,161.00	12,031,371.00	23,501,572.00	23,368,782.00
Less: accumulated depreciation	(10,670,567.00)	(10,139,544.00)	(8,841,136.00)	(8,578,866.00)	(19,511,703.00)	(18,718,410.00)
Total Capital Assets	10,489,858.00	10,722,098.00	6,177,211.00	6,354,483.00	16,667,069.00	17,076,581.00

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

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2018

LONG-TERM DEBT

At June 30, 2018, the City's long-term debt totaled \$692,373. The governmental-type debt portion of \$410,071 is for two notes payable to the County of Inyo: \$92,517 for the CalPERS side fund refinancing and \$317,554 for capital and deferred maintenance projects. The business-type debt portion totals \$282,302 which consists of \$88,891 payable to the County of Inyo for the CalPERS side fund refinancing and the remaining \$193,411 payable to the State of California for water infrastructure improvement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City anticipates revenues will remain strong from Transient Occupancy Tax (TOT). The growth in revenue can be attributed in part to the marketing efforts through the Bishop Tourism Improvement District (BTID), as well as the average daily rate increases. City Council approved a \$10.1 million budget for fiscal year 2018-2019 for both operating and non-operating budgets. The budgeting approach remains conservative with priorities of maintaining current service levels, continuing deferred maintenance projects, and increasing reserve levels to fund future rising pension costs. The budget also includes additions to public works and safety fleets and water and sewer infrastructure improvements. In addition to utilizing enterprise funds for 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.

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, 2018**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 4,358,404	\$ 3,100,329	\$ 7,458,733
Accounts receivables	1,204,112	22,601	1,226,713
Interest receivable		13,460	13,460
Due from other governments	412,466		412,466
Prepaid expenses	80,562	19,756	100,318
Restricted cash and investments	315,030	8,678	323,708
Total Current Assets	6,370,574	3,164,824	9,535,398
Non Current Assets			
Loans receivable	3,223,392		3,223,392
Capital assets:			
Land	341,105	481,056	822,161
Construction in Progress	305,691	207,960	513,651
Buildings	4,979,568	418,465	5,398,033
Site improvements	765,039		765,039
Equipment	3,431,611	1,746,705	5,178,316
Infrastructure	11,337,411	12,164,161	23,501,572
Less: accumulated depreciation	(10,670,567)	(8,841,136)	(19,511,703)
Total Capital Assets	10,489,858	6,177,211	16,667,069
Total Non Current Assets	13,713,250	6,177,211	19,890,461
Total Assets	20,083,824	9,342,035	29,425,859
Deferred Outflows of Resources			
Deferred outflows-OPEB	416,646	114,572	531,218
Deferred outflows-pensions	2,610,793	855,150	3,465,943
Total Deferred Outflows of Resources	\$ 3,027,439	\$ 969,722	\$ 3,997,161
Liabilities			
Current liabilities:			
Accounts payable	\$ 168,661	\$ 31,624	\$ 200,285
Due to other government	219,476		219,476
Accrued salary and benefits payable	212,209	22,731	234,940
Accrued interest payable	-	1,485	1,485
Deferred revenue-uneared	109,266		109,266
Due within one year	233,064	289,636	522,700
Total Current Liabilities	942,675	345,476	1,288,152
Liabilities-due in more than one year:			
Customer deposits		10,904	10,904
Compensated absences	149,058	4,173	153,231
Deferred revenue-unavailable	2,527,781		2,527,781
Net pension liability	10,288,380	3,635,993	13,924,373
OPEB liability	4,890,393	1,285,832	6,176,225
County loans	311,448	44,722	356,170
Total Liabilities Due In More Than One Year	18,167,060	4,981,624	23,148,684
Total Liabilities	19,109,735	5,327,100	24,436,835
Deferred Inflows of Resources			
Deferred inflows-OPEB	52,248	14,367	66,615
Deferred inflows-pensions	356,855	212,252	569,107
Total Deferred Inflows of Resources	409,103	226,619	635,722
Net Position			
Net investment in capital assets	10,489,858	5,983,800	16,473,658
Unrestricted	(6,897,434)	(1,225,762)	(8,123,196)
Total Net Position	\$ 3,592,424	\$ 4,758,038	\$ 8,350,462

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

CITY OF BISHOP
STATEMENT OF ACTIVITIES
JUNE 30, 2018

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 1,035,988	\$ 201,484	\$ -	\$ 37,287	\$ (797,217)	\$ -	\$ (797,217)
Public safety	4,149,071	129,218	-	175,981	(3,843,872)	-	(3,843,872)
Public works	1,401,359	191,785	148,742	53,928	(1,006,904)	-	(1,006,904)
Community services/recreation	1,211,668	155,827	-	349,062	(706,779)	-	(706,779)
Interest on long-term debt	6,965	-	-	-	(6,965)	-	(6,965)
Total Governmental Activities	7,805,051	678,314	148,742	616,258	(6,361,737)		(6,361,737)
Business-type Activities:							
Water	1,086,065	1,247,794	14,247	-	-	175,976	175,976
Sewer	950,989	1,115,173	11,854	-	-	176,038	176,038
Mobile home park	117,302	127,844	-	-	-	10,542	10,542
Interest on long-term debt	7,953	-	-	-	-	(7,953)	(7,953)
Total Business-type Activities	2,162,309	2,490,811	26,101			354,603	354,603
Total Government	\$ 9,967,360	\$ 3,169,125	\$ 174,843	\$ 616,258	(6,361,737)	354,603	(6,007,134)
General Revenues:							
Taxes:							
Property taxes					1,176,356		1,176,356
Sales and use tax					1,938,790		1,938,790
Transient occupancy tax					2,783,794		2,783,794
Franchise tax					41,228		41,228
Motor vehicle in lieu tax					321,595		321,595
Other taxes					195,789		195,789
Gain (loss) on sale of capital assets					-	31,065	31,065
Investment income					114,682	30,167	144,849
Total general revenues					6,572,234	61,232	6,633,466
Change in net position					210,497	415,835	626,332
Net position - beginning-restated					3,381,927	4,342,203	7,724,130
Net position - ending					\$ 3,592,424	\$ 4,758,038	\$ 8,350,462

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

CITY OF BISHOP
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	Special Revenue Fund			Other Nonmajor Funds	Total Governmental Funds
	General	Home Fund Willow Street	Measure A		
<u>Assets</u>					
Cash and investments	\$ 4,020,545	\$ 23,612	\$ 314,247	\$ -	\$ 4,358,404
Restricted cash and investments				315,030	315,030
Receivables					
Accounts	1,193,541			10,571	1,204,112
Due from other governments	-		103,962	308,504	412,466
Interest	-	695,611			695,611
Prepaid expense	79,324			1,238	80,562
Due from other funds	204,768				204,768
Loans/notes receivable	-	2,220,000		307,781	2,527,781
Total Assets	\$ 5,498,178	\$ 2,939,223	\$ 418,209	\$ 943,124	\$ 9,798,734
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 85,400	\$ -	\$ -	\$ 83,261	\$ 168,661
Due to other government	219,476				219,476
Accrued salary and benefits payable	207,221		-	4,988	212,209
Due to other funds			-	204,768	204,768
Total Liabilities	512,097			293,017	805,114
<u>Deferred Inflows of Resources</u>					
Deferred revenue-advances	65,000			44,266	109,266
Unavailable revenue-charges for services	190,715				190,715
Unavailable revenue-capital grants				254,755	254,755
Unavailable revenue-loans		2,915,611		307,781	3,223,392
Total Deferred Inflows of Resources	255,715	2,915,611		606,802	3,778,128
<u>Fund Balances</u>					
Restricted for petty cash	640				640
Nonspendable	79,324				79,324
Assigned for special revenue funds		23,612	418,209	234,122	675,943
Assigned for capital projects funds				(190,817)	(190,817)
Unassigned	4,650,402				4,650,402
Total Fund Balances	4,730,366	\$ 23,612	418,209	43,305	5,215,492
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,498,178	\$ 2,939,223	\$ 418,209	\$ 943,124	\$ 9,798,734

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, 2018

Fund Balances of Governmental Funds	\$ 5,215,492
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.	10,489,858
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.	1,141,081
Certain amounts have been recorded as OPEB and pension liability, deferred outflows and deferred inflows of resources that are not due and payable and not reported in the funds.	(12,560,437)
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>(693,571)</u>
Net position of governmental activities	\$ <u>3,592,424</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, 2018**

	General	Special Revenue		Other Nonmajor Funds	Total Governmental Funds
		Fund			
		Home Funds Willow Street	Measure A		
Revenues					
Taxes	\$5,628,328	\$ -	\$ 630,511	\$ -	\$ 6,258,839
Licenses and permits	187,928				187,928
Intergovernmental	166,253			502,301	668,554
Fines, forfeitures and penalties	10,488				10,488
Charges for current services	231,207				231,207
Use of money and property	191,819	15,359			207,178
Other	12,874				12,874
Total Revenues	6,428,897	15,359	630,511	502,301	7,577,068
Expenditures					
Current:					
General government	986,029		-		986,029
Public ways and facilities/ transportation	871,938			93,203	965,141
Public safety	3,594,787			102,681	3,697,468
Community development	843,662			274,348	1,118,010
Debt service					
Principal	95,762			3,517	99,279
Interest	5,395			143	5,538
Capital Outlay	312,263			136,153	448,416
Total Expenditures	6,709,836	-	-	610,045	7,319,881
Excess (Deficit) of Revenues over Expenditures before other financing Sources and (Uses)	(280,939)	15,359	630,511	(107,744)	257,187
Other Financing Sources (Uses)					
Proceeds of loan	100,000				100,000
Operating transfers in	523,578				523,578
Operating transfers out			(523,578)		(523,578)
Total Other Financing Sources (Uses)	623,578	-	(523,578)	-	100,000
Net Change in Fund Balances	342,639	15,359	106,933	(107,744)	357,187
Fund Balances, July 1, 2017	4,387,727	8,253	311,276	151,049	4,858,305
Fund Balances, June 30, 2018	\$4,730,366	\$ 23,612	\$ 418,209	\$ 43,305	\$ 5,215,492

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 357,187
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	448,416
Depreciation expense	(576,614)
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.	97,851
Debt proceeds are recorded as other financing sources in the funds and as long-term debt in the Statement of Net Position	(100,000)
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.	438,478
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.	(431,134)
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.	-
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>(23,687)</u>
Change in net position of governmental activities	<u>\$ 210,497</u>

CITY OF BISHOP

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Major Funds		Non Major Fund	Totals
	Water	Sewer	Mobile Home Park	
Current assets:				
Cash and investments	\$ 1,538,715	\$1,319,749	\$ 241,865	\$ 3,100,329
Restricted cash and investments			8,678	8,678
Receivables				
Accounts	7,372	14,386	843	22,601
Interest	7,371	6,089	-	13,460
Prepaid expense	9,588	9,585	583	19,756
Total current assets	<u>1,563,046</u>	<u>1,349,809</u>	<u>251,969</u>	<u>3,164,824</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,882	324,850	481,056
Construction in progress	-	207,960		207,960
Depreciable capital assets				
Building	64,759	94,877	258,829	418,465
Site improvements				-
Equipment	1,031,996	714,709		1,746,705
Infrastructure	7,461,702	4,702,459		12,164,161
Less accumulated depreciation	(4,633,840)	(3,948,467)	(258,829)	(8,841,136)
Total capital assets (net of accumulated depreciation)	<u>3,991,941</u>	<u>1,860,420</u>	<u>324,850</u>	<u>6,177,211</u>
Total Assets	<u>5,554,987</u>	<u>3,210,229</u>	<u>576,819</u>	<u>9,342,035</u>
Deferred Outflows of Resources				
Deferred outflows-OPEB	56,959	55,864	1,749	114,572
Deferred outflows-pensions	427,575	427,575		855,150
Total Deferred Outflows of Resources	<u>484,534</u>	<u>483,439</u>	<u>1,749</u>	<u>969,722</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,039,521</u>	<u>\$3,693,668</u>	<u>\$ 578,568</u>	<u>\$ 10,311,757</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 9,682	\$ 20,911	\$ 1,031	\$ 31,624
Accrued payroll	9,126	11,907	1,698	22,731
Interest payable	1,485			1,485
Compensated absences	26,028	26,028		52,057
County loan	22,084	22,084		44,169
Note payable	193,411			193,411
Total current liabilities	<u>261,817</u>	<u>80,931</u>	<u>2,729</u>	<u>345,476</u>
Noncurrent liabilities:				
Customer deposits	1,441	1,247	8,216	10,904
Compensated absences	2,161	2,012		4,173
Net pension liability	1,817,612	1,817,612	769	3,635,993
OPEB liability	638,712	627,346	19,774	1,285,832
County loan	21,454	21,454	1,815	44,722
Total noncurrent liabilities	<u>2,481,379</u>	<u>2,469,670</u>	<u>30,574</u>	<u>4,981,624</u>
Total Liabilities	<u>2,743,196</u>	<u>2,550,601</u>	<u>33,303</u>	<u>5,327,100</u>
Deferred Inflows of Resources				
Deferred inflows-OPEB	7,143	7,005	219	14,367
Deferred inflows-pensions	106,126	106,126		212,252
Total Deferred Inflows of Resources	<u>113,269</u>	<u>113,131</u>	<u>219</u>	<u>226,619</u>
Net Position:				
Net investment in capital assets	3,798,530	1,860,420	324,850	5,983,800
Unreserved	(615,474)	(830,484)	220,196	(1,225,762)
Total Net Position	<u>3,183,056</u>	<u>1,029,936</u>	<u>545,046</u>	<u>4,758,038</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 6,039,521</u>	<u>\$3,693,668</u>	<u>\$ 578,568</u>	<u>\$ 10,311,757</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, 2018**

	Major Funds		Non Major Fund	Totals
	Water	Sewer	Mobile Home Park	
Operating Revenues				
Charges for services	\$ 1,234,087	\$ 1,102,097	\$ -	\$ 2,336,184
Rent			93,745	93,745
Utility reimbursement			34,085	34,085
Other income	13,707	13,076	14	26,797
Total Operating Revenues	1,247,794	1,115,173	127,844	2,490,811
Operating Expenses				
Salaries and benefits	650,038	627,825	54,074	1,331,937
Services and supplies	255,132	219,604	63,228	537,964
Depreciation expense	180,895	103,560	-	284,455
Total Operating Expenses	1,086,065	950,989	117,302	2,154,356
Operating Income (Loss)	161,729	164,184	10,542	336,455
Non-Operating Revenues (Expenses)				
Interest income	15,344	12,780	2,043	30,167
Gain on sale of assets			31,065	31,065
Rebates	14,247	11,854		26,101
Interest expense	(7,103)	(432)	(418)	(7,953)
Total Non-Operating Revenues (Expenses)	22,488	24,202	32,690	79,380
Net Income (Loss)	184,217	188,386	43,232	415,835
Net Position, July 1, 2017-Restated	3,097,525	742,864	501,814	4,342,203
Prior Period Adjustment	(98,686)	98,686		-
Net Position, June 30, 2018	\$ 3,183,056	\$ 1,029,936	\$ 545,046	\$ 4,758,038

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

CITY OF BISHOP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Major Funds</u>		<u>Non Major Fund</u>	<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Mobile Home Park</u>	
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,242,495	\$ 1,101,837	\$ 126,617	\$ 2,470,949
Cash payments to suppliers	(250,436)	(205,720)	(62,826)	(518,982)
Cash payments to employees	(624,837)	(602,438)	(53,105)	(1,280,380)
Net Cash Provided By (Used For) Operating Activities	<u>367,222</u>	<u>293,679</u>	<u>10,686</u>	<u>671,587</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(83,150)	(40,583)		(123,733)
Sale of fixed assets			31,065	31,065
Rebates	14,247	11,854		26,101
Reductions of debt	(56,545)	(21,367)	(890)	(78,802)
Interest expense	(7,462)	(432)	(418)	(8,312)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(132,910)</u>	<u>(50,528)</u>	<u>29,757</u>	<u>(153,681)</u>
Cash Flows from Investing Activities:				
Interest income	7,974	6,693	2,043	16,710
Net Cash Provided By Investing Activities	<u>7,974</u>	<u>6,693</u>	<u>2,043</u>	<u>16,710</u>
Net Increase (Decrease) in Cash and Cash Equivalents	242,286	249,844	42,486	534,616
Cash and Cash Equivalents, June 30, 2017	<u>1,296,429</u>	<u>1,069,905</u>	<u>208,057</u>	<u>2,574,391</u>
Cash and Cash Equivalents, June 30, 2018	<u>\$ 1,538,715</u>	<u>\$ 1,319,749</u>	<u>\$ 250,543</u>	<u>\$ 3,109,007</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,538,715	\$ 1,319,749	\$ 241,865	\$ 3,100,329
Restricted cash and investments			8,678	8,678
Total Cash and Cash Equivalents	<u>\$ 1,538,715</u>	<u>\$ 1,319,749</u>	<u>\$ 250,543</u>	<u>\$ 3,109,007</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities				
Adjustments to operating income:				
Depreciation	180,895	103,560	-	284,455
(Increase) decrease in accounts receivable	(1,166)	(8,285)	(555)	(10,006)
Increase (decrease) in prepaid expense	(427)	(865)	(94)	(1,386)
Increase (decrease) in accounts payable	5,123	14,749	496	20,368
Increase (decrease) in accrued payroll	(8,661)	(8,517)	307	(16,871)
Increase (decrease) in customer deposits	(4,133)	(5,051)	(672)	(9,856)
Increase in OPEB liability				-
Increase (decrease) pension adjustments	37,286	37,286	662	75,234
Increase (decrease) in compensated absences	(3,424)	(3,382)		(6,806)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 367,222</u>	<u>\$ 293,679</u>	<u>\$ 10,686</u>	<u>\$ 671,587</u>

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, 2018**

	<u>Agency Funds</u>				<u>Totals</u>
	<u>Bond & Trust</u>	<u>Canine Donations</u>	<u>PARS Trust Fund</u>	<u>OPEB Trust Fund</u>	
<u>Assets</u>					
Cash and investments	\$ 21,964	\$ 8,013	\$ 2,894,197	\$ 2,863,458	\$ 5,787,632
Due from others	133,801	-	-	-	133,801
Total Assets	\$ 155,765	\$ 8,013	\$ 2,894,197	\$ 2,863,458	\$ 5,921,433
<u>Liabilities</u>					
Due to others	\$ 155,765	\$ 8,013	\$ -	\$ -	\$ 163,778
Total Liabilities	155,765	8,013	-	-	163,778
<u>Net Position</u>					
Held in trust for benefits	-	-	2,894,197	2,863,458	5,757,655
Total Net Position	\$ -	\$ -	\$ 2,894,197	\$ 2,863,458	\$ 5,757,655

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

<u>Additions:</u>				
Employer contributions		\$ 242,039	\$ 61,610	\$ 303,649
Total contributions		242,039	61,610	303,649
<u>Investment income (loss):</u>				
Net adjustment to fair value of investments		115,004	206,310	321,314
Distributions		(256,001)		(256,001)
Total Additions (Deductions)		(140,997)	206,310	65,313
Change in plan net assets		101,042	267,920	368,962
<u>Net Position:</u>				
Held in trust for OPEB benefits:				
Beginning of year		2,793,155	2,595,538	\$ 5,388,693
End of year		\$ 2,894,197	\$ 2,863,458	\$ 5,757,655

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

City of Bishop
Notes to Financial Statements
June 30, 2018

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, 2018

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.

City of Bishop
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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.

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, 2018

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, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

J. Deferred Inflows of Resources

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 reported in the fund financial statements was \$3,308,106. Also included in the deferred revenue balance is \$2,220,000 principal and \$715,611 interest for the workforce housing loan receivable that will be repaid in future years. \$978,840 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. Note 1 N. has additional information regarding deferred inflows and deferred outflows for pensions reported in the government-wide financial statements.

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, 2018, 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, 2018

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 Sunrise Mobile Home Park funds.

Cash and investments at June 30, 2018, consisted of the following:

Cash and investments	\$	7,458,733
Restricted cash and investments		323,708
Cash and investments, statement of net position		7,782,441
Cash and investments, agency funds		29,977
Total cash and investments	\$	7,812,418
Checking account	\$	1,057,216
Imprest cash		840
Local agency investment fund		6,754,362
Total cash and investments	\$	7,812,418

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, 2018

Note 3: Loans 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, 2018 the City had loaned \$2,220,000 and there was accrued interest of \$695,611. 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.

The City participates in an "Affordable Housing Loan Program" designed to encourage home ownership in the City limits. Under the program, loans were provided under favorable terms to homeowners who agree to spend these funds in accordance with the City's loan agreement terms. Although these loans are expected to be repaid in full, their balance in the governmental funds balance sheet has been offset by a deferred revenue account, as they are not expected to be repaid within 60 days after fiscal year, nor in the foreseeable future. Mammoth Lakes Housing is administrating the loan program on behalf of the City. Notes receivable as reported in the statement of net position consist of the following: Mammoth Lakes Housing Loans \$307,781

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 116 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. Primary Self-Insurance Programs Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

City of Bishop
Notes to Financial Statements
June 30, 2018

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

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City of Bishop participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Bishop. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance

The City of Bishop participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Bishop property is currently insured according to a schedule of covered property submitted by the City of Bishop to the Authority. City of Bishop property currently has all-risk property insurance protection in the amount of \$17,328,120. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of Bishop 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 of Bishop property currently has earthquake protection in the amount of \$7,781,027. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City of Bishop purchases crime insurance coverage in the amount of "Non Participant" with a "Non Participant" deductible. The fidelity coverage is provided through the Authority.

City of Bishop
Notes to Financial Statements
June 30, 2018

Note 4: Liability, Insured Programs and Workers Compensation Protection

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Retirements/ Adjustments	Balance June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 341,105	\$ -	\$ -	\$ 341,105
Construction in progress	301,367	114,863	(110,539)	305,691
Capital assets, being depreciated:				
Buildings and improvements	4,977,393	2,175		4,979,568
Site improvements	739,963	25,076	-	765,039
Equipment	3,164,403	312,799	(45,591)	3,431,611
Infrastructure	11,337,411			11,337,411
Total capital assets, being depreciated	<u>20,219,170</u>	<u>340,050</u>	<u>(45,591)</u>	<u>20,513,629</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,213,593)	(99,411)		(4,313,004)
Site Improvements	(564,445)	(19,684)		(584,129)
Equipment	(2,927,812)	(61,309)	45,591	(2,943,530)
Infrastructure	(2,433,694)	(396,210)		(2,829,904)
Total accumulated depreciation	<u>(10,139,544)</u>	<u>(576,614)</u>	<u>45,591</u>	<u>(10,670,567)</u>
Total capital assets, being depreciated, net	<u>10,079,626</u>	<u>(236,564)</u>	<u>-</u>	<u>9,843,062</u>
Governmental activities capital assets, net	<u>\$ 10,722,098</u>	<u>\$ (121,701)</u>	<u>\$ (110,539)</u>	<u>\$ 10,489,858</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 481,056	\$ -	\$ -	\$ 481,056
Construction in progress	209,628	26,688	(28,356)	207,960
Capital assets, being depreciated:				
Buildings and improvements	440,650		(22,185)	418,465
Equipment	1,770,644	12,685	(36,624)	1,746,705
Infrastructure	12,031,371	132,790		12,164,161
Total capital assets, being depreciated	<u>14,242,665</u>	<u>145,475</u>	<u>(58,809)</u>	<u>14,329,331</u>
Less accumulated depreciation:	<u>(8,578,866)</u>	<u>(262,270)</u>		<u>(8,841,136)</u>
Total capital assets, being depreciated, net	<u>5,663,799</u>	<u>(116,795)</u>	<u>(58,809)</u>	<u>5,488,195</u>
Business-type activities capital assets, net	<u>\$ 6,354,483</u>	<u>\$ (90,107)</u>	<u>\$ (87,165)</u>	<u>\$ 6,177,211</u>

City of Bishop
Notes to Financial Statements
June 30, 2018

Note 5: Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 46,852
Parks	73,461
Public Safety	52,709
Streets and roads	403,591
Total	<u>\$ 576,613</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, 2018:

	Balance July 1, 2017	Additions	Adjustments/ Retirements	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 259,812	\$ 292,569	\$ (268,882)	\$ 283,499	\$ 134,441
OPEB liability (Note 10)	1,091,469	3,798,924	-	4,890,393	-
Net pension liability (Note 9)	9,057,573	1,230,807		10,288,380	-
County loan-deferred maintenance	270,000	100,000	(52,446)	317,554	53,217
County loan-side fund payoff	137,922		(45,405)	92,517	45,406
Total	<u>\$ 9,403,416</u>	<u>\$ 5,422,300</u>	<u>\$ (366,733)</u>	<u>\$ 15,872,343</u>	<u>\$ 233,064</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.

County Loan-Deferred Maintenance

During the 2016/17 fiscal year Inyo County loaned the City \$270,000 for a term of five years at 1.46% interest. During the 2017/18 fiscal year another \$100,000 was loaned under this program. The funds were used to pay for City capital improvements. The loan agreement calls for four annual payments of \$82,307 payable to Inyo County starting July 24, 2018.

City of Bishop
Notes to Financial Statements
June 30, 2018

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, 2018:

	Balance July 1, 2017	Additions	Adjustments/ Retirements	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 63,035	\$ 97,307	\$ (104,113)	\$ 56,229	\$ 52,057
OPEB liability (Note 10)	241,179	1,044,653		1,285,832	-
Net pension liability (Note 9)	3,259,560	375,664	-	3,635,224	
County loan-side fund payoff	132,515	-	(43,624)	88,891	44,169
Note payable	228,589	-	(35,178)	193,411	193,411
Total	<u>\$ 3,924,878</u>	<u>\$ 1,517,624</u>	<u>\$ (182,915)</u>	<u>\$ 5,259,587</u>	<u>\$ 289,636</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. The original agreement called for principal to mature semi-annually from October 1, 1993, through April 1, 2023, with an interest rate of 3.2205%, however the City chose to prepay the remaining debt in the 2018/19 fiscal year.

The annual requirements to amortize the California Safe Drinking Water Note Payable as of June 30, 2018, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 193,411	\$ 2,321	\$ 195,732
Totals	<u>\$ 193,411</u>	<u>\$ 2,321</u>	<u>\$ 195,732</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, 2018

Note 8: Fund Balances – Governmental Funds (Continued)

	<u>General Fund</u>	<u>Measure A</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Project</u>
Restricted for:				
Petty cash	\$ 640	\$ -	\$ -	\$ -
Total restricted	<u>640</u>			
Nonspendable				
Prepaid expense	79,324			
Total nonspendable	<u>79,324</u>			
Committed				
Assigned to:				
Special Revenue Funds		418,209	234,122	
Capital Project Funds				(190,817)
Total assigned		<u>418,209</u>	<u>234,122</u>	<u>(190,817)</u>
Unassigned	<u>4,650,402</u>			
Total fund balance	<u>\$ 4,730,366</u>	<u>\$ 418,209</u>	<u>\$ 234,122</u>	<u>\$ (190,817)</u>

Note 9: Defined Benefit Pension Cost-Sharing Employer Plan

a. Miscellaneous and Safety Pension Plans

A. General Information about the Pension Plans

The City has pension plans with the California Public Employees Retirement System (“CalPERS”) and the Public Agency Retirement Services (“PARS”). Information about the pension plans follows.

California Public Employees Retirement System (CalPERS)

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.

Funding Policy – Active plan members in the Plan are required to contribute 6.50% to 7% of their covered salary for the miscellaneous plans and 9% to 11.5% for public safety members. The City contributes the employee portion for miscellaneous and safety classic employee’s. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the fiscal year ended June 30, 2018 Miscellaneous Classic 9.89%, PEPRA rates were miscellaneous 7.05%, Safety Classic 21.82%, and PEPRA Safety 13.74%. The contribution requirements of plan members are established by State statute and the employer contribution is established and may be amended by PERS.

City of Bishop
Notes to Financial Statements
June 30, 2018

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

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

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous Tier 1</u>	<u>Miscellaneous Tier 2</u>	<u>PEPRA Miscellaneous Plan</u>
	Prior to January 1, 2010	After January 1, 2010	On or after January 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	56-60	57-62
Monthly benefits , as a % of compensation	1.5% to 2%	1.5% to 2%	1% to 2%
Required employee contribution rates	7.00%	7.00%	6.50%
Required employer contribution rates	9.89%	8.50%	7.05%
	<u>Safety Classic Tier 1</u>	<u>Safety Classic Tier 2</u>	<u>PEPRA Police Plan</u>
	Prior to January 1, 2010	After January 1, 2010	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	2.7% @ 57	2.7% @ 57
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	45-50	52-57	52-57
Monthly benefits , as a % of compensation	2.5% to 3%	2.2% to 2.7%	2.2% to 2.7%
Required employee contribution rates	9.00%	9.00%	13.00%
Required employer contribution rates	21.82%	19.79%	13.74%

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

CalPERS Contributions-employer	\$	858,818
Contributions-employee (paid by employer)	\$	171,585

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate share of Net pension liability</u>	
Miscellaneous Plans	\$	4,957,924
Safety Plans	\$	6,350,222

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2018**

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

The City's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

	Miscellaneous Plans	Safety Plans
Proportion - June 30, 2016	0.12048%	0.10670%
Proportion - June 30, 2017	0.12577%	0.10628%
Change - Increase (Decrease)	0.00529%	-0.00043%

For the fiscal year ended June 30, 2018, the City recognized CalPERS miscellaneous and safety pension expense of \$1,456,335. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (41,768)
Changes of assumptions	1,655,207	
Net difference between projected and actual earnings on pension plan investments	397,622	
Change in proportions	168,377	
Change in proportionate share of contributions		(375,073)
City contributions subsequent measurement date	858,818	-
Total	\$ 3,080,024	\$ (416,841)

\$858,818 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, 2019.

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

Measurement Period		
Ended June 30:		
2019	\$	(420,823)
2020		(988,390)
2021		(629,447)
2022		234,295
2023		-
Thereafter		-

**City of Bishop
Notes to Financial Statements
June 30, 2018**

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2%
Investment Rate of Return	7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

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, 2018

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

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

<u>Asset Class</u>	<u>Current Allocation Target</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	0.0227
Inflation Sensitive	6%	0.60%	0.0139
Private Equity	12%	6.60%	0.0663
Real Estate	11%	2.80%	0.0521
Infrastructure and Forestland	3%	3.90%	0.0536
Liquidity	2%	-0.40%	(0.90)

(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% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Miscellaneous Plans	\$ 7,728,676	\$ 4,957,924	\$ 2,663,137
Safety Plans	\$ 9,494,422	\$ 6,350,222	\$ 3,779,994

**City of Bishop
Notes to Financial Statements
June 30, 2018**

Note 9: Defined Benefit Pension Plans (Continued)

b. City of Bishop Retirement Enhancement Plan

The PARS Retirement Enhancement Plan (“REP”) was implemented July 1, 2001 and closed to new participants hired after January 1, 2012. This plan is separate from CalPERS and is established as a 401 (a) Defined Benefit Plan. The REP is administered by PARS.

The REP provides a benefit equal to 1.00% of final average compensation for eligible miscellaneous employee service while employed at the City of Bishop.

Eligibility for the benefit is a) full-time Miscellaneous employee’s on or after July 1, 2001 and before July 1, 2012 b) retire directly from the City under CalPERS under a service retirement and remain retired under CalPERS c) Tier I-hired before January 1, 2010-age 55 with 10 or more years of full-time City service, Tier II-hired after January 1, 2010-age 60 with 10 or more years of full-time City service, Tier III-age 55 with no service requirements (2 employees). The plan is closed to employees hired on or after January 1, 2012.

Contribution Description - 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.

The City makes all contributions necessary to fund the benefits available under the REP. Employees are not permitted to make any contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability - The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	5.00%
Inflation	2.50%
Projected Salary Increase	3.00%
Investment Rate of Return	5.00%

Discount Rate - The plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per actuarial investment consulting practice as of June 30, 2018.

<u>Asset Class</u>	<u>Estimated Real Rate of Return</u>
Fixed Income/Money Market	2%
Equity	4%
Cash/Other	1%

City of Bishop
Notes to Financial Statements
June 30, 2018

Note 9: Defined Benefit Pension Plans (Continued)

A blended discount rate is generally required to be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate will often require that the actuary perform complex projects of future benefit payments and asset values. Alternative evaluations of projected solvency are allowed, if such evaluation can reliability be made.

Pension Plan Fiduciary Net Position - The following table shows the changes in net pension liability recognized over the measurement period.

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balances at 6/30/2017	\$ 5,499,725	\$ 2,894,197	\$ 2,605,528
Changes for the year:			
Service cost	63,839		63,839
Interest	266,900		266,900
Difference between expected and actual experience	(27,855)		(27,855)
Contribution-employer		227,617	(227,617)
Net investment income		74,553	(74,553)
Benefit payments	(267,752)	(267,752)	-
Administrative expense		(9,215)	9,215
Net changes	35,132	25,203	9,929
Balances at 6/30/18	\$ 5,534,857	\$ 2,919,400	\$ 2,615,457

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City of Bishop, calculated using the discount rate of 5.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate.

	Discount Rate -1% 4.00%	Current Discount Rate 5%	Discount Rate +1% 6%
Miscellaneous PARS Enhancement	3,348,048	2,615,457	2,050,253

Subsequent Events - There were no subsequent events that would materially affect the results presented in this disclosure.

**City of Bishop
Notes to Financial Statements
June 30, 2018**

Note 9: Defined Benefit Pension Plans (Continued)

Recognition of Gains and Losses - Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

As of the start of the measurement period, July 1, 2017, the net pension liability was \$2,605,528. For the measurement period ending June 30, 2018, the City of Bishop incurred a pension expense of \$121,387 for the Plan. As of the measurement date, June 30, 2018, the net pension liability was \$2,615,457.

Deferred Outflows/(Inflows) of Resources - As of June 30, 2018, the City of Bishop has deferred outflows and deferred inflows of resources related to this pension plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (103,747)
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	109,786	
City contributions subsequent measurement date	<u>227,617</u>	<u>-</u>
Total	<u>\$ 337,403</u>	<u>\$ (103,747)</u>

\$227,617 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, 2019. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30:</u>	
2019	\$ (39,775)
2020	21,132
2021	10,896
2022	13,786
2023	-

City of Bishop
Notes to Financial Statements
June 30, 2018

Note 10: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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 2016/2017 fiscal year was \$457,484. As of June 30, 2017, 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.

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 2017-2018 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, 2018 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, 2018 directly to health insurance providers totalling \$457,484 that was not reimbursed by the CERBT. Plan members receiving benefits contributed 10% of the total premiums.

**City of Bishop
Notes to Financial Statements
June 30, 2018**

Note 10: Post-Retirement Health Care Benefits (Continued)

Employees Covered By Benefit Terms

At the OPEB liability measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	52
Active employees	34
Total	86

Contributions

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC 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 City chose a 30 year period to amortize the unfunded actuarial liability.

The contribution requirement of plan members is established by the City Council. The 2017-18 fiscal year contribution was based on the actuarially determined contribution using entry age actuarial cost with normal costs calculated as a level percentage of payroll, as required by GASB 75. For the fiscal year ending June 30, 2018 valuation, the City contributed \$253,304 towards the unfunded actuarial liability (UAL). The City chose the CalPERS CERBT as the trustee for the plan. The City also paid the retiree premiums for fiscal year end June 30, 2017 valuation directly to health insurance providers totaling \$555,279 (including implicit subsidy associated with benefits paid). Plan members receiving benefits contributed 10% of the total premiums.

Net OPEB Liability: At June 30, 2018 the City reported a net OPEB liability of \$6,176,224. The net OPEB liability was measured from July 1, 2016 to June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2017.

Actuarial Assumptions

The net OPEB liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2016 to June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.75%
Healthcare trend rates	5.00%
Dental and vision trend rates	4.00%
Salary increase	3.00%
Age adjustment factor	4%
Percent of retirees with spouses	
Investment Rate of Return	6.75%

**City of Bishop
Notes to Financial Statements
June 30, 2018**

Note 10: Post-Retirement Health Care Benefits (Continued)

OPEB Assets

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	57.00%	5.25%
Fixed income	27.00%	0.99%
Treasury securities	5.00%	0.45%
REIT's	8.00%	4.50%
Cash	3.00%	3.90%
Total	<u>100.00%</u>	

(1): The estimated yield of 3.9% for commodities was obtained from various sources, and is an estimated amount. Using these figures, the weighted-average real rate of return is estimated to be 3.73%. Adding estimated inflation of 2.75%, we obtain 6.48% as an estimate of the expected rate of return, which is then rounded to 6.50%

The OPEB assets are held by CalPERS CERBT, the trustee for the OPEB assets. The OPEB assets are not FDIC insured there is no bank guarantee and the assets may lose value. The investments are in in strategy 1 which is the least conservative of the 3 risk levels offered by the trustee. The investment objective is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed the City's contributions will continue based upon the current OPEB funding policy. Based on those assumptions, the OPEB plans fiduciary net position was projected to be available to make future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2017.

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary</u>	
		<u>Net Position</u>	<u>Net OPEB Liability</u>
	(a)	(b)	(c)
Balances at 6/30/2017	\$ 8,542,681	\$ 2,288,265	\$ 6,254,416
Changes for the year:			
Service cost	226,164		226,164
Interest	558,196		558,196
Contribution-employer		622,608	(622,608)
Net investment income		241,990	(241,990)
Benefit payments	(555,279)	(555,279)	-
Administrative expense		(2,046)	2,046
Net changes	<u>229,081</u>	<u>307,273</u>	<u>(78,192)</u>
Balances at 6/30/18	<u>\$ 8,771,762</u>	<u>\$ 2,595,538</u>	<u>\$ 6,176,224</u>

City of Bishop
Notes to Financial Statements
June 30, 2018

Note 10: Post-Retirement Health Care Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>5.75%</u>	Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net OPEB liability (asset)	\$ 7,270,670	\$ 6,176,224	\$ 5,272,887

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$611,032. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or methods. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	-	-
District contributions subsequent to measurement date	-	(66,616)
Totals	<u>531,218</u>	<u>(66,616)</u>
	<u>\$ 531,218</u>	<u>\$ (66,616)</u>

\$531,218 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

<u>Year Ended June 30,</u>			
2019	\$	16,654	
2020		16,654	
2021		16,654	
2022		16,654	
Total	\$	<u>66,616</u>	

City of Bishop
Notes to Financial Statements
June 30, 2018

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.

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, 2018 are summarized as follows:

Fund Type	Due To Other Funds	Due From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ -	\$ 204,768	\$ 523,578	
Special Revenue	-	-	-	523,578
Capital Projects	204,768	-	-	-
Total	\$ 204,768	\$ 204,768	\$ 523,578	\$ 523,578

Note 13: Stewardship, Compliance and Accountability

A. Deficit Fund Balances/Net Position

Capital project funds had three funds with deficit fund balances as of June 30, 2018. The deficit fund balances are expected to be eliminated upon receipt of funding from granting agencies or through matching funds/contributions from the general fund of the City.

The unrestricted net position in the governmental activities and the water and sewer funds were deficit net position balances at June 30, 2018. The deficits were created as a result of GASB 68/71 implementation and GASB 74/75 which required the City to record the net pension liability for the retirement plans and the Net OPEB liability for the post-retirement health care plan. The deficits are expected to be eliminated as the City reduces the net pension liability and Net OPEB 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.

City of Bishop
Notes to Financial Statements
June 30, 2018

Note 13: Stewardship, Compliance and Accountability (Continued)

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, 2017	\$ 6,920,496	\$ 5,303,200
Adjustments for:		
Restate for GASB 75 implementation	(3,434,526)	(944,447)
Restate for cancelled construction project	(104,043)	(16,550)
Total adjustment	(3,538,569)	(960,997)
Net Position, July 1, 2017 as restated	\$ 3,381,927	\$ 4,342,203

	General Fund	Gas Tax Fund	Sunrise Mobile Home Park	Water Fund	Sewer Fund
Fund Balance/Net Position, June 30, 2017	\$ 4,387,727	\$ 124	\$ 516,231	\$ 3,567,053	\$ 1,219,916
Adjustments for:					
Restate for GASB 75 implementation			(14,417)	(469,528)	(460,502)
Restate for cancelled construction project					(16,550)
Adjust for prior year accumulated depreciation				(98,686)	98,686
Total adjustment	-	-	(14,417)	(568,214)	(378,366)
Fund Balance/Net Position, July 1, 2017 as restated	\$ 4,387,727	\$ 124	\$ 501,814	\$ 2,998,839	\$ 841,550

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 2017-2018 fiscal year the City collected \$2,783,794 in transient occupancy tax which accounted for 42.24% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Sales tax revenue was \$1,919,526 or 29.12% of general fund revenue for the 2017-2018 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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
venues				
Taxes				
Property - secured	\$ 430,000	\$ 475,000	\$ 483,605	\$ 8,605
Property - unsecured	50,000	50,000	51,133	1,133
Prior year and other	5,000	3,730	8,023	4,293
Homeowners	1,000	1,000	3,084	2,084
VLF Swap/ property tax in lieu	300,000	319,500	319,514	14
Sales (including triple flip)	1,925,000	1,925,000	1,757,285	(167,715)
DWP water agreement	195,000	195,000	195,789	789
Transient occupancy	2,350,000	2,511,400	2,783,794	272,394
Sales tax - public safety	18,000	18,000	19,264	1,264
Real property transfer	5,000	6,500	6,837	337
Total Taxes	5,279,000	5,505,130	5,628,328	123,198
Licenses and Permits				
Business licenses	55,500	56,500	57,641	1,141
Use permits	1,000	4,200	4,588	388
Building permits	45,000	55,000	84,471	29,471
Electrical permits				
Plumbing permits				
Electrical franchise	28,000	31,000	31,082	82
TV franchise	12,000	12,000	10,146	(1,854)
Total Licenses and Permits	141,500	158,700	187,928	29,228
Intergovernmental				
Off-highway motor vehicle fees			2,081	2,081
Reimbursement - highway sweeping	20,000	20,000	20,000	
Reimbursement - fire district	103,500	80,100	77,758	(2,342)
Reimbursement - Bishop Unified School District		2,073	8,569	6,496
Peace officers training	15,000	24,000	24,188	188
Dispatch contracts	1,200	1,200	1,200	
Mandated cost reimbursements	3,600			
Grants	15,809	40,309	32,457	(7,852)
Total Intergovernmental	159,109	167,682	166,253	(1,429)
Fines, Forfeitures and Penalties				
Parking citations and tow fees	6,000	7,650	10,488	2,838
Total Fines, Forfeitures and Penalties	6,000	7,650	10,488	2,838
Charges for Current Services				
Plan checking				
Fingerprinting and public safety	30,000	33,000	33,453	453
After school program	41,800	58,200	58,091	(109)
Parks and recreation	114,250	120,750	139,663	18,913
Total Charges for Current Services	186,050	211,950	231,207	19,257
Use of Money and Property				
Interest and investment income	15,000	35,000	62,798	27,798
Gain on sale of assets				
Rent	120,000	127,000	129,021	2,021
Total Use of Money and Property	135,000	162,000	191,819	29,819
Other				
Insurance refunds, reimbursements and dividends	4,500	2,500	853	(1,647)
City cost plan	186,248	186,586		(186,586)
Miscellaneous - all others	12,900	15,900	12,021	(3,879)
Total Other	203,648	204,986	12,874	(192,112)
Total Revenues	\$ 6,110,307	\$ 6,418,098	\$ 6,428,897	\$ 10,799

City of Bishop

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 6,110,307	\$ 6,418,098	\$ 6,428,897	10,799
Expenditures				
General Government				
City council	147,601	143,401	120,901	22,500
Administration - clerk	564,412	646,112	350,536	295,576
Finance	238,103	259,510	204,254	55,256
City treasurer	1,895	1,895	1,865	30
City attorney	76,000	82,000	63,813	18,187
Insurance	266,350	268,450	227,890	40,560
Information technology	15,500	21,000	15,670	5,330
Elections	2,200	2,200	1,100	1,100
Total General Government	1,312,061	1,424,568	986,029	438,539
Public Ways and Facilities/Transportation				
Building and grounds	132,155	135,709	126,656	9,053
Building	98,709	103,409	104,501	(1,092)
Planning	100,643	121,437	120,332	1,105
Street maintenance	332,008	417,891	388,717	29,174
Street sweeping	90,230	92,812	94,160	(1,348)
Street lighting	37,500	35,000	37,572	(2,572)
Total Public Ways and Facilities/Transportation	791,245	906,258	871,938	34,320
Public Safety				
Police	3,180,179	3,222,456	3,259,251	(36,795)
Fire	370,569	352,928	335,536	17,392
Emergency preparedness				
Total Public Safety	3,550,748	3,575,384	3,594,787	(19,403)
Community Development				
Parks and recreation	686,586	706,564	701,820	4,744
After school program	56,593	58,200	29,841	28,359
Community promotion	126,600	126,600	112,001	14,599
Total Community Development	869,779	891,364	843,662	47,702
Debt Service				
Principal	75,680	77,272	95,762	(18,490)
Interest			5,395	(5,395)
Total Debt service	75,680	77,272	101,157	(23,885)
Capital Outlay				
Structures and improvements	26,750	20,755		20,755
Equipment	356,000	356,000	312,263	43,737
Total Capital Outlay	382,750	376,755	312,263	64,492
Total Expenditures	6,982,263	7,251,601	6,709,836	565,650
Excess (Deficit) of Revenues Over Expenditures	(871,956)	(833,503)	(280,939)	552,564
Other Financing Sources (Uses)				
Proceeds of loan	190,000	190,000	100,000	(90,000)
Operating transfers in	681,956	643,503	523,578	(119,925)
Total Other Financing Sources (Uses)	871,956	833,503	623,578	(209,925)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ -	\$ -	342,639	\$ 342,639
Fund Balances, July 1, 2017			4,387,727	
Fund Balances, June 30, 2018			\$ 4,730,366	

City of Bishop

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MEASURE A-SPECIAL REVENUE FUND
June 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 600,000	\$ 610,000	\$ 630,511	\$ 20,511
Total Revenues	600,000	610,000	630,511	20,511
EXPENDITURES				
General Government			-	-
Other Financing Sources (Uses)				
Operating transfers out	(637,646)	(621,896)	(523,578)	98,318
Excess of Revenues over Expenditures and Other Financing Uses	\$ (37,646)	\$ (11,896)	106,933	\$ 118,829
Fund Balances, July 1, 2017			311,276	
Fund Balances, June 30, 2018			\$ 418,209	

CITY OF BISHOP

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018**

<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%
6/30/2016	0.12048%	\$4,185,221	\$1,566,892	267.10%	80.32%
6/30/2017	0.12577%	\$4,957,924	\$1,741,040	284.77%	73.95%
<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%
6/30/2016	0.10670%	\$5,526,383	\$1,140,397	484.60%	75.81%
6/30/2017	0.10628%	\$6,350,222	\$1,282,078	495.31%	70.17%
<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%
6/30/2016*	NA	\$2,605,528	\$1,142,000	228.15%	52.62%
6/30/2017*	NA	\$2,615,457	\$1,047,401	249.71%	52.75%

* 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.

CITY OF BISHOP

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
JUNE 30, 2018**

<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 Plans</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%
6/30/2016	\$294,779	(\$294,779)	\$0	\$1,566,892	18.81%
6/30/2017	\$350,005	(\$350,005)	\$0	\$1,741,040	20.10%
<u>CalPERS-Safety Plans</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%
6/30/2016	\$450,927	(\$450,927)	\$0	\$1,140,397	39.54%
6/30/2017	\$508,813	(\$508,813)	\$0	\$1,282,078	39.69%
<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%
6/30/2016 *	\$242,039	(\$242,039)	\$0	\$1,142,000	21.19%
6/30/2017*	\$227,617	(\$227,617)	\$0	\$1,047,401	21.73%

* 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 is available is presented.

CITY OF BISHOP

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN SCHEDULE OF
CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

Last 10 Fiscal Years*

Total OPEB liability	\$ 226,164
Service cost	558,196
Interest	-
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	<u>(555,279)</u>
Benefit payments**	229,081
Net change in total OPEB liability	8,542,681
Total OPEB liability-beginning (a).	<u>\$8,771,762</u>
Total OPEB liability-ending (b)	
 Plan fiduciary net position	
Contributions-employer **	\$ 622,608
Net investment income	241,990
Benefit payments	(555,279)
Administrative expenses	<u>(2,046)</u>
Net change in plan fiduciary net position	307,273
Plan fiduciary net position-beginning (c)	<u>2,288,265</u>
Plan fiduciary net position-ending (d)	<u>\$2,595,538</u>
 Net OPEB liability-beginning (a)-(c)	\$ 6,254,416
Net OPEB liability-ending (b)-(d)	\$ 6,176,224
 Plan fiduciary net position as a percentage of the total OPEB liability	30%
 Covered-employee payroll	\$ 3,023,018
 District's net OPEB liability as a percentage of covered-employee payroll	204%
 Measurement date	6/30/2017

* Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

**Amount includes implicit subsidy associated with benefits paid.

City of Bishop
Note to Required Supplementary Information
June 30, 2018

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, 2018**

<u>Assets</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Restricted cash and investments	\$ 220,769	\$ 94,261	\$ 315,030
Receivables	10,571		10,571
Prepaid expense	1,238		1,238
Loans/notes receivable	307,781		307,781
Due from other governments	10,430	298,074	308,504
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 550,789	\$ 392,335	\$ 943,124
	<hr/>	<hr/>	<hr/>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 3,898	\$ 79,363	\$ 83,261
Accrued wages	4,988		4,988
Due to other funds		204,768	204,768
	<hr/>	<hr/>	<hr/>
Total Liabilities	8,886	284,131	293,017
	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources			
Deferred revenue-advance		44,266	44,266
Unavailable revenue-loans	307,781		307,781
Unavailable revenue-capital grants		254,755	254,755
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	307,781	299,021	606,802
	<hr/>	<hr/>	<hr/>
Fund Balances			
Assigned	234,122	(190,817)	43,305
	<hr/>	<hr/>	<hr/>
Total Fund Balance	234,122	(190,817)	43,305
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 550,789	\$ 392,335	\$ 943,124
	<hr/>	<hr/>	<hr/>

CITY OF BISHOP

**Combining Statement of Revenues, Expenditure and
Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2018**

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	259,630	242,671	502,301
Total Revenues	259,630	242,671	502,301
Expenditures			
Current:			
Public ways and facilities/ transportation	81,851	11,352	93,203
Public safety	102,681		102,681
Community development		274,348	274,348
Debt service			
Principal	3,517		3,517
Interest	143		143
Capital outlay	21,291	114,862	136,153
Total Expenditures	209,483	400,562	610,045
Excess (Deficit) of Revenues Over Expenditures	50,147	(157,891)	(107,744)
Fund Balances, July 1, 2017	183,975	(32,926)	151,049
Fund Balances, June 30, 2018	\$ 234,122	\$ (190,817)	\$ 43,305

CITY OF BISHOP

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018**

	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Public Safety</u>	<u>Asset Forfeiture</u>	<u>09-STBG 6407 Home Program</u>	<u>Totals</u>
<u>Assets</u>						
Restricted cash and investments	\$ 12,044	\$ 8,204	\$ 188,928	\$ 11,593	\$ -	\$ 220,769
Receivables	10,571					10,571
Prepaid expense	1,086	45	107			1,238
Note receivable					307,781	307,781
Due from other governments			10,430			10,430
Total Assets	<u>\$ 23,701</u>	<u>\$ 8,249</u>	<u>\$ 199,465</u>	<u>\$ 11,593</u>	<u>\$ 307,781</u>	<u>\$ 550,789</u>
<u>Liabilities, Deferred Revenue and Fund Balances</u>						
<u>Liabilities</u>						
Accounts payable	\$ (1,265)	\$ -	\$ (3,038)	\$ 8,201	\$ -	\$ 3,898
Accrued wages	3,157		1,831			4,988
Total Liabilities	<u>1,892</u>		<u>(1,207)</u>	<u>8,201</u>		<u>8,886</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue-loans					307,781	307,781
Total Deferred Inflows of Resources					<u>307,781</u>	<u>307,781</u>
<u>Fund Balances</u>						
Assigned	21,809	8,249	200,672	3,392		234,122
Total Fund Balance	<u>21,809</u>	<u>8,249</u>	<u>200,672</u>	<u>3,392</u>		<u>234,122</u>
Total Liabilities, Deferred Revenue and Fund Balance	<u>\$ 23,701</u>	<u>\$ 8,249</u>	<u>\$ 199,465</u>	<u>\$ 11,593</u>	<u>\$ 307,781</u>	<u>\$ 550,789</u>

CITY OF BISHOP

**Combining Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
June 30, 2018**

	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Public Safety</u>	<u>Asset Forfeiture</u>	<u>09-STBG 6407 Home Program</u>	<u>Totals</u>
Revenues						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	107,196	11,656	140,778			259,630
Total Revenues	<u>107,196</u>	<u>11,656</u>	<u>140,778</u>			<u>259,630</u>
Expenditures						
Current:						
Public ways and facilities/ transportation	81,851					81,851
Public safety		8,081	72,482	22,118		102,681
Community development						
Debt Service						
Principal	3,517					3,517
Interest	143					143
Capital outlay			21,291			21,291
Total Expenditures	<u>85,511</u>	<u>8,081</u>	<u>93,773</u>	<u>22,118</u>		<u>209,483</u>
Excess (Deficit) of Revenues Over Expenditures	<u>21,685</u>	<u>3,575</u>	<u>47,005</u>	<u>(22,118)</u>		<u>50,147</u>
Fund Balances, July 1, 2017	<u>124</u>	<u>4,674</u>	<u>153,667</u>	<u>25,510</u>		<u>183,975</u>
Fund Balances, June 30, 2018	<u>\$ 21,809</u>	<u>\$ 8,249</u>	<u>\$ 200,672</u>	<u>\$ 3,392</u>	<u>\$ -</u>	<u>\$ 234,122</u>

CITY OF BISHOP

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2018**

	SEIBU School Bike Path	Spruce/Yaney Hanby-STIP	East Line Street Improvements	Valley Apt. CBBG Solar Project	Local Transportation Fund	Totals
<u>Assets</u>						
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 94,261	\$ 94,261
Due from other governments	23,517	43,319	43,920	187,318		298,074
Total Assets	\$ 23,517	\$ 43,319	\$ 43,920	\$ 187,318	\$ 94,261	\$ 392,335
<u>Liabilities</u>						
Liabilities						
Accounts payable	\$ 1,500	\$ -	\$ 6,959	\$ 70,904	\$ -	\$ 79,363
Due to other funds	25,346	42,108	37,003	100,311		204,768
Total Liabilities	26,846	42,108	43,962	171,215		284,131
<u>Deferred Inflows of Resources</u>						
Unavailable revenue-advances					44,266	44,266
Unavailable revenue-capital grants	23,517		43,920	187,318		254,755
Total Deferred Inflows of Resources	23,517		43,920	187,318	44,266	299,021
<u>Fund Balances</u>						
Assigned	(26,846)	1,211	(43,962)	(171,215)	49,995	(190,817)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,517	\$ 43,319	\$ 43,920	\$ 187,318	\$ 94,261	\$ 392,335

CITY OF BISHOP

**Combining Statement of Revenues, Expenditure, and
Changes in Fund Balance
Nonmajor Capital Projects Funds
June 30, 2018**

	<u>SEIBU School Bike Path</u>	<u>Spruce/Yaney Hanby-STIP</u>	<u>East Line Street Improvements</u>	<u>Valley Apt. CBBG Solar Project</u>	<u>Local Transportation Fund</u>	<u>Totals</u>
Revenues						
Intergovernmental Contributions	\$ 9,312	\$ 96,290	\$ -	\$ 103,133	\$ 33,936	\$ 242,671
Use of money and property						
Total Revenues	<u>9,312</u>	<u>96,290</u>		<u>103,133</u>	<u>33,936</u>	<u>242,671</u>
Expenditures						
Current:						
Public ways and facilities/ Transportation					11,352	11,352
Community development				274,348		274,348
Capital outlay	25,017	45,883	43,962		-	114,862
Total Expenditures	<u>25,017</u>	<u>45,883</u>	<u>43,962</u>	<u>274,348</u>	<u>11,352</u>	<u>400,562</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(15,705)</u>	<u>50,407</u>	<u>(43,962)</u>	<u>(171,215)</u>	<u>22,584</u>	<u>(157,891)</u>
Fund Balances, July 1, 2017	<u>(11,141)</u>	<u>(49,196)</u>			<u>27,411</u>	<u>(32,926)</u>
Fund Balances, June 30, 2018	<u>\$ (26,846)</u>	<u>\$ 1,211</u>	<u>\$ (43,962)</u>	<u>\$ (171,215)</u>	<u>\$ 49,995</u>	<u>\$ (190,817)</u>

LARRY BAIN, CPA

An Accounting Corporation

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

To the City Council
City of Bishop, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Bishop as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Bishop basic financial statements and have issued our report thereon dated January 29, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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



Larry Bain, CPA,
An Accounting Corporation
January 29, 2019