

**CITY OF BISHOP**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position 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 June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 3, 2009 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 Management Discussion and Analysis (MD&A) and the required supplementary information (RSI) other than MD&A, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the RSI. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Bishop, California. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larry Bain, CPA  
February 3, 2009



**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis**  
**June 30, 2008**

(Unaudited)

This section of the City of Bishop's annual financial report presents an analysis of the City's financial performance during the fiscal year ended June 30, 2008. This information is presented in conjunction with the audited basic financial statements, which follows this section.

### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2008**

- The assets of the City exceeded liabilities at the close of the 2007-2008 fiscal year by \$14,329,582 (net assets). Of this amount, \$6,679,593 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$7,607,428 is invested in capital assets - net of related debt.
- As of June 30, 2008 the City's governmental funds reported combined fund balances of \$5,385,651 approximately 99% of the combined fund balances, \$5,354,420 is available to meet the City's current and future needs (unreserved fund balance).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$5,092,348 or 84% of total general fund expenditures.
- The City's long-term debt decreased by \$168,014. The net decrease resulted from payments of governmental and business-type debt and a net decrease in compensated absences.

### **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 Assets include information on the City's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to City creditors (liabilities). Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

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

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

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

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

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

#### **Notes to the Financial Statements**

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

#### **Other Information**

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

City of Bishop  
 Required Supplementary Information  
 Management's Discussion and Analysis (Continued)  
 June 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

A summary of the Districts Statements of Net Assets is presented below

	Condensed Statement of Net Assets					
	June 30, 2008			June 30, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 8,187,381	\$ 2,037,781	\$ 10,225,162	\$ 6,885,203	\$ 1,850,141	\$ 8,735,344
Capital Assets	6,617,987	1,720,291	8,338,278	4,949,152	1,363,268	6,312,420
Total Assets	14,805,368	3,758,072	18,563,440	11,834,355	3,213,409	15,047,764
Liabilities						
Current/non current	3,549,851	684,007	4,233,858	2,402,403	672,234	3,074,637
Net Asset:						
Invested in capital assets, net	5,904,739	1,702,689	7,607,428	3,832,349	1,341,469	5,173,818
Net assets restricted	-	42,561	42,561	-	49,509	49,509
Unrestricted net assets	5,350,778	1,328,815	6,679,593	5,599,603	1,150,197	6,749,800
Total Net Assets	\$ 11,255,517	\$ 3,074,065	\$ 14,329,582	\$ 9,431,952	\$ 2,541,175	\$ 11,973,127

As the above table indicates, total assets increased \$3,515,676 from \$15,047,764 to \$18,563,440 during the fiscal year ended June 30, 2008. This is comprised of an increase of \$ 2,025,858 in capital assets mostly funded by grant revenues, an increase in loan receivables of \$1,029,900 and other asset increases totaling \$459,918.

Total liabilities increased \$1,159,221, from \$3,074,637 to \$4,233,858. This represents a decrease of \$168,014 in long-term debt (including compensated absences), a decrease of \$30,851 in customer deposits, an increase of \$ 1,065,020 in deferred revenue and an increase of \$293,066 in payables, accrued wages and advances from other funds.

Net assets increased by \$2,356,455 over the prior year primarily resulting from an increase in net assets from capital projects funded by grant revenues.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**Statement of Activities**

Condensed Statement of Activities

	Fiscal Year Ended June 30, 2008			Fiscal Year Ended June 30, 2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Program Revenues:</b>						
Charges for services	\$ 767,904	\$ 1,895,570	\$ 2,663,474	\$ 449,339	\$ 1,774,023	\$ 2,223,362
Capital grants and contributions	1,796,337		1,796,337	2,024,086		2,024,086
Operating grants	1,238,087	8,053	1,246,140	1,360,788	14,080	1,374,868
<b>General Revenue:</b>						
Property taxes and assessments	983,181		983,181	1,027,916		1,027,916
Sales and use tax	2,221,099		2,221,099	2,149,682		2,149,682
TOT and other revenue	2,295,097	38,809	2,333,906	2,266,460		2,266,460
Interest and investment income	179,541	89,631	269,172	192,311	86,356	278,667
<b>Total Revenue</b>	<b>9,481,246</b>	<b>2,032,063</b>	<b>11,513,309</b>	<b>9,470,582</b>	<b>1,874,459</b>	<b>11,345,041</b>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
General government	1,539,125		1,539,125	1,532,405		1,532,405
Public safety	3,270,059		3,270,059	3,016,342		3,016,342
Public works	2,078,515		2,078,515	2,050,439		2,050,439
Community services/recreation	678,536		678,536	562,956		562,956
<b>Business-type activities</b>						
Water		700,681	700,681		649,130	649,130
Sewer		645,764	645,764		568,616	568,616
Mobile home park		124,498	124,498		106,203	106,203
Interest on long-term debt	40,778		40,778	50,638		50,638
<b>Total Expense</b>	<b>7,607,013</b>	<b>1,470,943</b>	<b>9,077,956</b>	<b>7,212,780</b>	<b>1,323,949</b>	<b>8,536,729</b>
<b>Excess (deficiency) before transfers</b>	<b>1,874,233</b>	<b>561,120</b>	<b>2,435,353</b>	<b>2,257,802</b>	<b>550,510</b>	<b>2,808,312</b>
Transfers in (out)	22,230	(22,230)		22,230	(22,230)	
<b>Change in net assets</b>	<b>\$ 1,896,463</b>	<b>\$ 538,890</b>	<b>\$ 2,435,353</b>	<b>\$ 2,280,032</b>	<b>\$ 528,280</b>	<b>\$ 2,808,312</b>

The statement of activities, identify the various revenue and expense items which affect the change in net assets. As the information indicates the \$ 2,435,353 increase to income from June 30, 2007 to June 30, 2008 operations, was primarily due to an increase in business-type revenue from \$1,874,459 in the 2006/2007 fiscal year to \$ 2,032,063 in the 2007/2008 fiscal year as a result of an increase in water and sewer rates. The \$3,034,424 grant revenues also contributed to the increase in net assets. The grant funds were used for a community housing project, street improvement projects and to purchase GIS software.

City of Bishop  
Required Supplementary Information  
Management's Discussion and Analysis (Continued)  
June 30, 2008

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City's governmental funds reported total ending fund balances of \$5,385,649. Approximately 99% of the total ending fund balances (\$5,354,418) constituted unreserved fund balances, which are considered available for appropriation. The remainder of the fund balances are reserved to indicate that it is not available for new spending because it has already been committed 1) to offset advances to other funds that are not expected to be available in the near term (\$17,602) 2) for petty cash funds (\$640) 3) for loans made to employees for computer purchases (\$12,989).

General fund revenues were \$6,443,871 and expenditures in the general fund were \$6,125,884. The revenue for the Measure A special revenue fund was \$536,998 and the expenditures were \$572,462. The revenue for Home Funds-Willow Streets was \$1,130,000 and the expenditures were \$1,051,644. The final major fund, Mac Iver Street Project, had revenues of \$859,089 and expenditures of \$982,779.

*Proprietary funds.* The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Budgetary Highlights**

General fund revenues for the 2007-2008 fiscal year were budgeted at \$6,004,450. The actual revenues were \$6,443,871 leaving a favorable variance of \$439,421, or an increase of approximately eight percent over budget. The increase was primarily due to unanticipated revenue of \$400,000 of Prop 1B transportation money, for local streets and road funding, and an unanticipated increase in property tax revenue of \$59,436.

General fund expenditures were estimated at \$6,360,029. The actual amount expended was \$6,125,884, approximately 4% less than originally anticipated. The lesser amount of budgeted expenditures was due to a slight negative variance in capital outlay expenditures offset by lower expenditures compared to those budget by each department.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Land	\$ 341,105	\$ 341,105	\$ 481,066	\$ 481,066	\$ 822,171	\$ 822,171
Construction in progress	185,370	250,833	-	18,094	185,370	268,927
Buildings and Site improvements	1,121,566	787,341	158,157	108,157	1,279,723	895,498
Equipment	330,201	250,896			330,201	250,896
Infrastructure	914,375	1,072,371	387,403	215,303	1,301,778	1,287,674
	3,725,370	2,256,607	693,666	540,648	4,419,036	2,797,255
<b>Total</b>	<b>\$ 6,617,987</b>	<b>\$ 4,959,153</b>	<b>\$ 1,720,292</b>	<b>\$ 1,363,268</b>	<b>\$ 8,338,279</b>	<b>\$ 6,322,421</b>

As of June 30, 2008 the City's investment in capital assets totaled \$8,338,229 net of accumulated depreciation. The investment in capital assets includes police and fire equipment, land, site improvements, buildings and improvements, equipment and water and sewer assets. The capital assets are presented in the government – wide statement of net assets. Additional detail is presented in the notes to the financial statements. The Street improvement projects utilize grant funding from the State of California and are recorded as infrastructure in the capital assets.

**LONG – TERM DEBT**

As of June 30, 2008, the City had \$1,345,335 in outstanding debt as reported in the statement of net assets. The City's debt decreased by principal payments made during the fiscal year. The outstanding debt represents two capital leases, proceeds of which were used for building improvements and the lease purchase of a fire truck and one note payable proceeds of which were used for water infrastructure improvements.

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

The City had several major projects in 2007-2008. The Mac Iver Street Extension is a STIP Project reimbursable through California Transportation Act Federal and State Funds. This project began in 2005-2006 and is expected to be completed in fiscal year 2008-2009. The second project was a work force housing project named Willow Plaza Apartments funded through Federal Home Funds. This project began in 2006-2007 and was completed in 2007-2008. The 2008-2009 budget includes a number of reimbursable STIP projects throughout the City with South Second Improvements to be the largest for the next budget year. The total 2008-2009 budget is expected to present an increase in activity in both revenues and expenditures primarily resulting from eight STIP Projects for an estimated \$1,406,400 reimbursable through California Transportation Act, Federal and State Funds.

The City's combined water and sewer rates were increased from \$47 per month to \$52 per month in 2007-2008. A combined revenue increase of \$121,915 over 2006-2007 was realized. The combined rate for 2008-2009 will remain at \$52 until further rate studies have been completed.

General fund revenues for 2008-2009 are estimated to decrease by \$185,078 from 2007-2008 actual revenues, primarily because of completion of the PROP 40 State Grant Program and non available Indian Gaming Grant money.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2008**

**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 Assets**  
**June 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 3,806,651	\$ 1,958,340	\$ 5,764,991
Accounts receivables	2,023,692	15,076	2,038,768
Interest receivable	26,760	14,409	41,169
Prepaid expenses	58,627		58,627
Loans receivable	12,989		12,989
Due from agency fund	21,160		21,160
Restricted cash and investments	-	49,956	49,956
Advances to other funds	4,197		4,197
<b>Non Current Assets</b>			
Loans receivable	2,219,900		2,219,900
Advances to other funds	13,405		13,405
Capital assets:			
Land	341,105	481,066	822,171
Construction in Progress	185,370	-	185,370
Buildings	4,508,840	642,471	5,151,311
Site improvements	606,747		606,747
Equipment	3,084,369	769,339	3,853,708
Infrastructure	3,931,401	718,255	4,649,656
Less: accumulated depreciation	(6,039,845)	(890,840)	(6,930,685)
Total Assets	\$ 14,805,368	\$ 3,758,072	\$ 18,563,440
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	284,728	99,738	384,466
Advance from other funds-due within one year		4,197	4,197
Accrued interest payable	17,824	4,016	21,840
Long-term liabilities-due within one year	294,184	26,370	320,554
Liabilities-due in more than one year:			
Customer deposits		12,969	12,969
Compensated absences	145,763	50,863	196,626
Leases payable	552,332		552,332
Note payable		472,449	472,449
Deferred revenue	2,255,020		2,255,020
Advance from other funds		13,405	13,405
Total Liabilities	3,549,851	684,007	4,233,858
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,904,739	1,702,689	7,607,428
Restricted for capital replacement		42,561	42,561
Unrestricted	5,350,778	1,328,815	6,679,593
Total Net Assets	\$ 11,255,517	\$ 3,074,065	\$ 14,329,582

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Activities  
For the Fiscal Year Ended June 30, 2008

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 1,539,125	\$ 173,138	\$ -	\$ -	\$ (1,365,987)	\$ -	\$ (1,365,987)
Public safety	3,270,059	385,583	112,633	111,613	(2,660,230)		(2,660,230)
Public works	2,078,515	137,635	1,526,198	1,126,474	711,792		711,792
Community services/recreation	678,536	71,548	157,506		(449,482)		(449,482)
Interest on long-term debt	40,778				(40,778)		(40,778)
<b>Total Governmental Activities</b>	<b>7,607,013</b>	<b>767,904</b>	<b>1,796,337</b>	<b>1,238,087</b>	<b>(3,804,685)</b>		<b>(3,804,685)</b>
<b>Business-type Activities:</b>							
Water	700,681	1,107,643				406,962	406,962
Sewer	645,764	695,946				50,182	50,182
Mobile home park	124,498	91,981		8,053		(24,464)	(24,464)
<b>Total Business-type Activities</b>	<b>1,470,943</b>	<b>1,895,570</b>		<b>8,053</b>		<b>432,680</b>	<b>432,680</b>
<b>Total Government</b>	<b>\$ 9,077,956</b>	<b>\$ 2,663,474</b>	<b>\$ 1,796,337</b>	<b>\$ 1,246,140</b>	<b>(3,804,685)</b>	<b>432,680</b>	<b>(3,372,005)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					983,181		983,181
Sales and use tax					2,221,099		2,221,099
Transient occupancy tax					1,802,098		1,802,098
Franchise tax					50,672		50,672
Motor vehicle in lieu tax					271,794		271,794
Other taxes					170,533		170,533
Investment income					179,541	89,631	269,172
Insurance reimbursement						38,809	38,809
Transfers					22,230	(22,230)	
<b>Total general revenues</b>					<b>5,701,148</b>	<b>106,210</b>	<b>5,807,358</b>
<b>Change in net assets</b>					<b>1,896,463</b>	<b>538,890</b>	<b>2,435,353</b>
<b>Net assets - beginning</b>					<b>9,431,952</b>	<b>2,541,175</b>	<b>11,973,127</b>
<b>Prior Period Adjustment</b>					<b>(72,898)</b>	<b>(6,000)</b>	<b>(78,898)</b>
<b>Net assets - ending</b>					<b>\$ 11,255,517</b>	<b>\$ 3,074,065</b>	<b>\$ 14,329,582</b>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Balance Sheet  
Governmental Funds  
June 30, 2008

	General	Special Revenue Funds		Capital Project	Other Nonmajor Funds	Total Governmental Funds
		Measure A	Home Funds Willow Street	Mac Iver Street Project		
<u>Assets</u>						
Cash and investments	\$3,292,581	\$ 148,090	\$ -	\$ -	\$ 365,981	\$ 3,806,652
Receivables						
Accounts	1,312,323	99,310		450,378	161,681	2,023,692
Interest	26,348				412	26,760
Due from other funds	462,041					462,041
Other assets	58,627					58,627
Loans/notes receivable	12,989		2,219,900			2,232,889
Advances to other funds	17,602					17,602
Restricted cash and investments						-
<b>Total Assets</b>	<u>\$5,182,511</u>	<u>\$ 247,400</u>	<u>\$ 2,219,900</u>	<u>\$ 450,378</u>	<u>\$ 528,074</u>	<u>\$ 8,628,263</u>
<u>Liabilities and Fund Balances</u>						
<u>Liabilities</u>						
Accounts payable	\$ 58,905	\$ 10,685	\$ -	\$ 124,900	\$ 90,236	\$ 284,726
Due to other funds	27			339,022	101,833	440,882
Deferred revenue			2,219,900	124,690	172,414	2,517,004
<b>Total Liabilities</b>	<u>58,932</u>	<u>10,685</u>	<u>2,219,900</u>	<u>588,612</u>	<u>364,483</u>	<u>3,242,612</u>
<u>Fund Balances</u>						
Reserved for advances to other funds	17,602					17,602
Reserved for petty cash	640					640
Reserved for loan receivable	12,989					12,989
Unreserved, reported in						
General fund	5,092,348					5,092,348
Special revenue funds		236,715			67,615	304,331
Capital projects funds				(138,234)	95,976	(42,259)
<b>Total Fund Balances</b>	<u>5,123,579</u>	<u>236,715</u>		<u>(138,234)</u>	<u>163,591</u>	<u>5,385,651</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$5,182,511</u>	<u>\$ 247,400</u>	<u>\$ 2,219,900</u>	<u>\$ 450,378</u>	<u>\$ 528,074</u>	<u>\$ 8,628,263</u>

The accompanying notes are an integral part of these financial statements

**CITY OF BISHOP**  
**Reconciliation of the Statement of Net Assets**  
**of Governmental Funds to the Balance Sheet**  
**As of June 30, 2008**

Fund Balances of Governmental Funds	\$ 5,385,651
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	6,617,987
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.	261,980
Some liabilities, including long-term debt, compensated absences and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,010,101)</u>
Net assets of governmental activities	<u>\$ 11,255,517</u>

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

**CITY OF BISHOP**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008**

	General	Special Revenue Funds		Capital Project	Other Nonmajor Funds	Total Governmental Funds
		Measure A	Home Funds Willow Street	Mac Iver Street Project		
<b>Revenues</b>						
Taxes	\$ 4,650,995	\$ 536,998	\$ -	\$ -	\$ -	\$ 5,187,994
Licenses and permits	142,284					142,284
Intergovernmental	1,216,663		1,130,000	858,089	395,937	3,600,689
Fines, forfeitures and penalties	47,260				4,791	52,051
Charges for current services	80,737					80,737
Contributions					-	-
Use of money and property	218,913					218,913
Other	87,020					87,020
<b>Total Revenues</b>	<b>6,443,872</b>	<b>536,998</b>	<b>1,130,000</b>	<b>858,089</b>	<b>400,728</b>	<b>9,369,688</b>
<b>Expenditures</b>						
Current:						
General government	900,227	572,462			7,945	1,480,633
Public ways and facilities/ transportation	788,324				111,804	900,128
Public safety	3,006,462				79,345	3,085,807
Community development	607,047		1,051,644			1,658,692
Capital Outlay	823,824	-		982,779	262,543	2,069,147
Debt service						
Principal					152,722	152,722
Interest					43,631	43,631
<b>Total Expenditures</b>	<b>6,125,884</b>	<b>572,462</b>	<b>1,051,644</b>	<b>982,779</b>	<b>657,990</b>	<b>9,390,758</b>
Excess (Deficit) of Revenues over Expenditures	317,988	(35,463)	78,356	(124,690)	(257,262)	(21,070)
Other Financing Sources (Uses)						
Operating transfers in	44,166				208,364	252,530
Operating transfers out	(122,675)	(52,796)	(54,829)			(230,300)
<b>Total Other Financing Sources (Uses)</b>	<b>(78,509)</b>	<b>(52,796)</b>	<b>(54,829)</b>	<b>-</b>	<b>208,364</b>	<b>22,230</b>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	239,479	(88,259)	23,527	(124,690)	(48,898)	1,160
Fund Balances, July 1, 2007	4,884,100	324,975	(23,527)	(13,544)	223,152	5,395,156
Prior period adjustment					(10,663)	(10,663)
<b>Fund Balances, June 30, 2008</b>	<b>\$ 5,123,579</b>	<b>\$ 236,715</b>	<b>\$ -</b>	<b>\$ (138,234)</b>	<b>\$ 163,591</b>	<b>\$ 5,385,654</b>

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

CITY OF BISHOP

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 1,160
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:	
Cost of assets capitalized	2,159,148
Depreciation expense	(428,078)
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 Assets.	152,722
Certain revenues recognized in the prior year Statement of Activities that do not provide current financial resources were not reported as revenues in the funds.	(229,792)
Changes in accrued interest reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	2,855
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.	251,344
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>(12,896)</u>
Change in net assets of governmental activities	\$ <u><u>1,896,463</u></u>

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

## CITY OF BISHOP

Statement of Net Assets  
Proprietary Funds  
June 30, 2008

	Water	Sewer	Mobile Home Park	Totals
Current assets:				
Cash and investments	\$ 1,212,693	\$ 557,983	\$ 187,664	\$ 1,958,340
Restricted cash and investments			49,956	49,956
Receivables				
Accounts	8,481	5,198	1,397	15,076
Interest	8,645	4,117	1,647	14,409
Total current assets	<u>1,229,819</u>	<u>567,298</u>	<u>240,664</u>	<u>2,037,781</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,892	324,850	481,066
Construction in progress	-	-	-	-
Depreciable capital assets				
Building	68,436	94,877	479,158	642,471
Site improvements				-
Equipment	300,114	469,225		769,339
Infrastructure	603,895	114,360		718,255
Less accumulated depreciation	<u>(281,589)</u>	<u>(218,769)</u>	<u>(390,482)</u>	<u>(890,840)</u>
Total capital assets (net of accumulated depreciation)	<u>758,180</u>	<u>548,585</u>	<u>413,526</u>	<u>1,720,291</u>
Total Assets	<u>\$ 1,987,999</u>	<u>\$ 1,115,883</u>	<u>\$ 654,190</u>	<u>\$ 3,758,072</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 8,056	\$ 79,359	\$ 12,323	\$ 99,738
Current portion - note payable	26,370			26,370
Current portion - advance from other funds			4,197	4,197
Interest payable	4,016			4,016
Total current liabilities	<u>38,442</u>	<u>79,359</u>	<u>16,520</u>	<u>134,321</u>
Noncurrent liabilities:				
Customer deposits	3,456	2,118	7,395	12,969
Compensated absences	26,569	24,294		50,863
Note payable	472,449			472,449
Advance from other funds			13,405	13,405
Total noncurrent liabilities	<u>502,474</u>	<u>26,412</u>	<u>20,800</u>	<u>549,686</u>
Total Liabilities	<u>540,916</u>	<u>105,771</u>	<u>37,320</u>	<u>684,007</u>
Net assets:				
Invested in capital assets, net of related debt	758,180	548,585	395,924	1,702,689
Reserved for capital replacement			42,561	42,561
Unreserved	<u>688,903</u>	<u>461,527</u>	<u>178,385</u>	<u>1,328,815</u>
Total Net Assets	<u>\$ 1,447,083</u>	<u>\$ 1,010,112</u>	<u>\$ 616,870</u>	<u>\$ 3,074,065</u>

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

CITY OF BISHOP

Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Funds  
 For the Fiscal Year Ended June 30, 2008

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,095,739	\$ 682,575	\$ -	\$ 1,778,314
Rent			80,565	80,565
Utility reimbursement			19,469	19,469
Other income	11,904	13,371		25,275
<b>Total Operating Revenues</b>	<b>1,107,643</b>	<b>695,946</b>	<b>100,034</b>	<b>1,903,623</b>
Operating Expenses				
Salaries and benefits	507,731	525,163	26,631	1,059,525
Services and supplies	143,674	85,345	81,887	310,906
Depreciation expense	32,789	35,256	15,980	84,025
<b>Total Operating Expenses</b>	<b>684,194</b>	<b>645,764</b>	<b>124,498</b>	<b>1,454,456</b>
<b>Operating Income (Loss)</b>	<b>423,449</b>	<b>50,182</b>	<b>(24,464)</b>	<b>449,167</b>
Non-Operating Revenues (Expenses)				
Insurance reimbursement			38,809	38,809
Interest income	52,187	29,196	8,247	89,630
Interest expense	(16,486)			(16,486)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>35,701</b>	<b>29,196</b>	<b>47,056</b>	<b>111,953</b>
<b>Income Before Operating Transfers</b>	<b>459,150</b>	<b>79,378</b>	<b>22,592</b>	<b>561,120</b>
Operating Transfers				
Operating transfers out	(11,115)	(11,115)		(22,230)
<b>Net Operating Transfers</b>	<b>(11,115)</b>	<b>(11,115)</b>		<b>(22,230)</b>
<b>Net Income (Loss)</b>	<b>448,035</b>	<b>68,263</b>	<b>22,592</b>	<b>538,890</b>
<b>Net Assets, July 1, 2007</b>	<b>1,002,048</b>	<b>944,849</b>	<b>594,278</b>	<b>2,541,175</b>
<b>Prior Period Adjustments</b>	<b>(3,000)</b>	<b>(3,000)</b>		<b>(6,000)</b>
<b>Net Assets, June 30, 2008</b>	<b>\$ 1,447,083</b>	<b>\$ 1,010,112</b>	<b>\$ 616,870</b>	<b>\$ 3,074,065</b>

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

CITY OF BISHOP

Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,093,136	\$ 687,292	\$ 99,495	\$ 1,879,923
Cash payments to suppliers	(153,644)	(11,314)	(73,794)	(238,752)
Cash payments to employees	(506,704)	(525,817)	(26,631)	(1,059,152)
Net Cash Provided By (Used For) Operating Activities	432,788	150,161	(930)	582,019
Cash Flows from Non-Capital Financing Activities				
Operating transfers out	(11,115)	(11,115)		(22,230)
Net Cash Used For Non-Capital Financing Activities	(11,115)	(11,115)		(22,230)
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(165,924)	(281,125)		(447,049)
Reductions of debt	(25,488)			(25,488)
Reductions in advance from other funds			(4,197)	(4,197)
Insurance reimbursement			38,809	38,809
Interest expense	(16,703)			(16,703)
Net Cash Used For Capital and Related Financing Activities	(208,115)	(281,125)	34,612	(454,628)
Cash Flows from Investing Activities:				
Interest income	54,646	33,223	8,821	96,690
Net Cash Provided By Investing Activities	54,646	33,223	8,821	96,690
Net Increase (Decrease) in Cash and Cash Equivalents	268,204	(108,856)	42,503	201,851
Cash and Cash Equivalents, July 1, 2007	944,489	666,839	195,117	1,806,445
Cash and Cash Equivalents, June 30, 2008	<u>\$ 1,212,693</u>	<u>\$ 557,983</u>	<u>\$ 237,620</u>	<u>\$ 2,008,296</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,212,693	\$ 557,983	\$ 187,664	\$ 1,958,340
Restricted cash and investments			49,956	49,956
Total Cash and Cash Equivalents	<u>\$ 1,212,693</u>	<u>\$ 557,983</u>	<u>\$ 237,620</u>	<u>\$ 2,008,296</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 423,449	\$ 50,182	\$ (24,464)	\$ 449,167
Adjustments to operating income:				
Depreciation	32,789	35,256	15,980	84,025
(Increase) decrease in accounts receivable	4,796	3,176	(820)	7,152
Increase (decrease) in accounts payable	(9,970)	74,032	8,093	72,156
Increase (decrease) in customer deposits	(19,302)	(11,830)	281	(30,851)
Increase (decrease) in compensated absences	1,027	(654)		373
Net Cash Provided By (Used For) Operating Activities	<u>\$ 432,788</u>	<u>\$ 150,162</u>	<u>\$ (930)</u>	<u>\$ 582,020</u>

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

CITY OF BISHOP

Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2008

	<u>Agency Funds</u>	
	Bond &	
<u>Assets</u>	Trust	<u>Totals</u>
Cash and investments	\$ 20,893	\$ 20,893
Total Assets	<u>\$ 20,893</u>	<u>\$ 20,893</u>
<u>Liabilities</u>		
Due to others	\$ (267)	\$ (267)
Due to other fund	21,160	21,160
Total Liabilities	<u>\$ 20,893</u>	<u>\$ 20,893</u>

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies

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

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

A. Reporting Entity

The City has defined its reporting entity in accordance with generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. All such component units have been "blended" with the City's other fund types and account groups. All of the blended component units have June 30 year-ends.

Based upon the aforementioned oversight criteria, the following are the component units:

The Sunrise Mobile Home Park is included in the enterprise funds of the City. Financial statements for Sunrise Mobile Home Park may be obtained from the City's finance department.

The Redevelopment Agency plan was formally adopted on June 10, 1985, to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. The City Council members serve as the Governing Board of the Redevelopment Agency and all accounting and administrative functions are performed by the City, which records all activity of the Redevelopment Agency in the special revenue funds of the City. Financial statements for the Redevelopment Agency may be obtained from the City's finance department.

B. Basis of Accounting

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

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies

B. Basis of Accounting (Continued)

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

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

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets 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 assets are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

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

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

City of Bishop  
Notes to Financial Statements  
June 30, 2008

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

The City reports the following major governmental funds:

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

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

The Home Street Capital Project Fund- was established to account for State Transportation Improvement Program grant funding for street improvements made on Home Street.

The Home Funds Willow Street - 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 City reports the following major enterprise funds.

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

Sunrise Mobile Home Park - accounts for the operation of the City owned Mobile Home Park. Customers pay rent for the City owned mobile homes and reimburse the City for utilities based on ability to pay. A portion of the operation is subsidized through the State of California, through a Community Development Block Grant program.

The City also reports the following Fiduciary Fund type:

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

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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.

City of Bishop  
Notes to Financial Statements  
June 30, 2008

Note 1: Summary of Significant Accounting Policies (Continued)

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 \$2,500.

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

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

G. 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.

H. 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.

I. Proprietary Fund Accounting

The City has elected, under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, not to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989.

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 1: Summary of Significant Accounting Policies (Continued)

J. Contributed Capital

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

K. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

Reservations 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 assets for proprietary funds represent the net assets legally identified for specific purposes.

L. Deferred Revenues

The City recorded deferred revenue by expending grant monies for capital projects and not receiving reimbursement within sixty days after fiscal year end (unavailable.) The amount of the deferred revenue was \$297,104, which is recorded in the fund financial statement. The City also recorded \$2,219,000 deferred revenue for the workforce housing loan that will not be repaid until future years. The deferred revenue is recognized as revenue in the statement of net assets under the required full accrual method of accounting.

M. 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, 2008, 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.

N. Intergovernmental Revenues

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

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

**City of Bishop  
Notes to Financial Statements  
June 30, 2008**

Note 1: Summary of Significant Accounting Policies (Continued)

O. Bond Issuance Costs and Original Issue Discounts and Premiums

Costs and underwriters' discounts related to bond issuance are deducted from bond proceeds in governmental funds types.

P. Reclassifications

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

Note 2: Cash and Investments

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

The City maintains "restricted cash and investments". Monies restricted are for capital set aside funds and customer deposits in the Mobile Home Park, and reuse funds for the Store Front Grant Fund.

Cash and investments at June 30, 2008, consisted of the following:

Primary Government	\$ 5,814,948
Agency Funds	20,893
Total Cash and Investments	\$ 5,814,948

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, 2008**

Note 2: Cash and Investments (Continued)

**B. Disclosures Relating to Interest Rate Risk**

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

Investment type	Totals	Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-36 Months	37-48 Months
State Investment Pool*	\$ 5,118,647	\$ 5,118,647	\$ -	\$ -	\$ -
Totals	\$ 5,118,647	\$ 5,118,647	\$ -	\$ -	\$ -

\* Not subject to categorization

**C. Concentrations of Credit Risk**

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

**D. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2008, the City's deposits balance was \$959,611 and the carrying amount was \$716,355. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance and \$859,611 was covered by collateral held in the pledging bank's trust department in the City's name.

**E. Investment in State Investment Pool**

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$69.96 billion. Of the \$69.96 billion managed by the State Treasurer, 100.00% is invested in non-derivative financial products and 14.72% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 3: Loan and Note Receivable

The City adopted an employee computer purchase program, whereby the City purchases computers on behalf of participating employees and these loans are paid back over time through employee payroll deductions. The loans are accounted for in the general fund. The balance at June 30, 2008 was \$12,989.

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 \$2,200,000. As of June 30, 2008 the City had loaned \$2,219,900. The term of the note commenced on September 1, 2006 and will expire on the date that is fifty-five years after issuance of the date of completion, but no longer than fifty-eight years from the date of commencement. The source of the funding for the loan was a grant to the City from the State of California, Housing and Community Development, Home Funds program.

Note 4: Liability, Insured Programs and Workers Compensation Protection

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

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

B. Self-Insurance Programs Authority

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

C. Purchased Insurance

Environmental Insurance The City of Bishop participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is for a 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance The City participates in the all risk property protection program of the Authority. This insurance is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$11,778,646. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

City of Bishop  
Notes to Financial Statements  
June 30, 2008

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

Earthquake and Flood Insurance The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake and flood protection in the amount of \$11,778,646. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance The City purchases crime insurance coverage in the amount of \$1,000,000 with a deductible. The fidelity coverage is provided through the Authority. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

D. Adequacy of Protection

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance 7/1/2007	Additions	Reductions	Adjustments	Balance 6/30/2008
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 341,105	\$ -	\$ -	\$ -	\$ 341,105
Construction in progress	250,833	185,370	250,833		185,370
Capital assets, being depreciated:					
Buildings and improvements	4,099,013	319,827		90,000	4,508,840
Site improvements	490,979	115,768			606,747
Equipment	3,068,300	91,485	41,641	(33,775)	3,084,369
Infrastructure	2,357,960	1,573,441			3,931,401
Total capital assets, being depreciated	<u>10,016,252</u>	<u>2,100,521</u>	<u>41,641</u>	<u>56,225</u>	<u>12,131,357</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,311,672)	(75,602)			(3,387,274)
Site improvements	(240,083)	(36,463)			(276,546)
Equipment	(1,995,929)	(211,335)	41,641	(4,371)	(2,169,994)
Infrastructure	(101,353)	(104,678)			(206,031)
Total accumulated depreciation	<u>(5,649,037)</u>	<u>(428,078)</u>	<u>41,641</u>	<u>(4,371)</u>	<u>(6,039,845)</u>
Total capital assets, being depreciated net	<u>4,367,215</u>	<u>1,672,443</u>	<u>83,282</u>	<u>51,854</u>	<u>6,091,512</u>
Governmental activities capital assets, net	<u>\$4,959,153</u>	<u>\$1,857,813</u>	<u>\$ 83,282</u>	<u>\$ 51,854</u>	<u>\$ 6,617,987</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 481,066	\$ -	\$ -	\$ -	\$ 481,066
Construction in progress	18,094		(18,094)		-
Capital assets, being depreciated:					
Buildings and improvements	592,471	50,000			642,471
Equipment	523,167	256,125	9,952		769,340
Infrastructure	565,237	153,018			718,255
Total capital assets, being depreciated	<u>1,680,875</u>	<u>459,143</u>	<u>9,952</u>		<u>2,130,066</u>
Less accumulated depreciation for:					
Buildings and improvements	(484,314)				(484,314)
Equipment	(307,864)	(84,025)	9,952		(381,937)
Infrastructure	(24,589)				(24,589)
Total accumulated depreciation	<u>(816,767)</u>	<u>(84,025)</u>	<u>9,952</u>		<u>(890,840)</u>
Total capital assets, being depreciated net	<u>864,108</u>	<u>375,118</u>	<u>19,904</u>		<u>1,239,226</u>
Business-type activities capital assets, net	<u>\$1,363,268</u>	<u>\$ 375,118</u>	<u>\$ 1,810</u>	<u>\$ -</u>	<u>\$ 1,720,292</u>

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 5: Capital Assets (Continued)

Depreciation

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

Governmental activities:	
General government	\$ 25,500
Public safety	181,041
Public ways & facilities	146,575
Community development	74,962
Total	<u>\$ 428,078</u>
Business-type activities:	
Water	\$ 32,789
Sewer	35,256
Sunrise mobile home park	15,980
Total	<u>\$ 84,025</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 Debt

A summary of the changes in the City's long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2008:

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Due w/in One Year
Capital Leases Payable	\$ 865,969	\$ -	\$ (152,721)	\$ 713,248	\$ 160,916
Compensated Absences	266,135	279,431	(266,535)	279,031	133,268
Total	<u>\$ 1,132,104</u>	<u>\$ 279,431</u>	<u>\$ (419,256)</u>	<u>\$ 992,279</u>	<u>\$ 294,184</u>

Governmental Activities:

Capital Leases Payable

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 7: Long-term Debt (Continued)

Capital Leases Payable (Continued)

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30	Amount
2009	57,417
2010	57,417
2011	57,417
2012	57,417
2013	57,417
2014-2015	114,837
Total Minimum Lease Payments	401,922
Less: Amount Representing Interest	(68,534)
Present Value of Net Minimum Lease Payments	\$ 333,388

B. On April 18, 2001, the City of Bishop entered into a private placement offering resulting in a capital lease in the amount of \$1,060,294 with an interest rate of 5.45% to advance refund \$1,220,000 of outstanding 1991 certificates of participation with an interest rate ranging from 5.70% to 7.70%. Annual payments are due in October and April, through the year 2011.

The City is obligated under the terms of the lease agreement to provide for sufficient funds to meet the debt obligation.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30	Amount
2009	\$ 138,938
2010	138,938
2011	138,938
Total Minimum Lease Payments	416,814
Less: Amount Representing Interest	(36,954)
Present Value of Net Minimum Lease Payments	\$ 379,860

City of Bishop  
Notes to Financial Statements  
June 30, 2008

Note 7: Long-term Debt (Continued)

Business-Type Activities:

Note Payable

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

The annual requirements to amortize the California Safe Drinking Water Note Payable as of June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	26,370	15,822	42,192
2010	27,193	14,999	42,192
2011	28,075	14,116	42,191
2012	28,960	13,231	42,191
2013	29,953	12,239	42,192
2014-2018	164,857	46,100	210,957
2019-2023	193,412	17,547	210,957
Total	\$ 498,820	\$ 134,054	\$ 632,872

Note 8: Defined Benefit Pension Plan

CalPERS

A. Plan Description

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

B. Funding Policy

Active miscellaneous plan members in the City's defined pension plan are required to contribute 7% of their annual covered salary. Active safety plan members in the City's defined pension plan are required to contribute 9% of their annual covered salary. The city is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS' Board of Administration. The required employer contribution rate for fiscal 2007/08 was 18.285% for miscellaneous members and 28.214% for safety members. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 8: Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2007/08, the City's annual pension cost was \$841,113 and the City actually contributed \$841,113. The City contributes both the employee and employer portion. The required contribution for fiscal year 2007/08 was determined as part of the June 30, 2005, actuarial valuation using entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous and safety members and (c) .25% salary adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period (smoothed market value). The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 17 years for miscellaneous members and 17 years for safety members as of the valuation date.

Three – Year Trend Information for the City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/06	\$ 600,300	100%	\$ -
06/30/07	\$ 751,359	100%	\$ -
06/30/08	\$ 841,113	100%	\$ -

PARS

During the 2001/2002 fiscal year the City offered its full time miscellaneous employees a 3% at 55 retirement formula based on years of service with the City and PERS. The plan is available to eligible employees by purchasing a 1% retirement enhancement program from Public Agency Retirement Systems (PARS), a private corporation. The requirements for eligibility include: A minimum ten years of service with the City, retirement on or after the employee's 55<sup>th</sup> birthday, a non-disability retirement, retirement from the City of Bishop, retirement eligibility with PERS under the 2% at 55 program and actual retirement.

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

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

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

For year ending June 30, 2008, the City's annual required contribution was \$350,908 and the City actually contributed \$350,908. The required contribution was based on June 30, 2006 actuarial valuation using the entry age normal (level of percentage of pay) actuarial cost method. The actuarial assumptions included a) 7.75% investment return (net of administrative expenses), b) the CalPERS 1997-2002 Experience Study table for Males and Females, c) projected annual payroll increases of 3.25% a year plus merit, and d) cost of living adjustment of 2% per year. Both a) and c) include an inflation component of 3.00%. The unfunded actuarial accrued liability is being amortized as a level percent of pay. The amortization periods are 1) 20 years for initial unfunded accrued

**City of Bishop  
Notes to Financial Statements  
June 30, 2008**

Note 8: Defined Benefit Pension Plan (Continued)

PARS (Continued)

liability (from January 1, 2001), 2) 15 years for gains/losses, 3) 20 years for plan amendments and 4) 20 years for assumption changes.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/06	\$ 206,283	100%	\$ -
06/30/07	\$ 269,555	100%	\$ -
06/30/08	\$ 350,908	100%	\$ -

Note 9: Post Retirement Healthcare Benefits

The City provides health insurance benefits for all of its employees, annuitants and council members. Retirees, as qualified under the Public Employees' Retirement System (PERS), will be eligible for health insurance as set forth by the PERS health program. This allows for payment of premiums to the same contribution limit as the City pays for in service employees. Also included is eligibility for retiree's eligible spouse and family as determined by PERS guidelines.

Retirement eligibility for City employees to be eligible for these benefits is 5 years vested full – time service and separating from the City into a retirement status within the PERS Retirement System. Council members not retired with the PERS Retirement System must serve 7.5 years and be of 62 years of age to be eligible for post retirement healthcare benefits upon leaving their term of office.

The City's contribution for each employee or annuitant shall be the amount necessary to pay the full cost of the individual's enrollment in the least expensive plan, up to and including family plan, offered by PERS.

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 payment in full during his/her lifetime, of the monthly premium cost for the member and dependents up to a maximum of the least expensive plan offered by PERS which is available to the City employees and subject to requirements placed upon participants by such plans relating to offsetting cost contributions from Medicare, etc. A contribution of \$40 per month will be paid by the member if dependent coverage is added to the health plan.

Benefit costs are recorded on a pay-as-you-go basis. For the most recent fiscal year, the City expended approximately \$345,630, including administrative fees, for post-employment health insurance benefits. Approximately 27 retirees were covered.

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2008**

Note 10: 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, 2008 are summarized as follows:

Fund Type	Advances To Other Funds	Advances From Other Funds	Due To Other Funds	Due From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ 17,602	\$ -	\$ 27	\$ 462,041	\$ 44,166	\$ 122,675
Special Revenue	-	-	-	-	1,346	107,625
Debt Service	-	-	-	-	196,353	-
Capital Projects	-	-	440,854	-	10,665	-
Agency	-	-	21,160	-	-	-
Enterprise	-	17,602	-	-	-	22,230
<b>Total</b>	<b>\$ 17,602</b>	<b>\$ 17,602</b>	<b>\$ 462,041</b>	<b>\$ 462,041</b>	<b>\$ 252,530</b>	<b>\$ 252,530</b>

Note 11: Fund Balance Deficits

Capital project funds have eight funds with deficit fund balances. The deficit balances are expected to be eliminated upon receipt of funding from granting authorities or through matching funds from the general fund of the City.

Note 12: 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 13: Prior Period Adjustment

A prior period adjustment was made in a capital project fund reducing beginning fund balance \$10,663 to reimburse granting agencies for over allocations received in prior years. Prior period adjustments were made in the proprietary fund financial statements reducing beginning net assets \$3,000 in each of the water and sewer funds to eliminate prior year amounts capitalized to construction in progress for a cancelled project. A prior year adjustment was made in the government-wide statement of activities, governmental activities reducing beginning net assets \$62,235 to eliminate amounts capitalized to construction in progress for a cancelled project and to reclass from a prior capital asset for an item that was determined by the City to not meet the capital asset definition.

City of Bishop  
Notes to Financial Statements  
June 30, 2008

Note 14: 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.

Note 15: Subsequent Event

On September 12<sup>th</sup> 2008, the City committed up to \$100,000 as a line of credit for expenses authorized by the Eastern Sierra Transit Authority. The City joined with the Town of Mammoth Lakes and the County of Inyo to form the joint powers authority in order to provide transit services within the region. The line of credit is expected to be paid back to the City by May 31, 2009 with accrued interest.

**City of Bishop**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2008**

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employee defined benefit plan. Since the City has less than 100 active members in the plan, it is required by CalPERS to participate in a risk pool. The following valuation reports the activity of the risk pool as a whole, and not the specific activity of individual members, such as the City.

The City also provides a 1% retirement enhancement for miscellaneous members. With this enhancement miscellaneous member, who meet certain vesting guidelines, can obtain a 3% at 55 pension. The following valuation reports the activity of the City's defined benefit plan for the PARS retirement enhancement.

**Miscellaneous Members**

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
6/30/2003	2,596,966,545	2,372,879,034	224,087,511	91.4%	725,020,458	30.9%
6/30/2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
6/30/2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%

**Safety Members**

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
6/30/2003	\$ 4,270,573,982	\$3,577,742,166	\$ 692,831,816	83.8%	\$ 476,089,674	145.5%
6/30/2004	\$ 5,383,921,942	\$4,424,586,846	\$ 959,335,096	82.2%	\$ 575,296,434	166.8%
6/30/2005	\$ 6,367,049,264	\$5,295,150,375	\$ 1,071,898,889	83.2%	\$ 664,147,796	161.4%

**PARS Retirement Enhancement Plan**

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
1/1/2001	\$ -	\$ 1,240,000	\$ 1,240,000	0.0%	\$ 1,072,000	115.7%
6/30/2004	\$ 388,000	\$ 1,922,000	\$ 1,534,000	20.2%	\$ 1,199,000	127.9%
6/30/2006	\$ 691,000	\$ 2,833,000	\$ 2,142,000	24.4%	\$ 1,197,000	178.9%

CITY OF BISHOP  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
<b>Taxes</b>				
Property - secured	\$ 325,000	\$ 325,000	\$ 362,809	\$ 37,809
Property - unsecured	70,000	70,000	54,950	(15,050)
Prior year and other	3,300	3,300	24,927	21,627
Homeowners	3,500	3,500	3,497	(3)
Sales	2,300,000	2,300,000	2,204,471	(95,529)
DWP water agreement	158,000	158,000	170,533	12,533
Transient occupancy	2,000,000	2,000,000	1,802,098	(197,902)
Sales tax - public safety	20,000	20,000	16,628	(3,372)
Real property transfer	13,000	13,000	11,082	(1,918)
<b>Total Taxes</b>	<u>4,892,800</u>	<u>4,892,800</u>	<u>4,650,995</u>	<u>(241,805)</u>
<b>Licenses and Permits</b>				
Business licenses	48,000	48,000	48,485	485
Use permits	3,750	3,750	6,712	2,962
Building permits	25,000	25,000	29,241	4,241
Electrical permits	3,000	3,000	4,020	1,020
Plumbing permits	4,000	4,000	3,155	(845)
Electrical franchise	35,000	35,000	34,519	(481)
TV franchise	12,000	12,000	16,152	4,152
<b>Total Licenses and Permits</b>	<u>130,750</u>	<u>130,750</u>	<u>142,284</u>	<u>11,535</u>
<b>Intergovernmental</b>				
Motor vehicle in lieu (state)	282,000	282,000	271,794	(10,206)
Off-highway motor vehicle fees	100	100		(100)
Prop 1B			400,000	400,000
Reimbursement - highway sweeping	20,000	20,000	20,000	0
Reimbursement - fire district	1,800	1,800	328,249	326,449
Reimbursement - miscellaneous	4,000	4,000	49	(3,951)
Loan retirement	4,200	4,200		(4,200)
Peace officers training	15,000	15,000	9,800	(5,200)
Court restitutions	1,300	1,300	123	(1,177)
Dispatch contracts	6,000	6,000	6,509	509
Grants	195,000	195,000	180,139	(14,861)
<b>Total Intergovernmental</b>	<u>529,400</u>	<u>529,400</u>	<u>1,216,663</u>	<u>687,263</u>
<b>Fines, Forfeitures and Penalties</b>				
Parking citations	30,000	30,000	26,074	(3,926)
Forfeited construction deposits			21,186	21,186
<b>Total Fines, Forfeitures and Penalties</b>	<u>30,000</u>	<u>30,000</u>	<u>47,260</u>	<u>17,260</u>
<b>Charges for Current Services</b>				
Plan checking	8,000	8,000	15,658	7,658
Parks and recreation	72,000	72,000	65,079	(6,921)
<b>Total Charges for Current Services</b>	<u>80,000</u>	<u>80,000</u>	<u>80,737</u>	<u>736</u>
<b>Use of Money and Property</b>				
Interest and investment income	180,000	180,000	179,541	(459)
Centennial coin sale			54	54
Rent	57,000	57,000	39,318	(17,682)
<b>Total Use of Money and Property</b>	<u>237,000</u>	<u>237,000</u>	<u>218,913</u>	<u>(18,087)</u>
<b>Other</b>				
Insurance refunds and dividends	55,000	55,000	12,272	(42,728)
Miscellaneous - all others	49,500	49,500	74,748	25,248
<b>Total Other</b>	<u>104,500</u>	<u>104,500</u>	<u>87,020</u>	<u>(17,480)</u>
<b>Total Revenues</b>	<u>\$ 6,004,450</u>	<u>\$ 6,004,450</u>	<u>\$ 6,443,872</u>	<u>\$ 439,422</u>

## CITY OF BISHOP

Required Supplementary Information  
 Budgetary Comparison Schedule (Continued)  
 General Fund  
 For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 6,004,450	\$ 6,004,450	\$ 6,443,872	\$ 439,422
Expenditures				
General Government				
City council	159,800	159,800	144,529	15,271
Administration - clerk	312,700	326,123	289,037	37,086
Finance	130,350	143,210	136,315	6,895
City treasurer	3,200	3,200	2,896	304
City attorney	69,422	84,422	82,710	1,712
Insurance	250,200	250,200	244,688	5,512
Elections	1,200	1,200	52	1,148
Total General Government	<u>926,872</u>	<u>968,155</u>	<u>900,227</u>	<u>67,928</u>
Public Ways and Facilities/Transportation				
Building and grounds	195,800	195,750	193,530	2,220
Building	109,625	109,625	104,262	5,363
Planning	246,000	255,000	233,755	21,245
Street maintenance	173,000	173,000	154,686	18,314
Street sweeping	75,400	75,400	72,713	2,687
Street lighting	31,000	31,000	29,378	1,622
Total Public Ways and Facilities/Transportation	<u>830,825</u>	<u>839,775</u>	<u>788,324</u>	<u>51,452</u>
Public Safety				
Police	2,934,700	2,968,233	2,817,855	150,378
Fire	190,650	191,575	186,822	4,753
Emergency preparedness	5,200	5,200	1,785	3,415
Total Public Safety	<u>3,130,550</u>	<u>3,165,008</u>	<u>3,006,462</u>	<u>158,546</u>
Community Development				
Community promotion	200,521	208,451	206,303	2,148
Parks and recreation	368,300	368,300	375,744	(7,444)
Civic arts commission	25,000	25,000	25,000	
Total Community Development	<u>593,821</u>	<u>601,751</u>	<u>607,047</u>	<u>(5,296)</u>
Capital Outlay				
Structures and improvements	648,794	700,750	738,111	(37,361)
Equipment	84,500	84,590	85,713	(1,123)
Total Capital Outlay	<u>733,294</u>	<u>785,340</u>	<u>823,824</u>	<u>(38,484)</u>
Total Expenditures	<u>6,215,362</u>	<u>6,360,029</u>	<u>6,125,884</u>	<u>271,507</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(210,912)</u>	<u>(355,579)</u>	<u>317,988</u>	<u>673,567</u>
Other Financing Sources (Uses)				
Proceeds from capital lease			44,166	44,166
Operating transfers in			(122,675)	(56,725)
Operating transfers out	(65,950)	(65,950)		
Total Other Financing Sources (Uses)	<u>(65,950)</u>	<u>(65,950)</u>	<u>(78,509)</u>	<u>(12,559)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ (276,862)</u>	<u>\$ (421,529)</u>	<u>239,479</u>	<u>\$ 661,008</u>
Fund Balance, July 1, 2007			<u>4,884,100</u>	
Fund Balance, June 30, 2008			<u>\$ 5,123,579</u>	

**CITY OF BISHOP**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Special Revenue Fund - Measure A**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Measure A				
Taxes	\$ 575,000	\$ 575,000	\$ 536,998	\$ (38,002)
Total Revenues	575,000	575,000	536,998	(38,002)
<b>EXPENDITURES</b>				
General Government				
Measure A	648,600	648,600	572,462	76,138
Capital outlay	3,000	3,000		3,000
Total Expenditures	651,600	651,600	572,462	79,138
Excess (Deficit) of Revenues over Expenditures	(76,600)	(76,600)	(35,463)	41,137
<b>Other Financing Sources (Uses)</b>				
Operating transfers in				
Operating transfers out	(52,800)	(52,800)	(52,796)	4
Total Other Financing Sources (Uses)	(52,800)	(52,800)	(52,796)	4
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (129,400)	\$ (129,400)	(88,259)	\$ 41,141
Fund Balances, July 1, 2007			324,975	
Fund Balances, June 30, 2008			\$ 236,715	

**CITY OF BISHOP**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Special Revenue Fund - Home Funds Willow Street**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental Grants	\$ 1,009,000	\$ -	\$ 1,130,000	\$ 1,130,000
Total Revenues	1,009,000	-	1,130,000	1,130,000
<b>EXPENDITURES</b>				
Community Development Program expenses	985,473	1,051,646	1,051,644	2
Total Expenditures	985,473	1,051,646	1,051,644	2
Excess (Deficit) of Revenues over Expenditures	23,527	(1,051,646)	78,356	1,130,002
Other Financing Sources (Uses) Operating transfers out			(54,829)	(54,829)
Total Other Financing Sources (Uses)			(54,829)	(54,829)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ 23,527	\$ (1,051,646)	23,527	\$ 1,075,173
Fund Balances, July 1, 2007			(23,527)	
Fund Balances, June 30, 2008			\$ -	

**CITY OF BISHOP**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Capital Projects Fund - Mac Iver Street**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental Grants	\$ 1,040,000	\$ 750,000	\$ 858,089	\$ 108,089
Total Revenues	1,040,000	750,000	858,089	108,089
<b>EXPENDITURES</b>				
Capital outlay	1,040,000	1,040,700	982,779	57,921
Total Expenditures	1,040,000	1,040,700	982,779	57,921
Excess (Deficit) of Revenues over Expenditures		(290,700)	(124,690)	166,010
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out				
Total Other Financing Sources (Uses)				
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ -	\$ (290,700)	(124,690)	\$ 166,010
Fund Balances, July 1, 2007			(13,544)	
Fund Balances, June 30, 2008			\$ (138,234)	

**City of Bishop**  
**Note to Required Supplementary Information**  
**June 30, 2008**

Budgets and Budgetary Accounting

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

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

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

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

CITY OF BISHOP

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total
<u>Assets</u>				
Cash and investments	\$ 44,890	\$ 321,091	\$ -	\$ 365,981
Restricted cash and investments	-			-
Receivables				161,681
Accounts	24,387	137,294		412
Interest	412			-
Loans receivable	-			-
 Total Assets	<u>\$ 69,689</u>	<u>\$ 458,385</u>	<u>\$ -</u>	<u>\$ 528,074</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 2,074	\$ 88,162	\$ -	\$ 90,237
Due to other funds		101,833		101,833
Deferred revenue		172,414		172,414
 Total Liabilities	<u>2,074</u>	<u>362,409</u>		<u>364,483</u>
Fund Balances				
Unreserved - undesignated	<u>67,615</u>	<u>95,976</u>		<u>163,591</u>
 Total Fund Balance	<u>67,615</u>	<u>95,976</u>		<u>163,591</u>
 Total Liabilities and Fund Balances	<u>\$ 69,689</u>	<u>\$ 458,385</u>	<u>\$ -</u>	<u>\$ 528,074</u>

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total
Revenues				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	172,913	223,024		395,937
Fines, forfeitures and penalties	4,791			4,791
Contributions		-		-
Use of money and property				-
Total Revenues	<u>177,704</u>	<u>223,024</u>		<u>400,728</u>
Expenditures				
Current:				
General government	7,945			7,945
Public ways and facilities/ transportation	86,959	24,845		111,804
Public safety	79,345			79,345
Capital outlay	77,175	185,368		262,543
Debt service				
Principal			152,722	152,722
Interest			43,631	43,631
Total Expenditures	<u>251,424</u>	<u>210,213</u>	<u>196,353</u>	<u>657,990</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(73,720)</u>	<u>12,811</u>	<u>(196,353)</u>	<u>(257,262)</u>
Other Financing Sources (Uses)				
Operating transfers in	1,346	10,665	196,353	208,364
Operating transfers out				-
Total Other Financing Sources (Uses)	<u>1,346</u>	<u>10,665</u>	<u>196,353</u>	<u>208,364</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(72,374)</u>	<u>23,476</u>		<u>(48,898)</u>
Fund Balances, July 1, 2007	139,989	83,163	-	223,152
Prior period adjustment		(10,663)		(10,663)
Fund Balances, June 30, 2008	<u>\$ 67,615</u>	<u>\$ 95,976</u>	<u>\$ -</u>	<u>\$ 163,591</u>

CITY OF BISHOP

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2008

	Redevelop- ment	Gas Tax	Traffic Safety	Store Front Grant	Public Safety	Totals
<u>Assets</u>						
Cash and investments	\$ -	\$ 11,765	\$ 931	\$ -	\$ 32,194	\$ 44,890
Restricted cash and investments						
Receivables						
Accounts		24,019	368			24,387
Interest					412	412
Loans receivable						
<b>Total Assets</b>		<u>35,784</u>	<u>1,299</u>		<u>32,606</u>	<u>69,689</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable		2,074				2,074
Deferred revenue						
<b>Total Liabilities</b>		<u>2,074</u>				<u>2,074</u>
Fund Balances						
Unreserved - undesignated		33,710	1,299	0	32,606	67,615
<b>Total Fund Balance</b>		<u>33,710</u>	<u>1,299</u>	<u>0</u>	<u>32,606</u>	<u>67,615</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 35,784</u>	<u>\$ 1,299</u>	<u>\$ 0</u>	<u>\$ 32,606</u>	<u>\$ 69,689</u>

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2008

	Redevelop- ment	Gas Tax	Traffic Safety	Store Front Grant	Public Safety	Totals
Revenues						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental		71,099			101,814	172,913
Fines, forfeitures and penalties			4,791			4,791
Use of money and property						
Total Revenues		71,099	4,791		101,814	177,704
Expenditures						
Current:						
General government	1,346			6,599		7,945
Public ways and facilities/ transportation		86,959				86,959
Public safety			3,634		75,711	79,345
Capital outlay				14,801	62,374	77,175
Total Expenditures	1,346	86,959	3,634	21,400	138,085	251,424
Excess (Deficit) of Revenues Over Expenditures	(1,346)	(15,860)	1,157	(21,400)	(36,271)	(73,720)
Other Financing Sources (Uses)						
Operating transfers in	1,346					1,346
Operating transfers out						
Total Other Financing Sources (Uses)	1,346					1,346
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses		(15,860)	1,157	(21,400)	(36,271)	(72,374)
Fund Balances, July 1, 2007		49,570	142	21,400	68,877	139,989
Fund Balances, June 30, 2008	\$ -	\$ 33,710	\$ 1,299	\$ -	\$ 32,606	\$ 67,615

CITY OF BISHOP

Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 June 30, 2008

	Home Street Project	Hwy 6 & Wye Rd	CDBG Mac Iver	CDBG GIS	Fed Grant Mac Iver Extension	Road Project A	Snedden Improvements	South 2nd Improvements	Warren Improvements	Pine Improvements	Bus Pullouts	Totals
<u>Assets</u>												
Cash and investments	\$ -	\$ 285,991	\$ -	\$ 18,600	\$ 35,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,091
Receivables						20,274	28,314	27,370		37,863	4,873	137,294
Total Assets	\$ -	\$ 285,991	\$ -	\$ 18,600	\$ 35,100	\$ 20,274	\$ 28,314	\$ 27,370	\$ -	\$ 37,863	\$ 4,873	\$ 458,385
<u>Liabilities and Fund Balances</u>												
Liabilities												
Accounts payable	\$ -	\$ 4,785	\$ -	\$ 3,455	\$ -	\$ 29,262	\$ 4,550	\$ 39,929	\$ -	\$ 6,114	\$ 67	\$ 88,162
Deferred revenue				18,600	35,120	20,274	28,314	27,370		37,863	4,873	172,414
Due to other funds				15,145		4,608	28,314	11,030		37,863	4,873	101,833
Total Liabilities		4,785		37,200	35,120	54,144	61,178	78,329		81,840	9,813	362,409
Fund Balances												
Unreserved - designated		281,206		(18,600)	(20)	(33,870)	(32,864)	(50,959)		(43,977)	(4,940)	95,976
Total Liabilities and Fund Balances	\$ -	\$ 285,991	\$ -	\$ 18,600	\$ 35,100	\$ 20,274	\$ 28,314	\$ 27,370	\$ -	\$ 37,863	\$ 4,873	\$ 458,385

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Fiscal Year Ended June 30, 2008

	Home Street Project	Hyw 6 & Wye Rd	CDBG Mac Iver	CDBG GIS	Fed Grant Mac Iver Extension	Road Project A	Sheden Improvements	South 2nd Improvements	Warren Improvements	W. Pine Improvements	Bus Pullouts	Totals
Revenues	\$ 118,530	\$ -	\$ 86,250	\$ 13,364	\$ 4,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,024
Intergovernmental Contributions												
Use of money and property												
Total Revenues	118,530		86,250	13,364	4,880							223,024
Expenditures												
Current:												
Public ways and facilities/ Transportation Capital outlay	5,000	18,758		19,825	20	33,870	32,864	50,959		43,977	4,940	24,845
Total Expenditures	5,000	18,758		19,825	20	33,870	32,864	50,959		43,977	4,940	210,213
Excess (Deficit) of Revenues Over Expenditures	113,530	(18,758)	86,250	(6,461)	4,860	(33,870)	(32,864)	(50,959)		(43,977)	(4,940)	12,811
Other Financing Sources (Uses)												
Operating transfers in	15,791		(5,126)									10,665
Operating transfers out												
Total Other Financing Sources (Uses)	15,791		(5,126)									10,665
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	129,321	(18,758)	81,124	(6,461)	4,860	(33,870)	(32,864)	(50,959)		(43,977)	(4,940)	23,476
Fund Balances, July 1, 2007	(118,658)	299,964	(81,124)	(12,139)	(4,880)							83,163
Prior period adjustment	(10,663)											(10,663)
Fund Balances, June 30, 2008	\$ -	\$ 281,206	\$ -	\$ (18,600)	\$ (20)	\$ (33,870)	\$ (32,864)	\$ (50,959)	\$ -	\$ (43,977)	\$ (4,940)	\$ 95,976

*The Accounting Office of:  
Larry Bain, CPA  
2148 Frascati Drive  
El Dorado Hills, CA 95762*

**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 the Financial Statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bishop, as of and for the fiscal year ended June 30, 2008, which collectively comprise the City of Bishop's basic financial statements and have issued our report thereon dated February 3, 2009. We conducted our audit in accordance with 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Bishop'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies, following this letter, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. However, we believe findings 08-1 to 08-12 are significant deficiencies as described above and constitute material weaknesses.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bishop's financial statements are free of 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 non-compliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, City Council, and 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.

A handwritten signature in black ink, appearing to read "Larry Bain". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Larry Bain, CPA  
February 3, 2009

**THE ACCOUNTING OFFICE OF:  
LARRY BAIN, CPA  
2148 Frascati Dr.  
El Dorado Hills, CA 95762**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

February 3, 2009

To the City Council  
City of Bishop, California

**Compliance**

We have audited the compliance of the City of Bishop (City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control over Compliance**

The management of the City of Bishop is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below.

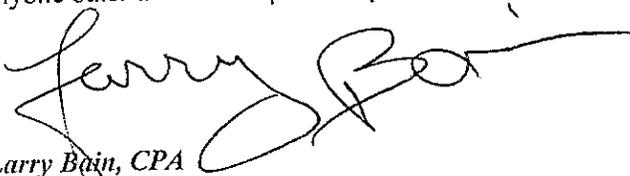
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bishop as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 3, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Bishop's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This communication is intended solely for the information and use of the City Council and management of the City of Bishop, 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*  
February 3, 2009

**CITY OF BISHOP**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

Description and Program Title	<u>Federal CFDA Number</u>	<u>Grant ID No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Home Investment Partnership Act	14.239	* 05 Home 1675	\$ 1,051,644
GIS/CDBG	14.218	05-PTAA-1705	19,825
CDBG	14.218	B06SPCA0082	<u>20</u>
Total U.S. Department of Housing and Urban Development			<u>1,071,489</u>
 <u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
MacIver Street Extension	20.205	RPSTPLE-5125 (010)	<u>380,678</u>
Total U.S. Department of Transportation			<u>380,678</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,452,167</u></u>

\* Major Program

**CITY OF BISHOP**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

A. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the City of Bishop, California (City). The Schedule includes federal awards received directly from federal agencies as well as federal awards passed through other agencies. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position of the City.

B. Basis of Accounting

The accompanying schedule of federal awards is presented using the modified-accrual basis of accounting which is described in Note 1B to the City's basic financial statements.

C. Relationship to Basic Financial Statements and Federal Financial Reports

Information reported in the accompanying schedule for expenditures of federal awards agrees with the amounts reported in both the basic financial statements and related federal financial reports for the major federal programs. Revenues from federal award programs are reported as intergovernmental revenues in the basic financial statements.

**City of Bishop  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2008**

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued: *unqualified*

Internal control over financial reporting:  
 Material weaknesses identified  Yes  No  
 Significant deficiencies identified not  
 considered to be material weaknesses  Yes  No

Non-compliance material to financial statements noted  Yes  No

Federal Awards

Internal control over major programs:  
 Material weaknesses identified  Yes  No  
 Significant deficiencies identified not  
 considered to be material weaknesses  Yes  No

Type of auditor’s report issued on compliance  
 for major programs: *unqualified*

Any audit findings disclosed that are required  
 to be reported in accordance with Section .510(a)  
 of OMB Circular A-133  Yes  No

Identification of major programs:

CFDA Number

14.239

Name of Federal Program or Cluster

Home Investment Partnership Program  
 Housing and Community Development

Dollar threshold used to distinguish  
 Between Type A and Type B programs \$300,000

Auditee qualifies as low-risk auditee:  Yes  No

City of Bishop  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**SECTION II – FINANCIAL STATEMENT FINDINGS**

- FS 08-1: Receivable accruals
- FS 08-2: Business-type receivables/deposits
- FS 08-3: Capital outlay reclassification
- FS 08-4: Revenue recognition
- FS 08-5: Revenue recognition
- FS 08-6: Receivable/deferred revenue accruals
- FS 08-7: Receivable/deferred revenue accrual
- FS 08-8: General accounting
- FS 08-9: General accounting
- FS 08-10: Grant reimbursement support

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings to report.

**City of Bishop**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**INTERNAL CONTROL FINDINGS**

**Deemed to be Significant Deficiencies and Material Weaknesses**

**FS 08-1:** During our audit we propose the City record an additional \$148,700 in sales tax receivable and \$24,019 in gas tax receivable.

**Recommendation:** We recommend the City record sales tax revenue received in August as a receivable in accordance with GASB No. 33.

**City Response:** The City will record revenues into the correct fiscal year.

**FS 08-2:** During our audit we proposed journal entries to agree the water and sewer accounts receivable and customer prepayments to the general ledger.

**Recommendation:** We recommend the City adjust the general ledger accounts receivable and customer prepayment accounts to agree to the aged trial balance and the customer credit reports. This can be done as part of year end closing procedures.

**City Response:** The City will reconcile the receivables and customer prepays for water and sewer accounts. This will be done with the changes in procedures for reviewing year end journal entries.

**FS 08-3:** During our audit we noted the City recorded Activity to the capital outlay expense accounts for items that did not meet the definition of a capital asset. We proposed an audit entry to reclassify this activity to service and supply accounts.

**Recommendation:** We recommend the City review the policy for capital outlay and only record activity to this account that meets the definition of capital outlay. The City should also reconcile the capital asset additions to the general ledger and prepare the fixed asset depreciation schedule, including current year additions/deletions, as part of year end procedures and prior to the audit.

**City Response:** The City will review all capital outlay expenses to ensure the activity meets the definition of capital outlay expenses.

**FS 08-4:** During our audit we note the reimbursement from the Bishop Rural Fire District for the aerial lease payment was recorded to the fixed asset account as opposed to a revenue reimbursement account. This understated equipment expense and revenue by \$28,709. We also noted \$297,740 was recorded as a reduction to capital additions for a reimbursement related to the fire training tower. This accounting treatment understated capital outlay expenses and understated revenue.

**Recommendation:** We recommend recording reimbursements to the appropriate revenue accounts.

**City Response:** The City will make procedural changes. Reimbursements will be treated as revenue and not treated as a reduction to expense.

**City of Bishop**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2008**

**FS 08-5:** During our audit of the Sunrise Mobile Home Park we noted the City recorded insurance reimbursements as a reduction to expense accounts.

**Recommendation:** We recommend the City record insurance reimbursements to revenue accounts as opposed to reducing the expenditure account.

**City Response:** The City will make Procedural changes. Reimbursements will be treated as revenue and not treated as a reduction to expense.

**FS 08-6:** During our audit we proposed several adjustments to record grant receivables/deferred revenue for expenditures incurred during the 2007-2008 fiscal year that had not been reimbursed with grant funding as of the date of the audit. We also reclassified negative cash in capital project funds as due to/due from the general fund.

**Recommendation:** We recommend the City review the amount of reimbursable expenditures at year end that should be recorded as a receivable. We also recommend the City reclassify negative cash in the capital project funds as a due to due from the general fund.

**City Response:** The City will change current procedures for year-end closing and posting journal entries to the general ledger.

**FS 08-7:** During our audit we proposed a journal entry to increase the Willow Housing accounts receivable and deferred revenue by \$1,029,900.

**Recommendation:** We recommend the City reconcile the general ledger to underlying contracts.

**City Response:** The City will change current procedures for year-end closing and posting journal entries to the general ledger.

**FS 08-8:** During our audit we noted the City recorded a CDBG grant reimbursement to the water fund, sewer fund and MacIver Street capital project fund. The total amount should have been recorded in the CDBG MacIver IMACA fund. In the water and sewer funds the revenue was posted as a credit to capital outlay as opposed to grant revenue. We proposed a journal entry in the amount of \$86,250 to correct the posting.

**Recommendation:** We recommend the City reimburse the fund that incurred the charges when receiving grant reimbursements.

**City Response:** The City will make procedural changes. Reimbursements will be recorded to the fund incurring the expenditure.

**FS 08-9:** During our audit we noted the cash, from a \$21,186 forfeited construction deposit originally recorded in a bond and trust fund of the City, was not transferred to the general fund. We proposed a journal entry to show that the trust fund owed the general fund \$21,186 for this activity.

**Recommendation:** We recommend transferring the forfeited deposits from the bond and trust fund to the general fund. These transfers should be made during the fiscal year that the City has a legal right to the forfeited funds.

**City Response:** Additional journal entries will be made to move cash from Bond & Trust Fund to General Fund.

**City of Bishop**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2008**

**FS 08-10:** During our audit we proposed the City reclassify \$35,120 from revenue to deferred revenue because of the \$40,000 grant reimbursement \$35,120 did not have supporting documentation for the MacIver street extension, federal grant.

**Recommendation:** We recommend the City review the expenditures for this project and match with the reimbursements received. We recommend the City return any unsupported reimbursement to the granting agency.

**City Response:** Other allowable expenditures will be applied to the grant in the 08/09 fiscal year.

**City of Bishop**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2008**

**Finding (Observation) 07-1**

**Davis Bacon Monitoring**

*Federal Agency: U.S. Department of Transportation*

Recommendation

Certified payroll forms should be reviewed by the City and prevailing wages should be traced and agreed to published rates. The published rates used for monitoring should also be maintained in the file. The City should also document the results of on-site inspections.

Status

Corrected