

CITY OF BISHOP
FINANCIAL STATEMENTS
JUNE 30, 2009

CITY OF BISHOP

Table of Contents

Independent Auditor's Report	1
Management Discussion and Analysis	2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Governmental Funds Balance Sheet to the	
Government-Wide Statement of Net Assets – Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes	
In Fund Balances of Governmental Funds to the Government-Wide	
Statement of Activities – Governmental Activities	14
Proprietary Funds:	
Statement of Net Assets	15
Statement of Revenues, Expenses and Changes in Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	18
Notes to the Financial Statements	19
Required Supplementary Information:	
Schedule of Funding Progress – Defined Benefit Pension Plan	36
Budgetary Comparison Schedule:	
General Fund	37
Measure A Fund	39
Home Funds Willow Street	40
Mac Iver Street Fund	41
Note to the Required Supplementary Information	42
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	44
Nonmajor Special Revenue Funds	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	46
Nonmajor Capital Projects Funds	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48
Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance With <i>Government</i>	
<i>Auditing Standards</i>	49
Schedule of Findings	51

Larry Bain, CPA,
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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, 2009, 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.

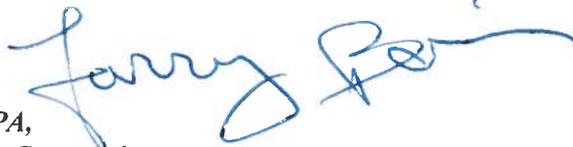
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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 12, 2010 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 combining and individual fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Larry Bain, CPA,
An Accounting Corporation
February 12, 2010

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2009

(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, 2009. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2009

- The assets of the City exceeded liabilities at the close of the 2008-2009 fiscal year by \$15,511,718 (net assets). Of this amount, \$5,973,112 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$9,516,906 is invested in capital assets - net of related debt.
- As of June 30, 2009 the City's governmental funds reported combined fund balances of \$4,253,299 approximately 91% of the combined fund balances, \$3,851,083 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 \$3,926,107 or 67% of total general fund expenditures.
- The City's general long-term debt decreased by \$160,916. The net decrease resulted from payments of governmental debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

The *Statements of Net 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, 2009

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, 2009

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, 2009			June 30, 2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 8,183,494	\$ 2,185,188	\$ 10,368,682	\$ 8,187,381	\$ 2,037,781	\$ 10,225,162
Capital Assets	8,043,635	2,046,097	10,089,732	6,617,987	1,720,291	8,338,278
Total Assets	16,227,129	4,231,285	20,458,414	14,805,368	3,758,072	18,563,440
Liabilities						
Current/non current	4,335,456	611,240	4,946,696	3,549,851	684,007	4,233,858
Net Asset:						
Invested in capital assets, net	7,484,214	2,032,692	9,516,906	5,904,739	1,702,689	7,607,428
Net assets restricted		21,700	21,700	-	42,561	42,561
Unrestricted net assets	4,407,459	1,565,653	5,973,112	5,350,778	1,328,815	6,679,593
Total Net Assets	\$ 11,891,673	\$ 3,620,045	\$ 15,511,718	\$ 11,255,517	\$ 3,074,065	\$ 14,329,582

As the above table indicates, total assets increased \$1,894,974 from \$18,563,440 to \$20,458,414 during the fiscal year ended June 30, 2009. This is comprised of an increase of \$ 1,751,454 in capital assets mostly funded by grant revenues and an increase in current and other assets totaling \$143,520.

Total liabilities increased \$712,838, from \$4,233,858 to \$4,946,696. This represents a decrease of \$171,742 in long-term obligations (including compensated absences), an increase of \$2,505 in customer deposits, an increase of \$ 914,940 in deferred revenue and a decrease of \$32,865 in payables, accrued wages and advances from other funds.

Net assets increased by \$1,182,136 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, 2009

Statement of Activities

	Condensed Statement of Activities					
	Fiscal Year Ended June 30, 2009			Fiscal Year Ended June 30, 2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues:						
Charges for services	\$ 604,038	\$ 2,006,234	\$ 2,610,272	\$ 767,904	\$ 1,895,570	\$ 2,663,474
Capital grants and contributions	1,551,994	14,350	1,566,344	1,796,337		1,796,337
Operating grants	151,763		151,763	1,238,087	8,053	1,246,140
General Revenue:						
Property taxes and assessments	1,000,889		1,000,889	983,181		983,181
Sales and use tax	1,999,707		1,999,707	2,221,099		2,221,099
Other revenue	2,227,601		2,227,601	2,295,097	38,809	2,333,906
Interest and investment income	75,435	56,973	132,408	179,541	89,631	269,172
Total Revenue	7,611,427	2,077,557	9,688,984	9,481,246	2,032,063	11,513,309
Expenses:						
Governmental activities:						
General government	1,481,635		1,481,635	1,539,125		1,539,125
Public safety	3,496,953		3,496,953	3,270,059		3,270,059
Public works	1,060,711		1,060,711	2,078,515		2,078,515
Community services/recreation	653,902		653,902	678,536		678,536
Business-type activities						
Water		733,101	733,101		700,681	700,681
Sewer		625,354	625,354		645,764	645,764
Mobile home park		103,739	103,739		124,498	124,498
Interest on long-term debt	32,436	15,620	48,056	40,778		40,778
Total Expense	6,725,637	1,477,814	8,203,451	7,607,013	1,470,943	9,077,956
Excess (deficiency) before transfers	885,790	599,743	1,485,533	1,874,233	561,120	2,435,353
Transfers in (out)	22,230	(22,230)		22,230	(22,230)	
Change in net assets	\$ 908,020	\$ 577,513	\$ 1,485,533	\$ 1,896,463	\$ 538,890	\$ 2,435,353

The statement of activities, identify the various revenue and expense items which affect the change in net assets. As the information indicates the \$ 1,824,325 decrease to income from June 30, 2008 to June 30, 2009 operations, was primarily due to an decrease in governmental revenue operating grants for the City's workforce housing project completed in the prior fiscal year. Interest and investment income also contributed to the decline in revenues as did a reduction in sales tax from the loss of the car dealership and the general recession.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2009

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 \$4,253,299. Approximately 91% of the total ending fund balances (\$3,851,083) 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 (\$13,405) 2) for petty cash funds (\$640) 3) for loans made to employees for computer purchases (\$4,672) and 4) for the proposition 1B advance.

General fund revenues were \$5,240,069 and expenditures in the general fund were \$5,831,528. The revenue for the Measure A special revenue fund was \$597,708 and the expenditures were \$509,990. The South 2nd Street capital project fund revenues were \$753,873 and the expenditures were \$833,637. The Highway 6 & Wye Road capital project fund, had revenues of \$29,713 and expenditures of \$29,713.

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 2008-2009 fiscal year were budgeted at \$6,177,350. The actual revenues were \$5,240,069 leaving an unfavorable variance of (\$937,281). The decrease was due to the unanticipated decline in revenues generated from taxes such as sales tax, transient occupancy tax and low interest rates for investments.

General fund expenditures were budgeted at \$6,822,963. The actual amount expended was \$5,831,528, approximately \$991,435 less than originally anticipated. The favorable expenditure variance was due to a decrease in capital outlay expenditures and lower expenditures compared to those budgeted by each department.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2009	6/30/2008	6/30/2009	6/30/2008	6/30/2009	6/30/2008
Land	\$ 341,105	\$ 341,105	\$ 481,066	\$ 481,066	\$ 822,171	\$ 822,171
Construction in progress	1,695,841	185,370	219,529	-	1,915,370	185,370
Buildings and Site improvements	1,152,392	1,121,566	168,800	158,157	1,321,192	1,279,723
Equipment	290,819	330,201			290,819	330,201
Infrastructure	962,108	914,375	391,539	387,403	1,353,647	1,301,778
	3,601,370	3,725,370	785,163	693,666	4,386,533	4,419,036
Total	\$ 8,043,635	\$ 6,617,987	\$ 2,046,097	\$ 1,720,292	\$ 10,089,732	\$ 8,338,279

As of June 30, 2009 the City's investment in capital assets totaled \$10,089,732 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, 2009, the City had \$552,332 in outstanding governmental-type long-term debt and \$472,450 in outstanding business-type long-term debt as reported in the notes to the financial statements and 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 continues to have reimbursable STIP Projects. A STIP Project is a project reimbursable through California Transportation Act Federal and State Funds. Two projects were completed in 08/09 and one major project, Grove Street began. Two other projects are slated to begin this year with completion in 10/11.

The City's combined water and sewer rates remained the same for 08/09 as 07/08 at \$52 per month. New rates have been approved for the fiscal year beginning July 1, 2010 thru fiscal year 13/14.

Due to the unpredictable economic conditions of the State of California and Federal government funding, it has created a challenge to do accurate projections in revenues and expenditures. City Council has been presented with a two year budget for fiscal years 09/10 and 10/11 in hopes that it gives a clearer and more stable approach to the process of departmental budgets and request for capital expenditures. Due to current economic times staff continues to monitor revenues coming in to determine what can be expended, or in some cases delayed.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2009

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, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 3,934,927	\$ 2,122,308	\$ 6,057,235
Accounts receivables	1,937,842	25,997	1,963,839
Interest receivable	55,405	7,788	63,193
Prepaid expenses	17,343		17,343
Loans receivable	4,672		4,672
Advances to other funds	4,197		4,197
Restricted cash and investments	-	29,095	29,095
Non Current Assets			
Loans receivable	2,219,900		2,219,900
Advances to other funds	9,208		9,208
Capital assets:			
Land	341,105	481,066	822,171
Construction in Progress	1,695,841	219,529	1,915,370
Buildings	4,626,398	674,809	5,301,207
Site improvements	606,747		606,747
Equipment	3,398,176	829,710	4,227,886
Infrastructure	3,938,278	834,830	4,773,108
Less: accumulated depreciation	(6,562,910)	(993,847)	(7,556,757)
Total Assets	\$ 16,227,129	\$ 4,231,285	\$ 20,458,414
Liabilities			
Current liabilities:			
Accounts payable	302,777	56,226	359,003
Advance from other funds-due within one year		4,197	4,197
Accrued interest payable	14,821	3,814	18,635
Long-term liabilities-due within one year	309,908	27,193	337,101
Liabilities-due in more than one year:			
Customer deposits		15,474	15,474
Compensated absences	155,209	49,871	205,080
Leases payable	382,781		382,781
Note payable		445,257	445,257
Deferred revenue	3,169,960		3,169,960
Advance from other funds		9,208	9,208
Total Liabilities	4,335,456	611,240	4,946,696
Net Assets			
Invested in capital assets, net of related debt	7,484,214	2,032,692	9,516,906
Restricted for capital replacement		21,700	21,700
Unrestricted	4,407,459	1,565,653	5,973,112
Total Net Assets	\$ 11,891,673	\$ 3,620,045	\$ 15,511,718

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Activities
For the Fiscal Year Ended June 30, 2009

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
Governmental Activities:							
General government	\$ 1,481,635	\$ 229,050	\$ -	\$ -	\$ (1,252,585)	\$ -	\$ (1,252,585)
Public safety	3,496,953	160,756	1,229	131,763	(3,203,206)		(3,203,205)
Public works	1,060,711	141,421	1,550,765	20,000	651,476		651,475
Community services/recreation	653,902	72,811	-		(581,091)		(581,091)
Interest on long-term debt	32,436				(32,436)		(32,436)
Total Governmental Activities	6,725,637	604,038	1,551,994	151,763	(4,417,842)		(4,417,842)
Business-type Activities:							
Water	733,101	1,151,176	14,350			432,425	432,425
Sewer	625,354	763,010				137,656	137,656
Mobile home park	103,739	92,048				(11,691)	(11,691)
Interest on long-term debt	15,620					(15,620)	(15,620)
Total Business-type Activities	1,477,814	2,006,234	14,350			542,770	542,770
Total Government	\$ 8,203,451	\$ 2,610,272	\$ 1,566,344	\$ 151,763	(4,417,842)	542,770	(3,875,072)
General Revenues:							
Taxes:							
Property taxes					1,000,889		1,000,889
Sales and use tax					1,999,707		1,999,707
Transient occupancy tax					1,707,888		1,707,888
Franchise tax					58,843		58,843
Motor vehicle in lieu tax					285,050		285,050
Other taxes					175,820		175,820
Investment income					75,435	56,973	132,408
Transfers					22,230	(22,230)	
Total general revenues					5,325,862	34,743	5,360,605
Change in net assets					908,020	577,513	1,485,533
Net assets - beginning					11,255,517	3,074,065	14,329,582
Prior Period Adjustment					(271,864)	(31,533)	(303,397)
Net assets - ending					\$ 11,891,673	\$ 3,620,045	\$ 15,511,718

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Balance Sheet
Governmental Funds
June 30, 2009

	General	Special Revenue Funds		Capital Project Fund		Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
		Measure A	Home Fund Willow Street	South 2nd Improvements	Hyw 6 & Wye Rd	Debt Service		
<u>Assets</u>								
Cash and investments	\$ 2,750,070	\$ 163,823	\$ -	\$ -	\$ 913,989	\$ -	\$ 107,045	\$ 3,934,927
Receivables								
Accounts	682,882	117,675		783,484			353,802	1,937,843
Interest	7,789						47,616	55,405
Due from other funds	903,405							903,405
Other assets	17,343							17,343
Loans/notes receivable	4,672		2,219,900					2,224,572
Advances to other funds	13,405							13,405
Total Assets	\$ 4,379,566	\$ 281,498	\$ 2,219,900	\$ 783,484	\$ 913,989	\$ -	\$ 508,463	\$ 9,086,900
<u>Liabilities and Fund Balances</u>								
Liabilities								
Accounts payable	\$ 51,216	\$ 9,861	\$ -	\$ 17,623	\$ 15,496	\$ -	\$ 208,553	\$ 302,749
Due to other funds	27			766,896			136,509	903,432
Deferred revenue			2,219,900	129,688	898,493		379,339	3,627,420
Total Liabilities	51,243	9,861	2,219,900	914,207	913,989		724,401	4,833,601
Fund Balances								
Reserved for advances to other funds	13,405							13,405
Reserved for petty cash	640							640
Reserved for loan receivable	4,672							4,672
Reserved prop 1B	383,499							383,499
Unreserved, reported in								
General fund	3,926,107							3,926,107
Special revenue funds		271,637					113,878	385,515
Capital projects funds				(130,723)	-		(329,816)	(460,539)
Total Fund Balances	4,328,323	271,637		(130,723)	-	-	(215,938)	4,253,299
Total Liabilities and Fund Balances	\$ 4,379,566	\$ 281,498	\$ 2,219,900	\$ 783,484	\$ 913,989	\$ -	\$ 508,463	\$ 9,086,900

CITY OF BISHOP
Reconciliation of the Statement of Net Assets
of Governmental Funds to the Balance Sheet
As of June 30, 2009

Fund Balances of Governmental Funds	\$ 4,253,299
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.	8,043,635
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.	457,461
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>(862,722)</u>
Net assets of governmental activities	<u>\$ 11,891,673</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, 2009

	Special Revenue Funds			Capital Project Fund		Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
	General	Measure A	Home Funds Willow Street	South 2nd Improvements	Hyw 6 & Wye Rd	Debt Service		
Revenues								
Taxes	\$ 4,325,652	\$ 562,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,888,086
Licenses and permits	147,744							147,744
Intergovernmental	381,934	35,274		753,873	29,713		730,438	1,931,232
Fines, forfeitures and penalties	28,678						2,572	31,250
Charges for current services	81,621							81,621
Use of money and property	158,078							158,078
Other	116,362							116,362
Total Revenues	5,240,069	597,708	-	753,873	29,713	-	733,010	7,354,373
Expenditures								
Current:								
General government	924,989	509,990					490	1,435,469
Public ways and facilities/ transportation	793,964						93,419	887,383
Public safety	3,224,147						46,780	3,270,927
Community development	584,822							584,822
Capital Outlay	303,606			833,637	29,713		678,157	1,845,113
Debt service								
Principal						160,916		160,916
Interest						35,439		35,439
Total Expenditures	5,831,528	509,990	-	833,637	29,713	196,355	818,846	8,220,069
Excess (Deficit) of Revenues over Expenditures	(591,459)	87,718	-	(79,764)	-	(196,355)	(85,836)	(865,696)
Other Financing Sources (Uses)								
Operating transfers in						196,355	84,113	280,468
Operating transfers out	(196,117)	(52,796)					(9,325)	(258,238)
Total Other Financing Sources (Uses)	(196,117)	(52,796)	-	-	-	196,355	74,788	22,230
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(787,576)	34,922		(79,764)			(11,048)	(843,466)
Fund Balances, July 1, 2008	5,123,579	236,715		(50,959)	281,206		(204,890)	5,385,651
Prior period adjustment	(7,680)				(281,206)			(288,886)
Fund Balances, June 30, 2009	\$ 4,328,323	\$ 271,637	\$ -	\$ (130,723)	\$ -	\$ -	\$ (215,938)	\$ 4,253,299

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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (843,466)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	1,870,113
Depreciation expense	(498,065)

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. 160,916

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. 3,003

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. (225,406)

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. 457,461

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. (16,536)

Change in net assets of governmental activities \$ 908,020

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

CITY OF BISHOP

**Statement of Net Assets
Proprietary Funds
June 30, 2009**

	<u>Water</u>	<u>Sewer</u>	<u>Mobile Home Park</u>	<u>Totals</u>
Current assets:				
Cash and investments	\$ 1,402,649	\$ 549,410	\$ 170,249	\$ 2,122,308
Restricted cash and investments			29,095	29,095
Receivables				
Accounts	13,792	8,453	3,752	25,997
Interest	5,192	1,888	708	7,788
Total current assets	<u>1,421,633</u>	<u>559,751</u>	<u>203,804</u>	<u>2,185,188</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,892	324,850	481,066
Construction in progress	219,529			219,529
Depreciable capital assets				
Building	68,436	94,877	511,496	674,809
Site improvements				-
Equipment	338,152	491,558		829,710
Infrastructure	615,789	219,041		834,830
Less accumulated depreciation	(318,760)	(267,548)	(407,539)	(993,847)
Total capital assets (net of accumulated depreciation)	<u>990,470</u>	<u>626,820</u>	<u>428,807</u>	<u>2,046,097</u>
Total Assets	<u>\$ 2,412,103</u>	<u>\$ 1,186,571</u>	<u>\$ 632,611</u>	<u>\$ 4,231,285</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 15,130	\$ 7,208	\$ 33,888	\$ 56,226
Current portion - note payable	27,193			27,193
Current portion - advance from other funds			4,197	4,197
Interest payable	3,814			3,814
Total current liabilities	<u>46,137</u>	<u>7,208</u>	<u>38,085</u>	<u>91,430</u>
Noncurrent liabilities:				
Customer deposits	4,899	3,003	7,572	15,474
Compensated absences	24,870	25,001		49,871
Note payable	445,257			445,257
Advance from other funds			9,208	9,208
Total noncurrent liabilities	<u>475,026</u>	<u>28,004</u>	<u>16,780</u>	<u>519,810</u>
Total Liabilities	<u>521,163</u>	<u>35,212</u>	<u>54,865</u>	<u>611,240</u>
Net assets:				
Invested in capital assets, net of related debt	990,470	626,820	415,402	2,032,692
Reserved for capital replacement			21,700	21,700
Unreserved	900,470	524,539	140,644	1,565,653
Total Net Assets	<u>\$ 1,890,940</u>	<u>\$ 1,151,359</u>	<u>\$ 577,746</u>	<u>\$ 3,620,045</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, 2009**

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,144,092	\$ 714,862	\$ -	\$ 1,858,954
Rent			71,891	71,891
Utility reimbursement			20,157	20,157
Other income	7,084	48,148		55,232
Total Operating Revenues	1,151,176	763,010	92,048	2,006,234
Operating Expenses				
Salaries and benefits	476,956	487,022	27,284	991,262
Services and supplies	218,974	89,553	59,398	367,925
Depreciation expense	37,171	48,779	17,057	103,007
Total Operating Expenses	733,101	625,354	103,739	1,462,194
Operating Income (Loss)	418,075	137,656	(11,691)	544,040
Non-Operating Revenues (Expenses)				
Interest income	38,167	14,706	4,100	56,973
Interest expense	(15,620)			(15,620)
Total Non-Operating Revenues (Expenses)	22,547	14,706	4,100	41,353
Income Before Operating Transfers	440,622	152,362	(7,591)	585,393
Operating Transfers				
Operating transfers out	(11,115)	(11,115)		(22,230)
Net Operating Transfers	(11,115)	(11,115)		(22,230)
Net Income (Loss) Before Capital Contributions	429,507	141,247	(7,591)	563,163
Capital contributions	14,350			14,350
Net Income (Loss)	443,857	141,247	(7,591)	577,513
Net Assets, July 1, 2008	1,447,083	1,010,112	616,870	3,074,065
Prior Period Adjustment			(31,533)	(31,533)
Net Assets, June 30, 2009	\$ 1,890,940	\$ 1,151,359	\$ 577,746	\$ 3,620,045

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, 2009**

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,147,309	\$ 760,639	\$ 58,338	\$ 1,966,286
Cash payments to suppliers	(211,900)	(161,704)	(37,834)	(411,438)
Cash payments to employees	(478,655)	(486,314)	(27,284)	(992,253)
Net Cash Provided By (Used For) Operating Activities	<u>456,754</u>	<u>112,621</u>	<u>(6,780)</u>	<u>562,595</u>
Cash Flows from Non-Capital Financing Activities				
Operating transfers out	<u>(11,115)</u>	<u>(11,115)</u>		<u>(22,230)</u>
Net Cash Used For Non-Capital Financing Activities	<u>(11,115)</u>	<u>(11,115)</u>		<u>(22,230)</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(269,461)	(127,014)	(32,338)	(428,813)
Capital contributions	14,350			14,350
Reductions of debt	(26,370)			(26,370)
Reductions in advance from other funds			(4,197)	(4,197)
Interest expense	<u>(15,822)</u>			<u>(15,822)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(297,303)</u>	<u>(127,014)</u>	<u>(36,535)</u>	<u>(460,852)</u>
Cash Flows from Investing Activities:				
Interest income	<u>41,620</u>	<u>16,935</u>	<u>5,039</u>	<u>63,594</u>
Net Cash Provided By Investing Activities	<u>41,620</u>	<u>16,935</u>	<u>5,039</u>	<u>63,594</u>
Net Increase (Decrease) in Cash and Cash Equivalents	189,956	(8,573)	(38,276)	143,107
Cash and Cash Equivalents, July 1, 2008	<u>1,212,693</u>	<u>557,983</u>	<u>237,620</u>	<u>2,008,296</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 1,402,649</u>	<u>\$ 549,410</u>	<u>\$ 199,344</u>	<u>\$ 2,151,403</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,402,649	\$ 549,410	\$ 170,249	\$ 2,122,308
Restricted cash and investments			29,095	29,095
Total Cash and Cash Equivalents	<u>\$ 1,402,649</u>	<u>\$ 549,410</u>	<u>\$ 199,344</u>	<u>\$ 2,151,403</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 418,075	\$ 137,656	\$ (11,691)	\$ 544,040
Adjustments to operating income:				
Depreciation	37,171	48,779	17,057	103,007
(Increase) decrease in accounts receivable	(5,311)	(3,255)	(2,355)	(10,921)
Increase (decrease) in accounts payable	7,075	(72,151)	21,565	(43,511)
Increase (decrease) in customer deposits	1,443	885	177	2,505
Prior period adjustment			(31,533)	(31,533)
Increase (decrease) in compensated absences	<u>(1,699)</u>	<u>707</u>		<u>(992)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 456,754</u>	<u>\$ 112,621</u>	<u>\$ (6,780)</u>	<u>\$ 562,595</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, 2009**

	Agency Funds		
	Bond & Trust	Canine Donations	Totals
<u>Assets</u>			
Cash and investments	\$ 107,993	\$ 24,800	\$ 132,793
Due from others		6,000	6,000
Total Assets	\$ 107,993	\$ 30,800	\$ 138,793
<u>Liabilities</u>			
Due to others	\$ 108,020		\$ 108,020
Due to other fund	(27)	30,800	30,773
Total Liabilities	\$ 107,993	\$ 30,800	\$ 138,793

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

City of Bishop
Notes to Financial Statements
June 30, 2009

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. The Redevelopment Agency is considered inactive as there is only an administrative function. There are no active project areas and the Redevelopment Agency does not receive a tax increment.

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, 2009

Note 1: Summary of Significant Accounting Policies

B. Basis of Accounting (Continued)

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

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

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

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net 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.

City of Bishop
Notes to Financial Statements
June 30, 2009

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 South 2nd Capital Project Fund- was established to account for grant funding used for street improvements made on South 2nd Street.

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

The 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 Debt Service Fund - was established to accumulate resources from various fund for payment of debt obligations of the City.

The City reports the following major enterprise funds.

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

Sunrise Mobile Home Park - accounts for the operation of the City owned Mobile Home Park. Customers pay rent for the City owned mobile homes and reimburse the City for utilities based on ability to pay. A portion of the operation 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.

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 1: Summary of Significant Accounting Policies (Continued)

E. Cash Equivalents

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

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

F. Fixed Assets

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

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

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

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

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 1: Summary of Significant Accounting Policies (Continued)

H. Balance Sheet Classifications

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

I. 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.

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 appropriable 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 \$1,407,519, which is recorded in the fund financial statement. Of that amount \$950,060 was an advance for projects and therefore is also presented as deferred revenue in the government-wide financial statements. The City also recorded \$2,219,000 deferred revenue for the workforce housing loan that will not be repaid until future years. \$457,459 of the fund financial statement 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, 2009, because the City does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability.

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

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2009, consisted of the following:

Primary Government	\$ 6,086,329
Agency Funds	132,793
Total Cash and Investments	\$ 6,219,122

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.

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 2: Cash and Investments (Continued)

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

B. Disclosures Relating to Interest Rate Risk

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

<u>Investment type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
State Investment Pool*	\$ 5,871,027	\$ 5,871,027	\$ -	\$ -	\$ -
Totals	<u>\$ 5,871,027</u>	<u>\$ 5,871,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Not subject to categorization

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

At June 30, 2009, the City's deposits balance was \$839,855 and the carrying amount was \$346,549. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by the Federal Depository Insurance and \$589,855 was covered by collateral held in the pledging bank's trust department in the City's name.

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 2: Cash and Investments (Continued)

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 \$50.74 billion. Of the \$50.74 billion managed by the State Treasurer, 100.00% is invested in non-derivative financial products and 14.71% 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.

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, 2009 was \$4,672.

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, 2009 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.

City of Bishop
Notes to Financial Statements
June 30, 2009

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

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, 2009. 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.

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, 2009

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance 7/1/2008	Additions	Reductions	Adjustments	Balance 6/30/2009
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 341,105	\$ -	\$ -	\$ -	\$ 341,105
Construction in progress	185,370	1,510,471			1,695,841
Capital assets, being depreciated:					
Buildings and improvements	4,508,840	117,558			4,626,398
Site improvements	606,747				606,747
Equipment	3,084,369	255,452	(20,245)	78,600	3,398,176
Infrastructure	3,931,401	6,877			3,938,278
Total capital assets, being depreciated	12,131,357	379,887	(20,245)	78,600	12,569,599
Less accumulated depreciation for:					
Buildings and improvements	(3,387,274)	(86,732)			(3,474,006)
Site improvements	(276,546)	(39,382)			(315,928)
Equipment	(2,169,994)	(258,690)	17,616	(25,000)	(2,436,068)
Infrastructure	(206,031)	(130,877)			(336,908)
Total accumulated depreciation	(6,039,845)	(515,681)	17,616	(25,000)	(6,562,910)
Total capital assets, being depreciated net	6,091,512	(135,794)	(2,629)	53,600	6,006,689
Governmental activities capital assets, net	<u>\$6,617,987</u>	<u>\$1,374,677</u>	<u>\$ (2,629)</u>	<u>\$ 53,600</u>	<u>\$ 8,043,635</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 481,066	\$ -	\$ -	\$ -	\$ 481,066
Constuction in progress	-	219,529			219,529
Capital assets, being depreciated:					
Buildings and improvements	642,471	32,338			674,809
Equipment	769,340	68,470	(8,100)		829,710
Infrastructure	718,255	116,575			834,830
Total capital assets, being depreciated	2,130,066	217,383	(8,100)		2,339,349
Less accumulated depreciation for:					
Buildings and improvements	(484,314)	(21,695)			(506,009)
Equipment	(381,937)	(64,334)	8,100		(438,171)
Infrastructure	(24,589)	(25,078)			(49,667)
Total accumulated depreciation	(890,840)	(111,107)	8,100		(993,847)
Total capital assets, being depreciated net	1,239,226	106,276			1,345,502
Business-type activities capital assets, net	<u>\$1,720,292</u>	<u>\$ 325,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,046,097</u>

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 5: Capital Assets (Continued)

Depreciation

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

Governmental activities:	
General government	\$ 22,122
Public safety	210,389
Public ways & facilities	185,990
Community development	80,462
Total	<u>\$ 498,963</u>
Business-type activities:	
Water	\$ 37,171
Sewer	48,779
Sunrise mobile home park	17,057
Total	<u>\$ 103,007</u>

Note 6: Lease Income

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

Note 7: Long-term Liabilities

A summary of the changes in the City's long-term liabilities reported in the governmental activities column of the government-wide financial statements for the year ended June 30, 2009:

	Balance 7/1/2008	Additions	Reductions	Balance 6/30/2009	Due w/in One Year
Capital Leases Payable	\$ 713,248	\$ -	\$ (160,916)	\$ 552,332	\$ 169,551
Compensated Absences	279,031	297,247	(280,713)	295,565	140,357
Total	<u>\$ 992,279</u>	<u>\$ 297,247</u>	<u>\$ (441,629)</u>	<u>\$ 847,897</u>	<u>\$ 309,908</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, 2009

Note 7: Long-term Liabilities (Continued)

Capital Leases Payable (Continued)

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of minimum lease payments as of June 30, 2009:

Fiscal Year Ending June 30	Amount
2010	\$ 57,417
2011	57,417
2012	57,417
2013	57,417
2014	57,417
2015	57,419
Total Minimum Lease Payments	344,504
Less: Amount Representing Interest	(52,183)
Present Value of Net Minimum Lease Payments	\$ 292,321

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, 2009:

Fiscal Year Ending June 30	Amount
2010	\$ 138,938
2011	138,938
Total Minimum Lease Payments	277,876
Less: Amount Representing Interest	(17,865)
Present Value of Net Minimum Lease Payments	\$ 260,011

City of Bishop
Notes to Financial Statements
June 30, 2009

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, 2009, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	30,899	11,292	42,191
2015-2019	170,209	40,748	210,957
2020-2023	157,161	11,607	210,957
Total	\$ 472,450	\$ 118,232	\$ 632,871

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 2008/09 was 18.809% for miscellaneous members and 27.233% 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, 2009

Note 8: Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2008/09, the City's annual pension cost was \$862,364 and the City actually contributed \$862,364. The City contributes both the employee and employer portion. The required contribution for fiscal year 2008/09 was determined as part of the June 30, 2006, 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, 2007, 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
06/30/07	\$ 751,359	100%	\$ -
06/30/08	\$ 841,113	100%	\$ -
06/30/09	\$ 862,364	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 55th birthday, a non-disability retirement, retirement from the City of Bishop, retirement eligibility with PERS under the 2% at 55 program and actual retirement.

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, 2009, the City's annual required contribution was \$376,668 and the City actually contributed \$376,668. The required contribution was based on June 30, 2008 actuarial valuation using the entry age normal (level of percentage of pay) actuarial cost method. The actuarial assumptions included a) 5.5% interest rate (net of administrative expenses), b) the CalPERS 1997-2002 Experience Study table for Males and Females, c) projected annual payroll increases of 3.25% a year plus merit increases, and d) cost of living adjustment of 2% per year after retirement. Both a) and c) include an inflation component of 3.00%. The unfunded actuarial accrued liability is being amortized as a level percent of pay. The amortization periods are 1) 20 years for initial unfunded

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 8: Defined Benefit Pension Plan (Continued)

PARS (Continued)

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

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/07	\$ 269,555	100%	\$ -
06/30/08	\$ 350,908	100%	\$ -
06/30/09	\$ 376,668	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 \$363,762, including administrative fees, for post-employment health insurance benefits. Approximately 27 retirees were covered.

The City has prepared an actuarial study for post retirement health care benefits in accordance with Government Accounting Standards Board Statements 43/45 and will begin contributing to a pension trust in the 2009/2010 to fund the post retirement health care liability.

City of Bishop
Notes to Financial Statements
June 30, 2009

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, 2009 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	\$ 13,405	\$ -	\$ 27	\$ 903,405	-	\$ 196,117
Special Revenue	-	-	-	-	490	52,796
Debt Service	-	-	-	-	196,355	-
Capital Projects	-	-	903,405	-	83,623	9,325
Agency	-	-	-	27	-	-
Enterprise	-	13,405	-	-	-	22,230
Total	<u>\$ 13,405</u>	<u>\$ 13,405</u>	<u>\$ 903,432</u>	<u>\$ 903,432</u>	<u>\$ 280,468</u>	<u>\$ 280,468</u>

Note 11: Stewardship, Compliance and Accountability

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

The public safety function overspent their budgeted expenditures by \$59,139 for the fiscal year ended June 30, 2009. The over expenditures were funded by available fund balance.

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.

City of Bishop
Notes to Financial Statements
June 30, 2009

Note 13: Prior Period Adjustments

A prior period adjustment was made in the general fund for \$7,680 to recognize return of grant funds to FEMA for the City's 10% matching requirement. A prior period adjustment was made in the Highway 6 and Wye Road capital project fund reducing beginning fund balance \$281,206 for a deposit recognized as revenue in prior years received from the developer that should have been recognized as deferred revenue until the fiscal year when the funds are expended.

The Sunrise Mobile Home Park (Project) received notice from the State of California, Department of Housing and Community Development that an excess program payment calculation was performed resulting in the project owing the Department \$31,533 from previously paid annuities and positive cash flows of the project from the 2006/2007 and 2007/2008 fiscal years. As a result, a liability and prior period adjustment have been recorded in these financial statements.

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.

City of Bishop
Required Supplementary Information
Schedule of Funding Progress
June 30, 2009

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 PARS 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
6/30/2004	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%
6/30/2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

Safety Members

Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UL as a % of Payroll
6/30/2004	\$ 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%
6/30/2006	\$ 7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.8%	\$ 754,730,438	155.7%

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured	\$ 350,000	\$ 350,000	\$ 322,319	\$ (27,681)
Property - unsecured	70,000	70,000	94,966	24,966
Prior year and other	3,000	3,000	18,305	15,305
Homeowners	3,500	3,500	2,866	(634)
Sales (including triple flip)	2,450,000	2,450,000	1,984,994	(465,006)
DWP water agreement	175,000	175,000	175,820	820
Transient occupancy	2,100,000	2,100,000	1,707,888	(392,112)
Sales tax - public safety	20,000	20,000	14,713	(5,287)
Real property transfer	12,000	12,000	3,782	(8,218)
Total Taxes	<u>5,183,500</u>	<u>5,183,500</u>	<u>4,325,652</u>	<u>(857,848)</u>
Licenses and Permits				
Business licenses	50,000	50,000	50,952	952
Use permits	6,750	6,750	2,350	(4,400)
Building permits	38,000	38,000	17,207	(20,793)
Grading permits			11,775	11,775
Electrical permits	5,000	5,000	3,675	(1,325)
Plumbing permits	3,000	3,000	2,942	(58)
Electrical franchise	38,000	38,000	45,370	7,370
TV franchise	12,000	12,000	13,473	1,473
Total Licenses and Permits	<u>152,750</u>	<u>152,750</u>	<u>147,744</u>	<u>(5,006)</u>
Intergovernmental				
Motor vehicle in lieu (includes VLF swap)	280,000	280,000	285,050	5,050
Off-highway motor vehicle fees	100	100		(100)
Prop 1B				
Reimbursement - highway sweeping	20,000	20,000	20,000	0
Reimbursement - fire district	1,800	1,800	36,503	34,703
Reimbursements - miscellaneous			38	38
Loan retirement	4,200	4,200		(4,200)
Peace officers training	15,000	15,000	31,763	16,763
Court restitutions	1,300	1,300	847	(453)
Dispatch contracts	6,000	6,000	6,506	506
Grants	55,000	55,000	1,229	(53,771)
Total Intergovernmental	<u>383,400</u>	<u>383,400</u>	<u>381,934</u>	<u>(1,466)</u>
Fines, Forfeitures and Penalties				
Parking citations	26,000	26,000	26,819	819
Forfeited construction deposits			1,859	1,859
Total Fines, Forfeitures and Penalties	<u>26,000</u>	<u>26,000</u>	<u>28,678</u>	<u>2,678</u>
Charges for Current Services				
Plan checking	15,000	15,000	14,743	(257)
Parks and recreation	71,000	71,000	66,878	(4,122)
Total Charges for Current Services	<u>86,000</u>	<u>86,000</u>	<u>81,621</u>	<u>(4,379)</u>
Use of Money and Property				
Interest and investment income	190,000	190,000	75,435	(114,565)
Centennial coin sale			108	108
Rent	50,000	50,000	82,534	32,534
Total Use of Money and Property	<u>240,000</u>	<u>240,000</u>	<u>158,078</u>	<u>(81,922)</u>
Other				
Insurance refunds and dividends	60,000	60,000	8,529	(51,471)
Miscellaneous - all others	45,700	45,700	107,834	62,134
Total Other	<u>105,700</u>	<u>105,700</u>	<u>116,362</u>	<u>10,662</u>
Total Revenues	<u>\$ 6,177,350</u>	<u>\$ 6,177,350</u>	<u>\$ 5,240,069</u>	<u>\$ (937,281)</u>

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

CITY OF BISHOP

Required Supplementary Information
 Budgetary Comparison Schedule (Continued)
 General Fund
 For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 6,177,350	\$ 6,177,350	\$ 5,240,069	\$ (937,281)
Expenditures				
General Government				
City council	172,600	172,300	147,574	24,726
Administration - clerk	324,200	320,509	303,492	17,017
Finance	215,600	217,941	132,442	85,499
City treasurer	3,000	3,000	1,954	1,046
City attorney	73,316	77,631	77,361	270
Insurance	330,200	330,200	248,562	81,638
Elections	17,900	17,900	13,604	4,296
Total General Government	1,136,816	1,139,481	924,989	214,492
Public Ways and Facilities/Transportation				
Building and grounds	202,300	204,700	173,094	31,606
Building	116,025	116,025	97,665	18,360
Planning	258,100	268,600	244,515	24,085
Street maintenance	202,150	201,995	162,099	39,896
Street sweeping	81,900	86,825	82,319	4,506
Street lighting	31,000	34,871	34,271	600
Total Public Ways and Facilities/Transportation	891,475	913,016	793,964	119,052
Public Safety				
Police	3,418,000	3,416,118	3,059,863	356,255
Fire	192,475	194,546	161,855	32,691
Emergency preparedness	4,500	4,500	2,429	2,071
Total Public Safety	3,614,975	3,615,164	3,224,147	391,017
Community Development				
Community promotion	210,057	210,057	207,800	2,257
Parks and recreation	410,000	407,052	352,022	55,030
Civic arts commission	25,000	25,000	25,000	
Total Community Development	645,057	642,109	584,822	57,287
Capital Outlay				
Structures and improvements	242,800	238,848	122,004	116,844
Equipment	183,300	274,345	181,602	92,743
Total Capital Outlay	426,100	513,193	303,606	209,587
Total Expenditures	6,714,423	6,822,963	5,831,528	991,435
Excess (Deficit) of Revenues Over Expenditures	(537,073)	(645,613)	(591,459)	54,154
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out	(64,000)	(64,000)	(196,117)	(132,117)
Total Other Financing Sources (Uses)	(64,000)	(64,000)	(196,117)	(132,117)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (601,073)	\$ (709,613)	(787,576)	\$ (77,964)
Fund Balance, July 1, 2008			5,123,579	
Prior Period Adjustment			(7,680)	
Fund Balance, June 30, 2009			\$ 4,328,323	

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

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Special Revenue Fund - Measure A
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Measure A				
Taxes	\$ 575,000	\$ 575,000	\$ 562,434	\$ (12,566)
Intergovernmental			35,274	35,274
Total Revenues	575,000	575,000	597,708	22,708
EXPENDITURES				
General Government				
Measure A	487,800	521,631	509,990	11,641
Total Expenditures	487,800	521,631	509,990	11,641
Excess (Deficit) of Revenues over Expenditures	87,200	53,369	87,718	34,349
Other Financing Sources (Uses)				
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	\$ 34,400	\$ 569	34,922	\$ 34,353
Fund Balances, July 1, 2008			236,715	
Fund Balances, June 30, 2009			\$ 271,637	

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

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Capital Projects Fund - South 2nd Improvements
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Grants	\$ 851,200	\$ 851,200	\$ 753,873	\$ (97,327)
Total Revenues	851,200	851,200	753,873	(97,327)
EXPENDITURES				
Capital outlay	851,200	868,823	833,637	35,186
Total Expenditures	851,200	868,823	833,637	35,186
Excess (Deficit) of Revenues over Expenditures	\$ -	\$ (17,623)	79,766	\$ (132,513)
Fund Balances, July 1, 2008			(50,959)	
Fund Balances, June 30, 2009			\$ (130,723)	

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

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Capital Projects Fund - Hyw 6 & Wye Road
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Grants	\$ 190,200	\$ 190,000	\$ 29,713	\$ (160,287)
Total Revenues	190,200	190,000	29,713	(160,287)
EXPENDITURES				
Capital outlay	190,200	190,200	29,713	160,487
Total Expenditures	190,200	190,200	29,713	160,487
Excess (Deficit) of Revenues over Expenditures	\$ -	\$ (200)	-	\$ (320,774)
Fund Balances, July 1, 2008			281,206	
Prior period adjustment			(281,206)	
Fund Balances, June 30, 2009			\$ -	

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

City of Bishop
Note to Required Supplementary Information
June 30, 2009

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, 2009

	Special Revenue Funds	Capital Projects Funds	Total
<u>Assets</u>			
Cash and investments	\$ 53,089	\$ 53,956	\$ 107,045
Receivables			
Accounts	13,293	340,509	353,802
Interest	47,616		47,616
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 113,998	\$ 394,465	\$ 508,463
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 120	\$ 208,433	\$ 208,553
Due to other funds		136,509	136,509
Deferred revenue		379,339	379,339
		<hr/>	<hr/>
Total Liabilities	120	724,281	724,401
	<hr/>	<hr/>	<hr/>
Fund Balances			
Unreserved - undesignated	113,878	(329,816)	(215,938)
	<hr/>	<hr/>	<hr/>
Total Fund Balance	113,878	(329,816)	(215,938)
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 113,998	\$ 394,465	\$ 508,463
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF BISHOP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009**

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Intergovernmental	\$ 195,312	\$ 535,126	\$ 730,438
Fines, forfeitures and penalties	2,572		2,572
Total Revenues	197,884	535,126	733,010
Expenditures			
Current:			
General government	490		490
Public ways and facilities/ transportation	65,894	27,525	93,419
Public safety	46,780		46,780
Capital outlay	38,947	639,210	678,157
Total Expenditures	152,111	666,735	818,846
Excess (Deficit) of Revenues Over Expenditures	45,773	(131,609)	(85,836)
Other Financing Sources (Uses)			
Operating transfers in	490	83,623	84,113
Operating transfers out		(9,325)	(9,325)
Total Other Financing Sources (Uses)	490	74,298	74,788
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	46,263	(57,311)	(11,048)
Fund Balances, July 1, 2008	67,615	(272,505)	(204,890)
Fund Balances, June 30, 2009	\$ 113,878	\$ (329,816)	\$ (215,938)

CITY OF BISHOP

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009**

	<u>Redevelop-</u> <u>ment</u>	<u>Gas</u> <u>Tax</u>	<u>Traffic</u> <u>Safety</u>	<u>Public</u> <u>Safety</u>	<u>Totals</u>
<u>Assets</u>					
Cash and investments	\$ -	\$ 50,211	\$ -	\$ 2,878	\$ 53,089
Restricted cash and investments					
Receivables					
Accounts		13,037	256		13,293
Interest				47,616	47,616
Total Assets		<u>63,248</u>	<u>256</u>	<u>50,494</u>	<u>113,998</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable		<u>120</u>			<u>120</u>
Total Liabilities		<u>120</u>			<u>120</u>
Fund Balances					
Unreserved - undesignated		<u>63,128</u>	<u>256</u>	<u>50,494</u>	<u>113,878</u>
Total Fund Balance		<u>63,128</u>	<u>256</u>	<u>50,494</u>	<u>113,878</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 63,248</u>	<u>\$ 256</u>	<u>\$ 50,494</u>	<u>\$ 113,998</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, 2009**

	Redevelop- ment	Gas Tax	Traffic Safety	Public Safety	Totals
Revenues					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental		95,312		100,000	195,312
Fines, forfeitures and penalties			2,572		2,572
Use of money and property					
Other					
Total Revenues		<u>95,312</u>	<u>2,572</u>	<u>100,000</u>	<u>197,884</u>
Expenditures					
Current:					
General government	490				490
Public ways and facilities/ transportation		65,894			65,894
Public safety			3,615	43,165	46,780
Capital outlay				38,947	38,947
Total Expenditures	<u>490</u>	<u>65,894</u>	<u>3,615</u>	<u>82,112</u>	<u>152,111</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(490)</u>	<u>29,418</u>	<u>(1,043)</u>	<u>17,888</u>	<u>45,773</u>
Other Financing Sources (Uses)					
Operating transfers in	490				490
Operating transfers out					
Total Other Financing Sources (Uses)	<u>490</u>				<u>490</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses		<u>29,418</u>	<u>(1,043)</u>	<u>17,888</u>	<u>46,263</u>
Fund Balances, July 1, 2008		<u>33,710</u>	<u>1,299</u>	<u>32,606</u>	<u>67,615</u>
Fund Balances, June 30, 2009	<u>\$ -</u>	<u>\$ 63,128</u>	<u>\$ 256</u>	<u>\$ 50,494</u>	<u>\$ 113,878</u>

CITY OF BISHOP

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2009

	CDBG GIS	Fed Grant Mac Iver Extension	MacIver Street	Road Project A	Sheden Improvements	Pine Improvements	Bus Pullouts	Grove Street Sidewalk	Environmental Constraints	East Line St to Bridge	East Jay St Extension	Wye Rd Extension	SEIBU School Bike Path	Pine to Park	Totals
Assets															
Cash and investments	\$ 2,408	\$ 50,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 337	\$ 505	\$ 505	\$ -	\$ -	\$ 53,956
Receivables	12,737	37,168	37,168	37,168	19,900	15,402	4,873	183,245	29,637				24,797	12,750	340,509
Total Assets	\$ 15,145	\$ 50,201	\$ -	\$ 37,168	\$ 19,900	\$ 15,402	\$ 4,873	\$ 183,245	\$ 29,637	\$ 337	\$ 505	\$ 505	\$ 24,797	\$ 12,750	\$ 394,465
Liabilities and Fund Balances															
Liabilities															
Accounts payable	\$ -	\$ 1	\$ -	\$ 1,694	\$ 12,913	\$ 15,402	\$ 1	\$ 146,890	\$ 11,562	\$ -	\$ -	\$ -	\$ 7,220	\$ 12,750	\$ 208,433
Deferred revenue	50,220	37,168	37,168	37,168	19,900	15,402	4,873	183,245	29,637	337	505	505	24,797	12,750	379,339
Due to other funds	15,145	35,626	35,626	35,626	7,987	10,085	4,984	36,355	8,750				17,577		136,509
Total Liabilities	15,145	50,221	74,488	74,488	40,800	40,889	9,858	366,490	49,949	337	505	505	49,594	25,500	724,281
Fund Balances															
Unreserved - designated	(20)	(37,320)	(37,320)	(37,320)	(20,900)	(25,487)	(4,985)	(183,245)	(20,312)				(24,797)	(12,750)	(329,816)
Total Liabilities and Fund Balances	\$ 15,145	\$ 50,201	\$ -	\$ 37,168	\$ 19,900	\$ 15,402	\$ 4,873	\$ 183,245	\$ 29,637	\$ 337	\$ 505	\$ 505	\$ 24,797	\$ 12,750	\$ 394,465

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2009

	CDBG GIS	Fed Grant Machiver Extension	Fed Grant Machiver Street	Road Project A	Snedden Improvements	W. Pine Improvements	Bus Pullouts	Grove Street Sidewalk	Environmental Constraints	East Line St to Bridge	East Jay St Extension	Wye Rd Extension	SEIBU School Bike Path	Pine to Park	Totals	
Revenues																
Intergovernmental Contributions	\$ 25,675	\$ 676	\$ 88,112	\$ 78,846	\$ 47,640	\$ 65,334	\$ -	\$ 205,651	\$ 16,538	\$ 1,663	\$ 2,495	\$ 2,495	\$ -	\$ -	\$ 535,126	
Use of money and property																
Total Revenues	25,675	676	88,112	78,846	47,640	65,334		205,651	16,538	1,663	2,495	2,495			535,126	
Expenditures																
Current:																
Public ways and facilities/ Transportation Capital outlay	17,199	676	6,877	82,297	35,676	46,843	45	405,396	27,525	1,663	2,495	2,495	24,797	12,750	27,525	639,210
Total Expenditures	17,199	676	6,877	82,297	35,676	46,843	45	405,396	27,525	1,663	2,495	2,495	24,797	12,750	666,735	
Excess (Deficit) of Revenues Over Expenditures	8,476		81,235	(3,451)	11,964	18,490	(45)	(199,745)	(10,987)				(24,797)	(12,750)	(131,609)	
Other Financing Sources (Uses)																
Operating transfers in	10,124		56,998					16,501	(9,225)						83,623	
Operating transfers out															(9,325)	
Total Other Financing Sources (Uses)	10,124		56,998					16,501	(9,225)						74,298	
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	18,600		138,234	(3,451)	11,964	18,490	(45)	(183,245)	(20,312)				(24,797)	(12,750)	(57,311)	
Fund Balances, July 1, 2008	(18,600)	(20)	(138,234)	(33,870)	(32,864)	(43,977)	(4,940)								(272,505)	
Fund Balances, June 30, 2009	\$ -	\$ (20)	\$ -	\$ (37,320)	\$ (20,900)	\$ (25,487)	\$ (4,985)	\$ (183,245)	\$ (20,312)	\$ -	\$ -	\$ -	\$ (24,797)	\$ (12,750)	\$ (329,816)	

*Larry Bain, CPA,
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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, 2009, which collectively comprise the City of Bishop's basic financial statements and have issued our report thereon dated February 12, 2010. 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 09-1 to 09-6 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.



Larry Bain, CPA,
An Accounting Corporation
February 12, 2010

**City of Bishop
Schedule of Findings
Year Ended June 30, 2009**

INTERNAL CONTROL FINDINGS

Deemed to be Significant Deficiencies and Material Weaknesses

FS 09-1: During our audit we proposed the City record an additional \$120,500 in sales tax receivable, \$5,911 in gas tax receivable and \$47,204 in COPS grant receivable. We have noted this finding in prior audits.

Recommendation: We recommend the City record sales tax revenue received in August as a receivable in accordance with GASB No. 33. We recommend the City review revenue accounts to determine if additional revenue that has not been received as of the audit date, should be recorded as a receivable.

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

FS 09-2: During our audit we proposed journal entries to agree the water and sewer accounts receivable and customer prepayments to the general ledger. We have noted this finding in prior audits.

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 prepaids for water and sewer accounts. This will be done with the changes in procedures for reviewing year end journal entries.

FS 09-3: 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 also noted items that were recorded to expense accounts that should have been recorded as capital outlay. Furthermore, we noted capital project funds that were reimbursed with grant proceeds for City labor, did not transfer the force labor expense to the fund that incurred the force labor cost. We proposed audit entries to reclassify this activity. We have noted this finding in prior audits.

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. Furthermore the City should calculate the force labor expenses that are reimbursed with grant funds and transfer those reimbursements to the funds that incurred the force labor costs.

City Response: The City will review all capital outlay expenses to ensure the activity meets the definition of capital outlay expenses. The City will review the process for allocating force labor reimbursements.

City of Bishop
Schedule of Findings (Continued)
Year Ended June 30, 2009

Deemed to be Significant Deficiencies and Material Weaknesses (Continued)

FS 09-4: During our audit we recorded an additional \$116,001 in accounts payables.

Recommendation: We recommend the City record expenditures in the period in which the fund liability is incurred.

City Response: The City performs an accounts payable search as part of year end procedures.

FS 09-5: During our audit we proposed many adjustments to record grant receivables/deferred revenue for expenditures incurred during the 2008-2009 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 09-6: During the 2007/2008 fiscal year 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. We have noted this finding in prior audits.

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 09/10 fiscal year.