

CITY OF BISHOP
FINANCIAL STATEMENTS
JUNE 30, 2013

CITY OF BISHOP

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*Larry Bain, CPA,
An Accounting Corporation
2148 Frascati Drive
El Dorado Hills, CA 95762*

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, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of the City of Bishop as of June 30, 2013, and the changes in financial position, of those activities and funds for the fiscal year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion of the internal control over financial reporting or on compliance.

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



Larry Bain, CPA,
An Accounting Corporation
December 16, 2013

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2013

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, 2013. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

- The assets of the City exceeded liabilities at the close of the 2012-2013 fiscal year by \$17,585,145 (net position). Of this amount, \$4,338,782 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$13,222,078 is invested in capital assets - net of related debt.
- As of June 30, 2013 the City's governmental funds reported combined fund balances of \$2,645,707 approximately 99% of the combined fund balances, \$2,645,067 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 \$2,512,474 or 45% of total general fund expenditures.
- The City's long-term debt decreased by \$58.152. The net decrease resulted from payments of governmental and business-type 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 Position* include information on the City's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to City creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statements of Activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2013

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

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

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

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, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

A summary of the Districts Statement of Net Position is presented below

	Condensed Statement of Net Assets					
	June 30, 2013			June 30, 2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 6,609,291	\$ 2,088,068	\$ 8,697,359	\$ 6,814,960	\$ 2,031,777	\$ 8,846,737
Capital Assets	8,673,983	5,057,161	13,731,144	8,789,259	4,583,989	13,373,248
Total Assets	15,283,274	7,145,229	22,428,503	15,604,219	6,615,766	22,219,985
Liabilities						
Current/non current	4,236,874	606,484	4,843,358	4,235,209	655,477	4,890,686
Net Position:						
Net investment in capital assets	8,567,077	4,698,892	13,265,969	8,610,263	4,194,953	12,805,216
Net position restricted		24,285	24,285		19,130	19,130
Unrestricted net position	2,479,323	1,815,568	4,294,891	2,758,747	1,746,206	4,504,953
Total Net Position	\$ 11,046,400	\$ 6,538,745	\$ 17,585,145	\$ 11,369,010	\$ 5,960,289	\$ 17,329,299

As the above table indicates, total assets increased \$208,518 from \$22,219,985 to \$22,428,503 during the fiscal year ended June 30, 2013. This is comprised of a net increase of \$ 357,896 in capital assets mostly funded by grant revenues and a decrease in current and other assets totaling \$149,378.

Total liabilities decreased \$47,328 from \$4,890,686 to \$4,843,358. This represents an increase of \$273,200 in OPEB obligations, a decrease of \$180,642 in deferred revenue, a decrease of \$77,683 in retro insurance liability and a net decrease of \$32,453 in all other liabilities.

Net Position increased by \$255,846 over the prior year primarily resulting from net income of \$628,665 in business-type activities, a net loss of \$284,142 in governmental activities and prior period adjustments of negative \$38,468 in governmental activities.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2013

Statement of Activities

A summary of the Districts Statement of Activities is presented below

	Condensed Statement of Activities					
	Fiscal Year Ended June 30, 2013			Fiscal Year Ended June 30, 2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues:						
Charges for services	\$ 847,181	\$ 2,340,554	\$ 3,187,735	\$ 697,365	\$ 2,265,489	\$ 2,962,854
Capital grants and contributions	351,828		351,828	186,712		186,712
Operating grants	198,407		198,407	241,447		241,447
General Revenue:						
Property taxes and assessments	948,788		948,788	990,141		990,141
Sales and use tax	2,226,441		2,226,441	2,129,456		2,129,456
Other revenue	2,461,393	67,517	2,528,910	2,340,981		2,340,981
Interest and investment income	86,339	5,599	91,938	85,439	7,168	92,607
Total Revenue	7,120,377	2,413,670	9,534,047	6,671,541	2,272,657	8,944,198
Expenses:						
Governmental activities:						
General government	1,984,244		1,984,244	1,882,625		1,882,625
Public safety	3,568,427		3,568,427	3,469,548		3,469,548
Public works	1,160,395		1,160,395	1,212,502		1,212,502
Community services/recreation	685,804		685,804	636,532		636,532
Business-type activities						
Water		855,026	855,026		808,432	808,432
Sewer		778,645	778,645		752,195	752,195
Mobile home park		139,328	139,328		119,767	119,767
Interest on long-term debt	5,649	12,006	17,655	8,070	12,989	21,059
Total Expense	7,404,519	1,785,005	9,189,524	7,209,277	1,693,383	8,902,660
Change in net position	\$ (284,142)	\$ 628,665	\$ 344,523	\$ (537,736)	\$ 579,274	\$ 41,538

The statement of activities, identify the various revenue and expense items which affect the change in net position. As the information indicates the \$ 589,849 increase to revenue from June 30, 2012 to June 30, 2013 operations, was primarily due to a increase in governmental revenue for capital grants, charges for services and other revenues. Property taxes continue to show a decline due to the continued housing recession. Sales tax and transient occupancy tax continues to be consistent with projections.

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.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

As of the end of the fiscal year, the City's governmental funds reported total ending fund balances of \$2,645,707. Approximately 94% of the total ending fund balances \$2,512,474 constituted unreserved fund balances, which are considered available for appropriation. The remaining fund balances are reserved to indicate they are not available for new spending because they are already committed 1) to offset advances to other funds that are not expected to be available in the near term 1) for petty cash \$640 2) for special revenue funds and capital project funds \$42,458.

General fund revenues were \$5,674,809 and expenditures in the general fund were \$5,573,170. Prop 1B Grant money was expended in 2012. This was a Street grant for specific purposes and the funds have been spent on various projects. The CDBG Homeownership Assistance Grant expired December 31, 2012. The agency received 15 applications and 4 applicants were able to qualify and purchase homes within the city limits. Notice of funding availability will be released in 2013.

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 2012-2013 fiscal year were budgeted at \$5,517,581 (final amended budget). The actual revenues were \$5,674,809 leaving a favorable variance of \$157,228. The increase was due to a combination of an increase in Sales Tax, Transient Occupancy Tax and a reclass of an insurance refund.

General fund expenditures were budgeted at \$5,964,167. The actual amount expended was \$5,573,170 or \$390,997 less than the final amended budget. The favorable expenditure variance was due to lower expenditures compared to those budgeted by each department with the largest positive variances in the reduction of liability and property insurance, postponement of an expenditure for the General Plan update and savings in Public Safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Land	\$ 341,105	\$ 341,105	\$ 481,056	\$ 481,066	\$ 822,161	\$ 822,171
Construction in progress	896,471	520,563	606,656	233,067	1,503,127	753,630
Buildings and improvements	769,158	859,359	69,015	91,686	838,173	951,045
Site improvements	155,653	205,913			155,653	205,913
Equipment	322,184	536,473	203,058	296,133	525,242	832,606
Infrastructure	6,189,412	6,325,846	3,697,376	3,482,037	9,886,788	9,807,883
Total	\$ 8,673,983	\$ 8,789,259	5,057,161	\$ 4,583,989	\$ 13,731,144	\$ 13,373,248

As of June 30, 2013 the City's investment in capital assets totaled \$13,731,144 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 position. 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.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Concluded)
June 30, 2013

LONG – TERM DEBT

As of June 30, 2013, the City had \$106,906 in outstanding governmental-type long-term debt and \$358,269 in outstanding business-type long-term debt as reported in the notes to the financial statements and in the statement of net position. The City's debt decreased by principal payments made during the fiscal year. The outstanding debt represents one capital leases, proceeds of which were used for 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. Wye Rd Intersection Improvement Project, Sneden Improvements and Warren Improvements Projects are budgeted for 12/13 and remain ongoing as funding becomes available.

The City's combined water and sewer rates changed in 12/13 to \$59.58 per month. New rates have been approved for the fiscal year 13/14 at a rate of \$63.30 for single family residence.. A new rate study is planned for fiscal year 13/14 to establish rates in 14/15.

Sunrise Mobile Home Park became owned and operated by the City of Bishop in December 2012. It was a Grant with the State of California through a Community Development Block Grant Program.

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 12/13 and 13/14 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.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the City's customers, investors and other interested parties with an overview of the City's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Finance Department, at the City of Bishop, 377 West Line Street, Bishop, California 93514.

CITY OF BISHOP

Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 1,807,707	\$ 2,003,581	\$ 3,811,288
Accounts receivables	1,042,444	51,180	1,093,624
Due from other governments	266,913		266,913
Interest receivable	418,407	-	418,407
Prepaid expenses	90,135		90,135
Deposits	25,736		25,736
Restricted cash and investments	738,049	33,307	771,356
Total Current Assets	<u>4,389,391</u>	<u>2,088,068</u>	<u>6,477,459</u>
Non Current Assets			
Loans receivable	2,219,900		2,219,900
Capital assets:			
Land	341,105	481,056	822,161
Construction in Progress	896,471	606,656	1,503,127
Buildings	4,615,687	584,759	5,200,446
Site improvements	622,545		622,545
Equipment	3,157,226	813,158	3,970,384
Infrastructure	7,299,413	10,267,947	17,567,360
Less: accumulated depreciation	(8,258,464)	(7,696,415)	(15,954,879)
Total Capital Assets	<u>8,673,983</u>	<u>5,057,161</u>	<u>13,731,144</u>
Total Non Current Assets	<u>10,893,883</u>	<u>5,057,161</u>	<u>15,951,044</u>
Total Assets	<u>\$ 15,283,274</u>	<u>\$ 7,145,229</u>	<u>\$ 22,428,503</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 186,362	\$ 43,363	\$ 229,725
Retro insurance liability	163,495		163,495
Due to others	27		27
Accrued interest payable	4,370	2,893	7,263
Long-term liabilities-due within one year	229,333	30,899	260,232
Total Current Liabilities	<u>583,587</u>	<u>77,155</u>	<u>660,742</u>
Liabilities-due in more than one year:			
Customer deposits		12,776	12,776
Compensated absences	150,022	63,004	213,026
OPEB liability	574,083	126,179	700,262
Leases payable	54,732		54,732
Note payable		327,370	327,370
Deferred revenue	2,874,451		2,874,451
Total Liabilities Due In More Than One Year	<u>3,653,288</u>	<u>529,329</u>	<u>4,182,617</u>
Total Liabilities	<u>4,236,874</u>	<u>606,484</u>	<u>4,843,358</u>
Net Position			
Net investment in capital assets	8,567,077	4,698,892	13,265,969
Restricted for capital replacement		24,285	24,285
Unrestricted	2,479,323	1,815,568	4,294,891
Total Net Position	<u>\$ 11,046,400</u>	<u>\$ 6,538,745</u>	<u>\$ 17,585,145</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Activities
For the Fiscal Year Ended June 30, 2013

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 1,984,244	\$ 355,077	\$ -	\$ -	\$ (1,629,167)	\$ -	\$ (1,629,167)
Public safety	3,568,427	238,687	-	107,763	(3,221,977)	-	(3,221,977)
Public works	1,160,395	148,824	351,828	23,333	(636,410)	-	(636,410)
Community services/recreation	685,804	104,593	-	67,311	(513,900)	-	(513,900)
Interest on long-term debt	5,649	-	-	-	(5,649)	-	(5,649)
Total Governmental Activities	7,404,519	847,181	351,828	198,407	(6,007,103)		(6,007,103)
Business-type Activities							
Water	855,026	1,158,225	-	-	-	303,199	303,199
Sewer	778,645	1,088,169	-	-	-	309,524	309,524
Mobile home park	139,328	94,160	-	-	-	(45,168)	(45,168)
Interest on long-term debt	12,006	-	-	-	-	(12,006)	(12,006)
Total Business-type Activities	1,785,006	2,340,554				555,549	555,549
Total Government	\$ 9,189,525	\$ 3,187,735	\$ 351,828	\$ 198,407	(6,007,103)	555,549	(5,451,554)
General Revenues:							
Taxes							
Property taxes					948,788		948,788
Sales and use tax					2,226,441		2,226,441
Transient occupancy tax					1,948,585		1,948,585
Franchise tax					45,792		45,792
Motor vehicle in lieu tax					281,593		281,593
Gain on sale of assets						67,517	67,517
Other taxes					185,423		185,423
Investment income					86,339	5,590	91,938
Total general revenues					5,722,961	73,116	5,796,077
Change in net position					(284,142)	628,665	344,523
Net position - beginning					11,369,010	5,960,289	17,329,299
Prior period adjustment					(38,468)		(38,468)
Net position - ending					\$ 11,046,400	\$ 6,588,954	\$ 17,635,354

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue Fund		Capital Project Fund	Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
		Home Fund Willow Street	Measure A	Hyw 6 & Wye Rd	Debt Service		
<u>Assets</u>							
Cash and investments	\$ 1,807,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807,707
Restricted cash and investments				653,359		84,690	738,049
Receivables							
Accounts	1,020,516					21,928	1,042,444
Due from other governments			82,380			184,533	266,913
Interest	2,969	415,438					418,407
Prepaid expense	90,135						90,135
Due from other funds	140,675						140,675
Deposits	25,736						25,736
Loans/notes receivable	-	2,219,900					2,219,900
Advances to other funds	-						-
Total Assets	\$ 3,087,738	\$ 2,635,338	\$ 82,380	\$ 653,359	\$ -	\$ 291,151	\$ 6,749,966
<u>Liabilities and Fund Balances</u>							
<u>Liabilities</u>							
Accounts payable	\$ 129,227	\$ -	\$ 9,199	\$ -	\$ -	\$ 47,933	\$ 186,359
Retro insurance liability	163,495						163,495
Due to others	27						27
Due to other funds			10,123			130,552	140,675
Deferred revenue	191,740	2,635,338		654,552		132,073	3,613,703
Total Liabilities	484,489	2,635,338	19,322	654,552		310,558	4,104,259
<u>Fund Balances</u>							
Restricted for petty cash	640						640
Nonspendable	90,135						90,135
Assigned for special revenue funds			63,058			144,152	207,210
Assigned for capital projects funds				(1,193)		(163,559)	(164,752)
Assigned for general fund	2,512,474						2,512,474
Total Fund Balances	2,603,249		\$ 63,058	(1,193)		(19,407)	2,645,707
Total Liabilities and Fund Balances	\$ 3,087,738	\$ 2,635,338	\$ 82,380	\$ 653,359	\$ -	\$ 291,151	\$ 6,749,966

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP
Reconciliation of the Statement of Net Position
of Governmental Funds to the Balance Sheet
As of June 30, 2013

Fund Balances of Governmental Funds	\$ 2,645,707
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	8,673,983
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.	739,252
Some liabilities, including long-term debt, compensated absences and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,012,542)</u>
Net position of governmental activities	\$ <u><u>11,046,400</u></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, 2013

	General	Special Revenue Fund		Capital Project Fund	Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
		Home Funds Willow Street	Measure A	Hwy 6 & Wye Rd	Debt Service		
Revenues							
Taxes	\$ 4,708,077	\$ -	\$ 499,484	\$ -	\$ -	\$ -	\$ 5,207,561
Licenses and permits	149,908						149,908
Intergovernmental	366,235		87,823	180,641		473,858	1,108,557
Fines, forfeitures and penalties	8,625					1,589	10,214
Charges for current services	104,677						104,677
Use of money and property	122,549					123	122,672
Other	214,738						214,738
Total Revenues	5,674,809	-	587,307	180,641	-	475,570	6,918,327
Expenditures							
Current							
General government	1,174,937		742,565.00			-	1,917,502
Public ways and facilities/ transportation	728,674					121,701	850,375
Public safety	3,104,809					163,243	3,268,052
Community development	511,024					67,311	578,335
Capital Outlay	53,726		26,595	180,641		198,136	459,098
Debt service							
Principal					49,735		49,735
Interest					7,682		7,682
Total Expenditures	5,573,170	-	769,160	180,641	57,417	550,391	7,130,779
Excess (Deficit) of Revenues over Expenditures	101,639	-	(181,853)	-	(57,417)	(74,821)	(212,452)
Other Financing Sources (Uses)							
Operating transfers in		437			57,417		57,854
Operating transfers out	(57,854)						(57,854)
Total Other Financing Sources (Uses)	(57,854)	437	-	-	57,417	-	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	43,785	437	(181,853)	-		(74,821)	(212,452)
Fund Balances, July 1, 2012	2,568,045	(437)	244,911	(1,193)		55,415	2,866,741
Prior period adjustment	(8,581)						(8,581)
Fund Balances, June 30, 2013	\$ 2,603,249	\$ -	\$ 63,058	\$ (1,193)	\$ -	\$ (19,406)	\$ 2,645,708

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, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ (212,452)
<p>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:</p>	
<p>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:</p>	
Cost of assets capitalized	459,098
Depreciation expense	(544,447)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	49,735
Changes in accrued interest reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	2,033
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.	
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.	202,010
Changes in other pension expense benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	(225,266)
Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>(14,853)</u>
Change in net position of governmental activities	<u>\$ (284,142)</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Net Position
Proprietary Funds
June 30, 2013

	Water	Sewer	Mobile Home Park	Totals
Current assets:				
Cash and investments	\$ 1,104,592	\$ 770,636	\$ 128,353	\$ 2,003,581
Restricted cash and investments			33,307	33,307
Receivables				
Accounts	24,000	22,717	4,463	51,180
Interest	-	-	-	-
Total current assets	<u>1,128,592</u>	<u>793,353</u>	<u>166,123</u>	<u>2,088,068</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,882	324,850	481,056
Construction in progress	209,600	397,056		606,656
Depreciable capital assets				
Building	64,759	94,877	425,123	584,759
Site improvements				-
Equipment	288,419	524,739		813,158
Infrastructure	6,480,215	3,787,732		10,267,947
Less accumulated depreciation	<u>(3,778,708)</u>	<u>(3,529,077)</u>	<u>(388,630)</u>	<u>(7,696,415)</u>
Total capital assets (net of accumulated depreciation)	<u>3,331,609</u>	<u>1,364,209</u>	<u>361,343</u>	<u>5,057,161</u>
Total Assets	<u>\$ 4,460,201</u>	<u>\$ 2,157,562</u>	<u>\$ 527,466</u>	<u>\$ 7,145,229</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 14,008	\$ 16,851	\$ 12,504	\$ 43,363
Current portion - note payable	30,899			30,899
Interest payable	2,893			2,893
Total current liabilities	<u>47,800</u>	<u>16,851</u>	<u>12,504</u>	<u>77,155</u>
Noncurrent liabilities:				
Customer deposits	1,910	1,665	9,201	12,776
Compensated absences	31,464	31,540		63,004
OPEB liability	63,404	62,775		126,179
Note payable	327,370			327,370
Total noncurrent liabilities	<u>424,148</u>	<u>95,980</u>	<u>9,201</u>	<u>529,329</u>
Total Liabilities	<u>471,948</u>	<u>112,831</u>	<u>21,705</u>	<u>606,484</u>
Net position:				
Net investment in capital assets	2,973,340	1,364,209	361,343	4,698,892
Reserved for capital replacement			24,285	24,285
Unreserved	<u>1,014,913</u>	<u>680,522</u>	<u>120,133</u>	<u>1,815,568</u>
Total Net Position	<u>\$ 3,988,253</u>	<u>\$ 2,044,731</u>	<u>\$ 505,761</u>	<u>\$ 6,538,745</u>

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013**

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,139,253	\$ 1,070,598	\$ -	\$ 2,209,851
Rent			71,288	71,288
Utility reimbursement			22,768	22,768
Other income	18,972	17,571	104	36,647
Total Operating Revenues	1,158,225	1,088,169	94,160	2,340,554
Operating Expenses				
Salaries and benefits	599,350	592,092	77,323	1,268,765
Services and supplies	132,749	105,763	59,821	298,333
Depreciation expense	122,927	80,790	2,184	205,901
Total Operating Expenses	855,026	778,645	139,328	1,772,999
Operating Income (Loss)	303,199	309,524	(45,168)	567,555
Non-Operating Revenues (Expenses)				
Interest income	3,135	2,217	247	5,599
Gain on sale of assets			67,517	67,517
Interest expense	(12,006)			(12,006)
Total Non-Operating Revenues (Expenses)	(8,871)	2,217	67,764	61,110
Net Income (Loss)	294,328	311,741	22,596	628,665
Net Position, July 1, 2012	3,696,411	1,735,043	528,835	5,960,289
Prior Period Adjustments	(2,486)	(2,053)	(45,670)	(50,209)
Net Position, June 30, 2013	\$ 3,988,253	\$ 2,044,731	\$ 505,761	\$ 6,538,745

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, 2013

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,149,244	\$ 1,076,827	\$ 94,172	\$ 2,320,243
Cash payments to suppliers	(210,497)	(103,281)	(79,657)	(393,435)
Cash payments to employees	(568,332)	(561,369)	(77,323)	(1,207,024)
Net Cash Provided By (Used For) Operating Activities	<u>370,415</u>	<u>412,177</u>	<u>(62,808)</u>	<u>719,784</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(333,158)	(387,783)		(720,941)
Reductions of debt	(29,953)			(29,953)
Reductions in advance from other funds			(814)	(814)
Sale of capital assets			67,517	67,517
Interest expense	(12,239)			(12,239)
Net Cash Used For Capital and Related Financing Activities	<u>(375,350)</u>	<u>(387,783)</u>	<u>66,703</u>	<u>(696,430)</u>
Cash Flows from Investing Activities:				
Interest income	4,054	2,829	378	7,261
Net Cash Provided By Investing Activities	<u>4,054</u>	<u>2,829</u>	<u>378</u>	<u>7,261</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(881)	27,223	4,273	30,615
Cash and Cash Equivalents, July 1, 2012	<u>1,105,473</u>	<u>743,413</u>	<u>157,387</u>	<u>2,006,273</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 1,104,592</u>	<u>\$ 770,636</u>	<u>\$ 161,660</u>	<u>\$ 2,036,888</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,104,592	\$ 770,636	\$ 128,353	\$ 2,003,581
Restricted cash and investments			33,307	33,307
Total Cash and Cash Equivalents	<u>\$ 1,104,592</u>	<u>\$ 770,636</u>	<u>\$ 161,660</u>	<u>\$ 2,036,888</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 303,199	\$ 309,524	\$ (45,168)	\$ 567,555
Adjustments to operating income:				
Depreciation	122,927	80,790	2,184	205,901
(Increase) decrease in accounts receivable	(8,065)	(10,364)	(327)	(18,756)
Increase (decrease) in accounts payable	(77,748)	2,482	(19,836)	(95,102)
Increase (decrease) in customer deposits	(916)	(978)	339	(1,555)
Increase in OPEB liability	24,128	23,806		47,934
Increase (decrease) in compensated absences	6,890	6,917		13,807
Net Cash Provided By (Used For) Operating Activities	<u>\$ 370,415</u>	<u>\$ 412,177</u>	<u>\$ (62,808)</u>	<u>\$ 719,784</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, 2013

	Agency Funds		
	Bond & Trust	Canine Donations	Totals
<u>Assets</u>			
Cash and investments	\$ 2,571	\$ 13,199	\$ 15,770
Due from other fund	27		27
Total Assets	<u>\$ 2,598</u>	<u>\$ 13,199</u>	<u>\$ 15,797</u>
<u>Liabilities</u>			
Due to others	\$ 2,598	\$ 13,199	\$ 15,797
Total Liabilities	<u>\$ 2,598</u>	<u>\$ 13,199</u>	<u>\$ 15,797</u>

The accompanying notes are an integral part of these financial statements

City of Bishop
Notes to Financial Statements
June 30, 2013

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.

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, 2013

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 position and statement of activities display information about the primary government (the City) and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipient of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

Fund Financial Statements

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

City of Bishop
Notes to Financial Statements
June 30, 2013

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 Home Funds Willow Street Special Revenue Fund - was established to account for funds received by the City and loaned to Developers for the sole purpose of building affordable housing on Willow Street.

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

The Hwy 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 Debt Service Fund - was established to accumulated resources from various funds to pay debt obligations of the City.

The City reports the following major enterprise funds.

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

Sunrise Mobile Home Park - accounts for the operation of the City owned Mobile Home Park. Customers pay rent for the City owned mobile homes and reimburse the City for utilities based on ability to pay. A portion of the operation 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, 2013

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 flows 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, 2013

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. Contributed Capital

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

J. Fund Equity

The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. Unrestricted net position for proprietary funds represents the net position available for future operations.

Restrictions of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

Restricted net position for proprietary funds represent the net position legally identified for specific purposes.

K. 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 \$3,613,703, which is recorded in the fund financial statement. Of that amount \$2,874,451 was an advance for projects and therefore is also presented as deferred revenue in the government-wide financial statements. Also included in the deferred revenue balance is \$2,219,000 for the workforce housing loan receivable that will not be repaid until future years. \$191,711 of the fund financial statement deferred revenue is recognized as revenue in the statement of net position under the required full accrual method of accounting.

L. Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City is to pay 100% of the vacation time accrued and none of the accrued sick leave.

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2013, 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, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

M. Intergovernmental Revenues

Federal and state governments reimburse the City for costs incurred on certain fixed asset construction projects under capital grant agreements. Amounts claimed under such grants are credited to intergovernmental revenues if the project is being administered by a Capital 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.

N. 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 and required reserves in the Mobile Home Park.

Cash and investments at June 30, 2013, consisted of the following:

Cash and investments	\$ 3,811,288
Restricted cash and investments	<u>771,356</u>
	4,582,644
Cash and investments, statement of net position	15,770
Cash and investments, statement of fiduciary assets	<u>4,598,414</u>
Total cash and investments	<u><u>\$ 4,598,414</u></u>
Checking account	\$ 185,821
Imprest cash	840
Local agency investment fund	<u>4,411,753</u>
Total cash and investments	<u><u>\$ 4,598,414</u></u>

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 2: Cash and Investments (Continued)

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.

<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*	\$ 4,411,753	\$ 4,411,753	\$ -	\$ -	\$ -
Totals	<u>\$ 4,411,753</u>	<u>\$ 4,411,753</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.

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 2: Cash and Investments (Continued)

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, 2013, the City's deposits balance was \$503,050 and the carrying amount was \$185,821. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the City's name.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$58.85 billion. Of the \$58.85 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 1.96% 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 Receivable

The City is participating in an affordable workforce housing loan program designed to construct low to moderate income housing. Under the terms of the loan the City is providing a 3% note to the developer, Bishop Pacific Associates. The maximum amount available under the loan is \$2,200,000. As of June 30, 2013 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.

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 4: Liability, Insured Programs and Workers Compensation Protection

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

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

B. Self-Insurance Programs Authority

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

C. Purchased Insurance

Environmental Insurance The City of Bishop participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is for a 3-year period from July 1, 2012 through July 1, 2014. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance The City participates in the all risk property protection program of the Authority. This insurance is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection up to pooled limits. There is a deductible of 5% of property value with a minimum deductible of \$100,000.

Earthquake and Flood Insurance The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake and flood protection up to pooled limits. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually.

Crime Insurance The City purchases crime insurance coverage in the amount of \$1,000,000 with a deductible. The fidelity coverage is provided through the Authority. Premiums for the coverage are paid annually.

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, 2013

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Retirements/ Adjustments	Balance June 30, 2013
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 341,105	\$ -	\$ -	\$ 341,105
Construction in progress	520,563	378,606	(2,698)	896,471
Capital assets, being depreciated:				
Buildings and improvements	4,626,398	11,553	(22,264)	4,615,687
Site improvements	632,059		(9,514)	622,545
Equipment	3,304,918	39,726	(187,418)	3,157,226
Infrastructure	7,273,456	29,173	(3,216)	7,299,413
Total capital assets, being depreciated	15,836,831	80,452		15,694,871
Less accumulated depreciation for:				
Buildings and improvements	(3,767,039)	(94,763)	15,273	(3,846,529)
Site Improvements	(426,146)	(43,482)	2,736	(466,892)
Equipment	(2,768,445)	(243,329)	176,732	(2,835,042)
Infrastructure	(947,610)	(162,873)	482	(1,110,001)
Total accumulated depreciation	(7,909,240)	(544,447)	195,223	(8,258,464)
Total capital assets, being depreciated	7,927,591	(463,995)		7,436,407
Governmental activities capital assets, net	<u>\$ 8,789,259</u>	<u>\$ (85,389)</u>	<u>\$ (2,698)</u>	<u>\$ 8,673,983</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 481,066	\$ -	\$ (10)	\$ 481,056
Construction in progress	233,067	373,589.00		606,656
Capital assets, being depreciated:				
Buildings and improvements	674,809		(90,050)	584,759
Equipment	868,642	-	(55,484)	813,158
Infrastructure	9,926,007	347,351	(5,411)	10,267,947
Total capital assets, being depreciated	11,469,458	347,351	(150,945)	11,665,864
Less accumulated depreciation for:				
Buildings and improvements	(583,123)	(5,518)	72,897	(515,744)
Equipment	(572,509)	(70,384)	32,793	(610,100)
Infrastructure	(6,443,970)	(129,999)	3,398	(6,570,571)
Total accumulated depreciation	(7,599,602)	(205,901)	109,088	(7,696,415)
Total capital assets, being depreciated	3,869,856	141,450	(41,857)	3,969,449
Business- type activities capital assets, net	<u>\$ 4,583,989</u>	<u>\$ 515,039</u>	<u>\$ (41,867)</u>	<u>\$ 5,057,161</u>

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 5: Capital Assets (Continued)

Depreciation

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

Governmental Activities	
General government	\$ 40,483
Public safety	157,557
Streets and roads	262,794
Parks	<u>83,613</u>
Total	<u>\$ 544,447</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, 2013:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 312,298	\$ 369,199	\$ (354,317)	\$ 327,180	\$ 177,159
OPEB liability	348,817	225,266		574,083	-
Capital lease	<u>156,641</u>	<u>-</u>	<u>(49,735)</u>	<u>106,906</u>	<u>52,174</u>
Total	<u>\$ 817,756</u>	<u>\$ 594,465</u>	<u>\$ (404,052)</u>	<u>\$ 1,008,169</u>	<u>\$ 229,333</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, 2013**

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, 2013:

Fiscal Year Ended June 30,		
2014	\$	57,417
2015		57,417
Total minimum lease payments		114,834
Less: Amount representing interest		(7,928)
Present value of minimum lease payments	\$	106,906

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, 2013, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ 30,899	\$ 11,292	\$ 42,191
2015	31,903	10,289	42,192
2016	32,920	9,272	42,192
2017	34,024	8,167	42,191
2018	35,111	7,080	42,191
2019-2023	193,412	17,547	210,959
Totals	\$ 358,269	\$ 63,647	\$ 421,916

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 8: Fund Balances – Governmental Funds

The City adopted a policy for GASB Statement No. 54, Fund Balance Reporting, in the current fiscal year. GASB 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the City's various governmental funds were revised, the implementation of this standard had no effect on total fund balance. Detailed information on governmental fund-type, fund balances are as follows:

	General Fund	Measure A	Home Fund Willow Street	Hyw 6 & Wye Rd	Non-Major Special Revenue	Non-Major Capital Project
Restricted for:						
Petty cash	\$ 640.00	\$ -	\$ -	\$ -	\$ -	\$ -
Total restricted	<u>640</u>					
Nonspendable						
Prepaid expense	90.135					
Total nonspendable	<u>90.135</u>					
Committed						
Assigned to:						
Next years budget	296,523			789,169	25,698	400
Economic uncertainties	2,215,951					
Special Revenue Funds		63,058			118,454	
Capital Project Funds				(790,362)		(163,959)
Total assigned	<u>2,512,474</u>	<u>63,058</u>		<u>(1,193)</u>	<u>144,152</u>	<u>(163,559)</u>
Unassigned						
Total fund balance	<u>\$ 2,603,249</u>	<u>\$ 63,058</u>	<u>\$ -</u>	<u>\$ (1,193)</u>	<u>\$ 144,152</u>	<u>\$ (163,559)</u>

Note 9: Defined Benefit Pension Plans

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.

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 9: Defined Benefit Pension Plans (Continued)

B. Funding Policy

Active miscellaneous plan members in the City's defined pension plan are required to contribute 7% of their annual covered salary for tier 1, 6.5% for tier 2 and 6.25% for tier 3 members. Active safety plan members in the City's defined benefit pension plan are required to contribute 9% of their annual covered salary for tier 1, and 6.5% for tier 2. 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 2012/13 was 20.37% for miscellaneous tier 1, 9.29% for miscellaneous tier 2, 6.70% for miscellaneous tier 3, 31.86% for safety members tier 1 and 23.41% for safety members tier 2. 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.

C. Annual Pension Cost

For fiscal year 2012/13, the City's annual pension cost was \$842,795 and the City actually contributed \$842,795. The City contributes both the employee and employer portions for tier 1 miscellaneous and safety plan members, a portion of miscellaneous and safety tier 2 plan members contribution and none of the miscellaneous and safety plan members contribution. The required contribution for fiscal year 2012/13 was determined as part of the June 30, 2010, 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, 2010, was 18 years for miscellaneous members and 18 years for safety members as of the valuation date.

Fiscal Year Ending	<u>Three – Year Trend Information for the City</u>		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	\$ 791,840	100%	\$ -
06/30/12	\$ 882,446	100%	\$ -
06/30/13	\$ 842,795	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 CalPERS. 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. During the 2009/2010 fiscal year the City implemented a second tier whereby new employees will be eligible under CalPERS 2% @ 60 formula with an additional 1% enhancement provided by PARS resulting in a combined 3% @ 60 years of age. A third tier was added for two employees under an employment contract with retirement at age 55 and no service requirement. During the 2012/2013 fiscal year the City amended the plan limiting participation to miscellaneous employee's in management and mid management groups hired prior to July 1, 2012. Furthermore the plan was frozen during the 2012/13 Fiscal year with no new participants eligible for the plan.

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 9: Defined Benefit Pension Plan (Continued)

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, 2013, the City's annual required contribution was \$303,148 and the City actually contributed \$303,148. The required contribution was based on June 30, 2010 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 1997-2007 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 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
06/30/11	\$ 389,506	100%	\$ -
06/30/12	\$ 304,758	100%	\$ -
06/30/13	\$ 303,148	100%	\$ -

Note 10: Post Retirement Healthcare Benefits

The Board of Directors passed a resolution to establish health benefit vesting requirements for future retirees under public employees' medical and hospital care act, whereas an employee who is 50 and has 5 years vested full-time service and separated from the City into a retirement status within the PERS Retirement System. Retirees who have met other vesting requirements as defined by Government Code 20079, shall receive up to a maximum 90% of the health benefit premium in the PERS Choice Other Southern/Basic Supplemental plan for the employee including family members. Council members leaving the City, after two full terms or seven and one half years whichever is less, who have reached the age of 62 years of age, will be eligible for benefits during his/her lifetime, whereby the City will pay 90% of the monthly premium cost for the member and dependents in the PERS Choice Other Southern/Basic Supplemental plan, subject to requirements placed upon participants by such plans relating to offsetting cost contributions from Medicare, etc. A contribution of 10% per month will be paid by the member and 10% per month of the additional cost to add dependent coverage. The total City expense, on the pay as you go basis for postretirement health benefits in the 2012/2013 fiscal year was \$421,753. As of June 30, 2013, forty two retired employees were receiving postretirement health benefits. On July 13, 2009 the City approved funding the post retirement health benefit liability over a 30 year amortization period.

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 10: Post Retirement Health Care Benefits (Continued)

Tier II. For represented employees hired after January 1, 2010 the City implemented a Tier II program. These employees will receive a city contribution up to greater of active contribution per PEMHCA Section 22893. The vesting schedule applied to the City contribution will be 0% for less than 10 years of CalPERS service, 50% for between 10 and 20 years of CalPERS service and 90% for greater than 20 years of CalPERS service. The Tier II program is based on all CalPERS service, a minimum of 5 years of City service, 100% vested if a disability retirement and if the employee has 20 years or more of City service they do not need to retire directly from the City.

Plan Description. The City's Post-Retirement Healthcare Plan is a single employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits only to eligible retirees and their eligible dependents. The City approved post retirement health insurance benefits for all of its employees under the Public Employees' Medical and Hospital Care Act (PEMHCA). The minimum age for receiving benefits is 50 and there is no cap. The plan also provides coverage for eligible family members. For employees who are eligible to participate in the plan the City will contribute the health benefit cost for the retiree and eligible family members up to 90% of the least expensive PERS plan, except as noted under the tier II plan. A retiree with less than the required years of service with the City will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law. The retiree is on the same medical plan as the City's active employees, however monthly rates for coverage of covered active and retired employees are computed separately.

Funding Policy. The contribution requirement of plan members is established by the City's Board of Directors. The 2012-2013 fiscal year contribution was based on amortized funding over a 30 year period using entry age normal cost. For the fiscal year ending June 30, 2013 the City contributed \$224,498 towards the unfunded actuarial accrued liability (UAAL). Because of budget constraints the City has opted not to fully fund the ARC during the 2012/13 fiscal year. The City chose the California Employers Retiree Benefit Trust (CERBT) as the trustee for the plan. The City also made the net contribution for fiscal year end June 30, 2013 directly to health insurance providers totalling \$421,753 that was not reimbursed by the CERBT. Plan members receiving benefits contributed \$0 of the total premiums.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to CPUD's Healthcare Plan:

Payment of Unfunded Actuarial Accrued Liability	\$ (224,498)
Unreimbursed retiree premiums paid to plan providers	(422,303)
Increase (decrease) in net OPEB obligation	(646,801)
Net OPEB obligation - beginning of year	427,063
Annual Required Contribution (ARC).	920,000
Net OPEB obligation - end of year	<u>\$ 700,262</u>

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 10: Post Retirement Health Care Benefits (Continued)

Three year disclosure of the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
June 30, 2011	750,000	62%	(282,042)
June 30, 2012	874,000	51%	(427,063)
June 30, 2013	920,000	70%	(700,262)

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$8,545,000. As of June 30, 2013, the City's annual required contribution was underfunded by \$700,262.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2010, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of between 6.55% and 7.75%. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The annual healthcare premiums will increase between 5% and 10% from 2013 to 2021 and then increase 5% from 2021 forward. Payroll is assumed to increase 3.25% annually.

Note 11: 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.

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 11: Interfund Transactions (Continued)

Interfund transactions for the fiscal year ended June 30, 2013 are summarized as follows:

Fund Type	Due To Other Funds	Due From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ -	\$ 140,675	\$ -	\$ 57,854
Special Revenue	10,123	-	437	-
Debt Service	-	-	57,417	-
Capital Projects	130,552	-	-	-
Enterprise	-	-	-	-
Total	<u>\$ 140,675</u>	<u>\$ 140,675</u>	<u>\$ 57,854</u>	<u>\$ 57,854</u>

Note 12: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

Capital project funds have six funds with deficit fund balances and there is one special revenue fund with a deficit fund balance. The deficit fund balances are expected to be eliminated upon receipt of funding from granting agencies or through matching funds/contributions from the general fund of the City.

B. Restatement of Net Position and Fund Balance

Adjustments resulting from errors or a change to comply with provisions of previously issued or retroactively applied accounting standards are treated as prior period adjustments. Accordingly the City reports these changes as a restatement to beginning net position in the government-wide statement of activities and proprietary fund statement of revenue, expenses and changes in net position and as a restatement to beginning fund balance in the statement of revenues expenditures and changes in fund balance. During the current fiscal year prior period adjustments were required to correct misstatements of capital assets, accounts receivable, accounts payable, and deferred revenue.

The impact of the restatements to beginning government-wide financial statement net position is presented below:

	Governmental Activities	Business-Type Activities
Net Position Reported as of June 30, 2012	\$ 11,369,010	\$ 5,960,289
Adjustments for:		
Change fixed asset threshold to \$5,000	(29,887)	(41,866)
Reimburse water and sewer for prior year subsidy	(8,581)	8,581
Reclassify 2010/11 accounts payable		10,736
To record prior year SMHP excess program payment		(27,660)
Total adjustment	<u>(38,468)</u>	<u>(50,209)</u>
Net Position, July 1, 2012 as restated	<u>\$ 11,330,542</u>	<u>\$ 5,910,080</u>

The impact of restatements on governmental fund, fund balance as previously stated is as follows:

	General Fund
Fund Balance, June 30, 2012	\$ 2,568,045
Adjustments for:	
Reimburse water and sewer for prior year subsidy	(8,581)
Total adjustment	<u>(8,581)</u>
Fund Balance, July 1, 2012 as restated	<u>\$ 2,559,464</u>

City of Bishop
Notes to Financial Statements
June 30, 2013

Note 13: Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes and assessments. Any new increase or extended taxes and assessments subject to the provisions of Proposition 218, requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative and may be rescinded in the future years by the voters.

Note 14: Economic Dependency

The City's general fund revenue relies heavily on tourism, which provides transient occupancy taxes and sales taxes. During the 2012-2013 fiscal year the City collected \$1,834,285 in transient occupancy tax which accounted for 32.3% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Sales tax revenue (including triple flip) was \$2,209,608 or 38.9% of general fund revenue for the 2012-2013 fiscal year.

Because the tourism industry and related sales taxes account for a significant portion of the City's general fund revenues, a downturn in tourism could result in a substantial reduction in general fund revenues and the City may not have sufficient resources to pay all of its general fund obligations.

Note 15: Commitments and Contingencies

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CITY OF BISHOP
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured	\$ 370,000	\$ 370,000	\$ 381,327	\$ 11,327
Property - unsecured	108,000	108,000	62,466	(45,534)
Prior year and other	24,000	24,000	3,950	(20,050)
Homeowners	3,000	3,000	1,561	(1,439)
Sales (including triple flip)	2,150,000	2,150,000	2,209,608	59,608
DWP water agreement	180,000	180,000	185,406	5,406
Transient occupancy	1,800,000	1,800,000	1,834,285	34,285
Sales tax - public safety	13,000	13,000	16,833	3,833
Real property transfer	5,000	5,000	12,641	7,641
Total Taxes	<u>4,653,000</u>	<u>4,653,000</u>	<u>4,708,077</u>	<u>55,077</u>
Licenses and Permits				
Business licenses	50,000	50,000	49,133	(867)
Use permits	4,750	4,750	6,240	1,490
Building permits	15,100	15,100	48,733	33,633
Electrical permits	3,000	3,000		(3,000)
Plumbing permits	4,000	4,000	10	(3,990)
Electrical franchise	34,000	34,000	33,087	(913)
TV franchise	12,000	12,000	12,705	705
Total Licenses and Permits	<u>122,850</u>	<u>122,850</u>	<u>149,908</u>	<u>27,058</u>
Intergovernmental				
Motor vehicle in lieu (includes VLF swap)	292,000	292,000	281,593	(10,407)
Off-highway motor vehicle fees	100	100		(100)
Reimbursement - highway sweeping	20,000	20,000	18,333	(1,667)
Reimbursement - fire district	41,831	41,831	41,048	(783)
Peace officers training	9,600	9,600	10,241	641
Dispatch contracts	500	500	10,020	9,520
Grants	10,000	22,000	5,000	(17,000)
Total Intergovernmental	<u>374,031</u>	<u>386,031</u>	<u>366,235</u>	<u>(19,796)</u>
Fines, Forfeitures and Penalties				
Parking citations	18,000	15,000	8,625	(6,375)
Asset forfeiture				
Total Fines, Forfeitures and Penalties	<u>18,000</u>	<u>15,000</u>	<u>8,625</u>	<u>(6,375)</u>
Charges for Current Services				
Plan checking	5,000	5,000	3,259	(1,741)
Parks and recreation	90,700	96,700	101,418	4,718
Total Charges for Current Services	<u>95,700</u>	<u>101,700</u>	<u>104,677</u>	<u>2,977</u>
Use of Money and Property				
Interest and investment income	14,000	14,000	9,459	(4,541)
Rent	110,000	110,000	113,090	3,090
Total Use of Money and Property	<u>124,000</u>	<u>124,000</u>	<u>122,549</u>	<u>(1,451)</u>
Other				
Insurance refunds and dividends	45,000	45,000	101,362	56,362
Fingerprinting and reports	33,000	33,000	37,494	4,494
Miscellaneous - all others	37,000	37,000	75,882	38,882
Total Other	<u>115,000</u>	<u>115,000</u>	<u>214,738</u>	<u>99,738</u>
Total Revenues	<u>\$ 5,502,581</u>	<u>\$ 5,517,581</u>	<u>\$ 5,674,809</u>	<u>\$ 157,228</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 5,502,581	\$ 5,517,581	\$ 5,674,809	\$ 157,228
Expenditures				
General Government				
City council	174,900	179,400	169,731	9,669
Administration - clerk	354,700	371,200	361,815	9,385
Finance	183,900	183,900	173,526	10,374
City treasurer	1,915	1,915	1,865	50
City attorney	71,200	179,504	174,298	5,206
Insurance	397,400	395,400	292,095	103,305
Elections	3,000	3,851	1,607	2,244
Total General Government	1,187,015	1,315,170	1,174,937	140,233
Public Ways and Facilities/Transportation				
Building and grounds	193,800	193,800	183,419	10,381
Building	117,380	116,425	107,741	8,684
Planning	226,930	219,496	166,935	52,561
Street maintenance	175,660	167,660	145,153	22,507
Street sweeping	95,500	95,600	86,274	9,326
Street lighting	40,000	40,000	39,152	848
Total Public Ways and Facilities/Transportation	849,270	832,981	728,674	104,307
Public Safety				
Police	2,937,500	2,978,566	2,897,124	81,442
Fire	170,836	204,073	205,173	(1,100)
Emergency preparedness	4,500	4,500	2,512	1,988
Total Public Safety	3,112,836	3,187,139	3,104,809	82,330
Community Development				
Parks and recreation	360,459	351,723	338,802	12,921
Community promotion	142,312	147,312	153,997	(6,685)
Civic arts commission	18,225	18,225	18,225	
Total Community Development	520,996	517,260	511,024	6,236
Capital Outlay				
Structures and improvements	25,500	94,117	40,726	53,391
Equipment	32,500	17,500	13,000	4,500
Total Capital Outlay	58,000	111,617	53,726	57,891
Total Expenditures	5,728,117	5,964,167	5,573,170	390,997
Excess (Deficit) of Revenues Over Expenditures	(225,536)	(446,586)	101,639	548,225
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out	(57,418)	(57,418)	(57,854)	(436)
Total Other Financing Sources (Uses)	(57,418)	(57,418)	(57,854)	(436)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (282,954)	\$ (504,004)	43,785	\$ 547,789
Fund Balance, July 1, 2012			2,568,045	
Prior Period Adjustment			(8,581)	
Fund Balance, June 30, 2013			\$ 2,603,249	

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

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Major Special Revenue Fund - Measure A
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 550,000	\$ 530,000	\$ 499,484	\$ (30,516)
Intergovernmental	<u>72,246</u>	<u>80,000</u>	<u>87,823</u>	<u>7,823</u>
Total Revenues	<u>72,246</u>	<u>80,000</u>	<u>587,307</u>	<u>7,823</u>
EXPENDITURES				
General government	740,030	793,690	742,565	51,125
Capital outlay	<u>29,000</u>	<u>29,000</u>	<u>26,595</u>	<u>2,405</u>
Total Expenditures	<u>29,000</u>	<u>29,000</u>	<u>769,160</u>	<u>2,405</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ 43,246</u>	<u>\$ 51,000</u>	(181,853)	<u>\$ 5,418</u>
Fund Balances, July 1, 2012			<u>244,911</u>	
Fund Balances, June 30, 2013			<u>\$ 63,058</u>	

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, 2013

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, 2013

<u>Assets</u>	Special Revenue Funds	Capital Project Funds	Total
Restricted cash and investments	\$ 80,084	\$ 4,606	\$ 84,690
Receivables	21,928		21,928
Due from other governments	52,460	132,073	184,533
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 154,472	\$ 136,679	\$ 291,151
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 10,320	\$ 37,613	\$ 47,933
OPEB liability			-
Due to other funds		130,552	130,552
Deferred revenue		132,073	132,073
	<hr/>	<hr/>	<hr/>
Total Liabilities	10,320	300,238	310,558
	<hr/>	<hr/>	<hr/>
Fund Balances			
Assigned	144,152	(163,559)	(19,407)
	<hr/>	<hr/>	<hr/>
Total Fund Balance	144,152	(163,559)	(19,407)
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 154,472	\$ 136,679	\$ 291,151
	<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, 2013**

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Taxes and assessments	\$ -	\$ -	\$ -
Intergovernmental	278,484	195,374	473,858
Use of money and property	123		123
Fines, forfeitures and penalties	1,589		1,589
	280,196	195,374	475,570
Total Revenues			
Expenditures			
Current:			
General government			-
Public ways and facilities/ transportation	120,863	838	121,701
Public safety	163,243		163,243
Community development	67,311		67,311
Capital outlay		198,136	198,136
	351,417	198,974	550,391
Total Expenditures			
Excess (Deficit) of Revenues Over Expenditures	(71,221)	(3,600)	(74,821)
Fund Balances, July 1, 2012	215,373	(159,959)	55,415
Fund Balances, June 30, 2013	\$ 144,152	\$ (163,559)	\$ (19,406)

CITY OF BISHOP

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2013

	Gas Tax	Traffic Safety	Public Safety	Home Program	Totals
<u>Assets</u>					
Restricted cash and investments	\$ 19,627	\$ 3,413	\$ 57,044	\$ -	\$ 80,084
Receivables	11,928			10,000	21,928
Due from other governments		333	52,127		52,460
Total Assets	\$ 31,555	\$ 3,746	\$ 109,171	\$ 10,000	\$ 154,472
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 119	\$ -	\$ 201	\$ 10,000	\$ 10,320
OPEB liability					
Due to other funds					
Deferred Revenue					
Total Liabilities	119		201	10,000	10,320
Fund Balances					
Assigned	31,436	3,746	108,970		144,152
Total Fund Balance	31,436	3,746	108,970		144,152
Total Liabilities and Fund Balances	\$ 31,555	\$ 3,746	\$ 109,171	\$ 10,000	\$ 154,472

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2013

	Gas Tax	Traffic Safety	Public Safety	Home Program	Totals
Revenues					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	96,832	8,250	106,091	67,311	278,484
Fines, forfeitures and penalties		1,589			1,589
Use of money and property	123				123
Total Revenues	96,955	9,839	106,091	67,311	280,196
Expenditures					
Current:					
General government					
Public ways and facilities/ transportation	120,863				120,863
Public safety		14,725	148,518		163,243
Community Development				67,311	67,311
Capital outlay					
Total Expenditures	120,863	14,725	148,518	67,311	351,417
Excess (Deficit) of Revenues Over Expenditures	(23,908)	(4,886)	(42,427)		(71,221)
Fund Balances, July 1, 2012	55,344	8,632	151,397		215,373
Fund Balances, June 30, 2013	\$ 31,436	\$ 3,746	\$ 108,970	\$ -	\$ 144,152

CITY OF BISHOP

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2013

	Fed Grant Mac Iver Extension	Snedden Improvements	GIS	Warren Improvements	SEIBU School Bike Path	Pine to Park	Totals
<u>Assets</u>							
Restricted cash and investments	\$ 1,714	-	\$ 2,892	\$ -	\$ -	\$ -	\$ 4,606
Due from other governments		57,290	3,500	52,462	18,071	750	132,073
Total Assets	\$ 1,714	\$ 57,290	\$ 6,392	\$ 52,462	\$ 18,071	\$ 750	\$ 136,679
<u>Liabilities and Fund Balances</u>							
<u>Liabilities</u>							
Accounts payable	\$ -	\$ 21,238	\$ 3	\$ 13,565	\$ 2,766	\$ 41	\$ 37,613
Deferred revenue	-	57,290	3,500	52,462	18,071	750	132,073
Due to other funds		37,163	15,145	39,545	26,260	12,439	130,552
Total Liabilities		115,691	18,648	105,572	47,097	13,230	300,238
<u>Fund Balances</u>							
Assigned	1,714	(58,401)	(12,256)	(53,110)	(29,026)	(12,480)	(163,559)
Total Liabilities and Fund Balances	\$ 1,714	\$ 57,290	\$ 6,392	\$ 52,462	\$ 18,071	\$ 750	\$ 136,679

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2013

	Fed Grant Maciver Extension	Sneden Improvements	GIS	Warren Improvements	SEIBU School Bike Path	Pine to Park	Totals
Revenues							
Intergovernmental Contributions	\$ -	\$ 52,390	\$ 31,500	\$ 40,232	\$ 16,866	\$ 54,386	\$ 195,374
Use of money and property							-
Total Revenues		52,390	31,500	40,232	16,866	54,386	195,374
Expenditures							
Current:							
Public ways and facilities/ Transportation		118		647	73		838
Capital outlay		81,333	13,131	67,717	28,750	7,205	198,136
Total Expenditures		81,451	13,131	68,364	28,823	7,205	198,974
Excess (Deficit) of Revenues Over Expenditures		(29,061)	18,369	(28,132)	(11,957)	47,181	(3,600)
Fund Balances, July 1, 2012	1,714	(29,340)	(30,625)	(24,978)	(17,069)	(59,661)	(159,959)
Fund Balances, June 30, 2013	\$ 1,714	\$ (58,401)	\$ (12,256)	\$ (53,110)	\$ (29,026)	\$ (12,480)	\$ (163,559)

*Larry Bain, CPA,
An Accounting Corporation
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Bishop as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Bishop basic financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Bishop's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bishop's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bishop's internal control.

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

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

City of Bishop
Note to Required Supplementary Information
June 30, 2013

Compliance and Other Matters

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

Purpose of this Report

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

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



Larry Bain, CPA,
An Accounting Corporation
December 16, 2013