

CITY OF BISHOP
FINANCIAL STATEMENTS
JUNE 30, 2010

CITY OF BISHOP

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Larry Bain, CPA,
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Bishop, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bishop, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

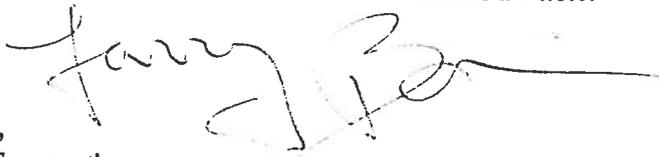
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bishop, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion of the internal control over financial reporting or on compliance.

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

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



Larry Bain, CPA,
An Accounting Corporation
January 14, 2011

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2010

(Unaudited)

This section of the City of Bishop's annual financial report presents an analysis of the City's financial performance during the fiscal year ended June 30, 2010. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2010

- The assets of the City exceeded liabilities at the close of the 2009-2010 fiscal year by \$16,401,200 (net assets). Of this amount, \$4,617,763 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$11,764,442 is invested in capital assets - net of related debt.
- As of June 30, 2010 the City's governmental funds reported combined fund balances of \$3,373,925 approximately 83% of the combined fund balances, \$3,079,483 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 \$2,933,955 or 49% of total general fund expenditures.
- The City's general long-term debt decreased by \$183,585. The net decrease resulted from payments of governmental debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

The *Statements of Net Assets* include information on the City's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to City creditors (liabilities). Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2010

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

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

	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 7,276,123	\$ 1,873,868	\$ 9,149,991	\$ 8,183,494	\$ 2,185,188	\$10,368,682
Capital Assets	8,569,366	3,607,313	12,176,679	8,043,635	2,046,097	10,089,732
Total Assets	15,845,489	5,481,181	21,326,670	16,227,129	4,231,285	20,458,414
Liabilities						
Current/non current	4,178,101	747,369	4,925,470	4,335,456	611,240	4,946,696
Net Asset:						
Invested in capital assets, net	8,166,337	3,598,105	11,764,442	7,484,214	2,032,692	9,516,906
Net assets restricted		18,996	18,996		21,700	21,700
Unrestricted net assets	3,501,051	1,116,711	4,617,762	4,407,459	1,565,653	5,973,112
Total Net Assets	\$ 11,667,388	\$ 4,733,812	\$ 16,401,200	\$ 11,891,673	\$ 3,620,045	\$15,511,718

As the above table indicates, total assets increased \$868,256 from \$20,458,414 to \$21,326,670 during the fiscal year ended June 30, 2010. This is comprised of an increase of \$ 2,086,947 in capital assets mostly funded by grant revenues and a decrease in current and other assets totaling \$1,218,691.

Total liabilities decreased \$21,226 from \$4,946,696 to \$4,925,470. This represents a decrease of \$274,650 in long-term obligations (including compensated absences), an increase of \$6,166 in customer deposits, a decrease of \$ 27,236 in deferred revenue and a increase of \$247,259 in current liabilities.

Net assets increased by \$889,482 over the prior year primarily resulting from an increase in capital projects funded by grant revenues.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2010

Statement of Activities

	Condensed Statement of Activities					
	Fiscal Year Ended June 30, 2010			Fiscal Year Ended June 30, 2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues:						
Charges for services	\$ 684,320	\$ 2,003,034	\$ 2,687,354	\$ 604,038	\$ 2,006,234	\$ 2,610,272
Capital grants and contributions	968,940		968,940	1,551,994	14,350	1,566,344
Operating grants	132,612		132,612	151,763		151,763
General Revenue:						
Property taxes and assessments	1,047,891		1,047,891	1,000,889		1,000,889
Sales and use tax	1,710,778		1,710,778	1,999,707		1,999,707
Other revenue	2,175,677	5,421	2,181,098	2,227,601		2,227,601
Interest and investment income	24,922	14,310	39,232	75,435	56,973	132,408
Total Revenue	6,745,140	2,022,765	8,767,905	7,611,427	2,077,557	9,688,984
Expenses:						
Governmental activities:						
General government	1,486,084		1,486,084	1,481,635		1,481,635
Public safety	3,706,240		3,706,240	3,496,953		3,496,953
Public works	1,103,920		1,103,920	1,060,711		1,060,711
Community services/recreation	671,765		671,765	653,902		653,902
Business-type activities						
Water		711,598	711,598		733,101	733,101
Sewer		646,473	646,473		625,354	625,354
Mobile home park		101,734	101,734		103,739	103,739
Interest on long-term debt	23,646	14,779	38,425	32,436	15,620	48,056
Total Expense	6,991,655	1,474,584	8,466,239	6,725,637	1,477,814	8,203,451
Excess (deficiency) before transfers	(246,515)	548,181	301,666	885,790	599,743	1,485,533
Transfers in (out)	22,230	(22,230)		22,230	(22,230)	
Change in net assets	\$ (224,285)	\$ 525,951	\$ 301,666	\$ 908,020	\$ 577,513	\$ 1,485,533

The statement of activities, identify the various revenue and expense items which affect the change in net assets. As the information indicates the \$ 921,079 decrease to revenue from June 30, 2009 to June 30, 2010 operations, was primarily due to a decrease in governmental revenue operating grants for the City's street projects (STIP). Interest and investment income also contributed to the decline in revenues as did a reduction in sales tax from the general recession recovery.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2010

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The general government functions are contained in the general, special revenue, debt service and capital project funds. The focus of the City's governmental funds is to provide information on near-term inflow, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City's governmental funds reported total ending fund balances of \$3,373,925. Approximately 91% of the total ending fund balances (\$3,079,483) constituted unreserved fund balances, which are considered available for appropriation. The remainder of the fund balances are reserved to indicate that it is not available for new spending because it has already been committed 1) to offset advances to other funds that are not expected to be available in the near term (\$9,208) 2) for petty cash funds (\$640) 3) for loans made to employees for computer purchases (\$1,378) and 4) for the proposition 1B advance.

General fund revenues were \$5,125,283 and expenditures in the general fund were \$6,042,896. The revenue for the Measure A special revenue fund was \$551,872 and the expenditures were \$376,683. The Hanby capital project fund revenues were \$40,978 and the expenditures were \$367,867. The Hyw 6 & Wye Rd capital project fund revenues were \$18,979 and expenditures were \$18,979.

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 2009-2010 fiscal year were budgeted at \$6,280,559. The actual revenues were \$5,125,283 leaving an unfavorable variance of (\$1,155,276). The decrease was due to the unanticipated decline in revenues generated from taxes such as sales tax, transient occupancy tax and low interest rates for investments.

General fund expenditures were budgeted at \$6,982,911. The actual amount expended was \$6,042,896, approximately \$940,015 less than originally anticipated. The favorable expenditure variance was due to a decrease in capital outlay expenditures and lower expenditures compared to those budgeted by each department.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Land	\$ 341,105	\$ 341,105	\$ 481,066	\$ 481,066	\$ 822,171	\$ 822,171
Construction in progress	810,234	1,695,841	538,574	219,529	1,348,808	1,915,370
Buildings and Site improvements	1,051,602	1,152,392	127,486	168,800	1,179,088	1,321,192
Equipment	295,017	290,819			295,017	290,819
Infrastructure	873,307	962,108	394,770	391,539	1,268,077	1,353,647
	5,198,101	3,601,370	2,065,417	785,163	7,263,518	4,386,533
Total	\$ 8,569,366	\$ 8,043,635	\$ 3,607,313	\$ 2,046,097	\$ 12,176,679	\$ 10,089,732

As of June 30, 2010 the City's investment in capital assets totaled \$12,176,679 net of accumulated depreciation. The investment in capital assets includes police and fire equipment, land, site improvements, buildings and improvements, equipment and water and sewer assets. The capital assets are presented in the government – wide statement of net assets. Additional detail is presented in the notes to the financial statements. The Street improvement projects utilize grant funding from the State of California and are recorded as infrastructure in the capital assets.

LONG – TERM DEBT

As of June 30, 2010, the City had \$382,781 in outstanding governmental-type long-term debt and \$445,257 in outstanding business-type long-term debt as reported in the notes to the financial statements and in the statement of net assets. The City's debt decreased by principal payments made during the fiscal year. The outstanding debt represents two capital leases, proceeds of which were used for building improvements and the lease purchase of a fire truck and one note payable proceeds of which were used for water infrastructure improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to have reimbursable STIP Projects. A STIP Project is a project reimbursable through California Transportation Act Federal and State Funds. The two projects completed in 09/10 were Hanby Pavement and Grove Street Sidewalks. Road Project A is slated to begin in 10/11 with completion in 11/12.

The City's combined water and sewer rates remained the same for 09/10 as 08/09 at \$52 per month. New rates have been approved for the fiscal year 10/11 at a rate of \$56.44.

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 10/11 and 11/12 in hopes that it gives a clearer and more stable approach to the process of departmental budgets and request for capital expenditures. Due to current economic times staff continues to monitor revenues coming in to determine what can be expended, or in some cases delayed.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2010

ADDITIONAL FINANCIAL INFORMATION

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

CITY OF BISHOP

**Statement of Net Assets
June 30, 2010**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 4,015,828	\$ 1,815,946	\$ 5,831,774
Accounts receivables	580,168	28,682	608,850
Due from other governments	415,614		415,614
Interest receivable	5,533	2,849	8,382
Prepaid expenses	28,494		28,494
Loans receivable	1,378		1,378
Advances to other funds	4,197		4,197
Restricted cash and investments	-	26,391	26,391
Non Current Assets			
Loans receivable	2,219,900		2,219,900
Advances to other funds	5,011		5,011
Capital assets:			
Land	341,105	481,066	822,171
Construction in Progress	810,234	538,574	1,348,808
Buildings	4,626,398	674,809	5,301,207
Site improvements	632,059		632,059
Equipment	3,468,231	832,928	4,301,159
Infrastructure	5,695,667	8,299,105	13,994,772
Less: accumulated depreciation	(7,004,328)	(7,219,169)	(14,223,497)
Total Assets	\$ 15,845,489	\$ 5,481,181	\$ 21,326,670
Liabilities			
Current liabilities:			
Accounts payable	369,217	217,255	586,472
Due from others	27		27
Advance from other funds-due within one year		4,197	4,197
Accrued interest payable	11,663	3,594	15,257
Long-term liabilities-due within one year	332,167	28,075	360,242
Liabilities-due in more than one year:			
Customer deposits		21,640	21,640
Compensated absences	118,173	50,415	168,588
Leases payable	204,130		204,130
Note payable		417,182	417,182
Deferred revenue	3,142,724		3,142,724
Advance from other funds		5,011	5,011
Total Liabilities	4,178,101	747,369	4,925,470
Net Assets			
Invested in capital assets, net of related debt	8,166,337	3,598,105	11,764,442
Restricted for capital replacement		18,996	18,996
Unrestricted	3,501,051	1,116,711	4,617,763
Total Net Assets	\$ 11,667,388	\$ 4,733,812	\$ 16,401,200

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 1,486,084	\$ 290,077	\$ -	\$ -	\$ (1,196,007)	\$ -	\$ (1,196,007)
Public safety	3,706,240	195,572	89,035	115,945	(3,305,688)		(3,305,688)
Public works	1,103,920	120,397	834,315	16,667	(132,541)		(132,541)
Community services/recreation	671,765	78,274	45,590		(547,901)		(547,901)
Interest on long-term debt	23,646				(23,646)		(23,646)
Total Governmental Activities	6,991,655	684,320	968,940	132,612	(5,205,783)		(5,205,783)
Business-type Activities:							
Water	711,598	1,161,200				449,602	449,602
Sewer	646,473	748,950				102,477	102,477
Mobile home park	101,734	92,884				(8,850)	(8,850)
Interest on long-term debt	14,779					(14,779)	(14,779)
Total Business-type Activities	1,474,584	2,003,034				528,450	528,450
Total Government	\$ 8,466,239	\$ 2,687,354	\$ 968,940	\$ 132,612	(5,205,783)	528,450	(4,677,333)
General Revenues:							
Taxes:							
Property taxes					1,047,891		1,047,891
Sales and use tax					1,710,778		1,710,778
Transient occupancy tax					1,658,623		1,658,623
Franchise tax					46,548		46,548
Motor vehicle in lieu tax					296,972		296,972
Other taxes					173,534		173,534
Insurance reimbursement						5,421	5,421
Investment income					24,922	14,310	39,232
Transfers					22,230	(22,230)	
Total general revenues					4,981,498	(2,499)	4,978,999
Change in net assets					(224,285)	525,951	301,666
Net assets - beginning					11,891,673	3,620,045	15,511,718
Prior Period Adjustment					-	587,816	587,816
Net assets - ending					\$ 11,667,388	\$ 4,733,812	\$ 16,401,200

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

Balance Sheet
Governmental Funds
June 30, 2010

	General	Special Revenue Funds		Capital Project Funds		Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
		Measure A	Home Fund Willow Street	Hanby	Hyw 6 & Wye Rd	Debt Service		
<u>Assets</u>								
Cash and investments	\$ 2,526,566	\$ 403,719	\$ -	\$ -	\$ 879,515	\$ -	\$ 206,029	\$ 4,015,829
Receivables								
Accounts	580,168							580,168
Due from other governments				319,298			96,316	415,614
Interest	5,533							5,533
Due from other funds	124,652							124,652
Other assets	28,494							28,494
Loans/notes receivable	1,378		2,219,900					2,221,278
Advances to other funds	9,208							9,208
Total Assets	\$ 3,275,999	\$ 403,719	\$ 2,219,900	\$ 319,298	\$ 879,515	\$ -	\$ 302,345	\$ 7,400,776
<u>Liabilities and Fund Balances</u>								
Liabilities								
Accounts payable	\$ 47,575	\$ 9,689	\$ -	\$ 300,326	\$ 1	\$ -	\$ 11,629	\$ 369,220
Due to others	27							27
Due to other funds				26,563			98,089	124,652
Deferred revenue			2,219,900	319,298	879,514		114,240	3,532,952
Total Liabilities	47,602	9,689	2,219,900	646,187	879,515		223,958	4,026,851
Fund Balances								
Reserved for advances to other funds	9,208							9,208
Reserved for petty cash	640							640
Reserved for loan receivable	1,378							1,378
Reserved prop 1B	283,216							283,216
Unreserved, reported in								
General fund	2,933,955							2,933,955
Special revenue funds		394,030					176,742	570,772
Capital projects funds				(326,889)			(98,355)	(425,244)
Total Fund Balances	3,228,397	394,030		(326,889)			78,387	3,373,925
Total Liabilities and Fund Balances	\$ 3,275,999	\$ 403,719	\$ 2,219,900	\$ 319,298	\$ 879,515	\$ -	\$ 302,345	\$ 7,400,776

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP
Reconciliation of the Statement of Net Assets
of Governmental Funds to the Balance Sheet
As of June 30, 2010

Fund Balances of Governmental Funds	\$ 3,373,925
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	8,569,366
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.	390,228
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>(666,130)</u>
Net assets of governmental activities	<u>\$ 11,667,389</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, 2010

	Special Revenue Funds			Capital Project Funds		Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
	General	Measure A	Home Funds Willow Street	Hanby	Hyw 6 & Wye Rd	Debt Service		
Revenues								
Taxes	\$ 4,044,007	\$ 551,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,595,879
Licenses and permits	119,476							119,476
Intergovernmental	558,509			40,978	18,979		1,044,226	1,662,692
Fines, forfeitures and penalties	35,732						6,037	41,769
Charges for current services	78,452							78,452
Use of money and property	136,760							136,760
Other	152,347							152,347
Total Revenues	5,125,283	551,872	-	40,978	18,979	-	1,050,263	6,787,375
Expenditures								
Current:								
General government	1,098,286	370,183					1,238	1,469,707
Public ways and facilities/ transportation	774,684						99,180	873,864
Public safety	3,452,985						59,261	3,512,246
Community development	585,791							585,791
Capital Outlay	131,150	6,500		367,867	18,979		516,878	1,041,374
Debt service								
Principal							169,551	169,551
Interest							26,805	26,805
Total Expenditures	6,042,896	376,683	-	367,867	18,979	196,356	676,557	7,679,338
Excess (Deficit) of Revenues over Expenditures	(917,613)	175,189	-	(326,889)	\$ -	(196,356)	373,706	(891,963)
Other Financing Sources (Uses)								
Operating transfers in						196,356	60,983	257,339
Operating transfers out	(182,313)	(52,796)						(235,109)
Total Other Financing Sources (Uses)	(182,313)	(52,796)	-	-	-	196,356	60,983	22,230
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,099,926)	122,393		(326,889)	-		434,689	(869,733)
Fund Balances, July 1, 2009	4,328,323	271,637					(215,938)	4,384,022
Prior period adjustment							(9,641)	(9,641)
Fund Balances, June 30, 2010	\$ 3,228,397	\$ 394,030	\$ -	\$ (326,889)	\$ -	\$ -	\$ 209,110	\$ 3,504,648

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (869,733)

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

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

Cost of assets capitalized	1,038,190
Contributed capital	25,000
Depreciation expense	(547,094)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 169,551

Changes in accrued interest reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 3,158

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. (394,329)

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. 327,094

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. 23,877

Change in net assets of governmental activities \$ (224,285)

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

CITY OF BISHOP

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Water	Sewer	Mobile Home Park	Totals
Current assets:				
Cash and investments	\$ 1,163,815	\$ 499,896	\$ 152,235	\$ 1,815,946
Restricted cash and investments			26,391	26,391
Receivables				
Accounts	15,865	8,808	4,009	28,682
Interest	1,844	754	251	2,849
Total current assets	<u>1,181,524</u>	<u>509,458</u>	<u>182,886</u>	<u>1,873,868</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,892	324,850	481,066
Construction in progress	373,523	165,051		538,574
Depreciable capital assets				
Building	68,436	94,877	511,496	674,809
Site improvements				-
Equipment	306,720	526,208		832,928
Infrastructure	4,978,728	3,320,377		8,299,105
Less accumulated depreciation	<u>(3,483,464)</u>	<u>(3,310,029)</u>	<u>(425,676)</u>	<u>(7,219,169)</u>
Total capital assets (net of accumulated depreciation)	<u>2,311,267</u>	<u>885,376</u>	<u>410,670</u>	<u>3,607,313</u>
Total Assets	<u>\$ 3,492,791</u>	<u>\$ 1,394,834</u>	<u>\$ 593,556</u>	<u>\$ 5,481,181</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 60,768	\$ 156,113	\$ 374	\$ 217,255
Current portion - note payable	28,075			28,075
Current portion - advance from other funds			4,197	4,197
Interest payable	3,594			3,594
Total current liabilities	<u>92,437</u>	<u>156,113</u>	<u>4,571</u>	<u>253,121</u>
Noncurrent liabilities:				
Customer deposits	8,095	5,060	8,485	21,640
Compensated absences	25,501	24,914		50,415
Note payable	417,182			417,182
Advance from other funds			5,011	5,011
Total noncurrent liabilities	<u>450,778</u>	<u>29,974</u>	<u>13,496</u>	<u>494,248</u>
Total Liabilities	<u>543,215</u>	<u>186,087</u>	<u>18,067</u>	<u>747,369</u>
Net assets:				
Invested in capital assets, net of related debt	2,311,267	885,376	401,462	3,598,105
Reserved for capital replacement			18,996	18,996
Unreserved	<u>638,309</u>	<u>323,371</u>	<u>155,031</u>	<u>1,116,711</u>
Total Net Assets	<u>\$ 2,949,576</u>	<u>\$ 1,208,747</u>	<u>\$ 575,489</u>	<u>\$ 4,733,812</u>

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

CITY OF BISHOP

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010**

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,152,795	\$ 720,715	\$ -	\$ 1,873,510
Rent			72,091	72,091
Utility reimbursement			20,793	20,793
Other income	8,405	28,235		36,640
Total Operating Revenues	1,161,200	748,950	92,884	2,003,034
Operating Expenses				
Salaries and benefits	493,160	488,606	27,891	1,009,657
Services and supplies	151,763	96,321	55,706	303,790
Depreciation expense	66,675	61,546	18,137	146,358
Total Operating Expenses	711,598	646,473	101,734	1,459,805
Operating Income (Loss)	449,602	102,477	(8,850)	543,229
Non-Operating Revenues (Expenses)				
Interest income	9,220	3,917	1,173	14,310
Insurance reimbursement			5,421	5,421
Interest expense	(14,779)			(14,779)
Total Non-Operating Revenues (Expenses)	(5,559)	3,917	6,594	4,952
Income Before Operating Transfers	444,043	106,394	(2,256)	548,181
Operating Transfers				
Operating transfers out	(11,115)	(11,115)		(22,230)
Net Operating Transfers	(11,115)	(11,115)		(22,230)
Net Income (Loss)	432,928	95,279	(2,256)	525,951
Net Assets, July 1, 2009	1,890,940	1,151,359	577,746	3,620,045
Prior period adjustments	625,708	(37,892)		587,816
Net Assets, June 30, 2010	\$ 2,949,576	\$ 1,208,746	\$ 575,490	\$ 4,733,812

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, 2010**

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,162,323	\$ 750,652	\$ 93,540	\$ 2,006,515
Cash payments to suppliers	(106,125)	52,584	(89,220)	(142,761)
Cash payments to employees	(492,529)	(488,693)	(27,891)	(1,009,113)
Net Cash Provided By (Used For) Operating Activities	<u>563,669</u>	<u>314,543</u>	<u>(23,571)</u>	<u>854,641</u>
Cash Flows from Non-Capital Financing Activities				
Operating transfers out	(11,115)	(11,115)		(22,230)
Net Cash Used For Non-Capital Financing Activities	<u>(11,115)</u>	<u>(11,115)</u>		<u>(22,230)</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(738,821)	(357,993)		(1,096,814)
Reductions of debt	(27,193)			(27,193)
Reductions in advance from other funds			(4,197)	(4,197)
Insurance reimbursement			5,421	5,421
Interest expense	(14,999)			(14,999)
Net Cash Used For Capital and Related Financing Activities	<u>(781,013)</u>	<u>(357,993)</u>	<u>1,224</u>	<u>(1,137,782)</u>
Cash Flows from Investing Activities:				
Interest income	12,568	5,051	1,629	19,248
Net Cash Provided By Investing Activities	<u>12,568</u>	<u>5,051</u>	<u>1,629</u>	<u>19,248</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(215,891)</u>	<u>(49,514)</u>	<u>(20,718)</u>	<u>(286,123)</u>
Cash and Cash Equivalents, July 1, 2009	<u>1,402,649</u>	<u>549,410</u>	<u>199,344</u>	<u>2,151,403</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 1,186,758</u>	<u>\$ 499,896</u>	<u>\$ 178,626</u>	<u>\$ 1,865,280</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,163,815	\$ 499,896	\$ 152,235	\$ 1,815,946
Restricted cash and investments			26,391	26,391
Total Cash and Cash Equivalents	<u>\$ 1,163,815</u>	<u>\$ 499,896</u>	<u>\$ 178,626</u>	<u>\$ 1,842,337</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities				
Adjustments to operating income:				
Depreciation	66,675	61,546	18,137	146,358
(Increase) decrease in accounts receivable	(2,073)	(355)	(257)	(2,685)
Increase (decrease) in accounts payable	45,638	148,905	(33,514)	161,029
Increase (decrease) in customer deposits	3,196	2,057	913	6,166
Increase (decrease) in compensated absences	631	(87)		544
Net Cash Provided By (Used For) Operating Activities	<u>\$ 563,669</u>	<u>\$ 314,543</u>	<u>\$ (23,571)</u>	<u>\$ 854,641</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, 2010

	Agency Funds		Totals
	Bond & Trust	Canine Donations	
<u>Assets</u>			
Cash and investments	\$ (1,613)	\$ 20,380	\$ 18,767
Total Assets	<u>\$ (1,613)</u>	<u>\$ 20,380</u>	<u>\$ 18,767</u>
<u>Liabilities</u>			
Due to others	\$ (1,586)	\$ 20,380	\$ 18,794
Due to other fund	(27)		(27)
Total Liabilities	<u>\$ (1,613)</u>	<u>\$ 20,380</u>	<u>\$ 18,767</u>

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

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

The Redevelopment Agency plan was formally adopted on June 10, 1985, to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. The City Council members serve as the Governing Board of the Redevelopment Agency and all accounting and administrative functions are performed by the City, which records all activity of the Redevelopment Agency in the special revenue funds of the City. Financial statements for the Redevelopment Agency may be obtained from the City's finance department. The Redevelopment Agency is considered inactive as there is only an administrative function. There are no active project areas and the Redevelopment Agency does not receive a tax increment.

B. Basis of Accounting

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

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

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies

B. Basis of Accounting (Continued)

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

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

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

C. Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

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

The City reports the following major enterprise funds.

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

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

The City also reports the following Fiduciary Fund type:

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

D. Use of Estimates

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

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

E. Cash Equivalents

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

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

F. Fixed Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available, are reported in governmental activities column of the government-wide financial statements. Contributed fixed assets are valued at their estimated fair market value. Capital assets include land, buildings and building improvements and equipment. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500.

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

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

G. Property Tax

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

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

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

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

H. Balance Sheet Classifications

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

I. Proprietary Fund Accounting

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

J. Contributed Capital

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

K. Fund Equity

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

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

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

L. Deferred Revenues

The City recorded deferred revenue by expending grant monies for capital projects and not receiving reimbursement within sixty days after fiscal year end (unavailable.) The amount of the deferred revenue was \$3,532,952, which is recorded in the fund financial statement. Of that amount \$3,142,724 was an advance for projects and therefore is also presented as deferred revenue in the government-wide financial statements. The City also recorded \$2,219,000 deferred revenue for the workforce housing loan that will not be repaid until future years. \$390,228 of the fund financial statement deferred revenue is recognized as revenue in the statement of net assets under the required full accrual method of accounting.

M. Compensated Absences

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

Governmental Funds – Governmental Funds record expenditures for compensated absences as they are taken by employees. A year–end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2010, 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, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

N. Intergovernmental Revenues

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

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

O. Bond Issuance Costs and Original Issue Discounts and Premiums

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

P. Reclassifications

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

Note 2: Cash and Investments

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

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

Cash and investments at June 30, 2010, consisted of the following:

Primary Government	\$ 5,858,165
Agency Funds	18,767
Total Cash and Investments	<u>\$ 5,876,932</u>

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the City of Bishop by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address **interest rate risk, credit risk and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City investment policy.

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 2: Cash and Investments (Continued)

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

B. Disclosures Relating to Interest Rate Risk

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

<u>Investment type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
State Investment Pool*	\$ 5,273,982	\$ 5,273,982	\$ -	\$ -	\$ -
Totals	\$ 5,273,982	\$ 5,273,982	\$ -	\$ -	\$ -

* Not subject to categorization

C. Concentrations of Credit Risk

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

D. Custodial Credit Risk

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

At June 30, 2010, the City's deposits balance was \$539,129 and the carrying amount was \$188,858. 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 and/or by collateral held in the pledging bank's trust department in the City's name.

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 2: Cash and Investments (Continued)

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$69.39 billion. Of the \$69.39 billion managed by the State Treasurer, 100.00% is invested in non-derivative financial products and 5.42% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

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

Note 3: Loan and Note Receivable

The City adopted an employee computer purchase program, whereby the City purchases computers on behalf of participating employees and these loans are paid back over time through employee payroll deductions. The loans are accounted for in the general fund. The balance at June 30, 2010 was \$1,378.

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, 2010 the City had loaned \$2,219,900. The term of the note commenced on September 1, 2006 and will expire on the date that is fifty-five years after issuance of the date of completion, but no longer than fifty-eight years from the date of commencement. The source of the funding for the loan was a grant to the City from the State of California, Housing and Community Development, Home Funds program.

Note 4: Liability, Insured Programs and Workers Compensation Protection

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

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

B. Self-Insurance Programs Authority

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

City of Bishop
Notes to Financial Statements
June 30, 2010

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

C. Purchased Insurance

Environmental Insurance The City of Bishop participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is for a 3-year period from July 1, 2008 through July 1, 2011. 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, 2010**

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities	Balance 7/1/2009	Additions	Reductions	Adjustments	Balance 6/30/2010
Capital assets, not being depreciated:					
Land	\$ 341,105	\$ -	\$ -	\$ -	\$ 341,105
Construction in progress	1,695,841	912,415	1,798,022		810,234
Capital assets, being depreciated:					
Buildings and improvements	4,626,398				4,626,398
Site improvements	606,747	25,312			632,059
Equipment	3,398,176	131,390	61,335		3,468,231
Infrastructure	3,938,278	1,757,389			5,695,667
Total capital assets, being depreciated	12,569,599	1,914,091	61,335		14,422,355
Less accumulated depreciation for:					
Buildings and improvements	(3,474,006)	(96,161)		(4,629)	(3,574,796)
Site improvements	(315,928)	(41,610)		20,496	(337,042)
Equipment	(2,436,068)	(248,931)	61,335	28,740	(2,594,924)
Infrastructure	(336,908)	(160,392)		(266)	(497,566)
Total accumulated depreciation	(6,562,910)	(547,094)	61,335	44,341	(7,004,328)
Total capital assets, being depreciated	6,006,689	1,366,997	122,670	44,341	7,418,027
Governmental activities capital assets, net	<u>\$ 8,043,635</u>	<u>\$ 2,279,412</u>	<u>\$ 122,670</u>	<u>\$ 44,341</u>	<u>\$ 8,569,366</u>
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 481,066	\$ -	\$ -	\$ -	\$ 481,066
Constuction in progress	219,529	519,131		(200,086)	538,574
Capital assets, being depreciated:					
Buildings and improvements	674,809				674,809
Equipment	829,710	48,512	(2,670)	(42,624)	832,928
Infrastructure	834,830	544,406	(37,892)	6,957,761	8,299,105
Total capital assets, being depreciated	2,339,349	592,918	(40,562)	6,915,137	9,806,842
Less accumulated depreciation for:					
Buildings and improvements	(506,009)	(21,471)		(19,843)	(547,323)
Equipment	(438,171)	(70,272)	2,670	67,615	(438,158)
Infrastructure	(49,667)	(54,615)		(6,129,406)	(6,233,688)
Total accumulated depreciation	(993,847)	(146,358)	2,670	(6,081,634)	(7,219,169)
Total capital assets, being depreciated	1,345,502	446,560	(37,892)	833,503	2,587,673

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 5: Capital Assets (Continued)

Depreciation

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

Governmental activities:	
General government	\$ 47,057
Public safety	214,687
Public ways & facilities	200,270
Community development	85,080
Total	<u>\$ 547,094</u>
Business-type activities:	
Water	\$ 66,675
Sewer	61,546
Sunrise mobile home park	18,137
Total	<u>\$ 146,358</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, 2010:

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Due w/in One Year
Capital Leases Payable	\$ 552,332	\$ -	\$ (169,551)	\$ 382,781	\$ 178,651
Compensated Absences	295,565	283,154	(307,030)	271,689	153,516
Total	<u>\$ 847,897</u>	<u>\$ 283,154</u>	<u>\$ (476,581)</u>	<u>\$ 654,470</u>	<u>\$ 332,167</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, 2010

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, 2010:

Fiscal Year Ending June 30	Amount
2011	57,417
2012	57,417
2013	57,417
2014	57,417
2015	57,420
Total Minimum Lease Payments	287,088
Less: Amount Representing Interest	(37,845)
Present Value of Net Minimum Lease Payments	\$ 249,243

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

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

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30	Amount
2011	\$ 138,938
Total Minimum Lease Payments	138,938
Less: Amount Representing Interest	(5,401)
Present Value of Net Minimum Lease Payments	\$ 133,537

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 7: Long-term Debt (Continued)

Business-Type Activities:

Note Payable

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

The annual requirements to amortize the California Safe Drinking Water Note Payable as of June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 28,075	\$ 14,116	\$ 42,191
2012	28,960	13,231	42,191
2013	29,953	12,239	42,192
2014	30,899	11,292	42,191
2015	31,903	10,289	42,192
2016-2020	175,725	35,232	210,957
2021-2023	119,742	6,834	210,956
Total	\$ 445,257	\$ 103,233	\$ 632,870

Note 8: Defined Benefit Pension Plan

CalPERS

A. Plan Description

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

B. Funding Policy

Active miscellaneous plan members in the City's defined pension plan are required to contribute 7% of their annual covered salary. Active safety plan members in the City's defined pension plan are required to contribute 9% of their annual covered salary. The city is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS' Board of Administration. The required employer contribution rate for fiscal 2009/10 was 17.766% for miscellaneous members and 26.082% for safety members. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 8: Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2009/10, the City's annual pension cost was \$804,119 and the City actually contributed \$804,119. The City contributes both the employee and employer portion. The required contribution for fiscal year 2009/10 was determined as part of the June 30, 2007, actuarial valuation using entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous and safety members and (c) .25% salary adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period (smoothed market value). The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was 16 years for miscellaneous members and 16 years for safety members as of the valuation date.

Three – Year Trend Information for the City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	\$ 841,113	100%	\$ -
06/30/09	\$ 862,364	100%	\$ -
06/30/10	\$ 804,119	100%	\$ -

PARS

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

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

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

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

For year ending June 30, 2010, the City's annual required contribution was \$368,002 and the City actually contributed \$368,002. The required contribution was based on June 30, 2008 actuarial valuation using the entry age normal (level of percentage of pay) actuarial cost method. The actuarial assumptions included a) 5.5% interest rate (net of administrative expenses), b) the CalPERS 1997-2002 Experience Study table for Males and Females, c) projected annual payroll increases of 3.25% a year plus merit increases, and d) cost of living adjustment of 2% per year after retirement. Both a) and c) include an inflation component of 3.00%. The unfunded actuarial accrued liability is being amortized as a level percent of pay. The amortization periods are 1) 20 years for initial unfunded

**City of Bishop
Notes to Financial Statements
June 30, 2010**

Note 8: Defined Benefit Pension Plan (Continued)

PARS (Continued)

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

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	\$ 350,908	100%	\$ -
06/30/09	\$ 376,668	100%	\$ -
06/30/10	\$ 368,002	100%	\$ -

Note 9: 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 100% of the health benefit for the employee premium plus up to 100% of the additional premium required for enrollment in a selected family plan up to and including the least expensive plan offered by PERS. Council members leaving the City, after two full terms or seven and one half years whichever is less, who have reached the age of 62 years of age, will be eligible for payment in full during his/her lifetime, of the monthly premium cost for the member and dependents up to a maximum of the least expensive plan offered by PERS which is available to the City employees and subject to requirements placed upon participants by such plans relating to offsetting cost contributions from Medicare, etc. A contribution of \$50 per month will be paid by the member and \$100 per month if dependent coverage is added to the health plan. City Council pay \$0 for single coverage and \$40 per month if dependent coverage is added. The total City expense, on the pay as you go basis for postretirement health benefits in the 2009/2010 fiscal year was \$319,124. As of June 30, 2010, forty two retired employees are receiving postretirement health benefits. On July 13, 2009 the City approved funding the post retirement health benefit liability over a 30 year amortization period.

Plan Description. The City's Post-Retirement Healthcare Plan is a multiple 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 100% of the least expensive PERS 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.

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 9: Post Retirement Health Care Benefits (Continued)

Funding Policy. The contribution requirement of plan members is established by the City's Board of Directors. The 2009-2010 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, 2010 the City contributed \$308,950 towards the unfunded actuarial accrued liability (UAAL). The City chose the California Employers Retiree Benefit Trust (CERBT) as the trustee for the plan. The City also made the net contribution for fiscal year end June 30, 2010 directly to health insurance providers totaling \$319,124 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 (UAAL)	\$ (308,950)
Unreimbursed retiree premium payments made to plan provider	(319,124)
November and December premium credit from CalPERS	<u>(63,146)</u>
Increase/(decrease) in net OPEB obligation (asset)	(691,220)
Net OPEB obligation—beginning of year	-
Annual Required Contribution (ARC) 2009/10	<u>727,000</u>
Net OPEB obligation (asset)—end of year	<u>\$ 35,780</u>

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 not necessary as fiscal year 2009-2010 is the City's year of implementation for GASB Statement 45.

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$7,336,000. As of June 30, 2010, the City's annual required contribution was unfunded by \$35,780. 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. The schedule of funding progress will be presented in the future when multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits is available.

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, 2008, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of 7.75% which is consistent with CalPERS' expectations of investment return for the CERBT. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The annual healthcare premiums will increase between 9% and 10.1% from 2011 to 2016 and then increase 4.5% 2017 forward. Payroll is assumed to increase 3.25 annually.

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 10: Interfund Transactions

Operating transfers are transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. Interfund transfers are generally recorded as operating transfers in and operating transfers out in the same accounting period.

Receivables and Payables:

Balances representing lending/borrowing transactions between funds outstanding at the fiscal year end are reported as either "due from/due to other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Interfund transactions for the fiscal year ended June 30, 2010 are summarized as follows:

Fund Type	Advances To Other Funds	Advances From Other Funds	Due To Other Funds	Due From Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ 9,208	\$ -	\$ -	\$ 124,652	\$ -	\$ 182,313
Special Revenue	-	-	-	-	1,238	52,796
Debt Service	-	-	-	-	196,356	-
Capital Projects	-	-	124,652	-	59,745	-
Enterprise	-	9,208	-	-	-	22,230
Total	\$ 9,208	\$ 9,208	\$ 124,652	\$ 124,652	\$ 257,339	\$ 257,339

Note 11: Stewardship, Compliance and Accountability

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

Note 12: Revenue Limitations Imposed by California Proposition 218

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

Note 13: Prior Period Adjustments

A prior period adjustment was made increasing fund equity \$12,821 in the South 2nd Street Fund and reducing funding equity \$12,821 in the Bus Stop Fund to correct a coding error in posting an expense. A prior period adjustment was made reducing beginning fund equity \$9,641 in the Bus Stop Fund to recognize an accounts payable that should have been accrued at June 30, 2009. A prior period adjustment was made increasing beginning net assets \$625,708 to record additional infrastructure assets net of accumulated depreciation in the Water Fund. A prior period adjustment was made reducing beginning net assets \$37,892 in the Sewer Fund to delete connection study costs related to a proposed intertie with Eastern Sierra Community Services District that was coded to construction in progress in the prior year.

City of Bishop
Notes to Financial Statements
June 30, 2010

Note 14: Prop 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special district's (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$109,189.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

Note 15: Economic Dependency

The City's general fund revenue relies heavily on tourism, which provides transient occupancy taxes and sales taxes. During the 2009-2010 fiscal year the City collected \$1,658,623 in transient occupancy tax which accounted for 32% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Total sales taxes represent 33% of general fund revenue for the 2009-2010 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 would result in a substantial reduction in general fund revenues and the City may not have sufficient resources to pay all of its general fund obligations.

Note 16: Commitments and Contingencies

Grants

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

CITY OF BISHOP
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured	\$ 350,000	\$ 350,000	\$ 370,831	\$ 20,831
Property - unsecured	100,000	100,000	107,399	7,399
Prior year and other	20,000	20,000	14,657	(5,343)
Homeowners	3,000	3,000	3,132	132
Sales (including triple flip)	2,350,000	2,350,000	1,696,858	(653,142)
DWP water agreement	180,000	180,000	173,534	(6,466)
Transient occupancy	2,100,000	2,100,000	1,658,623	(441,377)
Sales tax - public safety	13,000	13,000	13,920	920
Real property transfer	6,500	6,500	5,053	(1,447)
Total Taxes	5,122,500	5,122,500	4,044,007	(1,078,493)
Licenses and Permits				
Business licenses	50,000	50,000	50,043	43
Use permits	1,850	1,750	3,925	2,175
Building permits	30,000	30,100	12,183	(17,917)
Grading permits				
Electrical permits	5,000	5,000	3,129	(1,871)
Plumbing permits	3,000	3,000	3,648	648
Electrical franchise	38,000	38,000	33,768	(4,232)
TV franchise	12,000	12,000	12,780	780
Total Licenses and Permits	139,850	139,850	119,476	(20,374)
Intergovernmental				
Motor vehicle in lieu (includes VLF swap)	272,000	272,000	296,972	24,972
Off-highway motor vehicle fees	100	100		(100)
Prop 1B				
Reimbursement - highway sweeping	20,000	20,000	16,667	(3,333)
Reimbursement - fire district	113,790	113,790	114,243	453
Reimbursements - miscellaneous				
Loan retirement	4,200	4,200		(4,200)
Peace officers training	17,000	17,000	14,823	(2,177)
Court restitutions	1,000	1,000	179	(821)
Dispatch contracts	6,000	6,000	6,000	
Grants	146,369	146,369	109,625	(36,744)
Total Intergovernmental	580,459	580,459	558,509	(21,950)
Fines, Forfeitures and Penalties				
Parking citations	32,600	32,600	34,212	1,612
Forfeited construction deposits			1,520	1,520
Total Fines, Forfeitures and Penalties	32,600	32,600	35,732	3,132
Charges for Current Services				
Plan checking	15,000	15,000	5,183	(9,817)
Parks and recreation	78,950	75,950	73,269	(2,681)
Total Charges for Current Services	93,950	90,950	78,452	(12,498)
Use of Money and Property				
Interest and investment income	130,000	130,000	24,922	(105,078)
Rent	80,000	82,500	111,838	29,338
Total Use of Money and Property	210,000	212,500	136,760	(75,740)
Other				
Insurance refunds and dividends	10,000	10,000	43,713	33,713
Miscellaneous - all others	91,200	91,700	108,634	16,934
Total Other	101,200	101,700	152,347	50,647
Total Revenues	\$ 6,280,559	\$ 6,280,559	\$ 5,125,283	\$ (1,155,276)

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 6,280,559	\$ 6,280,559	\$ 5,125,283	\$ (1,155,276)
Expenditures				
General Government				
City council	160,800	164,013	154,877	9,136
Administration - clerk	331,900	336,053	328,502	7,551
Finance	185,500	200,770	155,181	45,589
City treasurer	3,225	2,716	1,956	760
City attorney	72,266	100,921	100,551	370
Insurance	367,900	368,409	357,150	11,259
Elections	500	500	69	431
Total General Government	1,122,091	1,173,382	1,098,286	75,096
Public Ways and Facilities/Transportation				
Building and grounds	208,000	207,500	175,532	31,968
Building	116,850	116,850	105,391	11,459
Planning	276,263	260,993	232,552	28,441
Street maintenance	284,205	284,205	155,119	129,086
Street sweeping	100,550	103,050	70,701	32,349
Street lighting	25,000	36,400	35,389	1,011
Total Public Ways and Facilities/Transportation	1,010,868	1,008,998	774,684	234,314
Public Safety				
Police	3,451,500	3,455,700	3,105,052	350,648
Fire	360,090	366,230	345,624	20,606
Emergency preparedness	4,500	4,500	2,309	2,191
Total Public Safety	3,816,090	3,826,430	3,452,985	373,445
Community Development				
Parks and recreation	445,900	423,352	375,171	48,181
Community promotion	187,370	187,370	188,120	(750)
Civic arts commission	22,500	22,500	22,500	
Total Community Development	655,770	633,222	585,791	47,431
Capital Outlay				
Structures and improvements	210,500	236,249	45,412	190,837
Equipment	66,418	104,630	85,738	18,892
Total Capital Outlay	276,918	340,879	131,150	209,729
Total Expenditures	6,881,737	6,982,911	6,042,896	940,015
Excess (Deficit) of Revenues Over Expenditures	(601,178)	(702,352)	(917,613)	(215,261)
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out	(65,200)	(65,200)	(182,313)	(117,113)
Total Other Financing Sources (Uses)	(65,200)	(65,200)	(182,313)	(117,113)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (666,378)	\$ (767,552)	(1,099,926)	\$ (332,374)
Fund Balance, July 1, 2009			4,328,323	
Fund Balance, June 30, 2010			\$ 3,228,397	

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

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Special Revenue Fund - Measure A
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Measure A				
Taxes	\$ 550,000	\$ 550,000	\$ 551,872	\$ 1,872
Intergovernmental			-	-
Total Revenues	550,000	550,000	551,872	1,872
EXPENDITURES				
General Government				
Measure A	364,868	377,170	370,183	6,987
Capital outlay			6,500	(6,500)
Total Expenditures	364,868	377,170	376,683	487
Excess (Deficit) of Revenues over Expenditures	185,132	172,830	175,189	2,359
Other Financing Sources (Uses)				
Operating transfers out	(52,800)	(52,800)	(52,796)	4
Total Other Financing Sources (Uses)	(52,800)	(52,800)	(52,796)	4
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ 132,332	\$ 120,030	122,393	\$ 2,363
Fund Balances, July 1, 2009			271,637	
Fund Balances, June 30, 2010			\$ 394,030	

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

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Capital Projects Fund - Hanby Pavement Project
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Grants	\$ -	\$ -	\$ 40,978	\$ 40,978
Total Revenues			40,978	40,978
EXPENDITURES				
Capital outlay	340,300	342,035	367,867	(25,832)
Total Expenditures	340,300	342,035	367,867	(25,832)
Excess (Deficit) of Revenues over Expenditures	\$ (340,300)	\$ (342,035)	326,889	\$ 66,810
Fund Balances, July 1, 2009				
Fund Balances, June 30, 2010			\$ (326,888)	

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

CITY OF BISHOP
Required Supplementary Information

Budgetary Comparison Schedule
Capital Projects Fund - Hwy 6 & Wye Road
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental Grants	\$ 200,200	\$ 200,200	\$ 18,979	\$ (181,221)
Total Revenues	<u>200,200</u>	<u>200,200</u>	<u>18,979</u>	<u>(181,221)</u>
EXPENDITURES				
Capital outlay	<u>200,200</u>	<u>200,200</u>	<u>18,979</u>	<u>181,221</u>
Total Expenditures	<u>200,200</u>	<u>200,200</u>	<u>18,979</u>	<u>181,221</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (362,442)</u>
Fund Balances, July 1, 2009			-	
Prior period adjustment			<u>-</u>	
Fund Balances, June 30, 2010			<u>\$ -</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, 2010

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, 2010

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 150,671	\$ 55,358	\$ 206,029
Receivables			
Due from other governments	<u>26,192</u>	<u>70,124</u>	<u>96,316</u>
Total Assets	<u>\$ 176,863</u>	<u>\$ 125,482</u>	<u>\$ 302,345</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 121	\$ 11,508	\$ 11,629
Due to other funds		98,089	98,089
Deferred revenue		<u>114,240</u>	<u>114,240</u>
Total Liabilities	<u>121</u>	<u>223,837</u>	<u>223,958</u>
Fund Balances			
Unreserved - undesignated	<u>176,742</u>	<u>(98,355)</u>	<u>78,387</u>
Total Fund Balance	<u>176,742</u>	<u>(98,355)</u>	<u>78,387</u>
Total Liabilities and Fund Balances	<u>\$ 176,863</u>	<u>\$ 125,482</u>	<u>\$ 302,345</u>

CITY OF BISHOP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
Revenues			
Intergovernmental	\$ 202,633	\$ 841,593	\$ 1,044,226
Fines, forfeitures and penalties	6,037		6,037
Total Revenues	<u>208,670</u>	<u>841,593</u>	<u>1,050,263</u>
Expenditures			
Current:			
General government	1,238		1,238
Public ways and facilities/ transportation	82,892	16,288	99,180
Public safety	59,261		59,261
Capital outlay	3,653	513,225	516,878
Total Expenditures	<u>147,044</u>	<u>529,513</u>	<u>676,557</u>
Excess (Deficit) of Revenues Over Expenditures	<u>61,626</u>	<u>312,080</u>	<u>373,706</u>
Other Financing Sources (Uses)			
Operating transfers in	1,238	59,745	60,983
Operating transfers out		-	-
Total Other Financing Sources (Uses)	<u>1,238</u>	<u>59,745</u>	<u>60,983</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	62,864	371,825	434,689
Fund Balances, July 1, 2009	113,878	(460,539)	(346,661)
Prior period adjustments		(9,641)	(9,641)
Fund Balances, June 30, 2010	<u>\$ 176,742</u>	<u>\$ (98,355)</u>	<u>\$ 78,387</u>

CITY OF BISHOP

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2010

	Redevelop- ment	Gas Tax	Traffic Safety	Public Safety	Totals
<u>Assets</u>					
Cash and investments	\$ -	\$ 66,390	\$ 3,524	\$ 80,757	\$ 150,671
Restricted cash and investments					
Receivables					
Due from other governments		15,478	85	10,629	26,192
Total Assets		81,868	3,609	91,386	176,863
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable		121			121
Total Liabilities		121			121
Fund Balances					
Unreserved - undesignated		81,747	3,609	91,386	176,742
Total Fund Balance		81,747	3,609	91,386	176,742
Total Liabilities and Fund Balances	\$ -	\$ 81,868	\$ 3,609	\$ 91,386	\$ 176,863

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2010

	Redevelop- ment	Gas Tax	Traffic Safety	Public Safety	Totals
Revenues					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental		101,511		101,122	202,633
Fines, forfeitures and penalties			6,037		6,037
Use of money and property					
Other					
Total Revenues		<u>101,511</u>	<u>6,037</u>	<u>101,122</u>	<u>208,670</u>
Expenditures					
Current:					
General government	1,238				1,238
Public ways and facilities/ transportation		82,892			82,892
Public safety			2,684	56,577	59,261
Capital outlay				3,653	3,653
Total Expenditures	<u>1,238</u>	<u>82,892</u>	<u>2,684</u>	<u>60,230</u>	<u>147,044</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,238)</u>	<u>18,619</u>	<u>3,353</u>	<u>40,892</u>	<u>61,626</u>
Other Financing Sources (Uses)					
Operating transfers in	1,238				1,238
Operating transfers out					
Total Other Financing Sources (Uses)	<u>1,238</u>				<u>1,238</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses		<u>18,619</u>	<u>3,353</u>	<u>40,892</u>	<u>62,864</u>
Fund Balances, July 1, 2009		<u>63,128</u>	<u>256</u>	<u>50,494</u>	<u>113,878</u>
Fund Balances, June 30, 2010	<u>\$ -</u>	<u>\$ 81,747</u>	<u>\$ 3,609</u>	<u>\$ 91,386</u>	<u>\$ 176,742</u>

CITY OF BISHOP

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2010

	Fed Grant Mac Iver Extension	MacIver Street	Road Project A	Snedden Improvements	South 2nd Improvements	Pine Improvements	Bus Pullouts	Grove Street Sidewalk	Environmental Constraints	East Line St to Bridge	East Jay St Extension	Wye Rd Extension	SEIBU School Bike Path	Pine to Park	Totals
Assets															
Cash and investments Due from other governments	\$ 43,310	\$ -	\$ 5,817	\$ -	\$ -	\$ -	\$ -	\$ 11,242	\$ -	\$ 202	\$ 302	\$ 302	\$ -	\$ 18,000	\$ 55,358
				21,536		15,505			3,500				5,766		70,124
Total Assets	\$ 43,310	\$ -	\$ 5,817	\$ 21,536	\$ -	\$ 15,505	\$ -	\$ 11,242	\$ 3,500	\$ 202	\$ 302	\$ 302	\$ 5,766	\$ 18,000	\$ 125,482
Liabilities and Fund Balances															
Liabilities															
Accounts payable	\$ -	\$ -	\$ 203	\$ -	\$ -	\$ -	\$ -	\$ 11,242	\$ 63	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,508
Deferred revenue	43,310	5,817	10,426	21,536	-	15,505	-	-	3,500	202	302	302	5,766	18,000	114,240
Due to other funds				22,536	11,359	26,438	-	-	3,563				5,767	18,000	98,089
Total Liabilities	43,310	5,817	16,446	44,072	11,359	41,943	-	11,242	7,126	202	302	302	11,533	36,000	223,837
Fund Balances															
Unreserved - designated		(10,629)		(22,536)	(11,359)	(26,438)			(3,626)				(5,767)	(18,000)	(98,355)
Total Liabilities and Fund Balances	\$ 43,310	\$ -	\$ 5,817	\$ 21,536	\$ -	\$ 15,505	\$ -	\$ 11,242	\$ 3,500	\$ 202	\$ 302	\$ 302	\$ 5,766	\$ 18,000	\$ 125,482

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2010

	Fed Grant Maciver Extension	Fed Grant Maciver Street	Road Project A	Snedden Improvements	South 2nd Improvements	W. Pine Improvements	Bus Pullouts	Grove Street Sidewalk	Environmental Constraints	East Line St to Bridge	East Jay St Extension	Wye Rd Extension	SEIBU School Bike Path	Pine to Park	Totals	
Revenues																
Intergovernmental Contributions	\$ 6,911	\$ -	\$ 28,040	\$ -	\$ 107,332	\$ -	\$ 12,000	\$ 630,604	\$ 24,287	\$ 135	\$ 203	\$ 203	\$ 31,878	\$ -	\$ 841,593	
Use of money and property																
Total Revenues	6,911		28,040		107,332		12,000	630,604	24,287	135	203	203	31,878		841,593	
Expenditures																
Current																
Public ways and facilities/ Transportation																
Capital outlay	6,891	-	1,349	1,636	11,719	951	284	468,267	16,288	135	203	203	12,847	8,740	16,288	513,225
Total Expenditures	6,891		1,349	1,636	11,719	951	284	468,267	16,288	135	203	203	12,847	8,740	529,513	
Excess (Deficit) of Revenues Over Expenditures	20		26,691	(1,636)	95,613	(951)	11,716	162,337	7,999	-	-	-	19,031	(8,740)	312,080	
Other Financing Sources (Uses)																
Operating transfers in					10,930		15,730	20,908	8,687					3,490	59,745	
Operating transfers out																
Total Other Financing Sources (Uses)					10,930		15,730	20,908	8,687					3,490	59,745	
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	20		26,691	(1,636)	106,543	(951)	27,446	183,245	16,686	-	-	-	19,031	(5,250)	371,825	
Fund Balances, July 1, 2009	(20)		(37,320)	(20,900)	(130,723)	(25,487)	(4,984)	(183,245)	(20,312)				(24,798)	(12,750)	(460,539)	
Prior period adjustments					12,821		(22,462)								(9,641)	
Fund Balances, June 30, 2010	\$ -	\$ -	\$ (10,629)	\$ (22,536)	\$ (11,359)	\$ (26,438)	\$ -	\$ -	\$ (3,626)	\$ -	\$ -	\$ -	\$ (5,767)	\$ (18,000)	\$ (98,355)	

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

To the City Council
City of Bishop, California

We have audited the Financial Statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bishop, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City of Bishop's basic financial statements and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

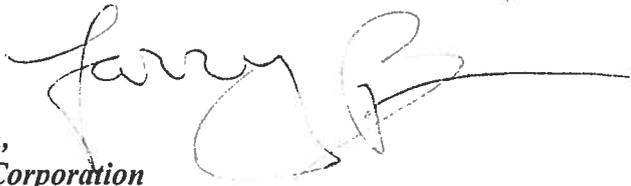
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting presented as 09-1, 09-2, 09-3, 09-4, 09-5, and 09-6 in the schedule of findings following this report that we consider to be material weaknesses. We also identified certain deficiencies in internal control over financial reporting, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "Larry Bain", with a long horizontal flourish extending to the right.

Larry Bain, CPA,
An Accounting Corporation
January 14, 2011

**City of Bishop
Follow up on Prior Year
Schedule of Findings
Year Ended June 30, 2009**

INTERNAL CONTROL FINDINGS

Deemed to be Significant Deficiencies and Material Weaknesses

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

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

Current Year Follow Up: During the current year audit the City advised us that the sales tax receivable had not been recorded and provided us with the information to record when the City received the revenue.

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

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

Current Year Follow Up: During the current year the City updated their utility billing software which is able to produce more accurate reporting on the receivable balances by fund. We posted immaterial entries to agree the general ledger to the audited receivable balances from the new software.

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

Recommendation: We recommend the City review the policy for capital outlay and only record activity to this account that meets the definition of capital outlay. The City should also reconcile the capital asset additions to the general ledger and prepare the fixed asset depreciation schedule, including current year additions/deletions, as part of year end procedures and prior to the audit. Furthermore the City should calculate the force labor expenses that are reimbursed with grant funds and transfer those reimbursements to the funds that incurred the force labor costs.

Current Year Follow Up: The City retained the auditor, as part of an agreed upon procedure engagement, to assist with technical advice regarding capital assets. The procedures were performed in accordance with AICPA standards for providing audit clients with technical advice.

**City of Bishop
Follow up on Prior Year
Schedule of Findings (Continued)
Year Ended June 30, 2009**

Prior Year Deemed to be Significant Deficiencies and Material Weaknesses (Continued)

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

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

Current Year Follow Up: During the current year we discovered an additional \$173,471 accounts payable as part of our audit procedures.

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

Prior Year FS 09-5: During our audit we proposed many adjustments to record grant receivables/deferred revenue for expenditures incurred during the 2008-2009 fiscal year that had not been reimbursed with grant funding as of the date of the audit. We also reclassified negative cash in capital project funds as due to/due from the general fund.

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

Current Year Follow Up: The City retained the auditor, as part of an agreed upon procedure engagement, to assist with technical advice regarding grant receivables/deferred revenue and reclassifying negative cash to due to due from. The procedures were performed in accordance with AICPA standards for providing audit clients with technical advice.

Prior Year FS 09-6: During the 2007/2008 fiscal year audit we proposed the City reclassify \$35,120 from revenue to deferred revenue because of \$40,000 in grant reimbursements \$35,120 did not have supporting documentation for the MacIver street extension, federal grant. We have noted this finding in prior audits.

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

Current Year Follow Up: No change.

City Response: Other allowable expenditures will be applied to the grant in the 2010/11 fiscal year.