

**CITY OF BISHOP**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

# CITY OF BISHOP

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

**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Bishop, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bishop, California, as of and for the year ended June 30, 2011, 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, 2011, 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 November 30, 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  
November 30, 2011**

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis**  
**June 30, 2011**

(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, 2011. This information is presented in conjunction with the audited basic financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2011**

- The assets of the City exceeded liabilities at the close of the 2010-2011 fiscal year by \$17,525,685 (net assets). Of this amount, \$4,842,998 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$12,663,509 is invested in capital assets - net of related debt.
- As of June 30, 2011 the City's governmental funds reported combined fund balances of \$3,360,902 approximately 92% of the combined fund balances, \$3,106,843 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 \$2,754,800 or 49% of total general fund expenditures.
- The City's general long-term debt decreased by \$206,805. The net decrease resulted from payments of governmental and business-type debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**REQUIRED FINANCIAL STATEMENTS**

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

The *Statements of Net 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, 2011**

**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, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**NET ASSETS**

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

	Condensed Statement of Net Assets					
	June 30, 2011			June 30, 2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 7,103,409	\$ 1,622,608	\$ 8,726,017	\$ 7,276,123	\$ 1,873,868	\$ 9,149,991
Capital Assets	8,916,575	4,364,264	13,280,839	8,569,366	3,607,313	12,176,679
Total Assets	16,019,984	5,986,872	22,006,856	15,845,489	5,481,181	21,326,670
Liabilities						
Current/non current	3,875,314	605,857	4,481,171	4,178,101	747,369	4,925,470
Net Asset:						
Invested in capital assets, net	8,721,438	3,942,071	12,663,509	8,166,337	3,598,105	11,764,442
Net assets restricted		19,178	19,178		18,996	18,996
Unrestricted net assets	3,423,232	1,419,766	4,842,998	3,501,051	1,116,711	4,617,762
Total Net Assets	\$ 12,144,670	\$ 5,381,015	\$ 17,525,685	\$ 11,667,388	\$ 4,733,812	\$16,401,200

As the above table indicates, total assets increased \$680,186 from \$21,326,670 to \$22,006,856 during the fiscal year ended June 30, 2011. This is comprised of an increase of \$ 1,104,160 in capital assets mostly funded by grant revenues and a decrease in current and other assets totaling \$423,974.

Total liabilities decreased \$444,299 from \$4,925,470 to \$4,481,171. This represents a decrease of \$177,216 in long-term obligations (including compensated absences), an increase of \$536 in customer deposits, a decrease of \$ 30,190 in deferred revenue and a decrease of \$237,429 in current liabilities.

Net assets increased by \$1,124,485 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, 2011**

**Statement of Activities**

	Condensed Statement of Activities					
	Fiscal Year Ended June 30, 2011			Fiscal Year Ended June 30, 2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues:						
Charges for services	\$ 646,893	\$ 2,218,712	\$ 2,865,605	\$ 684,320	\$ 2,003,034	\$ 2,687,354
Capital grants and contributions	877,076		877,076	968,940		968,940
Operating grants	539,080		539,080	132,612		132,612
General Revenue:						
Property taxes and assessments	990,501		990,501	1,047,891		1,047,891
Sales and use tax	2,019,312		2,019,312	1,710,778		1,710,778
Other revenue	2,389,386		2,389,386	2,175,677	5,421	2,181,098
Interest and investment income	88,875	9,100	97,975	24,922	14,310	39,232
Total Revenue	7,551,123	2,227,812	9,778,935	6,745,140	2,022,765	8,767,905
Expenses:						
Governmental activities:						
General government	1,711,489		1,711,489	1,486,084		1,486,084
Public safety	3,356,640		3,356,640	3,706,240		3,706,240
Public works	1,262,494		1,262,494	1,103,920		1,103,920
Community services/recreation	985,579		985,579	671,765		671,765
Business-type activities						
Water		735,654	735,654		711,598	711,598
Sewer		696,656	696,656		646,473	646,473
Mobile home park		106,154	106,154		101,734	101,734
Interest on long-term debt	14,302	13,889	28,191	23,646	14,779	38,425
Total Expense	7,330,504	1,552,353	8,882,857	6,991,655	1,474,584	8,466,239
Excess (deficiency) before transfers	220,619	675,459	896,078	(246,515)	548,181	301,666
Transfers in (out)	22,230	(22,230)		22,230	(22,230)	
Change in net assets	\$ 242,849	\$ 653,229	\$ 896,078	\$ (224,285)	\$ 525,951	\$ 301,666

The statement of activities, identify the various revenue and expense items which affect the change in net assets. As the information indicates the \$ 1,011,030 increase to revenue from June 30, 2010 to June 30, 2011 operations, was primarily due to an increase in governmental revenue operating grants for the City's Homeowner Assistance Program. Interest and investment income also contributed to the increase in revenues as did an increase in sales tax and transient occupancy tax. Property taxes showed a decline due to the continued housing recession.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2011**

**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 \$2,965,784. Approximately 93% of the total ending fund balances (\$2,754,800) 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 (\$5,011) 2) for petty cash funds (\$640) 3) for loans made to employees for computer purchases (\$1,378) and 4) for the proposition 1B advance (\$205,333).

General fund revenues were \$5,524,229 and expenditures in the general fund were \$5,665,038. The Home Funds-Willow Street Special Revenue fund had revenue \$2,763 and no expenses. The Hyw 6 & Wye Rd capital project fund revenues were \$14,420 and expenditures were \$14,420.

**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 2010-2011 fiscal year were budgeted at \$5,719,135 (final amended budget). The actual revenues were \$5,524,229 leaving an unfavorable variance of (\$194,906). The decrease was due to the unanticipated decline in revenues generated from taxes such as sales tax and from less grant revenue mainly resulting from over \$38,000 COPS grant recorded as deferred revenue.

General fund expenditures were budgeted at \$6,140,687. The actual amount expended was \$5,665,038, \$475,649 less than the final amended budget. The favorable expenditure variance was due to lower expenditures compared to those budgeted by each department with the largest positive variances in the police department and planning department.

**City of Bishop**  
**Required Supplementary Information**  
**Management's Discussion and Analysis (Continued)**  
**June 30, 2011**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2009
Land	\$ 341,105	\$ 341,105	\$ 481,066	\$ 481,066	\$ 822,171	\$ 822,171
Construction in progress	376,775	810,234	154,382	538,574	531,157	1,348,808
Buildings and improvements	955,481	1,051,602	106,015	127,486	1,061,496	1,179,088
Site improvements	250,298	295,017			250,298	295,017
Equipment	686,611	873,307	321,900	394,770	1,008,511	1,268,077
Infrastructure	6,306,305	5,198,101	3,300,901	2,065,417	9,607,206	7,263,518
<b>Total</b>	<b>\$ 8,916,575</b>	<b>\$ 8,569,366</b>	<b>\$ 4,364,264</b>	<b>\$ 3,607,313</b>	<b>\$ 13,280,839</b>	<b>\$ 12,176,679</b>

As of June 30, 2011 the City's investment in capital assets totaled \$13,280,839 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, 2011, the City had \$204,051 in outstanding governmental-type long-term debt and \$417,182 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 one capital leases, proceeds of which were used for lease purchase of a fire truck and one note payable proceeds of which were used for water infrastructure improvements.

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

The City continues to have reimbursable STIP Projects. A STIP Project is a project reimbursable through California Transportation Act Federal and State Funds. The projects completed in 10/11 were Hanby ARRA and Road Project A. Sneden Street and Warren Street projects were in the design stage. These projects will remain in the design stage in the 11/12 fiscal year and until additional funding becomes available.

The City's combined water and sewer rates changed in 10/11 to \$56.44 per month. New rates have been approved for the fiscal year 11/12 at a rate of \$57.96.

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 11/12 and 12/13 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, 2011**

**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, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 1,806,278	\$ 1,564,654	\$ 3,370,932
Accounts receivables	858,542	29,325	887,867
Due from other governments	540,312		540,312
Interest receivable	267,979	2,056	270,035
Prepaid expenses	105,257		105,257
Loans receivable	-		-
Advances to other funds	4,197		4,197
Restricted cash and investments	1,300,130	26,573	1,326,703
<b>Non Current Assets</b>			
Loans receivable	2,219,900		2,219,900
Advances to other funds	814		814
<b>Capital assets:</b>			
Land	341,105	481,066	822,171
Construction in Progress	376,775	154,382	531,157
Buildings	4,626,398	674,809	5,301,207
Site improvements	632,059		632,059
Equipment	3,505,940	832,928	4,338,868
Infrastructure	7,015,810	9,626,172	16,641,982
Less: accumulated depreciation	<u>(7,581,512)</u>	<u>(7,405,093)</u>	<u>(14,986,605)</u>
Total Assets	\$ <u>16,019,984</u>	\$ <u>5,986,872</u>	\$ <u>22,006,856</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	94,584	77,206	171,790
Due from others	27		27
Advance from other funds-due within one year		4,197	4,197
Accrued interest payable	8,341	3,368	11,709
OPEB liability	145,039	35,762	180,801
Long-term liabilities-due within one year	171,764	28,960	200,724
<b>Liabilities-due in more than one year:</b>			
Customer deposits		22,176	22,176
Compensated absences	186,384	45,152	231,536
Leases payable	156,641		156,641
Note payable		388,222	388,222
Deferred revenue	3,112,534		3,112,534
Advance from other funds		814	814
Total Liabilities	<u>3,875,314</u>	<u>605,857</u>	<u>4,481,171</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	8,721,438	3,942,071	12,663,509
Restricted for capital replacement		19,178	19,178
Unrestricted	<u>3,423,232</u>	<u>1,419,766</u>	<u>4,842,998</u>
Total Net Assets	\$ <u>12,144,670</u>	\$ <u>5,381,015</u>	\$ <u>17,525,685</u>

The accompanying notes are an integral part of these financial statements

**CITY OF BISHOP**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2011**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 1,711,489	\$ 259,553	\$ -	\$ 54,783	\$ (1,397,153)	\$ -	\$ (1,397,153)
Public safety	3,356,640	209,214	16,885	146,631	(2,983,910)		(2,983,910)
Public works	1,262,494	100,583	843,287	31,096	(287,528)		(287,528)
Community services/recreation	985,579	77,543	16,904	306,570	(584,562)		(584,562)
Interest on long-term debt	14,302				(14,302)		(14,302)
<b>Total Governmental Activities</b>	<b>7,330,504</b>	<b>646,893</b>	<b>877,076</b>	<b>539,080</b>	<b>(5,267,455)</b>		<b>(5,267,455)</b>
<b>Business-type Activities:</b>							
Water	735,654	1,155,649				419,995	419,995
Sewer	696,656	970,556				273,900	273,900
Mobile home park	106,154	92,507				(13,647)	(13,647)
Interest on long-term debt	13,889					(13,889)	(13,889)
<b>Total Business-type Activities</b>	<b>1,552,353</b>	<b>2,218,712</b>				<b>666,359</b>	<b>666,360</b>
<b>Total Government</b>	<b>\$ 8,882,857</b>	<b>\$ 2,865,605</b>	<b>\$ 877,076</b>	<b>\$ 539,080</b>	<b>(5,267,455)</b>	<b>666,359</b>	<b>(4,601,095)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					990,501		990,501
Sales and use tax					2,019,312		2,019,312
Transient occupancy tax					1,871,217		1,871,217
Franchise tax					47,034		47,034
Motor vehicle in lieu tax					294,304		294,304
Other taxes					176,831		176,831
Investment income					88,875	9,100	97,975
Transfers					22,230	(22,230)	
<b>Total general revenues</b>					<b>5,510,304</b>	<b>(13,130)</b>	<b>5,497,174</b>
Change in net assets					242,849	653,229	896,078
Net assets - beginning					11,667,388	4,733,812	16,401,200
Prior Period Adjustment					234,433	(6,026)	228,407
Net assets - ending					<b>\$ 12,144,670</b>	<b>\$ 5,381,015</b>	<b>\$ 17,525,685</b>

The accompanying notes are an integral part of these financial statements

**CITY OF BISHOP**

**Balance Sheet  
Governmental Funds  
June 30, 2011**

	General	Special Revenue Fund Home Fund Willow Street	Capital Project Fund Hyw 6 & Wye Rd	Debt Service Fund Debt Service	Other Nonmajor Funds	Total Governmental Funds
<u>Assets</u>						
Cash and investments	\$ 1,806,278	\$ -	\$ -	\$ -	\$ -	\$ 1,806,278
Restricted cash and investments			865,094		435,036	1,300,130
Receivables						
Accounts	855,779	2,763				858,542
Due from other governments					540,312	540,312
Interest	3,584	264,160			235	267,979
Due from other funds	370,522					370,522
Other assets	105,257					105,257
Loans/notes receivable	-	2,219,900				2,219,900
Advances to other funds	5,011					5,011
<b>Total Assets</b>	<b>\$ 3,146,431</b>	<b>\$ 2,486,823</b>	<b>\$ 865,094</b>	<b>\$ -</b>	<b>\$ 975,583</b>	<b>\$ 7,473,931</b>
<u>Liabilities and Fund Balances</u>						
<b>Liabilities</b>						
Accounts payable	\$ 47,731	\$ -	\$ -	\$ -	\$ 46,851	\$ 94,582
Due to others	27					27
OPEB liability	132,889				12,150	145,039
Due to other funds					370,522	370,522
Deferred revenue		2,484,060	865,094		153,705	3,502,859
<b>Total Liabilities</b>	<b>180,647</b>	<b>2,484,060</b>	<b>865,094</b>		<b>583,228</b>	<b>4,113,029</b>
<b>Fund Balances</b>						
Reserved for advances to other funds	5,011					5,011
Reserved for petty cash	640					640
Reserved prop 1B	205,333					205,333
Reserved for special revenue funds		2,763			501,086	503,849
Reserved for capital projects funds					(108,731)	(108,731)
Unreserved, reported in						
General fund	2,754,800					2,754,800
<b>Total Fund Balances</b>	<b>2,965,784</b>	<b>\$ 2,763</b>			<b>392,355</b>	<b>3,360,902</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,146,431</b>	<b>\$ 2,486,823</b>	<b>\$ 865,094</b>	<b>\$ -</b>	<b>\$ 975,583</b>	<b>\$ 7,473,931</b>

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, 2011**

Fund Balances of Governmental Funds	\$ 3,360,902
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.	8,916,575
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.	390,325
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>(523,132)</u>
Net assets of governmental activities	<u>\$ 12,144,670</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, 2011**

	General	Special Revenue Fund Home Funds Willow Street	Capital Project Fund Hyw 6 & Wye Rd	Debt Service Fund Debt Service	Other Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 4,544,729	\$ -	\$ -	\$ -	\$ 523,823	\$ 5,068,552
Licenses and permits	112,007					112,007
Intergovernmental	494,843	2,763	14,420		1,674,237	2,186,263
Fines, forfeitures and penalties	49,119				2,979	52,098
Charges for current services	77,694					77,694
Use of money and property	122,481				382	122,863
Other	123,356					123,356
<b>Total Revenues</b>	<b>5,524,229</b>	<b>2,763</b>	<b>14,420</b>	<b>-</b>	<b>2,201,421</b>	<b>7,742,833</b>
<b>Expenditures</b>						
Current:						
General government	1,107,199				587,338	1,694,537
Public ways and facilities/ transportation	876,548				105,234	981,782
Public safety	3,046,925				77,664	3,124,589
Community development	611,821				287,238	899,059
Capital Outlay	22,545		14,420		887,427	924,392
Debt service						
Principal				178,730		178,730
Interest				17,625		17,625
<b>Total Expenditures</b>	<b>5,665,038</b>	<b>-</b>	<b>14,420</b>	<b>196,355</b>	<b>1,944,901</b>	<b>7,820,714</b>
Excess (Deficit) of Revenues over Expenditures	(140,809)	2,763	-	(196,355)	256,520	(77,881)
Other Financing Sources (Uses)						
Operating transfers in				196,355	43,283	239,638
Operating transfers out	(164,612)				(52,796)	(217,408)
<b>Total Other Financing Sources (Uses)</b>	<b>(164,612)</b>	<b>-</b>	<b>-</b>	<b>196,355</b>	<b>(9,513)</b>	<b>22,230</b>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(305,421)	2,763	-		247,007	(55,651)
Fund Balances, July 1, 2010	3,228,397				145,528	3,373,925
Prior period adjustment	42,808				(180)	42,628
<b>Fund Balances, June 30, 2011</b>	<b>\$ 2,965,784</b>	<b>\$ 2,763</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 392,355</b>	<b>\$ 3,360,902</b>

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

**CITY OF BISHOP**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ (55,651)
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities. The costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:</p>	
Cost of assets capitalized	924,392
Depreciation expense	(577,184)
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.	178,730
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.	3,322
Certain revenues recognized in the prior year Statement of Activities that do not provide current financial resources were not reported as revenues in the funds.	
Certain revenues received after sixty days from the end of the fiscal year are recorded as deferred revenue in the funds and as revenues in the government wide statement.	(191,711)
Changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.	<u>(39,050)</u>
Change in net assets of governmental activities	<u>\$ 242,849</u>

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

**CITY OF BISHOP**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2011**

	Water	Sewer	Mobile Home Park	Totals
<b>Current assets:</b>				
Cash and investments	\$ 862,735	\$ 548,295	\$ 153,624	\$ 1,564,654
Restricted cash and investments			26,573	26,573
Receivables				
Accounts	16,161	9,028	4,136	29,325
Interest	1,116	705	235	2,056
Total current assets	<u>880,012</u>	<u>558,028</u>	<u>184,568</u>	<u>1,622,608</u>
<b>Capital assets:</b>				
Nondepreciable capital assets:				
Land	67,324	88,892	324,850	481,066
Construction in progress	103,253	51,129		154,382
Depreciable capital assets				
Building	68,436	94,877	511,496	674,809
Site improvements				-
Equipment	306,720	526,208		832,928
Infrastructure	6,022,516	3,603,656		9,626,172
Less accumulated depreciation	(3,579,104)	(3,382,176)	(443,813)	(7,405,093)
Total capital assets (net of accumulated depreciation)	<u>2,989,145</u>	<u>982,586</u>	<u>392,533</u>	<u>4,364,264</u>
Total Assets	<u>\$ 3,869,157</u>	<u>\$ 1,540,614</u>	<u>\$ 577,101</u>	<u>\$ 5,986,872</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 53,199	\$ 23,615	\$ 392	\$ 77,206
Current portion - note payable	28,960			28,960
Current portion - advance from other funds			4,197	4,197
OPEB liability	17,932	17,830		35,762
Interest payable	3,368			3,368
Total current liabilities	<u>103,459</u>	<u>41,445</u>	<u>4,589</u>	<u>149,493</u>
Noncurrent liabilities:				
Customer deposits	8,095	5,059	9,022	22,176
Compensated absences	22,517	22,635		45,152
Note payable	388,222			388,222
Advance from other funds			814	814
Total noncurrent liabilities	<u>418,834</u>	<u>27,694</u>	<u>9,836</u>	<u>456,364</u>
Total Liabilities	<u>522,293</u>	<u>69,139</u>	<u>14,425</u>	<u>605,857</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	2,571,963	982,586	387,522	3,942,071
Reserved for capital replacement			19,178	19,178
Unreserved	774,901	488,889	155,976	1,419,766
Total Net Assets	<u>\$ 3,346,864</u>	<u>\$ 1,471,475</u>	<u>\$ 562,676</u>	<u>\$ 5,381,015</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, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Mobile Home Park</u>	<u>Totals</u>
Operating Revenues				
Charges for services	\$ 1,137,397	\$ 953,094	\$ -	\$ 2,090,491
Rent			72,144	72,144
Utility reimbursement			20,363	20,363
Other income	18,252	17,462		35,714
Total Operating Revenues	<u>1,155,649</u>	<u>970,556</u>	<u>92,507</u>	<u>2,218,712</u>
Operating Expenses				
Salaries and benefits	529,249	537,518	28,274	1,095,041
Services and supplies	110,765	86,991	59,743	257,499
Depreciation expense	95,640	72,147	18,137	185,924
Total Operating Expenses	<u>735,654</u>	<u>696,656</u>	<u>106,154</u>	<u>1,538,464</u>
Operating Income (Loss)	<u>419,995</u>	<u>273,900</u>	<u>(13,647)</u>	<u>680,248</u>
Non-Operating Revenues (Expenses)				
Interest income	5,310	2,957	833	9,100
Interest expense	(13,889)			(13,889)
Total Non-Operating Revenues (Expenses)	<u>(8,579)</u>	<u>2,957</u>	<u>833</u>	<u>(4,789)</u>
Income Before Operating Transfers	<u>411,416</u>	<u>276,857</u>	<u>(12,814)</u>	<u>675,459</u>
Operating Transfers				
Operating transfers out	<u>(11,115)</u>	<u>(11,115)</u>		<u>(22,230)</u>
Net Operating Transfers	<u>(11,115)</u>	<u>(11,115)</u>		<u>(22,230)</u>
Net Income (Loss)	<u>400,301</u>	<u>265,742</u>	<u>(12,814)</u>	<u>653,229</u>
Net Assets, July 1, 2010	2,949,576	1,208,746	575,490	4,733,812
Prior period adjustments	<u>(3,013)</u>	<u>(3,013)</u>		<u>(6,026)</u>
Net Assets, June 30, 2011	<u><u>\$ 3,346,864</u></u>	<u><u>\$ 1,471,475</u></u>	<u><u>\$ 562,676</u></u>	<u><u>\$ 5,381,015</u></u>

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, 2011**

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,155,353	\$ 970,335	\$ 92,917	\$ 2,218,605
Cash payments to suppliers	(118,334)	(219,489)	(59,725)	(397,548)
Cash payments to employees	(517,314)	(524,980)	(28,274)	(1,070,568)
Net Cash Provided By (Used For) Operating Activities	<u>519,705</u>	<u>225,866</u>	<u>4,918</u>	<u>750,489</u>
Cash Flows from Non-Capital Financing Activities				
Operating transfers out	<u>(11,115)</u>	<u>(11,115)</u>		<u>(22,230)</u>
Net Cash Used For Non-Capital Financing Activities	<u>(11,115)</u>	<u>(11,115)</u>		<u>(22,230)</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(773,518)	(169,357)		(942,875)
Reductions of debt	(28,075)			(28,075)
Reductions in advance from other funds			(4,197)	(4,197)
Insurance reimbursement				-
Interest expense	<u>(14,115)</u>			<u>(14,115)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(815,708)</u>	<u>(169,357)</u>	<u>(4,197)</u>	<u>(989,262)</u>
Cash Flows from Investing Activities:				
Interest income	<u>6,038</u>	<u>3,005</u>	<u>850</u>	<u>9,893</u>
Net Cash Provided By Investing Activities	<u>6,038</u>	<u>3,005</u>	<u>850</u>	<u>9,893</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(301,080)	48,399	1,571	(251,110)
Cash and Cash Equivalents, July 1, 2010	<u>1,163,815</u>	<u>499,896</u>	<u>178,626</u>	<u>1,842,337</u>
Cash and Cash Equivalents, June 30, 2011	<u>\$ 862,735</u>	<u>\$ 548,295</u>	<u>\$ 180,197</u>	<u>\$ 1,591,227</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 862,735	\$ 548,295	\$ 153,624	\$ 1,564,654
Restricted cash and investments			26,573	26,573
Total Cash and Cash Equivalents	<u>\$ 862,735</u>	<u>\$ 548,295</u>	<u>\$ 180,197</u>	<u>\$ 1,591,227</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities				
Adjustments to operating income:				
Depreciation	95,640	72,147	18,137	185,924
(Increase) decrease in accounts receivable	(296)	(220)	(127)	(643)
Increase (decrease) in accounts payable	(7,569)	(132,498)	18	(140,049)
Increase (decrease) in customer deposits	-	(1)	537	536
Increase in OPEB liability	14,919	14,817		29,736
Increase (decrease) in compensated absences	<u>(2,984)</u>	<u>(2,279)</u>		<u>(5,263)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 519,705</u>	<u>\$ 225,866</u>	<u>\$ 4,918</u>	<u>\$ 750,489</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, 2011**

	<b>Agency Funds</b>		
	<u>Bond &amp; Trust</u>	<u>Canine Donations</u>	<u>Totals</u>
<u>Assets</u>			
Cash and investments	\$ 804	\$ 17,893	\$ 18,697
Total Assets	<u>\$ 804</u>	<u>\$ 17,893</u>	<u>\$ 18,697</u>
<u>Liabilities</u>			
Due to others	\$ 777	\$ 17,893	\$ 18,670
Due to other fund	<u>27</u>	<u></u>	<u>27</u>
Total Liabilities	<u>\$ 804</u>	<u>\$ 17,893</u>	<u>\$ 18,697</u>

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

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, 2011**

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, 2011**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds.

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

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

The City also reports the following Fiduciary Fund type:

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

D. Use of Estimates

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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

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, 2011**

Note 1: Summary of Significant Accounting Policies (Continued)

H. Balance Sheet Classifications

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

I. Proprietary Fund Accounting

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

J. Contributed Capital

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

K. Fund Equity

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

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

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

L. Deferred Revenues

The City recorded deferred revenue by expending grant monies for capital projects and not receiving reimbursement within sixty days after fiscal year end (unavailable.) The amount of the deferred revenue was \$3,505,495, which is recorded in the fund financial statement. Of that amount \$3,115,170 was an advance for projects and therefore is also presented as deferred revenue in the government-wide financial statements. Also included in the deferred revenue balance is \$2,219,000 for the workforce housing loan receivable that will not be repaid until future years. \$191,711 of the fund financial statement deferred revenue is recognized as revenue in the statement of net 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, 2011, 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, 2011**

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, 2011, consisted of the following:

Primary Government	\$ 4,697,635
Agency Funds	<u>18,697</u>
Total Cash and Investments	<u>\$ 4,716,332</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, 2011**

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*	\$ 4,276,133	\$ 4,276,133	\$ -	\$ -	\$ -
Totals	<u>\$ 4,276,133</u>	<u>\$ 4,276,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Not subject to categorization

**C. Concentrations of Credit Risk**

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

**D. Custodial Credit Risk**

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

At June 30, 2011, the City's deposits balance was \$777,100 and the carrying amount was \$439,359. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the City's name.

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

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 \$66.35 billion. Of the \$66.35 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 5.01% 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 District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Loan Receivable

The City is participating in an affordable workforce housing loan program designed to construct low to moderate income housing. Under the terms of the loan the City is providing a 3% note to the developer, Bishop Pacific Associates. The maximum amount available under the loan is \$2,200,000. As of June 30, 2011 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, 2011**

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, 2011**

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance 7/1/2010	Additions	Reductions	Adjustments	Balance 6/30/2011
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 341,105	\$ -	\$ -	\$ -	\$ 341,105
Construction in progress	810,234	51,648	485,107		376,775
Capital assets, being depreciated:					
Buildings and improvements	4,626,398				4,626,398
Site improvements	632,059				632,059
Equipment	3,468,231	37,709			3,505,940
Infrastructure	5,695,667	1,320,143			7,015,810
Total capital assets, being depreciated	14,422,355	1,357,852			15,780,207
Less accumulated depreciation for:					
Buildings and improvements	(3,574,796)	(96,121)			(3,670,917)
Site improvements	(337,042)	(44,719)			(381,761)
Equipment	(2,594,924)	(224,405)			(2,819,329)
Infrastructure	(497,566)	(211,939)			(709,505)
Total accumulated depreciation	(7,004,328)	(577,184)			(7,581,512)
Total capital assets, being depreciated net	7,418,027	780,668			8,198,695
Governmental activities capital assets, net	<u>\$8,569,366</u>	<u>\$ 832,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,916,575</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 481,066	\$ -	\$ -	\$ -	\$ 481,066
Constuction in progress	538,574		384,192		154,382
Capital assets, being depreciated:					
Buildings and improvements	674,809				674,809
Equipment	832,928				832,928
Infrastructure	8,299,105	1,327,067			9,626,172
Total capital assets, being depreciated	9,806,842	1,327,067			11,133,909
Less accumulated depreciation for:					
Buildings and improvements	(547,323)	(21,471)			(568,794)
Equipment	(438,158)	(72,870)			(511,028)
Infrastructure	(6,233,688)	(91,583)			(6,325,271)
Total accumulated depreciation	(7,219,169)	(185,924)			(7,405,093)
Total capital assets, being depreciated net	2,587,673	1,141,143			3,728,816
Business-type activities capital assets, net	<u>\$3,607,313</u>	<u>\$1,141,143</u>	<u>\$ 384,192</u>	<u>\$ -</u>	<u>\$ 4,364,264</u>

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

Note 5: Capital Assets (Continued)

Depreciation

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

Governmental activities:	
General government	\$ 46,749
Public safety	193,001
Public ways & facilities	251,375
Community development	86,059
Total	<u>\$ 577,184</u>
Business-type activities:	
Water	\$ 95,640
Sewer	72,147
Sunrise mobile home park	18,137
Total	<u>\$ 185,924</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, 2011:

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Due w/in One Year
Capital Leases Payable	\$ 382,781	\$ -	\$ (178,730)	\$ 204,051	\$ 47,409
Compensated Absences	271,689	287,760	(248,710)	310,739	124,355
Total	<u>\$ 654,470</u>	<u>\$ 287,760</u>	<u>\$ (427,440)</u>	<u>\$ 514,790</u>	<u>\$ 171,764</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, 2011**

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, 2011:

Fiscal Year Ending June 30	Amount
2012	\$ 57,417
2013	57,417
2014	57,417
2015	57,420
Total Minimum Lease Payments	229,671
Less: Amount Representing Interest	(25,620)
Present Value of Net Minimum Lease Payments	\$ 204,051

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. This debt was paid in full during the year under audit.

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, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	32,920	9,272	42,192
2017-2021	181,456	29,501	210,957
2022-2023	81,091	3,293	210,956
Total	\$ 417,182	\$ 89,117	\$ 632,871

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

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 2010/11 was 17.698% and 8.189% for miscellaneous members tier 1 and tier 2 and 25.779% and 18.553% for safety members tier 1 and tier 2 respectively. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For fiscal year 2010/11, the City's annual pension cost was \$791,840 and the City actually contributed \$791,840. The City contributes both the employee and employer portion. The required contribution for fiscal year 2010/11 was determined as part of the June 30, 2008, actuarial valuation using entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous and safety members and (c) .25% salary adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period (smoothed market value). The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 15 years for miscellaneous members and 15 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
06/30/09	\$ 862,364	100%	\$ -
06/30/10	\$ 804,119	100%	\$ -
06/30/11	\$ 791,840	100%	\$ -

**City of Bishop  
Notes to Financial Statements  
June 30, 2011**

PARS

During the 2001/2002 fiscal year the City offered its full time miscellaneous employees a 3% at 55 retirement formula based on years of service with the City and PERS. The plan is available to eligible employees by purchasing a 1% retirement enhancement program from Public Agency Retirement Systems (PARS), a private corporation. The requirements for eligibility include: A minimum ten years of service with the City, retirement on or after the employee's 55<sup>th</sup> birthday, a non-disability retirement, retirement from the City of Bishop, retirement eligibility with PERS under the 2% at 55 program and actual retirement. During the 2009/2010 fiscal year the City implemented a second tier whereby new employees will be eligible under PERS 2% @ 60 formula with an additional 1% enhancement provided by PARS resulting in a combined 3% @ 60 years of age. For safety employees hired after implementation of tier two, the formula will be 3% @ 55.

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, 2011, the City's annual required contribution was \$389,506 and the City actually contributed \$389,506. 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 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
06/30/09	\$ 376,668	100%	\$ -
06/30/10	\$ 368,002	100%	\$ -
06/30/11	\$ 389,506	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

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

Note 9: Post Retirement Health Care Benefits (Continued)

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 2010/2011 fiscal year was \$395,641. As of June 30, 2011, 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.

*Funding Policy.* The contribution requirement of plan members is established by the City's Board of Directors. The 2010-2011 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, 2011 the City contributed \$209,249 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, 2011 directly to health insurance providers totaling \$395,641 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)	\$ (209,249)	
Unreimbursed retiree premium payments made to plan provider	(395,730)	
Increase/(decrease) in net OPEB obligation (asset)	(604,979)	
Net OPEB obligation—beginning of year	35,780	
Annual Required Contribution (ARC) 2010/11	750,000	
Net OPEB obligation (asset)—end of year	<u>\$ 180,801</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, 2011, the City's annual required contribution was unfunded by \$180,801.

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

Note 9: Post Retirement Health Care Benefits (Continued)

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.

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, 2011 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	\$ 5,011	\$ -	\$ -	\$ 370,522	\$ -	\$ 164,612
Special Revenue	-	-	5,648	-	1,111	52,796
Debt Service	-	-	-	-	196,355	-
Capital Projects	-	-	364,874	-	42,172	-
Enterprise	-	5,011	-	-	-	22,230
<b>Total</b>	<b>\$ 5,011</b>	<b>\$ 5,011</b>	<b>\$ 370,522</b>	<b>\$ 370,522</b>	<b>\$ 239,638</b>	<b>\$ 239,638</b>

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

Note 11: Stewardship, Compliance and Accountability

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

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 \$71,888 in the general fund to recognize prepaid expense at June 30, 2010. Prior period adjustments were made reducing beginning fund balance \$42,808 in the general fund, \$119 in the gas tax fund, \$61 in the measure A fund and \$3,013 in the water and sewer funds for liabilities related to prior years other than pension expense benefits (OPEB).

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.

**City of Bishop**  
**Notes to Financial Statements**  
**June 30, 2011**

Note 15: Economic Dependency

The City's general fund revenue relies heavily on tourism, which provides transient occupancy taxes and sales taxes. During the 2010-2011 fiscal year the City collected \$1,871,217 in transient occupancy tax which accounted for 33.9% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Sales tax revenue was \$1,529,634 or 27.7% of general fund revenue for the 2010-2011 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, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
<b>Taxes</b>				
Property - secured	\$ 350,000	\$ 370,000	\$ 357,848	\$ (12,152)
Property - unsecured	100,000	108,000	81,975	(26,025)
Prior year and other	20,000	23,000	23,725	725
Homeowners	3,000	3,000	3,130	130
Sales ( including triple flip)	2,550,000	2,150,000	2,004,615	(145,385)
DWP water agreement	185,000	180,000	176,831	(3,169)
Transient occupancy	2,200,000	1,800,000	1,871,217	71,217
Sales tax - public safety	13,000	13,000	14,697	1,697
Real property transfer	6,500	9,000	10,691	1,691
<b>Total Taxes</b>	<u>5,427,500</u>	<u>4,656,000</u>	<u>4,544,729</u>	<u>(111,271)</u>
<b>Licenses and Permits</b>				
Business licenses	50,000	50,000	47,265	(2,735)
Use permits	1,850	4,750	2,700	(2,050)
Building permits	30,000	10,000	10,133	133
Grading permits			370	370
Electrical permits	5,000	5,000	1,984	(3,016)
Plumbing permits	3,000	4,000	2,521	(1,479)
Electrical franchise	38,000	34,000	33,971	(29)
TV franchise	12,000	12,000	13,063	1,063
<b>Total Licenses and Permits</b>	<u>139,850</u>	<u>119,750</u>	<u>112,007</u>	<u>(7,743)</u>
<b>Intergovernmental</b>				
Motor vehicle in lieu (includes VLF swap)	272,000	292,000	294,304	2,304
Off-highway motor vehicle fee:	100	100		(100)
Prop 1B				
Reimbursement - highway sweeping	20,000	20,000	23,333	3,333
Reimbursement - fire district	113,790	42,660	42,243	(417)
Reimbursements - miscellaneous			1,479	1,479
Loan retirement	4,200	4,200		(4,200)
Peace officers training	15,000	9,600	9,702	102
Court restitutions	1,000	1,000	3,464	2,464
Dispatch contracts	6,000	14,152	5,214	(8,938)
Grants	98,485	163,000	115,104	(47,896)
<b>Total Intergovernmental</b>	<u>530,575</u>	<u>546,712</u>	<u>494,843</u>	<u>(51,869)</u>
<b>Fines, Forfeitures and Penalties</b>				
Parking citations	32,600	20,049	15,995	(4,054)
Asset forfeiture		33,124	33,124	
Forfeited construction deposits				
<b>Total Fines, Forfeitures and Penalties</b>	<u>32,600</u>	<u>20,049</u>	<u>49,119</u>	<u>(4,054)</u>
<b>Charges for Current Services</b>				
Plan checking	15,000	8,000	4,015	(3,985)
Parks and recreation	78,950	76,550	73,679	(2,871)
<b>Total Charges for Current Services</b>	<u>93,950</u>	<u>84,550</u>	<u>77,694</u>	<u>(6,856)</u>
<b>Use of Money and Property</b>				
Interest and investment income	140,000	18,250	16,139	(2,111)
Rent	111,087	110,000	106,342	(3,658)
<b>Total Use of Money and Property</b>	<u>251,087</u>	<u>128,250</u>	<u>122,481</u>	<u>(5,769)</u>
<b>Other</b>				
Insurance refunds and dividends	10,000	46,000	51,416	5,416
Miscellaneous - all others	91,200	117,824	71,940	(45,884)
<b>Total Other</b>	<u>101,200</u>	<u>163,824</u>	<u>123,356</u>	<u>(40,468)</u>
<b>Total Revenues</b>	<u>\$ 6,576,762</u>	<u>\$ 5,719,135</u>	<u>\$ 5,524,229</u>	<u>\$ (194,906)</u>

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

**CITY OF BISHOP**

**Required Supplementary Information  
Budgetary Comparison Schedule (Continued)  
General Fund  
For the Fiscal Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 6,576,762	\$ 5,719,135	\$ 5,524,229	\$ (194,906)
Expenditures				
General Government				
City council	160,800	199,250	176,004	23,246
Administration - clerk	331,900	325,200	316,082	9,118
Finance	138,400	202,650	154,177	48,473
City treasurer	3,225	3,000	1,875	1,125
City attorney	74,275	122,275	99,039	23,236
Insurance	369,500	361,452	347,072	14,380
Elections	18,200	18,200	12,950	5,250
Total General Government	1,096,300	1,232,027	1,107,199	124,828
Public Ways and Facilities/Transportation				
Building and grounds	208,500	214,109	195,115	18,994
Building	119,750	113,380	105,006	8,374
Planning	266,263	362,230	302,236	59,994
Street maintenance	286,755	160,145	151,187	8,958
Street sweeping	100,500	88,965	86,120	2,845
Street lighting	25,000	36,885	36,884	1
Total Public Ways and Facilities/Transportation	1,006,768	975,714	876,548	99,165
Public Safety				
Police	3,342,000	3,133,732	2,897,058	236,674
Fire	360,090	151,806	147,554	4,252
Emergency preparedness	4,500	4,500	2,313	2,187
Total Public Safety	3,706,590	3,290,038	3,046,925	243,113
Community Development				
Parks and recreation	470,500	426,900	424,253	2,647
Community promotion	168,568	168,758	167,318	1,440
Civic arts commission	20,250	20,250	20,250	
Total Community Development	659,318	615,908	611,821	4,087
Capital Outlay				
Structures and improvements	52,500	16,500	14,802	1,698
Equipment	11,500	10,500	7,743	2,757
Total Capital Outlay	64,000	27,000	22,545	4,455
Total Expenditures	6,532,976	6,140,687	5,665,038	475,649
Excess (Deficit) of Revenues Over Expenditures	43,786	(421,552)	(140,809)	280,743
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out	(202,618)	(201,418)	(164,612)	36,806
Total Other Financing Sources (Uses)	(202,618)	(201,418)	(164,612)	36,806
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$ (158,832)	\$ (622,970)	(305,421)	\$ 317,549
Fund Balance, July 1, 2010			3,228,397	
Prior Period Adjustment			42,808	
Fund Balance, June 30, 2011			\$ 2,965,784	

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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental Grants	\$ 400,200	\$ -	\$ 14,420	\$ 14,420
Total Revenues	<u>400,200</u>	<u>-</u>	<u>14,420</u>	<u>14,420</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>400,200</u>	<u>150,200</u>	<u>14,420</u>	<u>135,780</u>
Total Expenditures	<u>400,200</u>	<u>150,200</u>	<u>14,420</u>	<u>135,780</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ (150,200)</u>	<u>-</u>	<u>\$ (121,360)</u>
Fund Balances, July 1, 2010			-	
Prior period adjustment			<u>-</u>	
Fund Balances, June 30, 2011			<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, 2011**

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, 2011**

	Special Revenue Funds	Capital Project Funds	Total
<u>Assets</u>			
Restricted cash and investments	\$ 393,669	\$ 41,367	\$ 435,036
Receivables	235		235
Due from other governments	174,177	366,135	540,312
Total Assets	\$ 568,081	\$ 407,502	\$ 975,583
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 10,326	\$ 36,525	\$ 46,851
OPEB liability	12,150		12,150
Due to other funds	5,648	364,874	370,522
Deferred revenue	38,871	114,834	153,705
Total Liabilities	66,995	516,233	583,228
Fund Balances			
Reserved	501,086	(108,731)	392,355
Total Fund Balance	501,086	(108,731)	392,355
Total Liabilities and Fund Balances	\$ 568,081	\$ 407,502	\$ 975,583

**CITY OF BISHOP**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2011**

	Special Revenue Funds	Capital Project Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues			
Taxes and assessments	\$ 523,823	\$ -	\$ 523,823
Intergovernmental	542,435	1,131,802	1,674,237
Use of money and property	382		382
Fines, forfeitures and penalties	2,979		2,979
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	1,069,619	1,131,802	2,201,421
	<u>          </u>	<u>          </u>	<u>          </u>
Expenditures			
Current:			
General government	587,338		587,338
Public ways and facilities/ transportation	105,234	-	105,234
Public safety	77,664		77,664
Community development	287,238		287,238
Capital outlay	29,966	857,461	887,427
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	1,087,440	857,461	1,944,901
	<u>          </u>	<u>          </u>	<u>          </u>
Excess (Deficit) of Revenues Over Expenditures	<u>(17,821)</u>	<u>274,341</u>	<u>256,520</u>
Other Financing Sources (Uses)			
Operating transfers in	1,111	42,172	43,283
Operating transfers out	(52,796)	-	(52,796)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	(51,685)	42,172	(9,513)
	<u>          </u>	<u>          </u>	<u>          </u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(69,506)	316,513	247,007
Fund Balances, July 1, 2010	570,772	(425,244)	145,528
Prior period adjustments	(180)	-	(180)
	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balances, June 30, 2011	<u>\$ 501,086</u>	<u>\$ (108,731)</u>	<u>\$ 392,355</u>

CITY OF BISHOP

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2011

	Measure A	Redevelop- ment	Gas Tax	Traffic Safety	Public Safety	Home Program	IMACA	Totals
<u>Assets</u>								
Restricted cash and investments	\$ 239,368	\$ -	\$67,467	\$ -	\$ 86,834	\$ -	\$ -	\$ 393,669
Receivables			118		117			235
Due from other governments	130,205			4,689	39,283			174,177
Total Assets	<u>\$ 369,573</u>	<u>\$ -</u>	<u>\$67,585</u>	<u>\$ 4,689</u>	<u>\$ 126,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,081</u>
<u>Liabilities and Fund Balances</u>								
Liabilities								
Accounts payable	\$ 8,252		\$ 1,872	\$ -	\$ 202			\$ 10,326
OPEB liability	9,278		2,872					12,150
Due to other funds				3,448			2,200	5,648
Deferred Revenue					38,871			38,871
Total Liabilities	<u>17,530</u>		<u>4,744</u>	<u>3,448</u>	<u>39,073</u>		<u>2,200</u>	<u>66,995</u>
Fund Balances								
Reserved	<u>352,043</u>		<u>62,841</u>	<u>1,241</u>	<u>87,161</u>		<u>(2,200)</u>	<u>501,086</u>
Total Fund Balance	<u>352,043</u>		<u>62,841</u>	<u>1,241</u>	<u>87,161</u>		<u>(2,200)</u>	<u>501,086</u>
Total Liabilities and Fund Balances	<u>\$ 369,573</u>	<u>\$ -</u>	<u>\$67,585</u>	<u>\$ 4,689</u>	<u>\$ 126,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568,081</u>

**CITY OF BISHOP**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2011**

	Measure A	Redevelop- ment	Gas Tax	Traffic Safety	Public Safety	Home Program	IMACA	Totals
<b>Revenues</b>								
Taxes and assessments	\$ 523,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 523,823
Intergovernmental	73,274		86,065	36,149	61,909	285,038		542,435
Fines, forfeitures and penalties				2,979				2,979
Use of money and property			382					382
<b>Total Revenues</b>	<b>597,097</b>		<b>86,447</b>	<b>39,128</b>	<b>61,909</b>	<b>285,038</b>		<b>1,069,619</b>
<b>Expenditures</b>								
Current:								
General government	586,227	1,111						587,338
Public ways and facilities/ transportation			105,234					105,234
Public safety				11,530	66,134			77,664
Community Development						285,038	2,200	287,238
Capital outlay				29,966				29,966
<b>Total Expenditures</b>	<b>586,227</b>	<b>1,111</b>	<b>105,234</b>	<b>41,496</b>	<b>66,134</b>	<b>285,038</b>	<b>2,200</b>	<b>1,087,440</b>
Excess (Deficit) of Revenues Over Expenditures	10,870	(1,111)	(18,787)	(2,368)	(4,225)		(2,200)	(17,821)
<b>Other Financing Sources (Uses)</b>								
Operating transfers in		1,111						1,111
Operating transfers out	(52,796)							(52,796)
<b>Total Other Financing Sources (Uses)</b>	<b>(52,796)</b>	<b>1,111</b>						<b>(51,685)</b>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(41,926)		(18,787)	(2,368)	(4,225)		(2,200)	(69,506)
Fund Balances, July 1, 2010	394,030		81,747	3,609	91,386			570,772
Prior Period Adjustment	(61)		(119)					(180)
<b>Fund Balances, June 30, 2011</b>	<b>\$ 352,043</b>	<b>\$ -</b>	<b>\$ 62,841</b>	<b>\$ 1,241</b>	<b>\$ 87,161</b>	<b>\$ -</b>	<b>\$ (2,200)</b>	<b>\$ 501,086</b>

**CITY OF BISHOP**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2011**

	Fed Grant Mac Iver Extension	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	Hanby Pavement	SEIBU School Bike Path	Pine to Park	Totals
Restricted cash and investments Due from other governments	\$ 29,321	\$ -	-	\$ -	\$ -	\$ -	\$ 11,240	\$ -	\$ 202	\$ 302	\$ 302	\$ -	\$ -	\$ -	\$ 41,367
		313,008	4,730	-	684	-	-	-	9,643	-	-	-	9,643	38,070	366,135
Total Assets	\$ 29,321	\$ 313,008	\$ 4,730	\$ -	\$ 684	\$ -	\$ 11,240	\$ -	\$ 202	\$ 302	\$ 302	\$ -	\$ 9,643	\$ 38,070	\$ 407,502
Liabilities and Fund Balances															
Liabilities															
Accounts payable	\$ -	\$ 25,285	\$ -	\$ -	\$ -	\$ -	\$ 11,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,525
Deferred revenue	27,540	33,361	4,730	684	11,624	-	-	126	202	302	302	-	9,643	38,070	114,834
Due to other funds		296,304	5,723	11,359	-	-	-	-	-	-	-	-	9,643	30,095	364,874
Total Liabilities	27,540	354,950	10,453	11,359	12,308	-	11,240	126	202	302	302	-	19,286	68,165	516,233
Fund Balances Reserved	1,781	(41,942)	(5,723)	(11,359)	(11,624)	-	-	(126)	-	-	-	-	(9,643)	(30,095)	(108,731)
Total Liabilities and Fund Balances	\$ 29,321	\$ 313,008	\$ 4,730	\$ -	\$ 684	\$ -	\$ 11,240	\$ -	\$ 202	\$ 302	\$ 302	\$ -	\$ 9,643	\$ 38,070	\$ 407,502

**CITY OF BISHOP**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Fiscal Year Ended June 30, 2011**

	Fed Grant	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	Hanby Pavement	SEIBU School Bike Path	Pine to Park	Totals
Revenues															
Intergovernmental Contributions	\$17,484	\$ 724,358	\$ 14,077	\$ -	\$ 15,499	\$ -	\$ -	\$ 3,500	\$ -	\$ -	\$ -	\$ 339,634	\$ -	\$ 17,250	\$1,131,802
Use of money and property															
Total Revenues	17,484	724,358	14,077		15,499			3,500				339,634		17,250	1,131,802
Expenditures															
Current:															
Public ways and facilities/Transportation	15,703	755,671	3,118		685	293						48,770	3,876	29,345	857,461
Capital outlay	15,703	755,671	3,118		685	293						48,770	3,876	29,345	857,461
Total Expenditures	1,781	(31,313)	10,959		14,814	(293)		3,500				290,864	(3,876)	(12,095)	274,341
Excess (Deficit) of Revenues Over Expenditures															
Other Financing Sources (Uses)															
Operating transfers in			5,854			293						36,025			42,172
Operating transfers out															
Total Other Financing Sources (Uses)			5,854			293						36,025			42,172
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	1,781	(31,313)	16,813		14,814			3,500				326,889	(3,876)	(12,095)	316,513
Fund Balances, July 1, 2010		(10,629)	(22,536)	(11,359)	(26,438)			(3,626)				(326,889)	(5,767)	(18,000)	(425,244)
Prior period adjustments															
Fund Balances, June 30, 2011	\$ 1,781	\$ (41,942)	\$ (5,723)	\$ (11,359)	\$ (11,624)	\$ -	\$ -	\$ (126)	\$ -	\$ -	\$ -	\$ -	\$ (9,643)	\$ (30,095)	\$ (108,731)

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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, 2011, which collectively comprise the City of Bishop's basic financial statements and have issued our report thereon dated November 30, 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 11-1 and 11-2 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.

*Larry Bain, CPA,*  
*An Accounting Corporation*  
November 30, 2011

**City of Bishop  
Schedule of Findings  
Year Ended June 30, 2011**

**INTERNAL CONTROL FINDINGS**

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

**Finding FS 11-1 (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 2011/12 fiscal year.

**Finding 11-2**

The City did not implement the provisions of Government Accounting Standards Board Statement 54 as required by U.S. generally accepted accounting policies. This new standard went into effect for fiscal year ending June 30, 2011. The new requirement categorizes fund balances into five separate categories and sets a new definition for special revenue funds.

**Recommendation:** We recommend the City review the provisions of GASB 54 and take action to adopt the new standard.

**City Response:** The city will implement the new standard in the 2011/12 fiscal year