

CITY OF BISHOP
FINANCIAL STATEMENTS
JUNE 30, 2012

CITY OF BISHOP

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*Larry Bain, CPA,
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Bishop, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bishop, California, as of and for the year ended June 30, 2012, 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, 2012, 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 December 29, 2012 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
December 29, 2012*

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Unaudited)
June 30, 2012

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, 2012. This information is presented in conjunction with the audited basic financial statements, which follows this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2012

- The assets of the City exceeded liabilities at the close of the 2011-2012 fiscal year by \$17,329,299 (net assets). Of this amount, \$4,504,952 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$12,805,216 is invested in capital assets - net of related debt.
- As of June 30, 2012 the City's governmental funds reported combined fund balances of \$2,866,740 approximately 99% of the combined fund balances, \$2,566,591 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 \$2,566,591 or 45% of total general fund expenditures.
- The City's long-term debt decreased by \$76,369. 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, 2012

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, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

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

Condensed Statement of Net Assets

	June 30, 2012			June 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other Assets	\$ 6,814,960	\$ 2,031,777	\$ 8,846,737	\$ 7,103,409	\$ 1,622,608	\$ 8,726,017
Capital Assets	8,789,259	4,583,989	13,373,248	8,916,575	4,364,264	13,280,839
Total Assets	15,604,219	6,615,766	22,219,985	16,019,984	5,986,872	22,006,856
Liabilities						
Current/non current	4,235,209	655,477	4,890,686	3,875,314	605,857	4,481,171
Net Asset:						
Invested in capital assets, net	8,610,263	4,194,953	12,805,216	8,721,438	3,942,071	12,663,509
Net assets restricted		19,130	19,130		19,178	19,178
Unrestricted net assets	2,758,747	1,746,206	4,504,953	3,423,232	1,419,766	4,842,998
Total Net Assets	\$ 11,369,010	\$ 5,960,289	\$ 17,329,299	\$ 12,144,670	\$ 5,381,015	\$ 17,525,685

As the above table indicates, total assets increased \$213,129 from \$22,006,856 to \$22,219,985 during the fiscal year ended June 30, 2012. This is comprised of a net increase of \$ 92,409 in capital assets mostly funded by grant revenues and an increase in current and other assets totaling \$120,720.

Total liabilities increased \$409,515 from \$4,481,171 to \$4,890,686. This represents an increase of \$246,261 in OPEB obligations, a decrease of \$57,441 in deferred revenue, an increase of \$241,178 in retro insurance liability and a net decrease of \$20,483 in all other liabilities.

Net assets decreased by \$196,386 over the prior year primarily resulting from net income of \$579,274 in enterprise funds, a net loss of \$537,736 in governmental funds and prior period adjustments of -\$237,924 in governmental funds.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2012

Statement of Activities

A summary of the Districts Statement of Activities is presented below

	Condensed Statement of Activities					
	Fiscal Year Ended June 30, 2012			Fiscal Year Ended June 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues:						
Charges for services	\$ 697,365	\$ 2,265,489	\$ 2,962,854	\$ 646,893	\$ 2,218,712	\$ 2,865,605
Capital grants and contributions	186,712		186,712	877,076		877,076
Operating grants	241,447		241,447	539,080		539,080
General Revenue:						
Property taxes and assessments	990,141		990,141	990,501		990,501
Sales and use tax	2,129,456		2,129,456	2,019,312		2,019,312
Other revenue	2,340,981		2,340,981	2,389,386		2,389,386
Interest and investment income	85,439	7,168	92,607	88,875	9,100	97,975
Total Revenue	6,671,541	2,272,657	8,944,198	7,551,123	2,227,812	9,778,935
Expenses:						
Governmental activities:						
General government	1,882,625		1,882,625	1,711,489		1,711,489
Public safety	3,469,548		3,469,548	3,356,640		3,356,640
Public works	1,212,502		1,212,502	1,262,494		1,262,494
Community services/recreation	636,532		636,532	985,579		985,579
Business-type activities						
Water		808,432	808,432		735,654	735,654
Sewer		752,195	752,195		696,656	696,656
Mobile home park		119,767	119,767		106,154	106,154
Interest on long-term debt	8,070	12,989	21,059	14,302	13,889	28,191
Total Expense	7,209,277	1,693,383	8,902,660	7,330,504	1,552,353	8,882,857
Excess (deficiency) before transfers	(537,736)	579,274	41,538	220,619	675,459	896,078
Transfers in (out)				22,230	(22,230)	
Change in net assets	\$ (537,736)	\$ 579,274	\$ 41,538	\$ 242,849	\$ 653,229	\$ 896,078

The statement of activities, identify the various revenue and expense items which affect the change in net assets.

As the information indicates the \$ 834,737 decrease to revenue from June 30, 2011 to June 30, 2012 operations, was primarily due to a decrease in governmental revenue for capital and operating grants. Property taxes continue to show a decline due to the continued housing recession. Sales tax and transient occupancy tax continues to be consistent with projections.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2012

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 \$2,866,740. Approximately 90% of the total ending fund balances \$2,566,591 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 \$814 2) for petty cash \$640. 3) for special revenue funds and capital project funds \$298,695.

General fund revenues were \$5,518,200 and expenditures in the general fund were \$5,582,178. Prop 1B Grant money was expended in 2012. This was a Street grant for specific purposes and the funds have been spent on various projects. The CDBG Homeownership Assistance Grant expired December 31, 2012. The agency received 15 applications and 4 applicants were able to qualify and purchase homes within the city limits. Notice of funding availability will be released in 2013.

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

Budgetary Highlights

General fund revenues for the 2011-2012 fiscal year were budgeted at \$5,591,513 (final amended budget). The actual revenues were \$5,518,200 leaving an unfavorable variance of (\$73,313). The decrease was due to the unanticipated decline in revenues generated from taxes such as property tax, sales tax (including triple flip) and asset forfeiture money \$33,124 was budgeted in 2011-12 but was received in 2010-11.

General fund expenditures were budgeted at \$5,818,294. The actual amount expended was \$5,582,178, \$236,116 less than the final amended budget. The favorable expenditure variance was due to lower expenditures compared to those budgeted by each department with the largest positive variances in the reduction of liability and property insurance and postponement of capital outlay for structures and improvements.

City of Bishop
Required Supplementary Information
Management's Discussion and Analysis (Continued)
June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Land	\$ 341,105	\$ 341,105	\$ 481,066	\$ 481,066	\$ 822,171	\$ 822,171
Construction in progress	520,563	376,775	233,067	154,382	753,630	531,157
Buildings and improvements	859,359	955,481	91,686	106,015	951,045	1,061,496
Site improvements	205,913	250,298			205,913	250,298
Equipment	536,473	686,611	296,133	321,900	832,606	1,008,511
Infrastructure	6,325,846	6,306,305	3,482,037	3,300,901	9,807,883	9,607,206
Total	\$ 8,789,259	\$ 8,916,575	4,583,989	\$ 4,364,264	\$ 13,373,248	\$ 13,280,839

As of June 30, 2012 the City's investment in capital assets totaled \$13,373,248 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, 2012, the City had \$156,642 in outstanding governmental-type long-term debt and \$388,222 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 project completed in 11/12 was Road Project A. Wye Rd Intersection Improvement Project, Sneden Improvements and Warren Improvements Projects are budgeted for 12/13 as funding becomes available.

The City's combined water and sewer rates changed in 11/12 to \$57.96 per month. New rates have been approved for the fiscal year 12/13 at a rate of \$59.58. A new rate study is planned for fiscal year 13/14 to establish rates in 14/15.

Due to the unpredictable economic conditions of the State of California and Federal government funding, it has created a challenge to do accurate projections in revenues and expenditures. City Council has been presented with a two year budget for fiscal years 12/13 and 13/14 in hopes that it gives a clearer and more stable approach to the process of departmental budgets and request for capital expenditures. Due to current economic times staff continues to monitor revenues coming in to determine what can be expended, or in some cases delayed.

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, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 1,879,927	\$ 1,978,121	\$ 3,858,048
Accounts receivables	767,509	23,844	791,353
Due from other governments	275,057		275,057
Interest receivable	341,217	1,660	342,877
Prepaid expenses	83,262		83,262
Deposits	25,736		25,736
Advances to other funds	814		814
Restricted cash and investments	1,221,539	28,152	1,249,691
Total Current Assets	<u>4,595,060</u>	<u>2,031,777</u>	<u>6,626,837</u>
Non Current Assets			
Loans receivable	2,219,900		2,219,900
Capital assets:			
Land	341,105	481,066	822,171
Construction in Progress	520,563	233,067	753,630
Buildings	4,626,398	674,809	5,301,207
Site improvements	632,059		632,059
Equipment	3,304,918	868,642	4,173,560
Infrastructure	7,273,456	9,926,007	17,199,463
Less: accumulated depreciation	(7,909,240)	(7,599,602)	(15,508,842)
Total Capital Assets	<u>8,789,259</u>	<u>4,583,989</u>	<u>13,373,248</u>
Total Non Current Assets	<u>11,009,159</u>	<u>4,583,989</u>	<u>15,593,148</u>
Total Assets	<u>\$ 15,604,219</u>	<u>\$ 6,615,766</u>	<u>\$ 22,219,985</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 114,723	\$ 121,542	\$ 236,265
Retro insurance liability	241,178		241,178
Due to others	27		27
Advance from other funds-due within one year		814	814
Accrued interest payable	6,403	3,126	9,529
Long-term liabilities-due within one year	205,358	29,953	235,311
Total Current Liabilities	<u>567,689</u>	<u>155,435</u>	<u>723,124</u>
Liabilities-due in more than one year:			
Customer deposits		14,331	14,331
Compensated absences	156,705	49,197	205,902
OPEB liability	348,817	78,245	427,062
Leases payable	106,906		106,906
Note payable		358,269	358,269
Deferred revenue	3,055,093		3,055,093
Total Liabilities Due In More Than One Year	<u>3,667,521</u>	<u>500,042</u>	<u>4,167,563</u>
Total Liabilities	<u>4,235,209</u>	<u>655,477</u>	<u>4,890,686</u>
Net Assets			
Invested in capital assets, net of related debt	8,610,263	4,194,953	12,805,216
Restricted for capital replacement		19,130	19,130
Unrestricted	2,758,747	1,746,206	4,504,952
Total Net Assets	<u>\$ 11,369,010</u>	<u>\$ 5,960,289</u>	<u>\$ 17,329,299</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, 2012**

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 1,882,625	\$ 275,647	\$ -	\$ 55,218	\$ (1,551,760)	\$ -	\$ (1,551,760)
Public safety	3,469,548	197,488	11,344	147,896	(3,112,820)		(3,112,820)
Public works	1,212,502	128,532	175,368	28,333	(880,269)		(880,269)
Community services/recreation	636,532	95,698	-	10,000	(530,834)		(530,834)
Interest on long-term debt	8,070				(8,070)		(8,070)
Total Governmental Activities	7,209,277	697,365	186,712	241,447	(6,083,753)		(6,083,753)
Business-type Activities:							
Water	808,432	1,167,074				358,642	358,642
Sewer	752,195	1,013,096				260,901	260,901
Mobile home park	119,767	85,319				(34,448)	(34,448)
Interest on long-term debt	12,989					(12,989)	(12,989)
Total Business-type Activities	1,693,384	2,265,489				572,106	572,106
Total Government	\$ 8,902,661	\$ 2,962,854	\$ 186,712	\$ 241,447	(6,083,753)	572,106	(5,511,647)
General Revenues:							
Taxes:							
Property taxes					990,141		990,141
Sales and use tax					2,129,456		2,129,456
Transient occupancy tax					1,836,114		1,836,114
Franchise tax					45,260		45,260
Motor vehicle in lieu tax					276,941		276,941
Other taxes					182,666		182,666
Investment income					85,439	7,168	92,607
Total general revenues					5,546,017	7,168	5,553,185
Change in net assets					(537,736)	579,274	41,538
Net assets - beginning					12,144,670	5,381,015	17,525,685
Prior Period Adjustment					(237,924)		(237,924)
Net assets - ending					\$ 11,369,010	\$ 5,960,289	\$ 17,329,299

The accompanying notes are an integral part of these financial statements

CITY OF BISHOP

**Balance Sheet
Governmental Funds
June 30, 2012**

	General	Special Revenue	Capital	Debt Service	Other Nonmajor Funds	Total Governmental Funds
		Fund Home Fund Willow Street	Project Fund Hyw 6 & Wye Rd	Fund Debt Service		
<u>Assets</u>						
Cash and investments	\$ 1,877,164	\$ 2,763	\$ -	\$ -	\$ -	\$ 1,879,927
Restricted cash and investments			834,169		387,370	1,221,539
Receivables						
Accounts	755,442	-			12,067	767,509
Due from other governments					275,057	275,057
Interest	2,535	338,682				341,217
Prepaid expense	83,262					83,262
Due from other funds	151,185					151,185
Deposits	25,736					25,736
Loans/notes receivable	-	2,219,900				2,219,900
Advances to other funds	814					814
Total Assets	\$ 2,896,138	\$ 2,561,345	\$ 834,169	\$ -	\$ 674,494	\$ 6,966,146
<u>Liabilities and Fund Balances</u>						
<u>Liabilities</u>						
Accounts payable	\$ 61,448	\$ 3,200	\$ 169	\$ -	\$ 49,905	\$ 114,722
Retro insurance liability	241,178					241,178
Due to others	27					27
OPEB liability						
Due to other funds					151,185	151,185
Deferred revenue	25,440	2,558,582	835,193		173,079	3,592,294
Total Liabilities	328,093	2,561,782	835,362		374,169	4,099,406
<u>Fund Balances</u>						
Reserved for advances to other funds	814					814
Reserved for petty cash	640					640
Reserved prop 1B						
Reserved for special revenue funds		(437)			460,284	459,847
Reserved for capital projects funds			(1,193)		(159,959)	(161,152)
Unreserved, reported in General fund	2,566,591					2,566,591
Total Fund Balances	2,568,045	\$ (437)	(1,193)		300,325	2,866,740
Total Liabilities and Fund Balances	\$ 2,896,138	\$ 2,561,345	\$ 834,169	\$ -	\$ 674,494	\$ 6,966,146

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, 2012

Fund Balances of Governmental Funds	\$ 2,866,740
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.	8,789,259
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.	537,201
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>(824,190)</u>
Net assets of governmental activities	<u>\$ 11,369,010</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, 2012**

	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
Revenues						
Taxes	\$ 4,586,343	\$ -	\$ -	\$ -	\$ 528,999	\$ 5,115,342
Licenses and permits	111,761					111,761
Intergovernmental	447,662		31,102		440,315	919,079
Fines, forfeitures and penalties	13,302				5,861	19,163
Charges for current services	95,520					95,520
Use of money and property	123,645				189	123,834
Other	139,967					139,967
Total Revenues	5,518,200	-	31,102	-	975,364	6,524,666
Expenditures						
Current:						
General government	1,095,034				724,658	1,819,692
Public ways and facilities/ transportation	748,126				137,047	885,173
Public safety	3,067,448				90,082	3,157,530
Community development	518,349	3,200			10,000	531,549
Capital Outlay	153,221		32,295		235,588	421,104
Debt service						
Principal				47,409		47,409
Interest				10,008		10,008
Total Expenditures	5,582,178	3,200	32,295	57,417	1,197,375	6,872,465
Excess (Deficit) of Revenues over Expenditures	(63,978)	(3,200)	(1,193)	(57,417)	(222,011)	(347,799)
Other Financing Sources (Uses)						
Operating transfers in	806			57,417	159,579	217,802
Operating transfers out	(216,996)				(806)	(217,802)
Total Other Financing Sources (Uses)	(216,190)	-	-	57,417	158,773	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(280,168)	(3,200)	(1,193)		(63,238)	(347,799)
Fund Balances, July 1, 2011	2,965,784	2,763			392,354	3,360,901
Prior period adjustment	(117,571)				(28,791)	(146,362)
Fund Balances, June 30, 2012	\$ 2,568,045	\$ (437)	\$ (1,193)	\$ -	\$ 300,325	\$ 2,866,740

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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (347,799)

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

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

Cost of assets capitalized	388,017
Depreciation expense	(568,810)

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. 47,409

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. 1,938

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. 146,876

Changes in other pension expense benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds. (203,779)

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. (1,588)

Change in net assets of governmental activities \$ (537,736)

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

CITY OF BISHOP

**Statement of Net Assets
Proprietary Funds
June 30, 2012**

	Water	Sewer	Mobile Home Park	Totals
Current assets:				
Cash and investments	\$ 1,105,473	\$ 743,413	\$ 129,235	\$ 1,978,121
Restricted cash and investments			28,152	28,152
Receivables				
Accounts	11,388	8,320	4,136	23,844
Interest	917	612	131	1,660
Total current assets	<u>1,117,778</u>	<u>752,345</u>	<u>161,654</u>	<u>2,031,777</u>
Capital assets:				
Nondepreciable capital assets:				
Land	67,324	88,892	324,850	481,066
Construction in progress	169,248	63,819		233,067
Depreciable capital assets				
Building	68,436	94,877	511,496	674,809
Site improvements				-
Equipment	317,585	551,057		868,642
Infrastructure	6,188,858	3,737,149		9,926,007
Less accumulated depreciation	<u>(3,683,038)</u>	<u>(3,461,756)</u>	<u>(454,808)</u>	<u>(7,599,602)</u>
Total capital assets (net of accumulated depreciation)	<u>3,128,413</u>	<u>1,074,038</u>	<u>381,538</u>	<u>4,583,989</u>
Total Assets	<u>\$ 4,246,191</u>	<u>\$ 1,826,383</u>	<u>\$ 543,192</u>	<u>\$ 6,615,766</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 91,756	\$ 25,105	\$ 4,681	\$ 121,542
Current portion - note payable	29,953			29,953
Current portion - advance from other funds			814	814
Interest payable	3,126			3,126
Total current liabilities	<u>124,835</u>	<u>25,105</u>	<u>5,495</u>	<u>155,435</u>
Noncurrent liabilities:				
Customer deposits	2,826	2,643	8,862	14,331
Compensated absences	24,574	24,623		49,197
OPEB liability	39,276	38,969		78,245
Note payable	358,269			358,269
Total noncurrent liabilities	<u>424,945</u>	<u>66,235</u>	<u>8,862</u>	<u>500,042</u>
Total Liabilities	<u>549,780</u>	<u>91,340</u>	<u>14,357</u>	<u>655,477</u>
Net assets:				
Invested in capital assets, net of related debt	2,740,191	1,074,038	380,724	4,194,953
Reserved for capital replacement			19,130	19,130
Unreserved	956,220	661,005	128,981	1,746,206
Total Net Assets	<u>\$ 3,696,411</u>	<u>\$ 1,735,043</u>	<u>\$ 528,835</u>	<u>\$ 5,960,289</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, 2012**

	Water	Sewer	Mobile Home Park	Totals
Operating Revenues				
Charges for services	\$ 1,154,353	\$ 1,006,592	\$ -	\$ 2,160,945
Rent			65,530	65,530
Utility reimbursement			19,789	19,789
Other income	12,721	6,504		19,225
Total Operating Revenues	1,167,074	1,013,096	85,319	2,265,489
Operating Expenses				
Salaries and benefits	567,073	565,751	27,038	1,159,862
Services and supplies	125,009	106,864	81,734	313,607
Depreciation expense	116,350	79,580	10,995	206,925
Total Operating Expenses	808,432	752,195	119,767	1,680,394
Operating Income (Loss)	358,642	260,901	(34,448)	585,095
Non-Operating Revenues (Expenses)				
Interest income	3,894	2,667	607	7,168
Interest expense	(12,989)			(12,989)
Total Non-Operating Revenues (Expenses)	(9,095)	2,667	607	(5,821)
Net Income (Loss)	349,547	263,568	(33,841)	579,274
Net Assets, July 1, 2011	3,346,864	1,471,475	562,676	5,381,015
Net Assets, June 30, 2012	\$ 3,696,411	\$ 1,735,043	\$ 528,835	\$ 5,960,289

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, 2012**

	Water	Sewer	Mobile Home Park	Totals
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,166,578	\$ 1,011,388	\$ 85,159	\$ 2,263,125
Cash payments to suppliers	(86,452)	(105,374)	(77,445)	(269,271)
Cash payments to employees	(543,672)	(542,624)	(27,038)	(1,113,334)
Net Cash Provided By (Used For) Operating Activities	<u>536,454</u>	<u>363,390</u>	<u>(19,324)</u>	<u>880,520</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of fixed assets	(255,617)	(171,031)		(426,648)
Reductions of debt	(28,960)			(28,960)
Reductions in advance from other funds			(4,197)	(4,197)
Insurance reimbursement				-
Interest expense	(13,231)			(13,231)
Net Cash Used For Capital and Related Financing Activities	<u>(297,808)</u>	<u>(171,031)</u>	<u>(4,197)</u>	<u>(473,036)</u>
Cash Flows from Investing Activities:				
Interest income	4,092	2,759	711	7,562
Net Cash Provided By Investing Activities	<u>4,092</u>	<u>2,759</u>	<u>711</u>	<u>7,562</u>
Net Increase (Decrease) in Cash and Cash Equivalents	242,738	195,118	(22,810)	415,046
Cash and Cash Equivalents, July 1, 2011	<u>862,735</u>	<u>548,295</u>	<u>180,197</u>	<u>1,591,227</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 1,105,473</u>	<u>\$ 743,413</u>	<u>\$ 157,387</u>	<u>\$ 2,006,273</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 1,105,473	\$ 743,413	\$ 129,235	\$ 1,978,121
Restricted cash and investments			28,152	28,152
Total Cash and Cash Equivalents	<u>\$ 1,105,473</u>	<u>\$ 743,413</u>	<u>\$ 157,387</u>	<u>\$ 2,006,273</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities	\$ 358,642	\$ 260,901	\$ (34,448)	\$ 585,095
Adjustments to operating income:				
Depreciation	116,350	79,580	10,995	206,925
(Increase) decrease in accounts receivable	4,773	708	-	5,481
Increase (decrease) in accounts payable	38,557	1,490	4,289	44,336
Increase (decrease) in customer deposits	(5,269)	(2,416)	(160)	(7,845)
Increase in OPEB liability	21,344	21,139		42,483
Increase (decrease) in compensated absences	2,057	1,988		4,045
Net Cash Provided By (Used For) Operating Activities	<u>\$ 536,454</u>	<u>\$ 363,390</u>	<u>\$ (19,324)</u>	<u>\$ 880,520</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, 2012

	Agency Funds		
	Bond & Trust	Canine Donations	Totals
<u>Assets</u>			
Cash and investments	\$ 2,543	\$ 16,431	\$ 18,974
Due from other fund	27		27
Total Assets	<u>\$ 2,570</u>	<u>\$ 16,431</u>	<u>\$ 19,001</u>
<u>Liabilities</u>			
Due to others	<u>\$ 2,570</u>	<u>\$ 16,431</u>	<u>\$ 19,001</u>
Total Liabilities	<u>\$ 2,570</u>	<u>\$ 16,431</u>	<u>\$ 19,001</u>

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

City of Bishop
Notes to Financial Statements
June 30, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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 appropriate for future expenditures.

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

L. Deferred Revenues

The City recorded deferred revenue by expending grant monies for capital projects and not receiving reimbursement within sixty days after fiscal year end (unavailable.) The amount of the deferred revenue was \$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, 2012, 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, 2012

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 and required reserves in the Mobile Home Park.

Cash and investments at June 30, 2012, consisted of the following:

Cash and investments	\$ 3,858,048
Restricted cash and investments	<u>1,249,691</u>
Cash and investments, statement of net assets	5,107,739
Cash and investments, statement of fiduciary assets	<u>18,974</u>
Total cash and investments	<u><u>\$ 5,126,713</u></u>
Checking account	\$ 180,532
Imprest cash	840
Local agency investment fund	<u>4,945,341</u>
Total cash and investments	<u><u>\$ 5,126,713</u></u>

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 2: Cash and Investments (Continued)

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

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

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

B. Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>
State Investment Pool*	\$ 4,945,341	\$ 4,945,341	\$ -	\$ -	\$ -
Totals	\$ 4,945,341	\$ 4,945,341	\$ -	\$ -	\$ -

*Not subject to categorization

C. Concentrations of Credit Risk

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

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 2: Cash and Investments (Continued)

D. Custodial Credit Risk

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

At June 30, 2012, the City's deposits balance was \$465,827 and the carrying amount was \$180,532. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance all was covered by the Federal Depository Insurance or by collateral held in the pledging bank's trust department in the City's name.

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates \$60.612 billion. Of the \$60.612 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 3.47% 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, 2012 the City had loaned \$2,219,900. The term of the note commenced on September 1, 2006 and will expire on the date that is fifty-five years after issuance of the date of completion, but no longer than fifty-eight years from the date of commencement. The source of the funding for the loan was a grant to the City from the State of California, Housing and Community Development, Home Funds program.

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 4: Liability, Insured Programs and Workers Compensation Protection

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

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

B. Self-Insurance Programs Authority

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

C. Purchased Insurance

Environmental Insurance The City of Bishop participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is for a 3-year period from July 1, 2008 through July 1, 2012. 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, 2012

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Retirements/ Adjustments	Balance June 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 341,105	\$ -	\$ -	\$ 341,105
Construction in progress	376,775	143,788		520,563
Capital assets, being depreciated:				
Buildings and improvements	4,626,398			4,626,398
Site improvements	632,059			632,059
Equipment	3,505,940	73,148	(274,170)	3,304,918
Infrastructure	7,015,810	257,646		7,273,456
Total capital assets, being depreciated	15,780,207	330,794		15,836,831
Less accumulated depreciation for:				
Buildings and improvements	(3,670,917)	(96,121)		(3,767,039)
Site Improvements	(381,761)	(44,385)		(426,146)
Equipment	(2,819,329)	(190,198)	241,082	(2,768,445)
Infrastructure	(709,505)	(238,105)		(947,610)
Total accumulated depreciation	(7,581,512)	(568,809)		(7,909,240)
Total capital assets, being depreciated	8,198,695	(238,015)		7,927,591
Governmental activities capital assets, net	<u>\$ 8,916,575</u>	<u>\$ (94,227)</u>	<u>\$ -</u>	<u>\$ 8,789,259</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 481,066	\$ -	\$ -	\$ 481,066
Construction in progress	154,382	78,685.00		233,067
Capital assets, being depreciated:				
Buildings and improvements	674,809			674,809
Equipment	832,928	48,130	(12,416)	868,642
Infrastructure	9,626,172	299,835		9,926,007
Total capital assets, being depreciated	11,133,909	347,965	(12,416)	11,469,458
Less accumulated depreciation for:				
Buildings and improvements	(568,794)	(14,329)		(583,123)
Equipment	(511,028)	(73,897)	12,416	(572,509)
Infrastructure	(6,325,271)	(118,699)		(6,443,970)
Total accumulated depreciation	(7,405,093)	(206,925)	12,416	(7,599,602)
Total capital assets, being depreciated	3,728,816	141,040	-	3,869,856
Business- type activities capital assets, net	<u>\$ 4,364,264</u>	<u>\$ 219,725</u>	<u>\$ -</u>	<u>\$ 4,583,989</u>

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 5: Capital Assets (Continued)

Depreciation

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

Governmental Activities	
General government	\$ 18,781
Public safety	171,054
Public works	28,225
Streets and roads	266,360
Parks	<u>84,389</u>
Total	<u>\$ 568,809</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, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Compensated absences	\$ 310,739	\$ 312,804	\$ (311,245)	\$ 312,298	\$ 155,623
OPEB liability	145,039	195,232		340,271	-
Capital lease	204,051	-	(47,409)	156,642	49,735
Total	<u>\$ 659,829</u>	<u>\$ 508,036</u>	<u>\$ (358,654)</u>	<u>\$ 809,211</u>	<u>\$ 205,358</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, 2012

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, 2012:

Fiscal Year Ended		
June 30,		
2013	\$	57,417
2014		57,417
2015		57,417
Total minimum lease payments		<u>172,251</u>
Less: Amount representing interest		<u>(15,609)</u>
Present value of minimum lease payments	\$	<u>156,642</u>

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, 2012, are as follows:

Fiscal Year Ended				
June 30,	Principal	Interest	Total	
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	34,024	8,167	42,191	
2018-2022	187,330	23,628	210,958	
2023	41,193	999	42,192	
Totals	<u>\$ 388,222</u>	<u>\$ 75,886</u>	<u>\$ 464,108</u>	

City of Bishop
Notes to Financial Statements
June 30, 2012

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 2011/12 was 19.441% and 9.168% for miscellaneous members tier 1 and tier 2 and 30.874% and 23.671% 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 2011/12, the City's annual pension cost was \$882,446 and the City actually contributed \$882,446. The City contributes both the employee and employer portions. The required contribution for fiscal year 2011/12 was determined as part of the June 30, 2009, 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, 2009, was 18 years for miscellaneous members and 18 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
06/30/10	\$ 804,119	100%	\$ -
06/30/11	\$ 791,840	100%	\$ -
06/30/12	\$ 882,446	100%	\$ -

**City of Bishop
Notes to Financial Statements
June 30, 2012**

Note 8: Defined Benefit Pension Plan (Continued)

PARS

During the 2001/2002 fiscal year the City offered its full time miscellaneous employees a 3% at 55 retirement formula based on years of service with the City and CalPERS. The plan is available to eligible employees by purchasing a 1% retirement enhancement program from Public Agency Retirement Systems (PARS), a private corporation. The requirements for eligibility include: A minimum ten years of service with the City, retirement on or after the employee's 55th birthday, a non-disability retirement, retirement from the City of Bishop, retirement eligibility with PERS under the 2% at 55 program and actual retirement. During the 2009/2010 fiscal year the City implemented a second tier whereby new employees will be eligible under CalPERS 2% @ 60 formula with an additional 1% enhancement provided by PARS resulting in a combined 3% @ 60 years of age. A third tier was added for two employees under an employment contract with retirement at age 55 and no service requirement.

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, 2012, the City's annual required contribution was \$304,758 and the City actually contributed \$304,758. The required contribution was based on June 30, 2010 actuarial valuation using the entry age normal (level of percentage of pay) actuarial cost method. The actuarial assumptions included a) 5.5% interest rate (net of administrative expenses), b) the CalPERS 1997-2007 Experience Study table for Males and Females, c) projected annual payroll increases of 3.25% a year plus merit increases, and d) cost of living adjustment of 2% per year after retirement. Both a) and c) include an inflation component of 3.00%. The unfunded actuarial accrued liability is being amortized as a level percent of pay. The amortization periods are 1) 20 years for initial unfunded accrued liability (from January 1, 2001), 2) 15 years for gains/losses 3) 20 years for plan amendments and 4) 20 years for assumption changes.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/10	\$ 368,002	100%	\$ -
06/30/11	\$ 389,506	100%	\$ -
06/30/12	\$ 304,758	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

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 9: Post Retirement Health Care Benefits (Continued)

plan offered by PERS which is available to the City employees and subject to requirements placed upon participants by such plans relating to offsetting cost contributions from Medicare, etc. A contribution of \$50 per month will be paid by the member and \$100 per month if dependent coverage is added to the health plan. City Council pays \$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 2011/2012 fiscal year was \$395,641. As of June 30, 2012, 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.

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

Plan Description. The City's Post-Retirement Healthcare Plan is a 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, except as noted under the tier II plan. A retiree with less than the required years of service with the City will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law. The retiree is on the same medical plan as the City's active employees, however monthly rates for coverage of covered active and retired employees are computed separately.

Funding Policy. The contribution requirement of plan members is established by the City's Board of Directors. The 2011-2012 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, 2012 the City contributed \$206,991 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, 2012 directly to health insurance providers totaling \$420,748 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:

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 9: Post Retirement Health Care Benefits (Continued)

Payment of Unfunded Actuarial Accrued Liability	\$ (206,991)
Unreimbursed retiree premiums paid to plan providers	<u>(420,748)</u>
Increase (decrease) in net OPEB obligation	(627,739)
Net OPEB obligation - beginning of year	180,801
Annual Required Contribution (ARC).	<u>874,000</u>
Net OPEB obligation - end of year	<u><u>\$ 427,062</u></u>

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

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
June 30, 2010	\$ 727,000	95%	\$ (35,780)
June 30, 2011	750,000	81%	(145,021)
June 30, 2012	874,000	72%	(246,261)

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was \$8,545,000. As of June 30, 2012, the City's annual required contribution was underfunded by \$427,062.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2010, actuarial valuation, the entry age normal cost asset valuation method is used. The actuarial assumptions include an investment/discount rate of between 6.55% and 7.75%. The valuation assumes that 100% of all eligible retirees will actually participate in the retiree medical benefit. The annual healthcare premiums will increase between 5% and 10% from 2012 to 2021 and then increase 5% 2021 forward. Payroll is assumed to increase 3.25 annually.

City of Bishop
Notes to Financial Statements
June 30, 2012

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, 2012 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	\$ 814	\$ -	\$ -	\$ 151,185	\$ 806	\$ 216,996
Special Revenue	-	-	-	-	2,200	-
Debt Service	-	-	-	-	57,417	-
Capital Projects	-	-	151,185	-	157,379	806
Enterprise	-	814	-	-	-	-
Total	\$ 814	\$ 814	\$ 151,185	\$ 151,185	\$ 217,802	\$ 217,802

Note 11: Stewardship, Compliance and Accountability

A. Deficit Fund Balances

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

B. Restatement of Net Assets and Fund Balance

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

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 11: Stewardship, Compliance and Accountability (Continued)

B. Restatement of Net Assets and Fund Balance (Continued)

The impact of the restatements to the previously reported government-wide financial statement net assets is presented below:

	Governmental Activities
Net Assets Reported as of June 30, 2011	\$12,144,670
Adjustments for:	
Accrue prior year retro insurance liability	(315,178)
Close out Grove Street fund	11,240
Record prior year receivable	12,536
Reclassify prior year salary to capital asset	53,478
Total adjustment	(237,924)
Net Assets, July 1, 2011 as restated	<u>\$11,906,746</u>

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

	General Fund	Measure A	Gas Tax	Project A
Fund Balance, June 30, 2011	\$ 2,965,784	\$ 352,043	\$ 62,841	\$ (41,942)
Adjustments for:				
Reverse prior year OPEB liability	132,889	9,279	2,872	
Accrue prior year retro insurance liability	(315,178)			
Close out Grove Street fund	11,240			
Reclassify prior year Project A salary	53,478			(53,478)
Record prior year receivable			12,536	
Total adjustment	(117,571)	9,279	15,408	(53,478)
Fund Balance, July 1, 2011 as restated	<u>\$ 2,848,213</u>	<u>\$ 361,322</u>	<u>\$ 78,249</u>	<u>\$ (95,420)</u>

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: 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.

City of Bishop
Notes to Financial Statements
June 30, 2012

Note 13: Prop 1A Borrowing by the State of California (Continued)

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

Note 14: Economic Dependency

The City's general fund revenue relies heavily on tourism, which provides transient occupancy taxes and sales taxes. During the 2011-2012 fiscal year the City collected \$1,810,674 in transient occupancy tax which accounted for 33.7% of general fund revenue. Tourism related spending also accounts for additional sales taxes generated at the City. Sales tax revenue (including triple flip) was \$2,112,374 or 36.6% of general fund revenue for the 2011-2012 fiscal year.

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

Note 15: Commitments and Contingencies

Grants

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

CITY OF BISHOP
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Property - secured	\$ 370,000	\$ 370,000	\$ 359,306	\$ (10,694)
Property - unsecured	108,000	108,000	64,481	(43,519)
Prior year and other	23,000	23,000	34,249	11,249
Homeowners	3,000	3,000	3,106	106
Sales (including triple flip)	2,550,000	2,150,000	2,112,374	(37,626)
DWP water agreement	180,000	180,000	182,666	2,666
Transient occupancy	2,000,000	1,800,000	1,810,674	10,674
Sales tax - public safety	13,000	13,000	17,082	4,082
Real property transfer	4,500	5,000	2,405	(2,595)
Total Taxes	<u>5,251,500</u>	<u>4,652,000</u>	<u>4,586,343</u>	<u>(65,657)</u>
Licenses and Permits				
Business licenses	50,000	50,000	50,830	830
Use permits	4,850	4,750	1,300	(3,450)
Building permits	20,000	12,100	10,389	(1,711)
Electrical permits	5,000	2,500	1,687	(813)
Plumbing permits	4,000	4,000	2,295	(1,705)
Electrical franchise	38,000	34,000	32,718	(1,282)
TV franchise	12,000	12,000	12,542	542
Total Licenses and Permits	<u>133,850</u>	<u>119,350</u>	<u>111,761</u>	<u>(7,589)</u>
Intergovernmental				
Motor vehicle in lieu (includes VLF swap)	292,000	292,000	276,941	(15,059)
Off-highway motor vehicle fees	100	100		(100)
Prop 1B			200	200
Reimbursement - highway sweeping	20,000	20,000	18,333	(1,667)
Reimbursement - fire district	114,906	40,540	61,201	20,661
Loan retirement	4,200	4,200		(4,200)
Peace officers training	17,000	9,600	14,100	4,500
Dispatch contracts		500	325	(175)
Grants		73,573	76,562	2,989
Total Intergovernmental	<u>448,206</u>	<u>440,513</u>	<u>447,662</u>	<u>7,149</u>
Fines, Forfeitures and Penalties				
Parking citations	32,600	15,000	13,302	(1,698)
Asset forfeiture		33,124		(33,124)
Total Fines, Forfeitures and Penalties	<u>32,600</u>	<u>15,000</u>	<u>13,302</u>	<u>(34,822)</u>
Charges for Current Services				
Plan checking	12,000	5,000	4,257	(743)
Parks and recreation	75,750	74,350	91,263	16,913
Total Charges for Current Services	<u>87,750</u>	<u>79,350</u>	<u>95,520</u>	<u>16,170</u>
Use of Money and Property				
Interest and investment income	40,250	18,000	10,730	(7,270)
Rent	100,000	112,500	112,915	415
Total Use of Money and Property	<u>140,250</u>	<u>130,500</u>	<u>123,645</u>	<u>(6,855)</u>
Other				
Insurance refunds and dividends	43,000	45,000	38,095	(6,905)
Fingerprinting and reports	35,000	33,000	31,317	(1,683)
Miscellaneous - all others	73,800	76,800	70,555	(6,245)
Total Other	<u>151,800</u>	<u>154,800</u>	<u>139,967</u>	<u>(14,833)</u>
Total Revenues	<u>\$ 6,245,956</u>	<u>\$ 5,591,513</u>	<u>\$ 5,518,200</u>	<u>\$ (73,313)</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, 2012**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues (Continued)	\$ 6,245,956	\$ 5,591,513	\$ 5,518,200	\$ (73,313)
Expenditures				
General Government				
City council	180,800	179,400	157,457	21,943
Administration - clerk	353,200	378,069	358,257	19,812
Finance	170,000	198,100	178,233	19,867
City treasurer	3,225	1,915	1,867	48
City attorney	78,840	74,800	73,540	1,260
Insurance	460,400	421,200	324,203	96,997
Elections	500	1,351	1,477	(126)
Total General Government	<u>1,246,965</u>	<u>1,254,835</u>	<u>1,095,034</u>	<u>159,801</u>
Public Ways and Facilities/Transportation				
Building and grounds	224,800	174,600	169,950	4,650
Building	119,705	109,780	101,519	8,261
Planning	326,980	246,834	244,390	2,444
Street maintenance	166,120	120,200	104,222	15,978
Street sweeping	97,850	96,620	88,367	8,253
Street lighting	36,000	41,129	39,678	1,451
Total Public Ways and Facilities/Transportation	<u>971,455</u>	<u>789,163</u>	<u>748,126</u>	<u>41,037</u>
Public Safety				
Police	3,288,250	2,864,509	2,829,858	34,651
Fire	192,990	216,433	234,847	(18,414)
Emergency preparedness	4,500	4,500	2,743	1,757
Total Public Safety	<u>3,485,740</u>	<u>3,085,442</u>	<u>3,067,448</u>	<u>17,994</u>
Community Development				
Parks and recreation	425,250	354,850	348,366	6,484
Community promotion	152,008	152,279	151,758	521
Civic arts commission	18,225	18,225	18,225	
Total Community Development	<u>595,483</u>	<u>525,354</u>	<u>518,349</u>	<u>7,005</u>
Capital Outlay				
Structures and improvements	68,000	154,000	116,932	37,068
Equipment	13,000	9,500	36,289	(26,789)
Total Capital Outlay	<u>81,000</u>	<u>163,500</u>	<u>153,221</u>	<u>10,279</u>
Total Expenditures	<u>6,380,643</u>	<u>5,818,294</u>	<u>5,582,178</u>	<u>236,116</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(134,687)</u>	<u>(226,781)</u>	<u>(63,978)</u>	<u>162,803</u>
Other Financing Sources (Uses)				
Operating transfers in			806	806
Operating transfers out	<u>(57,418)</u>	<u>(57,418)</u>	<u>(216,996)</u>	<u>(159,578)</u>
Total Other Financing Sources (Uses)	<u>(57,418)</u>	<u>(57,418)</u>	<u>(216,190)</u>	<u>(158,772)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ (192,105)</u>	<u>\$ (284,199)</u>	<u>(280,168)</u>	<u>\$ 4,031</u>
Fund Balance, July 1, 2011			2,965,784	
Prior Period Adjustment			<u>(117,571)</u>	
Fund Balance, June 30, 2012			<u>\$ 2,568,045</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
Capital Projects Fund - Hwy 6 & Wye Road
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental Grants	\$ 300,000	\$ -	\$ 31,102	\$ 31,102
Total Revenues	<u>300,000</u>	<u>-</u>	<u>31,102</u>	<u>31,102</u>
EXPENDITURES				
Capital outlay	<u>450,200</u>	<u>825,200</u>	<u>32,295</u>	<u>792,905</u>
Total Expenditures	<u>450,200</u>	<u>825,200</u>	<u>32,295</u>	<u>792,905</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ (150,200)</u>	<u>\$ (825,200)</u>	<u>(1,193)</u>	<u>\$ (761,803)</u>
Fund Balances, July 1, 2011			-	
Prior period adjustment			<u>-</u>	
Fund Balances, June 30, 2012			<u>\$ (1,193)</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, 2012

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, 2012

	Special Revenue Funds	Capital Project Funds	Total
<u>Assets</u>			
Restricted cash and investments	\$ 385,656	\$ 1,714	\$ 387,370
Receivables	12,067		12,067
Due from other governments	95,118	179,939	275,057
	<u>95,118</u>	<u>179,939</u>	<u>275,057</u>
Total Assets	<u>\$ 492,841</u>	<u>\$ 181,653</u>	<u>\$ 674,494</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 15,738	\$ 34,167	\$ 49,905
OPEB liability			-
Due to other funds		151,185	151,185
Deferred revenue	16,819	156,260	173,079
	<u>16,819</u>	<u>156,260</u>	<u>173,079</u>
Total Liabilities	<u>32,557</u>	<u>341,612</u>	<u>374,169</u>
Fund Balances			
Reserved	460,284	(159,959)	300,325
	<u>460,284</u>	<u>(159,959)</u>	<u>300,325</u>
Total Fund Balance	<u>460,284</u>	<u>(159,959)</u>	<u>300,325</u>
Total Liabilities and Fund Balances	<u>\$ 492,841</u>	<u>\$ 181,653</u>	<u>\$ 674,494</u>

CITY OF BISHOP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012**

	Special Revenue Funds	Capital Project Funds	Total
Revenues			
Taxes and assessments	\$ 528,999	\$ -	\$ 528,999
Intergovernmental	365,216	75,099	440,315
Use of money and property	189		189
Fines, forfeitures and penalties	5,861		5,861
	<u>900,265</u>	<u>75,099</u>	<u>975,364</u>
Total Revenues			
Expenditures			
Current:			
General government	724,658		724,658
Public ways and facilities/ transportation	136,980	67	137,047
Public safety	90,082		90,082
Community development	10,000		10,000
Capital outlay	6,234	229,354	235,588
	<u>967,954</u>	<u>229,421</u>	<u>1,197,375</u>
Total Expenditures			
Excess (Deficit) of Revenues Over Expenditures	<u>(67,689)</u>	<u>(154,322)</u>	<u>(222,011)</u>
Other Financing Sources (Uses)			
Operating transfers in	2,200	157,379	159,579
Operating transfers out		(806)	(806)
	<u>2,200</u>	<u>156,573</u>	<u>158,773</u>
Total Other Financing Sources (Uses)			
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(65,489)</u>	<u>2,251</u>	<u>(63,238)</u>
Fund Balances, July 1, 2011	501,086	(108,732)	392,354
Prior period adjustments	24,687	(53,478)	(28,791)
	<u>460,284</u>	<u>(159,959)</u>	<u>300,325</u>
Fund Balances, June 30, 2012	<u>\$ 460,284</u>	<u>\$ (159,959)</u>	<u>\$ 300,325</u>

CITY OF BISHOP

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2012

	Measure A	Gas Tax	Traffic Safety	Public Safety	Home Program	IMACA	Totals
<u>Assets</u>							
Restricted cash and investments	\$ 155,461	\$ 43,408	\$ 8,404	\$ 168,383	\$ 10,000	\$ -	\$ 385,656
Receivables		11,936		131			12,067
Due from other governments	94,890		228				95,118
Total Assets	\$ 250,351	\$ 55,344	\$ 8,632	\$ 168,514	\$ 10,000	\$ -	\$ 492,841
<u>Liabilities and Fund Balances</u>							
<u>Liabilities</u>							
Accounts payable	\$ 5,440	\$ -	\$ -	\$ 298	\$ 10,000		\$ 15,738
OPEB liability							
Due to other funds							
Deferred Revenue				16,819			16,819
Total Liabilities	5,440			17,117	10,000		32,557
<u>Fund Balances</u>							
Reserved	244,911	55,344	8,632	151,397			460,284
Total Fund Balance	244,911	55,344	8,632	151,397			460,284
Total Liabilities and Fund Balances	\$ 250,351	\$ 55,344	\$ 8,632	\$ 168,514	\$ 10,000	\$ -	\$ 492,841

CITY OF BISHOP

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012**

	Measure A	Gas Tax	Traffic Safety	Public Safety	Home Program	IMACA	Totals
Revenues							
Taxes and assessments	\$ 528,999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 528,999
Intergovernmental	85,482	113,886	12,678	143,170	10,000		365,216
Fines, forfeitures and penalties			5,861				5,861
Use of money and property		189					189
Total Revenues	614,481	114,075	18,539	143,170	10,000		900,265
Expenditures							
Current:							
General government	724,658						724,658
Public ways and facilities/ transportation		136,980					136,980
Public safety			11,148	78,934			90,082
Community Development					10,000		10,000
Capital outlay	6,234						6,234
Total Expenditures	730,892	136,980	11,148	78,934	10,000		967,954
Excess (Deficit) of Revenues Over Expenditures	(116,411)	(22,905)	7,391	64,236			(67,689)
Other Financing Sources (Uses)							
Operating transfers in						2,200	2,200
Operating transfers out							
Total Other Financing Sources (Uses)						2,200	2,200
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(116,411)	(22,905)	7,391	64,236		2,200	(65,489)
Fund Balances, July 1, 2011	352,043	62,841	1,241	87,161		(2,200)	501,086
Prior Period Adjustment	9,279	15,408					24,687
Fund Balances, June 30, 2012	\$ 244,911	\$ 55,344	\$ 8,632	\$ 151,397	\$ -	\$ -	\$ 460,284

CITY OF BISHOP

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2012

	Fed Grant Mac Iver Extension	Road Project A	Snedden Improvements	South 2nd Improvements	W. Pine Improvements	GIS	Warren Improvements	Environmental Constraints	East Line St to Bridge	East Jay St Extension	Wye Rd Extension	SEIBU School Bike Path	Pine to Park	Totals
Restricted cash and investments Due from other governments	\$ 1,714	\$ -	28,346	-	\$ -	30,625	48,656	\$ -	\$ -	\$ -	\$ -	17,070	\$ -	\$ 1,714
Total Assets	\$ 1,714	\$ -	\$ 28,346	\$ -	\$ -	\$ 30,625	\$ 48,656	\$ -	\$ -	\$ -	\$ -	\$ 17,070	\$ 55,242	\$ 179,939
<u>Liabilities and Fund Balances</u>														
Liabilities														
Accounts payable	\$ -	\$ -	\$ 17,140	\$ -	\$ -	\$ 8,750	\$ 8,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,167
Deferred revenue	-	-	28,346	-	-	30,625	24,977	-	-	-	-	17,070	55,242	156,260
Due to other funds	-	-	12,200	-	-	21,875	40,380	-	-	-	-	17,069	59,661	151,185
Total Liabilities			57,686			61,250	73,634					34,139	114,903	341,612
Fund Balances														
Reserved	1,714		(29,340)			30,625	(24,978)					(17,069)	(59,661)	(159,959)
Total Liabilities and Fund Balances	\$ 1,714	\$ -	\$ 28,346	\$ -	\$ -	\$ 30,625	\$ 48,656	\$ -	\$ -	\$ -	\$ -	\$ 17,070	\$ 55,242	\$ 181,653

CITY OF BISHOP

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2012

	Fed Grant Maciver Extension	Road Project A	Sneden Improvements	South 2nd Improvements	W. Pine Improvements	GIS	Warren Improvements	Environmental Constraints	East Line St to Bridge	East Jay St Extension	Wye Rd Extension	SEIBU School Bike Path	Pine to Park	Totals
Revenues	\$ -	\$ 48,386	\$ -	\$ -	\$ -	\$ -	\$ 23,679	\$ -	\$ 202	\$ 302	\$ 302	\$ 2,228	\$ -	\$ 75,099
Intergovernmental Contributions		48,386					23,679		202	302	302	2,228		75,099
Use of money and property														
Total Revenues		48,386					23,679		202	302	302	2,228		75,099
Expenditures														
Current:														
Public ways and facilities/ Transportation	67	87,235	23,617	-	-	30,625	48,657					9,654	29,566	229,354
Capital outlay														67
Total Expenditures	67	87,235	23,617			30,625	48,657					9,654	29,566	229,421
Excess (Deficit) of Revenues Over Expenditures	(67)	(38,849)	(23,617)			(30,625)	(24,978)		202	302	302	(7,426)	(29,566)	(154,322)
Other Financing Sources (Uses)														
Operating transfers in		134,269	-	11,359	11,624	-		127	(202)	(302)	(302)			157,379
Operating transfers out														(806)
Total Other Financing Sources (Uses)		134,269		11,359	11,624			127	(202)	(302)	(302)			156,573
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(67)	95,420	(23,617)	11,359	11,624		(24,978)	127				(7,426)	(29,566)	2,251
Fund Balances, July 1, 2011	1,781	(41,942)	(5,723)	(11,359)	(11,624)			(127)				(9,643)	(30,095)	(108,732)
Prior period adjustments		(53,478)												(53,478)
Fund Balances, June 30, 2012	\$ 1,714	\$ -	\$ (29,340)	\$ -	\$ -	\$ (30,625)	\$ (24,978)	\$ -	\$ -	\$ -	\$ -	\$ (17,069)	\$ (59,661)	\$ (159,959)

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

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

To the City Council
City of Bishop, California

We have audited 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, 2012, which collectively comprise the City of Bishop's basic financial statements and have issued our report thereon dated December 29, 2012. 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. We identified deficiencies in internal control over financial reporting presented as 12-1 and 12-2 in the schedule of findings following this report that we consider to be material weaknesses.

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. 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*.

The City of Bishop's written response to the significant deficiencies identified in our audit and any follow up for subsequent year corrections has not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on the responses.

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

A handwritten signature in black ink, appearing to read "Larry Bain", with a stylized flourish at the end.

Larry Bain, CPA,
An Accounting Corporation
December 29, 2012

**City of Bishop
Schedule of Findings
Year Ended June 30, 2012**

INTERNAL CONTROL FINDINGS

Deemed to be Significant Deficiencies and Material Weaknesses

Finding FS 12-1 (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: The remaining unspent grant funds were reimbursed during the 2011/12 fiscal year.

City Response: Agrees.

Finding 12-2 (Prior 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, 2012. 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.

Current Year Follow Up: The City has made progress in implementing the provision of GASB 54 and expects to completion during the 2012/13 fiscal year.

City Response: The city will implement the new standard in the 2012/13 fiscal year.