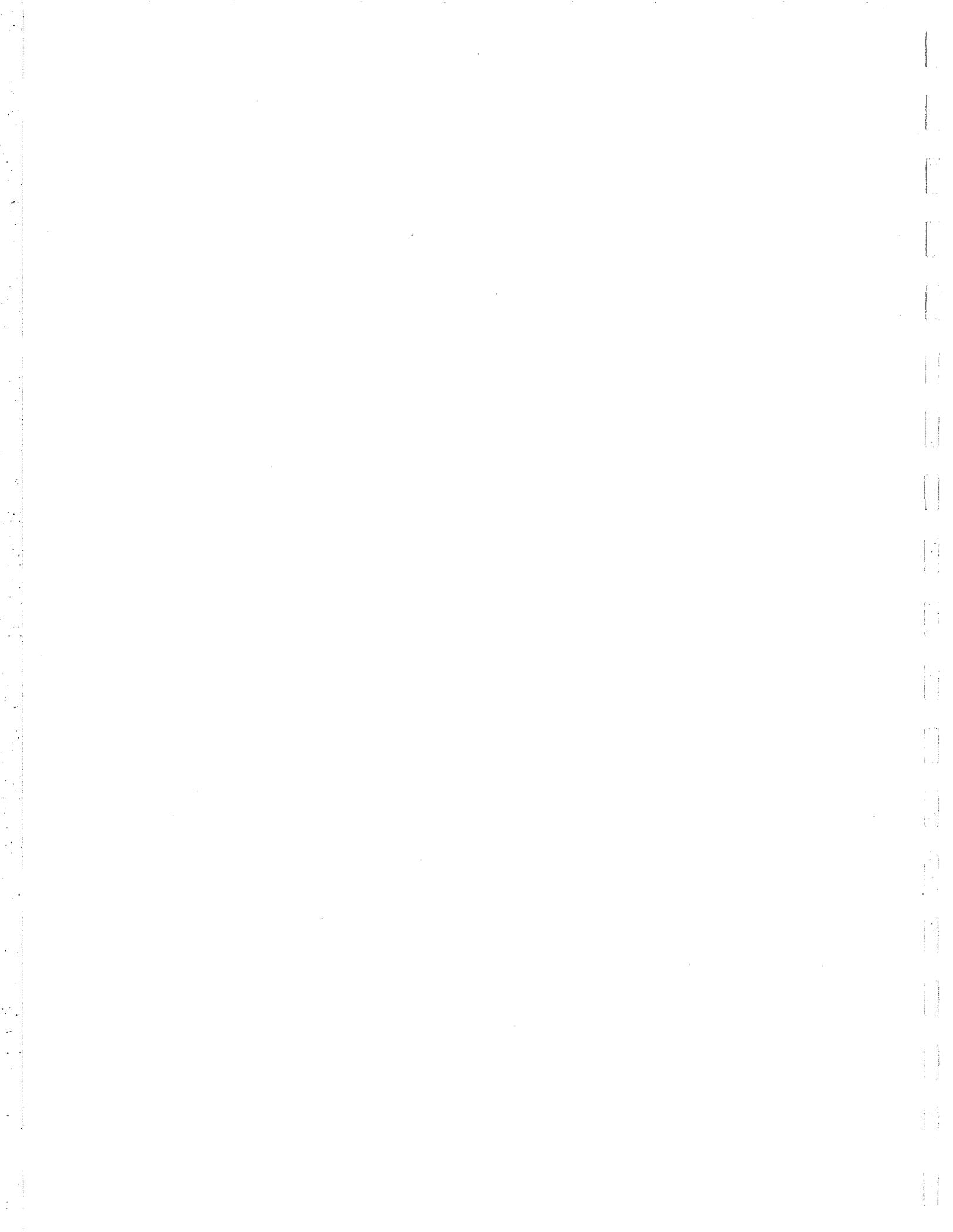


CITY OF SUSANVILLE  
BASIC FINANCIAL STATEMENTS  
June 30, 2004



**CITY OF SUSANVILLE**

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June 30, 2004

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SACRAMENTO, CALIFORNIA

## INDEPENDENT AUDITOR'S REPORT

City Council of the City of Susanville  
Susanville, 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 Susanville (City), as of and for the fiscal year ended June 30, 2004, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* as issued by the Controller 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Susanville as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The basic financial statements referred to above follow the requirements of the Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, No. 36, *Receipt Reporting for Certain Non-Exchange Revenues, an Amendment of GASB Statement No. 33*, No.37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Omnibus*, and No.38, *Certain Financial Statement Note Disclosures*, as discussed in Note 1 to the basic financial statements.

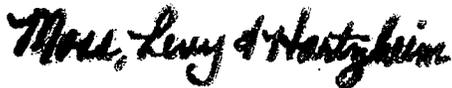
Management's Discussion and Analysis, on pages 3 through 15, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

In accordance with the *Government Auditing Standards*, we have also issued a report dated November 2, 2004, on our consideration of the City of Susanville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and to provide an opinion on the internal control over financial reporting or on compliance. 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Susanville, taken as a whole. The supplemental information listed in the table of contents as the combining statements and schedules for Nonmajor Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 15 to the basic financial statements, the City had a significant deficient change in net assets that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MOSS, LEVY AND HARTZHEIM

A handwritten signature in black ink that reads "Moss, Levy & Hartzheim". The signature is written in a cursive, flowing style.

November 2, 2004

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

This is the first year that the City of Susanville presents its financial statements under the new reporting model required by GASB 34. This reporting model changes significantly both the recording and presentation of financial data.

**BASIC FINANCIAL STATEMENTS**

The basic financial statements, including the accompanying notes, constitute the core of the City's financial section. The fiscal year of the City starts July 1 and ends June 30. This report includes a blend of fund accounting and government-wide financial reporting. The financial statements presented are:

- Government-wide financial statements
- Governmental fund financial statements
- Proprietary fund financial statements
- Fiduciary fund financial statements

These financial statements together with the note disclosures constitute the basic financial statements for the City.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Accounting principles Generally Accepted in the United States of America (USGAAP) for state and local governments prescribe two basic government-wide financial statements: the government-wide *statement of net assets* and the government-wide *statement of activities*.

The government-wide financial statements include all governmental and business type activities of the City, but not its fiduciary activities.

***Government-Wide Statement of Net Assets***

**Format**

This is the basic government-wide statement of all the City's *permanent accounts* (assets, liabilities, and net assets).

The format is: Assets – Liabilities = Net assets

The difference between assets and liabilities is referred to as *net assets* (rather than *equity*).

**Activities columns**

USGAAP requires that the primary government's governmental activities be reported separately from its business-type activities. Business-type activities include enterprise funds; internal service funds, however, will be included as part of governmental activities. GAAP requires that the government-wide statement of net assets provide a total column for the primary government. With one exception, all internal balances (payable and receivables between governmental activities) are eliminated from this total column.

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

***Government-Wide Statement of Activities***

The Government-Wide *Statement of Activities* is used to report changes in the net assets reported in the government-wide statement of net assets.

**Format**

Unlike the operating statement, this statement presents expenses *before* revenues. This is to emphasize that in the public sector, revenues are generated for the purpose of providing services rather than to maximize revenues as the ultimate goal.

Direct expenses - The first column of the government-wide statement of activities presents direct expenses associated with each of the City's functional activities. Examples of functions are: general government, public safety, streets & public works, planning, parks and recreation, and community development.

Indirect expenses - USGAAP does not require governments to allocate indirect expenses to their various functional activities.

**Program Revenues**

Some programs are directly financed, in whole or in part, by resources other than taxes and other general revenues. USGAAP requires that such *program revenues* be presented separately. Examples of program revenues include:

- Charges for services, fees, permits, licenses, and fines
- Grants, contributions, donations, etc. that are restricted to specific programs
- Earnings on investments that are legally restricted for a specific program

**General revenues**

All revenues that do not qualify as program revenues are reported as *general revenues*. Examples of general revenues are: property taxes, sales taxes, transient lodging taxes, franchise taxes, business license taxes, and use of money and property.

**GOVERNMENTAL FUNDS**

USGAAP requires two basic statements: Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The difference between the assets and liabilities of governmental funds is reported as *fund balance*. Fund balance is divided into *reserved* and *unreserved*.

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

**Major fund reporting**

USGAAP requires that each *major* fund is reported on a separate column (the general fund is always considered a major fund). All other nonmajor governmental funds are reported into a single column regardless of fund-type.

10 % Criterion – An individual governmental fund reports at least 10 percent of any of the following:

- Total governmental fund assets
- Total governmental fund liabilities
- Total governmental fund expenditures/expenses

5% Criterion – An individual governmental fund reports at least 5 percent of the aggregate total for both governmental funds and enterprise funds of any one of the items for which it met the 10 percent criterion.

A budgetary comparison must be presented for the general fund and for each major individual special revenue fund for which an annual budget is legally adopted. At a minimum, the budgetary comparison must include the following:

- Original appropriated budget
- Final amended budget
- Actual amounts

**PROPRIETARY FUNDS**

USGAAP prescribes three basic financial statements for proprietary funds:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Change in Net Assets
- Statement of Cash Flows

USGAAP requires the same major fund reporting for enterprise funds described earlier for governmental funds. However, USGAAP also indicates that internal service funds are *never* to be reported as major funds. Internal service funds are in a unique situation. Although internal service funds are proprietary funds (like enterprise funds) they are consolidated as part of governmental activities because their primary customers typically are the governmental funds. Therefore, internal service funds will be reported in a separate aggregated column on the proprietary fund statement of net assets.

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

**FIDUCIARY FUNDS**

Fiduciary fund statements provide information about the financial relationship in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

USGAAP prescribes up to two basic financial statements for fiduciary funds:

- Statement of Fiduciary Net Assets
- Statement of Changes in Fiduciary Net Assets

Fiduciary funds are never reported as major funds. Therefore, the focus of reporting for the fiduciary fund statements should be the various fund types. That is, the statement should present one column for each fund type reported.

The statement of changes in fiduciary net assets is unique in that all changes in net assets are classified as either *additions* or *deductions*. The City has three fiduciary funds: Museum Development, HUSA Business Improvement, and Pancera.

**COMPARATIVE DATA**

Because this is the first year the City is reporting under the new financial reporting model, there is no comparative data from the prior fiscal year.

**FINANCIAL ANALYSIS**

Net assets acts as an indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7.7 million at June 30, 2004 (\$5.8 Million for Governmental and \$1.9 million for Business-type activities). Tables A-1 and A-2, below, present a summary of the City's Statement of Net Assets.

**Table A-1**  
Governmental Net Assets for June 30, 2004

**Governmental activities**

	<u>2004</u>
Cash & investments	\$ 819,570
Capital assets	5,914,152
Other assets	3,747,016
Total assets	<u>\$ 10,480,738</u>

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

Long-term liabilities	4,121,015
Other liabilities	572,807
Total liabilities	4,693,822
Invested in capital assets, net of related debt	2,154,482
Restricted for debt service	253,461
Unrestricted	3,378,973
Total net assets	\$ 5,786,916

**Table A-2**  
Government Net Assets for June 30, 2004

**Business-type activities**

	2004
Cash & investments	\$ 44,998
Capital assets	30,897,747
Other assets	3,287,937
Total assets	34,230,682
Long-term liabilities	31,680,859
Other liabilities	668,207
Total liabilities	32,349,066
Invested in capital assets, net of related debt	352,514
Restricted for debt service	2,373,866
Unrestricted	(844,764)
Total net assets	\$ 1,881,616

The Statement of Activities presents program revenues and expenses and general revenues. All these are elements of the Change in Governmental Net Assets summarized below (Tables B-1 and B-2).

**City of Susanville  
Management's Discussion & Analysis  
June 30, 2004**

**Table B-1  
Change in Governmental Net Assets  
For the Fiscal Year Ended June 30, 2004**

**Governmental Activities**

**EXPENSES**

General Government	\$ 2,055,249
Public Safety	3,451,988
Streets & Public Works	887,797
Planning	213,806
Parks & Recreation	473,055
Community Development	255,211
Interest on long term debt	199,930
 Total expenses	 <hr/> \$ 7,537,036 <hr/>

**REVENUES**

Program Revenues:

Charges for services	\$ 997,572
Operating contributions & Grants	2,834,407
 Total program revenues	 <hr/> 3,831,979 <hr/>

General Revenues:

Property Taxes (net of ERAF payment)	717,840
Sales & use taxes	1,605,629
Transient lodging taxes	354,338
Franchise taxes	47,608
Business license taxes	205,664
Other taxes	163,305
Use of money and property	45,068
Transfers	760,288
 Total general revenues & transfers	 <hr/> 3,899,740 <hr/>

 Total revenues and transfers	 <hr/> 7,731,719 <hr/>
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Change in net assets	\$ 194,683
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**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

Net assets at July 1, 2003	\$ 5,841,333
Prior Period Adjustments	( 249,100)
Ending net assets at June 30, 2004	<u>\$ 5,786,916</u>

**Table B-2**  
**Changes in Business-type Net Assets**  
**For the Fiscal Year Ended June 30, 2004**

**Business-Type Activities**

	Expenses	Charges For Services	Grants & Oper. Contrib.	Net Activities
Rodeo	\$ 70,032	\$ 61,297	\$ -	\$ (8,735)
Airport	81,362	32,867	25,666	(22,829)
Water	1,442,121	1,796,393		354,272
Geothermal	190,297	250,742		60,445
Natural Gas	2,814,468	1,749,040		(1,065,428)
Swimming Pool	193,679	93,474		(100,205)
Day Care	130,794	98,485		(32,309)
Golf Course	1,036			(1,036)
Total	<u>\$ 4,923,789</u>	<u>\$ 4,082,298</u>	<u>\$ 25,666</u>	(815,825)
Use of money and property				42,627
Transfers out				(760,288)
Change in net assets				<u>(1,533,486)</u>
Net Assets, July 1, 2003				1,830,035
Prior Period Adjustments				1,585,067
Net Assets, June 30, 2004				<u>\$ 1,881,616</u>

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

**OVERALL ANALYSIS AND FINANCIAL POSITION OF THE CITY**

In the past several years the City revenues have been mostly flat when the expenditures have continued to rise due to the inflation. Despite this and State budget cuts, the City staff has done a great job in maintaining the level of services provided to the public and always trying "to do more with less"; however, this gap between revenues and expenditures has caused the City to erode its reserves and create cash flow problems. To compound the problem, the City also approved some major capital improvement projects in the enterprise funds without additional revenues. This too has caused to use up reserves in the enterprise funds and also borrow from the pool cash.

To correct the cash flow problem caused by all these events, the City took several steps and preventive measures. The City staff has reviewed all City fees and charges and Council approved increases in most of these fees (some fees had not been reviewed and increased in over 13 years).

The City entered into covenants when bonds were issued in 2001 and 2002 for the utility enterprise funds. These covenants require that the City review and maintain charges and fees at a level that recovers all the costs, including operating, debt service and capital improvements costs. In July 2004, City Staff proposed and Council approved, increases in both, the Water and the Natural Gas utility enterprise funds fees. Also, the City Council committed with a Resolution to review all city's fees and charges (including enterprise funds) on an annual basis at the time the annual budget is presented for the following fiscal year.

In October 2004 the City Water fund issued revenue bonds to reimburse the pooled cash that had been borrowed during the construction period of several capital improvement projects.

The City Council also approved additional measures that would help prevent future cash flow problems. A formal budget process and budgetary controls has been established and implemented. Council approved a greater autonomy of the finance director in reporting financial information directly to the City Council. A new chart of account and encumbrance software has been developed and implemented by the Finance Department to track, monitor, and control expenditures in a more efficient way. Also, improved is now the regular distribution of financial information to all Department Heads and key managers.

Given the great financial impact of the construction and startup expenses of the Natural Gas System on the entire City, the Council has hired a professional natural gas analyst to evaluate the present and future of the City's natural gas enterprise and make recommendations to bridge the gap between revenues and expenditures. The study is almost complete and a plan will be presented shortly to the City Council to make the natural gas system self sufficient and financially stable. The Natural Gas system is an asset to the City and to its customers because it offers a less expensive alternative and stabilized rate to the existing electricity, heating oil, propane, and kerosene.

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

The Water Enterprise Fund has also been a drain to the City pooled cash. In the past, the City approved some large capital improvement projects for the water utility without an increase in revenues. Two large projects that had an impact on the City were: Cady Springs pipeline replacement and Spring Ridge tank and buster station project. These two projects partially funded by grants, require of the City a "cash match" that exceeds \$2 million. To solve this problem, in October 2004 the City issued \$3.33 million in revenue bonds to finance the cash match portion of the project and spread the cost over the life of the bond. This cash inflow from the bond proceeds has helped the City temporarily; however, the City Council will be responsible to make future debt service payments out of the water fees.

With all these changes, the ability of the City to keep its commitments has improved substantially.

**ANALYSIS OF MAJOR GOVERNMENTAL FUNDS**

**General Fund**

General Fund revenues increased by \$499,779 due primarily to an increase in taxes and charges for services. Return on investments declined by \$59,152 as interest rates declined and also because cash and investment balances decreased. Revenues came in higher than budgeted by \$35,936.

Operating transfers in the general fund increased \$345,263 due to a change in the allocation of the overhead.

The General Fund expenditures increased \$723,234 mostly in public safety and general government. Actual expenditures ended \$121,596 higher than budgeted.

Transfers out of the General Fund decreased \$78,171 due to less cash available for other programs and activities.

At June 30, 2004 the General Fund has a fund balance of \$795,163.

**Other Governmental Funds**

These funds are not presented separately in the Basic Financial Statements, but are individually presented as Other Supplemental Information. At June 30, 2004, the fund balance of these funds was \$1,652,513.

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

**ANALYSIS OF MAJOR PROPRIETARY FUNDS**

**Water Utility**

Net assets of the Water Utility Fund decreased (\$1,167,462) in fiscal year 2004. This change is a combination of a prior period adjustment decrease of (\$1,206,077) due primarily to miscoding of capital assets, a restatement of capital assets, and an increase in net assets for \$38,615 in 2003-04 for current operations. The overstatement of capital assets relates to prior years.

Water usage rates were increased in August 2004 by 17.9%, for the first three hundred cubic feet and 15.2% in excess of three hundred cubic feet. The number of residential customers increased from 3110 to 3180 a 22.5% increase. The commercial accounts increase from 408 to 409.

The Water rates will be reviewed every year to assure that all the costs of operations, debt service, and capital improvement are paid by the water revenues.

**Natural Gas Utility**

In fiscal year 2003-04 the Natural Gas Fund had a loss of (\$1,434,650) due to the revenues being substantially less than the expenses. The anticipated loss for fiscal year 2004-05 is expected to be over \$1 million based on unaudited financial information. Despite the (\$1,434,650) loss the Net Assets at June 30,2004 increased from a negative (\$196,119) to a positive \$588,706 due to a prior period adjustment of \$2,219,475 for restatement of capital assets. As explained above, the Natural Gas fund and the Water fund expenses have been incorrectly stated in prior years.

Currently, the debt service payments represent about half of the Natural Gas expenses. These payments are so high because the original bond issuance was based on a 10-year repayment plan. The City is planning to refinance the debt around May 2006 for a longer period of time, possibly 50 to 60 years, given that the life expectancy of the gas system is estimated to be 60 to 75 years. Refinancing the debt will reduce the annual debt service payments significantly. This reduction of expenses combined with an increase number of users will allow the gas system to reach a breakeven point were revenues are sufficient to cover all the expenses. In 2003-04 the number of customers increased from 1,511 to 2,005. Currently, in 2004-05 about 25 new gas accounts per month are added into the system.

The Natural Gas rates were increased in September 2004 by \$0.22 per Therm construction surcharge. The Gas rates, as well as all the other rates, will be reviewed every year to assure that all the costs of operations, debt service, and capital improvement are paid by the gas revenues.

**City of Susanville  
Management's Discussion & Analysis  
June 30, 2004**

Compared with other heating sources the Natural Gas is still the most economical. In December 2004, natural gas compared with other heating sources in the Susanville area as follows:

**SUSANVILLE FUEL COST COMPARISON**

	<b>Gas</b>	<b>Oil</b>	<b>Kerosene</b>	<b>Propane</b>
Units	Therm	Gal	Gal	Gal
Price/Unit	\$1.23	\$1.90	\$2.00	\$1.90
Heating Value (Btu/Unit)	100,000	132,000	134,000	92,000
Price per Therm Equivalent	\$1.23	\$1.44	\$1.49	\$2.07
Boiler Efficiency	90%	85%	85%	90%
Price Per Therm Usable Output	\$1.37	\$1.69	\$1.76	\$2.29

**Swimming Pool Fund**

The swimming pool closed in December 2004. After a structural engineer reported damages to the roof and other parts of the building, the Council decided to close the pool indefinitely for safety reasons. The City pool is a 70-year old facility and repairs are not economically feasible.

In the November 2004 election, the City proposed a measure to increase sales taxes by \$0.05 to finance a new aquatic center, which included a new swimming pool and other recreation facilities. The measure was turned down by the voters. However a citizens group is now forming to support the construction of a new pool possibly under a non-profit organization.

**Rodeo Fund**

In 2005, the City entered into a cooperative agreement with the Lassen County Fairgrounds to sponsor the Rodeo. The new arrangement should allow the City to make a profit on the Rodeo for the first time in several years.

**Golf Course Fund**

Net assets of the Golf Course increased \$615,580 in fiscal year 2004. This change is mostly due to a prior period adjustment increase of \$616,341 due to a restatement of capital assets and decrease in net assets for (\$761) in 2003-04 for current year depreciation and interest income. The overstatement of capital assets relates to Golf Course improvements (club house, barn, additional 9-hole course, etc.).

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

The City does not operate the Golf Course; instead, the City has leased the Golf Course to a private operator until 2030; and, in 2011, the City will start receiving a percentage of gross revenues. The revenue is estimated to be approximately \$30,000 per fiscal year.

**Airport Fund**

The City operated Airport net assets increased by \$211,298. This increase was substantial due to a Prior Period Adjustment of \$263,755 for capital assets that were recorded in prior years in the Governmental activities instead of the Airport Fund. In 2003-04 expenses exceeded revenues causing a decrease in the net assets of (\$ 40,722).

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City revises its budget to reflect the community's needs and any changes in revenues or expenses that were unknown when the budget was prepared. For example, the City is awarded a grant after the original budget has been adopted. General Fund revenues exceeded budget amounts by \$35,936. Most of the increase is due to higher than expected revenue from taxes. At fiscal year-end, expenditures were \$121,596 higher than budget. Prior-year adjustments and equity transfers increased by \$127,692. Overall, the General Fund balance actual was higher than budgeted by \$29,180.

**CAPITAL ASSETS**

At the end of the fiscal year 2004, the City had \$37 million, net of depreciation, invested in a broad range capital assets used in governmental and business-type activities, as shown below:

**Governmental Activities**

Land	\$	2,892,816
Building, improvements, equipment, and vehicles		5,493,821
Accumulated depreciation		(2,472,485)
 Total		 <u>\$ 5,914,152</u>

**Business-type Activities**

Land	\$	2,234,038
Construction in progress		1,450,393
Building, improvements, equipment, and vehicles		30,255,357
Accumulated depreciation		(3,042,041)
 Total		 <u>\$ 30,897,747</u>

**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2004**

The City has no plans for new large projects in the following fiscal year. Existing projects to be completed are:

**Governmental Activities**

Safe Routes to School Project. This project has been completed in 2004-05 and consisted of road and sidewalk improvements on Richmond Road near the Diamond View Elementary School. Funds for the project were provided from the State of California at \$382,000 plus a cash match from the Street Mitigation Fund at about \$42,500.

Susan River Trail. This project consists of creating trails along the Susan River; the cost is estimated to be approximately \$320,000. The project is entirely funded by the State Department of Parks and Recreation. Work is estimated to begin in 2005.

**Business-type Activities**

Water Utility Fund

Cady Springs pipeline. The project has been funded with a combination of a grant from the United States Department of Agriculture (USDA) for \$755,500, a loan from USDA for \$972,440 and the remaining balance of about \$1million, with the 2004 revenue bonds issuance.

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

The State of California budget is still in disarray although Governor Schwarzenegger is making progress. The fiscal year 2004-05 budget will be revised at mid-year to include all of the currently proposed cuts and changes to local government funding including the triple flip (1/4 cent of sales tax for property tax) and the additional Educational Revenue Augmentation Fund (ERAF) property tax shift. The General Fund appropriations for 2004-2005 are about \$6 million, about \$225,000 over the estimated revenues. As the cost of providing services increases every year, due to inflation and other economic factors, it is imperative for the City Council to review and update all fees and charges (governmental and business-type funds) on a regular basis to assure the cash flow necessary to continue operations. The City Council has committed by resolution to do this every year during the budget process.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This annual financial report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Department, at 66 North Lassen Street, Susanville, California 96130.

**CITY OF SUSANVILLE**  
**STATEMENT OF NET ASSETS**

June 30, 2004

	Governmental Activities	Business -type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 819,570	\$ 44,998	\$ 864,568
Cash and investments with fiscal agents	289,236	2,638,504	2,927,740
Investment in bonds	679,964		679,964
Accounts receivable	859,921	485,705	1,345,626
Internal balances	990,001	(990,001)	
Deposits		75,000	75,000
Loans receivable	786,660		786,660
Deferred charges - net of accumulated amortization	141,234	1,078,729	1,219,963
Capital assets:			
Nondepreciable:			
Land	2,892,816	2,234,038	5,126,854
Construction in progress		1,450,393	1,450,393
Depreciable:			
Buildings, improvements, equipment, and vehicles	5,493,821	30,255,357	35,749,178
Accumulated depreciation	(2,472,485)	(3,042,041)	(5,514,526)
Total assets	10,480,738	34,230,682	44,711,420
<b>LIABILITIES</b>			
Accounts payable	290,047	250,211	540,258
Accrued wages	174,137	31,783	205,920
Accrued interest payable	35,775	264,638	300,413
Deposits payable	71,158	121,575	192,733
Deferred revenue	1,690		1,690
Noncurrent liabilities:			
Due within one year	482,968	136,352	619,320
Due in more than one year	3,638,047	31,544,507	35,182,554
Total liabilities	4,693,822	32,349,066	37,042,888
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,154,482	352,514	2,506,996
Restricted for:			
Debt service	253,461	2,373,866	2,627,327
Unrestricted	3,378,973	(844,764)	2,534,209
Total net assets	\$ 5,786,916	\$ 1,881,616	\$ 7,668,532

The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities:</b>				
General government	\$ 2,055,249	\$ 362,530	\$ 2,948	\$ -
Public safety	3,451,988	273,909	570,587	
Streets and public works	887,797	97,142	1,714,416	
Planning	213,806	195,483		
Parks and recreation	473,055	24,349	280,000	
Community development	255,211	44,159	266,456	
Interest on long term debt	199,930			
<b>Total governmental activities</b>	<b>7,537,036</b>	<b>997,572</b>	<b>2,834,407</b>	
<b>Business-type activities:</b>				
Rodeo	70,032	61,297		
Airport	81,362	32,867	25,666	
Water	1,442,121	1,796,393		
Geothermal	190,297	250,742		
Natural gas	2,814,468	1,749,040		
Swimming pool	193,679	93,474		
Day care	130,794	98,485		
Golf course	1,036			
<b>Total business-type activities</b>	<b>4,923,789</b>	<b>4,082,298</b>	<b>25,666</b>	
<b>Total government</b>	<b>\$ 12,460,825</b>	<b>\$ 5,079,870</b>	<b>\$ 2,860,073</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Change in Net Assets

	Net Governmental Activities	Net Business-type Activities	Totals
	\$ (1,689,771)	\$ -	\$ (1,689,771)
	(2,607,492)		(2,607,492)
	923,761		923,761
	(18,323)		(18,323)
	(168,706)		(168,706)
	55,404		55,404
	(199,930)		(199,930)
	<u>(3,705,057)</u>		<u>(3,705,057)</u>
		(8,735)	(8,735)
		(22,829)	(22,829)
		354,272	354,272
		60,445	60,445
		(1,065,428)	(1,065,428)
		(100,205)	(100,205)
		(32,309)	(32,309)
		(1,036)	(1,036)
		<u>(815,825)</u>	<u>(815,825)</u>
	<u>(3,705,057)</u>	<u>(815,825)</u>	<u>(4,520,882)</u>
General Revenues			
Secured and unsecured property taxes	717,840		717,840
Sales and use taxes	1,605,629		1,605,629
Transient lodging taxes	354,338		354,338
Franchise taxes	47,608		47,608
Business license taxes	205,664		205,664
Other taxes	163,305		163,305
Use of money and property	45,068	42,627	87,695
Transfers	760,288	(760,288)	
Total general revenues and transfers	<u>3,899,740</u>	<u>(717,661)</u>	<u>3,182,079</u>
Change in net assets	<u>194,683</u>	<u>(1,533,486)</u>	<u>(1,338,803)</u>
Net Assets, July 1, 2003	5,841,333	1,830,035	7,671,368
Prior Period Adjustments	(249,100)	1,585,067	1,335,967
Net Assets, July 1, 2003, restated	<u>5,592,233</u>	<u>3,415,102</u>	<u>9,007,335</u>
Net assets, June 30, 2004	<u>\$ 5,786,916</u>	<u>\$ 1,881,616</u>	<u>\$ 7,668,532</u>

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**CITY OF SUSANVILLE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2004

	General Fund	Other Governmental Funds	Totals
<b>ASSETS</b>			
Cash and investments	\$ 5,305	\$ 806,677	\$ 811,982
Cash and investments with fiscal agent		289,236	289,236
Investment in bonds		679,964	679,964
Accounts receivable	343,584	516,337	859,921
Due from other funds	1,268,417	639,923	1,908,340
Loans receivable		786,660	786,660
Advances to other funds	83,392	284,983	368,375
	<u>83,392</u>	<u>284,983</u>	<u>368,375</u>
Total assets	<u>\$ 1,700,698</u>	<u>\$ 4,003,780</u>	<u>\$ 5,704,478</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 97,160	\$ 188,702	\$ 285,862
Accrued wages	146,841	12,462	159,303
Deposits payable		71,158	71,158
Deferred revenue	1,690	1,466,624	1,468,314
Due to other funds	639,923	243,946	883,869
Advances from other funds		368,375	368,375
Compensated absences	19,921		19,921
	<u>19,921</u>	<u>368,375</u>	<u>368,375</u>
Total liabilities	<u>905,535</u>	<u>2,351,267</u>	<u>3,256,802</u>
Fund Balances:			
Reserved:			
Debt service		289,225	289,225
Advances	83,392	284,983	368,375
Unreserved, designated:			
Capital improvements		533,756	533,756
Storm drain projects		20,915	20,915
Unreserved, undesignated			
Reported in:			
General Fund	711,771		711,771
Special Revenue Funds		753,032	753,032
Capital Projects Funds		(50,937)	(50,937)
Debt Service Funds		(178,461)	(178,461)
	<u>711,771</u>	<u>(178,461)</u>	<u>(178,461)</u>
Total fund balances	<u>795,163</u>	<u>1,652,513</u>	<u>2,447,676</u>
Total liabilities and fund balances	<u>\$ 1,700,698</u>	<u>\$ 4,003,780</u>	<u>\$ 5,704,478</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
June 30, 2004

Total fund balances - governmental funds \$ 2,447,676

In governmental funds balance sheet, only current assets are reported.  
In the statement of net assets, all assets are reported,  
including capital assets and accumulated depreciation.

Capital assets at historical cost \$ 8,296,688

Accumulated depreciation (2,409,967)

Net 5,886,721

In governmental funds balance sheet, interest on long-term debt is not  
recognized until the period in which it matures and is paid.

In government-wide statement of activities, it is recognized  
in the period that it is incurred.

(35,775)

In governmental funds balance sheet, debt issue costs are recognized as  
expenditures in the period they are incurred. In the government-  
wide statements, debt issue costs are amortized over the life  
of the debt.

Issuance costs 153,515

Accumulated amortization (12,281)

Net 141,234

Internal service funds are used by management to charge the  
costs of certain activities, such as fleet, to individual funds.  
The assets and liabilities of the internal service funds are  
included in governmental activities in the statement of net assets.

(33,495)

Long-term liabilities: In governmental funds balance sheet, only current  
liabilities are reported. In the statement of net assets, all  
liabilities, including long-term liabilities, are reported. Long-term  
liabilities relating to governmental activities consist of:

Capital lease obligation (185,904)

Bonds payable (3,715,000)

Compensated absences payable (185,165)

Total (4,086,069)

In governmental funds balance sheet, other long-term assets are not  
available to pay for current-period expenditures and,  
therefore, are offset by deferred revenue.

1,466,624

Total net assets, governmental activities \$ 5,786,916

The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2004

	General Fund	Other Governmental Funds	Totals
<b>Revenues:</b>			
Taxes and assessments	\$ 3,027,043	\$ 164,795	\$ 3,191,838
Licenses and permits	195,483		195,483
Fines and forfeitures	28,343		28,343
Use of money and property	8,066	37,002	45,068
Intergovernmental revenues	1,178,107	1,389,582	2,567,689
Charges for services	132,043		132,043
Other revenues	63,632	747,335	810,967
<b>Total revenues</b>	<u>4,632,717</u>	<u>2,338,714</u>	<u>6,971,431</u>
<b>Expenditures:</b>			
Current:			
General government	1,517,116	35,944	1,553,060
Public safety	3,180,069	167,729	3,347,798
Streets and public works		506,158	506,158
Planning	212,278		212,278
Parks and recreation	443,410	158	443,568
Community development		255,211	255,211
Capital outlay		1,085,611	1,085,611
Debt service:			
Principal		245,192	245,192
Interest and fiscal agent fees		191,951	191,951
<b>Total expenditures</b>	<u>5,352,873</u>	<u>2,487,954</u>	<u>7,840,827</u>
Excess of revenues over (under) expenditures	<u>(720,156)</u>	<u>(149,240)</u>	<u>(869,396)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	398,400	631,731	1,030,131
Transfers out	(356,987)	(339,736)	(696,723)
<b>Total other financing sources (uses)</b>	<u>41,413</u>	<u>291,995</u>	<u>333,408</u>
Net changes in fund balances	<u>(678,743)</u>	<u>142,755</u>	<u>(535,988)</u>
Fund balances - July 1, 2003	1,346,214	1,649,062	2,995,276
Equity transfers	40,490	(40,490)	
Prior year adjustments	87,202	(98,814)	(11,612)
Fund balances - July 1, 2003, restated	<u>1,473,906</u>	<u>1,509,758</u>	<u>2,983,664</u>
Fund balances - June 30, 2004	<u>\$ 795,163</u>	<u>\$ 1,652,513</u>	<u>\$ 2,447,676</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**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, 2004

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES \$ (535,988)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	755,794
Depreciation expense not reported in governmental funds	(220,838)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the statement of net assets. Repayment of long-term debt principle is an expenditure in the governmental funds, but in the statement of net assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balances	245,192
Amortization expense of costs of issuance not reported in governmental funds	(6,141)

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest payable	(1,838)
Compensated absences	(618)

Internal service funds are used by management to charge the costs of certain activities, such as fleet, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.

(40,880)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 194,683</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues:</b>				
Property taxes	\$ 645,644	\$ 645,644	\$ 645,694	\$ 50
Taxes other than property	2,285,788	2,285,788	2,381,349	95,561
Licenses and permits	140,623	140,623	195,483	54,860
Fines and forfeitures			28,343	28,343
Use of money and property	95,975	95,975	8,066	(87,909)
Intergovernmental	1,151,635	1,151,635	1,178,107	26,472
Charges for services	269,853	269,853	132,043	(137,810)
Other revenues	7,263	7,263	63,632	56,369
<b>Total revenues</b>	<u>4,596,781</u>	<u>4,596,781</u>	<u>4,632,717</u>	<u>35,936</u>
<b>Expenditures:</b>				
General government	1,817,604	1,817,604	1,517,116	300,488
Public safety	2,715,270	2,715,270	3,180,069	(464,799)
Planning	215,553	215,553	212,278	3,275
Parks and recreation	482,850	482,850	443,410	39,440
<b>Total expenditures</b>	<u>5,231,277</u>	<u>5,231,277</u>	<u>5,352,873</u>	<u>(121,596)</u>
Excess of revenues over (under) expenditures	<u>(634,496)</u>	<u>(634,496)</u>	<u>(720,156)</u>	<u>(85,660)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	544,490	544,490	398,400	(146,090)
Transfers out	(490,225)	(490,225)	(356,987)	133,238
<b>Total other financing sources (uses)</b>	<u>54,265</u>	<u>54,265</u>	<u>41,413</u>	<u>(12,852)</u>
<b>Net changes in fund balance</b>	<u>(580,231)</u>	<u>(580,231)</u>	<u>(678,743)</u>	<u>(98,512)</u>
Fund balance - July 1, 2003	1,346,214	1,346,214	1,346,214	
Equity transfers			40,490	40,490
Prior year adjustments			87,202	87,202
Fund balance - July 1, 2003, restated	<u>1,346,214</u>	<u>1,346,214</u>	<u>1,473,906</u>	<u>127,692</u>
Fund balance - June 30, 2004	<u>\$ 765,983</u>	<u>\$ 765,983</u>	<u>\$ 795,163</u>	<u>\$ 29,180</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
June 30, 2004

	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments with fiscal agents			213,427
Accounts receivable - net		3,077	238,464
Deposits			
Total Current Assets		3,077	451,891
Noncurrent Assets:			
Deferred charges, net of amortization			294,016
Capital Assets:			
Nondepreciable			
Land		43,189	951,136
Construction in progress			1,450,393
Total Nondepreciable Capital Assets		43,189	2,401,529
Depreciable			
Buildings		166,873	291,204
Improvements		342,655	4,902,816
Equipment		128,400	1,935,200
Total Depreciable Capital Assets		637,928	7,129,220
Less accumulated depreciation		(311,756)	(2,284,406)
Net depreciable capital assets		326,172	4,844,814
Net Capital Assets		369,361	7,246,343
Total Noncurrent assets		369,361	7,540,359
Total Assets	\$ -	\$ 372,438	\$ 7,992,250

The notes to the financial statements are an integral part of this statement.

Geothermal Fund	Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Governmental Activities - Internal Service Funds
\$ 8,406	\$ -	\$ -	\$ -	\$ 36,592	\$ 44,998	\$ 7,588
	2,425,077				2,638,504	
65,871	159,313	442	18,538		485,705	
	75,000				75,000	
74,277	2,659,390	442	18,538	36,592	3,244,207	7,588
	784,713				1,078,729	
249,124				990,589	2,234,038	600
					1,450,393	
249,124				990,589	3,684,431	600
29,474				41,323	528,874	89,349
	21,612,346	64,476			26,922,293	
228,666	511,924				2,804,190	
258,140	22,124,270	64,476		41,323	30,255,357	89,349
(246,350)	(99,778)	(62,646)		(37,105)	(3,042,041)	(62,518)
11,790	22,024,492	1,830		4,218	27,213,316	26,831
260,914	22,024,492	1,830		994,807	30,897,747	27,431
260,914	22,809,205	1,830		994,807	31,976,476	27,431
\$ 335,191	\$ 25,468,595	\$ 2,272	\$ 18,538	\$ 1,031,399	\$ 35,220,683	\$ 35,019

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS (Continued)**  
June 30, 2004

	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 198	\$ 634	\$ 194,661
Accrued wages			10,349
Due to other funds	8,537	54,754	338,310
Accrued interest			28,959
Deposits payable			89,175
Current portion - long-term debt		950	135,213
	<u>8,735</u>	<u>56,338</u>	<u>796,667</u>
Total Current Liabilities			
Noncurrent Liabilities:			
Advances from other funds			
Capital lease payable			3,707
Notes payable			963,000
Revenue bonds payable			6,280,000
Certificates of participation			
Compensated absences		227	28,473
		<u>227</u>	<u>28,473</u>
Total Noncurrent Liabilities			
		<u>227</u>	<u>7,275,180</u>
Total Liabilities			
	<u>8,735</u>	<u>56,565</u>	<u>8,071,847</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt		368,411	158,439
Restricted for debt service			184,468
Unrestricted	(8,735)	(52,538)	(422,504)
	<u>(8,735)</u>	<u>(52,538)</u>	<u>(422,504)</u>
Total Net Assets			
	<u>\$ (8,735)</u>	<u>\$ 315,873</u>	<u>\$ (79,597)</u>

The notes to the financial statements are an integral part of this statement.

Geothermal Fund	Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Governmental Activities- Internal Service Funds
\$ 9,801	\$ 41,270	\$ 3,029	\$ 618	\$ -	\$ 250,211	\$ 4,185
1,303	9,975	5,155	5,001		31,783	14,834
	310,079	129,282	149,039		990,001	34,470
	235,679				264,638	
50	32,350				121,575	
	189				136,352	
11,154	629,542	137,466	154,658		1,794,560	53,489
	903				4,610	
					963,000	
					6,280,000	
	24,240,000				24,240,000	
6,151	9,444	7,219	5,383		56,897	15,025
6,151	24,250,347	7,219	5,383		31,544,507	15,025
17,305	24,879,889	144,685	160,041		33,339,067	68,514
260,914	(1,431,887)	1,830		994,807	352,514	27,431
	2,189,398				2,373,866	
56,972	(168,805)	(144,243)	(141,503)	36,592	(844,764)	(60,926)
\$ 317,886	\$ 588,706	\$ (142,413)	\$ (141,503)	\$ 1,031,399	\$ 1,881,616	\$ (33,495)

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2004

	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>
<b>Operating Revenues:</b>			
Sales and charges for services	\$ 38,175	\$ 32,867	\$ 1,796,393
Other operating revenue	23,122		
<b>Total Operating Revenues</b>	<u>61,297</u>	<u>32,867</u>	<u>1,796,393</u>
<b>Operating Expenses:</b>			
Purchase of natural gas			
Maintenance and operation			
Administration	70,032	46,867	764,660
Insurance costs and claims			
Depreciation		34,495	309,400
<b>Total Operating Expenses</b>	<u>70,032</u>	<u>81,362</u>	<u>1,074,060</u>
<b>Operating Income (Loss)</b>	<u>(8,735)</u>	<u>(48,495)</u>	<u>722,333</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income			7,700
Interest expense			(368,061)
Grants and subsidies		25,666	
<b>Total Non-Operating Revenue(Expenses):</b>		<u>25,666</u>	<u>(360,361)</u>
<b>Income (Loss) Before Transfers</b>	<u>(8,735)</u>	<u>(22,829)</u>	<u>361,972</u>
<b>Transfers:</b>			
Transfers in			
Transfers out		(17,893)	(323,357)
<b>Change in Net Assets</b>	<u>(8,735)</u>	<u>(40,722)</u>	<u>38,615</u>
Net Assets, July 1, 2003		104,575	1,087,865
Prior Period Adjustments		252,020	(1,206,077)
Net Assets, July 1, 2003, restated		<u>356,595</u>	<u>(118,212)</u>
<b>Net Assets, June 30, 2004</b>	<u>\$ (8,735)</u>	<u>\$ 315,873</u>	<u>\$ (79,597)</u>

The notes to the financial statements are an integral part of this statement.

Geothermal Fund	Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Governmental Activities-Internal Service Funds
\$ 250,742	\$ 1,749,040	\$ 93,474	\$ 98,485	\$ -	4,059,176	\$ 979,375
					23,122	
250,742	1,749,040	93,474	98,485		4,082,298	979,375
	359,972				359,972	
189,560	892,488	193,013	130,794	3	2,287,417	635,022
						811,219
737	47,694	666		1,033	394,025	1,118
190,297	1,300,154	193,679	130,794	1,036	3,041,414	1,447,359
60,445	448,886	(100,205)	(32,309)	(1,036)	1,040,884	(467,984)
	34,652			275	42,627	224
	(1,514,314)				(1,882,375)	
					25,666	
	(1,479,662)			275	(1,814,082)	224
60,445	(1,030,776)	(100,205)	(32,309)	(761)	(773,198)	(467,760)
						426,880
(15,164)	(403,874)				(760,288)	
45,281	(1,434,650)	(100,205)	(32,309)	(761)	(1,533,486)	(40,880)
567,889	(196,119)	(42,274)	(107,720)	415,819	1,830,035	(1,315)
(295,284)	2,219,475	66	(1,474)	616,341	1,585,067	8,700
272,605	2,023,356	(42,208)	(109,194)	1,032,160	3,415,102	7,385
\$ 317,886	\$ 588,706	\$ (142,413)	\$ (141,503)	\$ 1,031,399	\$ 1,881,616	\$ (33,495)

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2004

	<b>Rodeo Fund</b>	<b>Airport Fund</b>	<b>Water Fund</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 61,297	\$ 30,655	\$ 1,856,084
Payments to suppliers and users	(61,297)	(37,122)	(309,232)
Payments to employees		(355)	(406,868)
<b>Net Cash Provided (Used) by Operating Activities</b>		<b>(6,822)</b>	<b>1,139,984</b>
<b>Cash Flow from Non-Capital Financing Activities:</b>			
Grant and contributions received		25,666	
Advances to/ from other funds			
Loan principal received			
Other non-operating revenues			
Contributions			
Transfers in/ (out)		(17,893)	(323,357)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>		<b>7,773</b>	<b>(323,357)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisitions of capital assets			(1,250,566)
Proceeds from issuance of debt			972,440
Bond issuance costs			(294,016)
Interest paid			(520,312)
Principal payments - long-term debt		(951)	(123,605)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>		<b>(951)</b>	<b>(1,216,059)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received			7,700
<b>Net Cash Provided by Investing Activities</b>			<b>7,700</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>			<b>(391,732)</b>
Cash and Cash Equivalents, July 1, 2003			605,159
Cash and Cash Equivalents, June 30, 2004	\$ -	\$ -	\$ 213,427
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets</b>			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments with fiscal agents			213,427
<b>Total Cash and Investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213,427</b>

The notes to the financial statements are an integral part of this statement.

Governmental  
Activities -

Geothermal Fund	Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Internal Service Funds
\$ 248,623	\$ 2,266,656	\$ 111,466	\$ 85,558	\$ -	\$ 4,660,339	\$ 992,706
(172,889)	(2,820,578)	(61,733)	(12,111)	(3)	(3,474,965)	(1,010,110)
(52,164)	(508,729)	(49,263)	(73,003)		(1,090,382)	(416,041)
23,570	(1,062,651)	470	444	(3)	94,992	(433,445)
					25,666	
(15,164)	(403,874)				(760,288)	426,880
(15,164)	(403,874)				(734,622)	426,880
	1,990,000				(1,250,566)	
	(1,111,456)				2,962,440	
	(2,099)	(494)	(444)		(294,016)	
					(1,631,768)	
					(127,593)	(2,241)
	876,445	(494)	(444)		(341,503)	(2,241)
	34,652			275	42,627	224
	34,652			275	42,627	224
8,406	(555,428)	(24)		272	(938,506)	(8,582)
	2,980,505	24		36,320	3,622,008	16,170
\$ 8,406	\$ 2,425,077	\$ -	\$ -	\$ 36,592	\$ 2,683,502	\$ 7,588
\$ 8,406	\$ -	\$ -	\$ -	\$ 36,592	\$ 44,998	\$ 7,588
	2,425,077				2,638,504	
\$ 8,406	\$ 2,425,077	\$ -	\$ -	\$ 36,592	\$ 2,683,502	\$ 7,588

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
For the Fiscal Year Ended June 30, 2004

	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>
Reconciliation of Operating Income to Net			
Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (8,735)	\$ (48,495)	\$ 722,333
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation		34,495	309,400
(Increase) Decrease in Operating Assets:			
Accounts receivable		(2,212)	48,156
Due from other funds			
Increase (Decrease) in Operating Liabilities:			
Accounts payable	198	(8,078)	135,452
Accrued wages			10,349
Due to other funds	8,537	17,241	(98,091)
Compensated absences		227	850
Deposits payable			11,535
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ (6,822)</u>	<u>\$ 1,139,984</u>

The notes to the financial statements are an integral part of this statement.

<u>Geothermal Fund</u>	<u>Natural Gas Fund</u>	<u>Swimming Pool Fund</u>	<u>Day Care Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$ 60,445	\$ 448,886	\$ (100,205)	\$ (32,309)	\$ (1,036)	1,040,884	\$ (467,984)
737	47,694	666		1,033	394,025	1,118
(2,119)	64,340	17,992	(12,927)		113,230	133,075
	436,401				436,401	
(3,637)	(236,732)	(3,737)	(3,549)		(120,083)	(37,198)
1,303	9,975	5,155	5,001		31,783	14,834
(33,388)	(1,847,371)	78,521	47,749		(1,826,802)	(92,315)
229	(2,719)	2,078	(3,521)		(2,856)	15,025
	16,875				28,410	
<u>\$ 23,570</u>	<u>\$ (1,062,651)</u>	<u>\$ 470</u>	<u>\$ 444</u>	<u>\$ (3)</u>	<u>94,992</u>	<u>\$ (433,445)</u>

**CITY OF SUSANVILLE**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**  
June 30, 2004

	Trust Funds			Totals
	Expendable			
	Museum Development Fund	HUSA Business Improvement Fund	Pancera Fund	
<b>ASSETS</b>				
Cash and investments	\$ 99,680	\$ 853	\$ 55,741	\$ 156,274
Accounts receivable		2,038		2,038
Total Assets	99,680	2,891	55,741	158,312
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable		269		269
Total Liabilities		269		269
<b>NET ASSETS</b>				
Unrestricted	99,680	2,622	55,741	158,043
Total Net Assets	\$ 99,680	\$ 2,622	\$ 55,741	\$ 158,043

The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**FIDUCIARY FUNDS-EXPENDABLE TRUST FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2004

	Trust Funds			Totals
	Expendable			
	Museum Development Fund	HUSA Business Improvement Fund	Pancera Fund	
<b>Additions:</b>				
Investment revenue		\$ 11	\$ 3,211	\$ 3,222
Other revenue	100,000	20,626		120,626
Total additions	100,000	20,637	3,211	123,848
<b>Deductions:</b>				
General government	320	18,178	108,405	126,903
Total deductions	320	18,178	108,405	126,903
Change in net assets	99,680	2,459	(105,194)	(3,055)
Net Assets - July 1, 2003		163	160,935	161,098
Net Assets - June 30, 2004	\$ 99,680	\$ 2,622	\$ 55,741	\$ 158,043

The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The accompanying basic financial statements present the financial activity of the City of Susanville (City), which is the primary government, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's basic financial statements. This City's component units, which are described below, are blended component units of the City.

The City Council serves in a separate session as the governing body of the Susanville Redevelopment Agency (Agency), although the Agency, is a legal entity apart from the City.

The Agency is included as component units in the accompanying financial statements. The financial activities of the foregoing entities have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as they meet the criteria for inclusion as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

The Agency was established, by the City Council to eliminate blight within the defined project areas by encouraging and assisting planned development of low income housing and commercial projects. Separate financial statements are prepared by the Agency and are available at City Administration offices.

**B. Basis of Presentation**

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds. Internal service fund is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Change in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains three funds – Museum Development, HUSA Business Improvement and Pancera.

**C. Major Funds**

GASB Statement No. 34, defines major funds and requires that the City's major governmental funds and major proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

**CITY OF SUSANVILLE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Major Funds (Continued)**

The City reported the following major governmental funds in the accompanying financial statements:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

The City reported the following major proprietary fund:

Rodeo Fund

This fund accounts for the activities of the Rodeo of the City.

Airport Fund

This fund accounts for the activities of the City's airport.

Water Fund

This fund accounts for the activities of providing water to the residents of the City.

Geothermal Fund

This fund accounts for the activities of providing Geothermal to the residents of the City.

Natural Gas Fund

This fund accounts for the activities of providing natural gas to the residents of the City.

Swimming Pool Fund

This fund accounts for the activities of the City's swimming pool.

Day Care Fund

This fund accounts for the activities of the City's day care.

Golf Course Fund

This fund accounts for the City's golf course.

**D. Basis of Accounting**

The government-wide, proprietary funds, and fiduciary funds financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Accounting (Continued)**

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**E. Compensated Absences**

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental type funds, the current liability appears in the respective funds. All vacation paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for the current employees at the current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

**F. Property Taxes**

California Constitution Article XIII A, limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Property Taxes (Continued)**

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%)	August 1
	February 1 (50%)	
Delinquency Date(s)	December 10 (Nov.)	August 31
	April 10 (Feb.)	

**G. Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all assets with costs exceeding \$5,000 threshold, and with useful lives exceeding two years.

With the implementation of GASB Statement No. 34, the City has elected to defer the recording all its public domain (infrastructure) capital assets placed in service, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

Buildings	20-40	Years
Improvements	10-45	Years
Equipment	2-15	Years
Parks	20	Years

**H. Implementation of New Governmental Accounting Standards Board (GASB) Pronouncements**

In fiscal year 2003/2004, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*
- Statement No. 36, *Recipient Reporting of Certain Non-Exchange Revenues, an Amendment of GASB Statement No. 33*
- Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

CITY OF SUSANVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Implementation of New Governmental Accounting Standards Board (GASB) Pronouncements Continued**

GASB Statement No. 34, is a new financial reporting requirement for local governments in the United States of America. The City has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 36, further defines revenue recognition of nonexchange transactions that were first presented in GASB Statement No. 33.

GASB Statement No. 37, addresses selected issues and amends GASB Statement No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These Statements make selective changes including accounting for escheat property, Management's Discussion and Analysis, capitalization of construction – period interest, modified approach for reporting infrastructure, program revenues, and major fund criteria.

GASB Statement No. 38, establishes and modifies note disclosure requirements related to summary of significant accounting policies, actions taken to address violations of significant finance – related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

**I. Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), require management to make 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in June of each year the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the fiscal year. After adoption of the final budget, transfers of appropriations within the general fund departments may be done by department heads, a general fund department, or within other funds, can be made by the City Manager. Budget modifications between funds; increases or decreases to a fund's overall budget; transfers between general fund departments; or transfers that affect capital projects, must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting (e.g. purchase orders) is not employed by the City.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2004

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations in the major funds are as follows:

<u>Major Funds</u>	<u>Excess Expenditures</u>
General Fund	\$ 121,596
 <u>Nonmajor Funds</u>	
Special Revenue Funds	
Local Law Enforcement Block Grant Fund	\$ 2,296
Street Mitigation Fund	34,651
Park Land In-lieu Fund	158
Community Redevelopment Agency Fund	468
Debt Service Funds	
Mark Roos 92B Fund	1,285
Capital Projects Funds	
Recreation Center Complex Fund	348

**C. Deficit Fund Balances/ Net Assets**

Major Funds

A deficit net assets of \$8,735 exists in the Rodeo Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit net assets of \$79,597 exists in the Water Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit of net assets of \$142,413 exists in the Swimming Pool Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit of net assets of \$141,503 exists in the Day Care Fund. The deficit is due to the City incurring costs in excess of revenues.

Nonmajor Funds

A deficit fund balance of \$372,875 exists in the Community Redevelopment Agency Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$178,461 exists in the Mark Roos 92B Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$695 exists in the Jensen Slough Pedestrian Bridge Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$8 exists in the Main Street Traffic Signal Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**C. Deficit Fund Balances/ Net Assets (Continued)**

A deficit fund balance of \$334 exists in the Recreation Center Complex Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$156 exists in Susan River Trail Acquisition Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit net asset of \$10,546 exists in the Engineering Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit net asset of \$33,539 exists in the Public Works Administration Fund. The deficit is due to the City incurring costs in excess of receiving revenues.

A deficit net assets of \$5,138 exists in the Risk Management Fund. The deficit is due to the City incurring costs in excess of revenues.

**NOTE 3 – CASH AND INVESTMENTS**

**A. Investment Policy**

Cash balances from all funds are combined and invested to the extent possible, pursuant to the City Council approved Investment Policy and Guidelines, and State Government Code. The earnings from these investments are allocated monthly to each fund, based on an average of monthly opening and closing balances of cash and investments. Investments are stated at fair value.

**B. Collateral and Categorization Requirements**

At fiscal year end, the City's carrying amount of demand deposits was \$602,684, and the bank account balances were \$910,826. The difference of \$308,142 represented outstanding checks and deposits in transit. Of the total deposit balance, \$100,000 was insured by federal depository insurance and \$810,826 was collateralized in accordance with California Government Code requirements by securities held by the pledging financial institution in the City's name. The fair value of the pledged securities must equal at least 110% of the City's deposits. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposits.

The City also maintains \$3,772 in petty cash.

Investments held by fiscal agents consist of \$213,427 held by the trustee for the 2000 Revenue Bond Issue, \$2,425,077 held by the trustee for the 2001 Certificate of Participation Services A, B, and C Issue, and \$289,236 held by the trustee for the 2002 Revenue Bond Issue.

Investments are also classified in three categories of credit risk as follows:

Category 1 - Insured or registered, with securities held by City or its agent in the City's name;

Category 2 - uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2004

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**B. Collateral and Categorization Requirements (Continued)**

Investments in pools managed by other governments or in mutual funds are not required to be categorized pursuant to Governmental Accounting Standards Board Statement No. 3.

At fiscal year end, the government's investment balances were as follows:

	Category			Fair Value/ Carrying Amount
	1	2	3	
Local Agency Investment Fund (State Pool)	\$ N/A	\$ N/A	\$ N/A	\$ 414,386
U.S. Government Agencies	2,052,312			2,052,312
Money Market Accounts	N/A	N/A	N/A	875,428
Limited Obligation Bonds	679,964			679,964
<b>Total Investments</b>	<b>\$ 2,732,276</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,022,090</b>

\* There is no determinable fair value for limited obligation bonds. The investment is therefore carried at cost.

**C. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements:

Cash and investments	\$ 864,568
Cash and investments with fiscal agents	2,927,740
Investment in Bonds	679,964
Total cash and investments, Statement of Net Assets	4,472,272
Cash and investments in Fiduciary Funds (separate statement)	156,274
Total cash and investments	<u>\$ 4,628,546</u>

**D. Funds Held by Fiscal Agents**

The City had \$2,927,740 in cash and investments as of June 30, 2004, held by fiscal agents pledged for the payment or security of certain bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2004

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**E. Marking Investments to Fair Value (GASB Statement No. 31)**

In fiscal year 1997/98, the City adopted Governmental Accounting Standards Board Statement No. 31, which requires that the City's investments be carried at fair value instead of cost. Under GASB Statement No. 31, the City must adjust the carrying value of its investments to reflect their fair value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year.

GASB Statement No. 31 applies to all City's investments, even if they are held to maturity and redeemed at full face value. Since the City's policy is to hold all investments to maturity, the fair value adjustments required by GASB Statement No. 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its value at each succeeding fiscal year-end, but these recognized gain or losses will net to zero if the investment is held to maturity. By following the requirements of GASB Statement No. 31, the City is reporting the amount of resources which would actually have been available if it had been required to liquidate all its investments at any fiscal year-end.

**F. State Investment Pools**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429, under the oversight of the Treasurer of the State of California. The City reports its investments in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

**G. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Proprietary Funds' "deposits" in the City-Wide cash management pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the statement of cash flows.

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Governmental Activities</b>				
Nondepreciable capital assets:				
Land	\$ 2,784,094	\$ 108,722	\$ -	\$ 2,892,816
Total nondepreciable capital assets	<u>2,784,094</u>	<u>108,722</u>	<u>          </u>	<u>2,892,816</u>
Depreciable capital assets:				
Buildings, improvements, equipment, and vehicles	4,846,749	647,072	<u>          </u>	5,493,821
Total depreciable capital assets	4,846,749	647,072	<u>          </u>	5,493,821
Less accumulated depreciation	(2,250,529)	(221,956)	<u>          </u>	(2,472,485)
Net depreciable capital assets	<u>2,596,220</u>	<u>425,116</u>	<u>          </u>	<u>3,021,336</u>
Net capital assets	<u>\$ 5,380,314</u>	<u>\$ 533,838</u>	<u>\$ -</u>	<u>\$ 5,914,152</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

	Balance July 1, 2003	Prior Year Adjustments	Additions	Deletions	Balance June 30, 2004
<b>Business-type Activities</b>					
Nondepreciable capital assets:					
Land	\$ 639,808	\$ 1,594,230	\$ -	\$ -	\$ 2,234,038
Construction in progress	<u>1,367,955</u>	<u>(1,168,128)</u>	<u>1,250,566</u>	<u>          </u>	<u>1,450,393</u>
Total non depreciable capital assets	<u>2,007,763</u>	<u>426,102</u>	<u>1,250,566</u>	<u>          </u>	<u>3,684,431</u>
Depreciable capital assets:					
Buildings					
Equipment and vehicles	<u>33,266,262</u>	<u>(3,010,905)</u>	<u>          </u>	<u>          </u>	<u>30,255,357</u>
Total depreciable capital assets	<u>33,266,262</u>	<u>(3,010,905)</u>	<u>          </u>	<u>          </u>	<u>30,255,357</u>
Less accumulated depreciation	<u>(5,772,854)</u>	<u>3,124,838</u>	<u>(394,025)</u>	<u>          </u>	<u>(3,042,041)</u>
Net depreciable capital assets	<u>27,493,408</u>	<u>113,933</u>	<u>(394,025)</u>	<u>          </u>	<u>27,213,316</u>
 Net capital assets	 <u>\$ 29,501,171</u>	 <u>\$ 540,035</u>	 <u>\$ 856,541</u>	 <u>\$ -</u>	 <u>\$ 30,897,747</u>

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

**Governmental Activities:**

General government	\$ 34,929
Public safety	104,190
Streets and public work	51,822
Planning	1,528
Parks and recreation	<u>29,487</u>
 Total Depreciation Expense-Governmental Activities	 <u>\$ 221,956</u>

**Business-type Activities:**

Airport	\$ 34,495
Water	309,400
Geothermal	737
Natural gas	47,694
Swimming pool	666
Golf course	<u>1,033</u>
 Total Depreciation Expense-Business-type Activities	 <u>\$ 394,025</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances at June 30, 2004, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:	Nonmajor Governmental Funds:	
General Fund	Mark Roos 92B Fund	\$ 159,448
General Fund	Main Street Traffic Signal Fund	8
General Fund	Recreation Center Complex Fund	60,334
General Fund	Susan River Trail Aquisition Fund	24,156
	Major Governmental Funds:	
General Fund	Rodeo Fund	8,537
General Fund	Airport Fund	54,754
General Fund	Water Fund	338,310
General Fund	Natural Gas Fund	310,079
General Fund	Swimming Pool Fund	129,282
General Fund	Day Care Fund	149,039
	Internal Service Funds:	
General Fund	Engineering Fund	7,041
General Fund	Public Works Administration Fund	22,598
General Fund	Risk Management Fund	4,831
Nonmajor – Governmental Funds:	Major – Governmental Fund:	
Curb and Gutter Deposit Fund	General Fund	9,366
Solid Waste Fund	General Fund	32,560
Street Mitigation Fund	General Fund	30,780
Police Mitigation Fund	General Fund	153,891
Fire Mitigation Fund	General Fund	89,185
Park Land In – lieu Fund	General Fund	12,715
City Hall Capital Projects Fund	General Fund	59,406
Jensen Slough Pedestrian Bridge Fund	General Fund	19,805
Chestnut Street Culvert Fund	General Fund	20,915
Skyline Numa Signal Fund	General Fund	48,427
Skyline Rt. 139 Signal Fund	General Fund	10,315
Skyline Park Project Fund	General Fund	<u>152,558</u>
		<u>\$ 1,908,340</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Advances To / From Other Funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Major Governmental Fund: General Fund	Nonmajor Government Fund: Community Redevelopment Agency Fund	\$ 83,392
Nonmajor Governmental Funds:		
HUD Revolving Fund	Community Redevelopment Agency Fund	110,000
State Revolving Fund	Community Redevelopment Agency Fund	74,983
State Revolving Economic Development Fund	Community Redevelopment Agency Fund	<u>100,000</u>
		<u>\$368,375</u>

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Fund: General Fund	\$ 398,400	\$ 356,987
Major Proprietary Funds:		
Airport Fund		17,893
Water Fund		323,357
Geothermal Fund		15,164
Natural Gas Fund		403,874
Nonmajor Governmental Funds:		
Gas Tax Fund		28,992
Street Mitigation Fund	30,000	34,976
Fire Mitigation Fund		75,000
Park Land In – lieu Fund		120,000
State Revolving Fund	4,200	79,200
STBG Fund	75,000	
City Hall Debt Service Fund	171,913	
City Hall Capital Projects Fund		1,568
Main Street Traffic Signal Fund	120,642	
Safe Routes to School Fund	34,976	
Skyline Park Project Fund	195,000	
Internal Service Funds:		
Engineering Fund	45,627	
Public Works Administration Fund	248,746	
Fleet Management Fund	132,507	
	<u>\$ 1,457,011</u>	<u>\$ 1,457,011</u>

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 6 –LONG-TERM DEBT**

**A. Compensated Absences**

City employees accumulate earned but unused vacation and sick pay benefits which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amounts that might be liquidated with expendable currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Assets. No expenditure is reported for these amounts in the fund statements. However, in the statement of activities the expenditure is allocated to each function based on usage. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2004, total \$220,111 for governmental activities and \$56,897 for business-type activities.

**B. Revenue Bonds**

1992 Water Revenue Bond, Series B – Interest from 6.6% to 7.75% is payable on March 1 and September 1, maturities are payable on September 1 in annual redemptions of \$35,000 and above. Final payment is September 1, 2017. Original issue was \$1,650,000. The balance at June 30, 2004 is \$1,500,000. See Note T – Default on Mark Roos Assessment Bonds.

2002 City Hall Revenue Bond – Interest from 2.2% to 5.0% is payable on March 1 and September 1, maturities are payable on September 1 in annual redemptions of \$55,000 and above. Final payment is September 1, 2027. Original issue was \$2,270,000. The balance at June 30, 2004 is \$2,215,000.

Future debt service requirements on the 1992 and 2002 Revenue bonds are:

Fiscal Year Ended June 30,	Bonds Payable		Total
	Principal	Interest	
2005	\$ 365,000	\$ 203,481	\$ 568,481
2006	115,000	197,630	312,630
2007	120,000	191,567	311,567
2008	125,000	184,966	309,966
2009	135,000	177,706	312,706
2010-2014	790,000	758,061	1,548,061
2015-2019	935,000	466,553	1,401,553
2020-2024	560,000	235,613	795,613
2025-2028	570,000	65,175	635,175
	<u>\$ 3,715,000</u>	<u>\$ 2,480,752</u>	<u>\$ 6,195,752</u>

2000 Water Revenue Bond – Interest from 4.05% to 5.7% is payable June 1 and December 1, maturities are payable on June 1 in annual redemptions of \$445,000 and above. Final payment is June 1, 2030. Original issue was \$6,880,000. Proceeds were used to repay the 1992 Revenue Bonds Series A and provide funds for water system improvements and equipment. The liability is shown in the Water Enterprise Fund.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 6 --LONG-TERM DEBT (CONTINUED)**

**B. Revenue Bonds (Continued)**

Water Enterprise debt service requirements are as follows:

Fiscal Year Ending June 30,	1997 A Tax Allocation Bonds		
	Principal	Interest	Total
2005	\$ 125,000	\$ 347,505	\$ 472,505
2006	130,000	342,068	472,068
2007	135,000	336,348	471,348
2008	140,000	330,273	470,273
2009	145,000	323,832	468,832
2010-2014	855,000	1,505,712	2,360,712
2015-2019	1,100,000	1,261,310	2,361,310
2020-2024	1,435,000	921,436	2,356,436
2025-2029	1,895,000	462,556	2,357,556
2030	445,000	25,366	470,366
	<u>\$ 6,405,000</u>	<u>\$ 5,856,406</u>	<u>\$ 12,261,406</u>

**C. Certificates of Participation**

Certificates of Participation are summarized as follows:

Natural Gas Enterprise Fund

2001-1 Certificate of Participation (COP's), Series A - \$8,785,000 Financing secured by City Enterprise Fund improvements and equipment, interest only at 6% until May 2011 when the principle is due in full. Proceeds from this financing are to be used for construction costs related to the City's natural gas utility.

2001-1 Certificate of Participation (COP's), Series B - \$8,280,000 Financing secured by City Enterprise Fund improvements and equipment, interest only at 6% until May 2011 when the principle is due in full. Proceeds from this financing are to be used for construction costs related to the City's natural gas utility.

2001-1 Certificate of Participation (COP's), Series C - \$5,185,000 Financing secured by City Enterprise Fund improvements and equipment, interest only at 5.75% until May 2011 when the principle is due in full. Proceeds from this financing are to be used for construction costs related to the City's natural gas utility.

2003-3 Certificate of Participation (COP's) - \$1,990,000 Financing secured by City Enterprise Fund improvements and equipment, interest only at 4.625% until May 2011 when the principle is due in full. Proceeds from this financing are to be used for construction costs related to the City's natural gas utility.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2004

**NOTE 6 –LONG-TERM DEBT (CONTINUED)**

**C. Certificates of Participation (Continued)**

Year Ended June 30,	General Obligations		Total
	Principal	Interest	
2005	\$ -	\$ 1,414,076	\$ 1,414,076
2006		1,414,076	1,414,076
2007		1,414,076	1,414,076
2008		1,414,076	1,414,076
2009		1,414,076	1,414,076
2010-2011	24,240,000	2,828,152	27,068,152
Total	<u>\$ 24,240,000</u>	<u>\$ 9,898,532</u>	<u>\$ 34,138,532</u>

**D. Notes Payable**

Notes payable at June 30, 2004, consisted of the following:

Airport Fund – Airport Construction – Note payable to the State of California, Principal payments of \$950 are due annually on September 6, plus interest at 7.25%. Final payment is September 6, 2004.

\$ 950

Water Fund to United State Department of Agriculture, bears interest at 4.25%. Principal is payable annual on September 23 and interest is payable semi-annual on March and September 23. The note matures on September 23, 2043.

972,440

Total notes payable

\$ 973,390

The scheduled annual minimum debt service requirements at June 30, 2004, are as follows:

Future debt service on the notes is:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$ 10,390	\$ 41,197	\$ 51,587
2006	10,000	40,715	50,715
2007	10,000	40,290	50,290
2008	11,000	39,844	50,844
2009	11,000	39,376	50,376
2010-2014	65,000	189,061	254,061
2015-2019	81,000	173,635	254,635
2020-2024	100,000	154,489	254,489
2025-2029	125,000	130,582	255,582
2030-2034	153,000	101,174	254,174
2035-2039	189,000	64,918	253,918
2040-2044	<u>208,000</u>	<u>20,654</u>	<u>228,654</u>
	<u>\$ 973,390</u>	<u>\$ 1,035,935</u>	<u>\$ 2,009,325</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 6 –LONG-TERM DEBT (CONTINUED)**

**E. Capital Lease Obligation**

Caterpillar Finance Services Corporation – December 17, 1998 equipment lease-purchase contract for a Caterpillar Grader. Annual payments in the amount of \$34,574, including interest at 4.95% until 12/17/2003. The City satisfied the obligation of the lease agreement during the fiscal year.

LaSalle Bank of Lisle – Equipment lease purchase contract with LaSalle Bank of Lisle. Semi-annual payments starting at \$99,131 declining to \$87,239 in 2004 and \$20,098 in 2005 including interest at 5.46% are payable on May 17 and November 17. Final payment is due in November 2007. The liability is allocated between the Governmental activity Long-Term Debt Account Group, Enterprise and Internal Service Funds.

Future minimum lease payments at June 30, 2004, were:

	<u>Fiscal Year</u>		<u>Amount</u>
	<u>Ending June 30</u>		
	2005	\$	107,338
	2006		40,196
	2007		40,196
	2008		<u>20,098</u>
Total minimum lease payments			207,828
Less amounts representing interest			<u>(16,352)</u>
Present value of net minimum lease payments		\$	<u>191,476</u>

**F. Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2004, was as follows:

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2004</u>	<u>Due Within</u>
	<u>Balance</u>			<u>Balance</u>	<u>One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation	\$ 3,770,000	\$ -	\$ 55,000	\$ 3,715,000	\$ 365,000
Capital leases	376,096		190,192	185,904	98,047
Compensated absences	<u>184,547</u>	<u>35,564</u>		<u>220,111</u>	<u>19,921</u>
Governmental activities					
Long-term liabilities	<u>\$ 4,330,643</u>	<u>\$ 35,564</u>	<u>\$ 245,192</u>	<u>\$ 4,121,015</u>	<u>\$ 482,968</u>
<b>Business-type activities:</b>					
Bonds Payable					
Revenue	\$ 6,520,000	\$ -	\$ 115,000	\$ 6,405,000	\$ 125,000
Certificates of participation	22,250,000	1,990,000		24,240,000	
Notes payable	1,901	972,440	951	973,390	10,390
Capital leases	17,214		11,642	5,572	962
Compesated absences	<u>59,753</u>		<u>2,856</u>	<u>56,897</u>	
Business-type activities					
Long-term liabilities	<u>\$ 28,848,868</u>	<u>\$ 2,962,440</u>	<u>\$ 130,449</u>	<u>\$ 31,680,859</u>	<u>\$ 136,352</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 6 –LONG-TERM DEBT (CONTINUED)**

**G. Deferred Debt Expense**

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

**NOTE 7 - CITY EMPLOYEES' RETIREMENT PLAN**

Plan Description

The City of Susanville's defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 with 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.

Funding Policy

The City contributes the employee and employer shares for the Miscellaneous Plan and the Safety Plan. The City of Susanville 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 the fiscal year 2002-03 was 13.2 percent for miscellaneous employees and 21.9% for safety employees. The contribution requirements of the plan members are established by the State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2003/2004, the City's annual pension cost was \$540,387 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2003/2004 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service, and (c) no cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the City's assets was determined using a technique that smoothes the effect of short-term volatility in the fair value of investments over a two to five year period depending on the size of investment gains and/or losses. The City's unfunded actuarial accrued liability (UAAL) (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002, was 32 years, for both miscellaneous and safety employees.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2004

**NOTE 7 - CITY EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

**Three Year Trend Information for the City of Susanville Public Employees' Retirement Plan**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/02	\$293,260	100%	\$ -
6/30/03	\$303,366	100%	\$ -
6/30/04	\$540,387	100%	\$ -

**Funded Status of Safety Plan**

*Retirement Program*

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a % of Payroll ((a)-(b))/(c)
6/30/00	\$ 5,251,458	\$ 6,046,484	\$ (795,026)	115.1%	\$ 1,458,627	(54.5%)
6/30/01	\$ 5,616,103	\$ 6,294,968	\$ (678,865)	112.1%	\$ 1,607,149	(42.2%)
6/30/02	\$ 7,151,382	\$ 6,031,938	\$ 1,119,444	84.3%	\$ 1,876,111	59.7%

**Funded Status of Miscellaneous Plan**

*Retirement Program*

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a % of Payroll ((a)-(b))/(c)
6/30/00	\$ 6,606,826	\$ 7,403,330	\$ (796,504)	112.1%	\$ 1,016,624	(78.3%)
6/30/01	\$ 7,175,138	\$ 7,694,367	\$ (519,229)	107.2%	\$ 1,066,743	(48.7%)
6/30/02	\$ 9,002,759	\$ 7,297,195	\$ 1,705,564	81.1%	\$ 1,257,172	(135.0%)

**NOTE 8 - INSURANCE**

The City is a member of a Joint Powers Agreement (JPA) with the Small Cities Organized Risk Effort (SCORE). This JPA provides liability and workers compensation coverage for its members by pooling risk.

Member cities participate in a Banking Plan for the first \$25,000 of loss. The portion of loss greater than \$25,000 but less than \$250,000 is shared among the Member Cities in the Shared Risk Pool. The JPA participates in the California Joint Powers Risk Management Authority (CJPRMA) for the portion of losses greater than \$250,000. The JPA is comprised of twenty small cities located in Northern and Central California. Upon review of the application, a new member may be admitted by a three-quarters (3/4) vote of the board. Members may be expelled by a two-thirds (2/3) vote. Upon entry into the JPA, members may not voluntarily withdraw for a period of three years and in no case before the JPA's commitment to CJPRMA is satisfied. Members must submit six months written notice prior to voluntarily withdrawing. After withdrawal a member may not re-enter the JPA for a period of three years.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 8 – INSURANCE (CONTINUED)**

The City adopted the provisions of GASB Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues."

The City makes payments to SCORE based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Condensed financial information of the Small Cities Organized Risk Effort (SCORE) for the fiscal year ended June 30, 2004, is as follows:

	Liability Program	Workers Comp. Program	Total
Total Assets	\$ 4,262,974	\$ 5,107,114	\$ 9,370,088
Total Liabilities	\$ 1,829,684	\$ 2,821,173	\$ 4,650,857
Fund Equity	2,433,290	2,285,941	4,719,231
Total Liabilities and Equity	\$ 4,262,974	\$ 5,107,114	9,370,088
Total Revenues	\$ 1,801,362	\$ 2,275,208	4,076,570
Total Expenditures	1,300,044	1,646,004	2,946,048
Net Increase/(Decrease)	\$ 501,318	\$ 629,204	1,130,522

The JPA did not have long-term debt outstanding at June 30, 2004.

Copies of the financial statements are available from SCORE, located in San Francisco, California.

**NOTE 9 – POSTRETIREMENT BENEFITS OTHER THAN PENSION BENEFITS**

The City provides postretirement health care benefits to eligible employees who retire from the City. On June 30, 2004 all full time permanent City employees were eligible for this benefit, upon retirement.

The retirement benefit is limited to one-half of the employee's unused sick leave at the date of retirement, which may be applied only to fifty percent of health benefits for as long as the employee is eligible to receive those benefits. Fifty percent of the total sick leave liability at June 30, 2004, is \$211,838. This cost is funded on a pay-as-you-go basis and is not accrued as a long-term liability, because the present value of future benefits is not estimable. During 2003/2004 fiscal year, the City paid \$7,654 for two employees receiving this benefit.

**NOTE 10 – NET ASSETS AND FUND BALANCES**

**A. Net Assets**

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which are determined at the government-wide, proprietary fund, and fiduciary fund level and are described below.

*Invested in capital assets, net of related debt* describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2004

**NOTE 10 – NET ASSETS AND FUND BALANCES (CONTINUED)**

**A. Net Assets (Continued)**

*Restricted* describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of net assets which is not restricted as to use.

**B. Fund Balances, Reserves, and Designations**

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Reserves:

Portions of fund balance have been reserved for specific purposes as follows:

**Advances** – Advances held within governmental funds is reserved as it is not available to finance current operations.

**Debt Service** – Funds which legally may only be used for debt service are reserved within the appropriate fund.

Designations:

**Storm Drain Projects** – The City maintains for unexpended appropriations for capital outlay projects. Since these projects are funded by transfers, the City desires to ensure that sufficient resources will be available to transfer when capital outlay expenditures are incurred.

**Capital Improvements** – The City has designated unexpended appropriations for capital outlay projects.

Fund balances unreserved/designated at June 30, 2004, are as follows:

Schedule of Designated Fund Balances

	<u>Other Governmental Funds</u>	<u>Total</u>
Unreserved and designated for:		
Storm drain projects	\$ 20,915	\$ 20,915
Capital improvements	<u>533,756</u>	<u>533,756</u>
	<u>\$ 554,671</u>	<u>\$ 554,671</u>

**CITY OF SUSANVILLE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2004

**NOTE 11 – REVENUE LIMITATIONS IMPOSED BY CALIFORNIA PROPOSITION 218**

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

**NOTE 12 – CONTINGENCIES AND COMMITMENTS**

The City is involved in various litigations. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the City's financial statements.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

The City has construction commitments of \$1,439,681 in the Water Fund for contracts awarded but not completed at June 30, 2004. The major contracts outstanding are for pipelines for the Cady Springs capital improvement project.

**NOTE 13 – SUBSEQUENT EVENT**

Default on Mark Roos Assessment Bonds

To facilitate certain land improvements for private property owners, the City issued bonds in 1992 to finance the improvements. The amount the City collects from this Mark Roos assessment is paid out to service the bonds. There have been two assessed parcels delinquent in the payment of the assessment totaling \$639,696. The bonds were not in default until September 2001 due to the fact that the City advanced funds to service the debt pending resolution of the delinquent assessments. The City has indicated that if a sale, or other possible means of collecting the delinquent assessments were not identified, the City would no longer advance funds to service the debt. Starting June 30, 2002, the City did service the debt only to the extent that assessments were collected.

The City filed lawsuits against the property owner of the two parcels in default and the matter was settled by stipulated agreement. A sheriff's sale of the properties in question was conducted and one parcel has been sold November 2004. In November 2004, the City received payments for all past due amounts (seven years of delinquencies) in the amount of \$95,363 and later, in December 2004, received \$496,174 from the Lassen County Assessor's Office for the remaining balance that included penalties, interest, attorney's fees, sheriff sale and writ. The remaining parcel in default is scheduled for foreclosure sale in March 2005. The City also received a favorable judgment that concluded that the City is not legally responsible for the payment of the bonds when the assessments are not sufficient to make the payment. This judgment relieves the City from the legal responsibility of the debt.

Natural Gas System

The City financed construction of the natural gas system through four issuances of Certificates of Participation (COPs) totaling \$24,240,000. All COP's issues require interest only payments until they mature in May 2011. During the fiscal year ending June 30, 2002 the City began operation of its Natural Gas Enterprise to provide natural gas to the citizens of the City of Susanville.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 13 – SUBSEQUENT EVENT (CONTINUED)**

Natural Gas System (Continued)

During 2002-2003, the Natural Gas Fund depleted \$2,157,450 of Pooled cash in order to complete construction and maintain its operations. Additionally, the Natural Gas Fund had a decrease in net assets of \$1,434,650 for the fiscal year ended June 30, 2004. It is estimated, based on unaudited information, that for the fiscal year ending June 30, 2005 the natural gas system total loss will be greater than \$1 million due to not meeting revenue projections. The Natural Gas system has not performed as good as anticipated since operations have began. The Gas System has not reached its projected customer base or gas usage necessary to make the system self-supporting where revenues support its expenditures, although customers continue to convert to natural gas at approximately 25 per month.

The City has hired a professional Natural Gas Consultant to perform a study of gas operations and recommend methods to decrease the expense/revenue gap. The reports will be available to the public as soon as they are complete.

Water Utility System

In October 2004 the City issued \$3,330,000 in revenue bonds for the Water Enterprise Fund. This bond issuance helped the City a great deal with its cash flow because it reimbursed the Water fund for all these capital improvement projects that had been engaged without new sources of revenues. The cost of these capital projects is now going to be spread for the life of the bond, rather than absorbed all in one year; the bond will be paid with water user fees. The City Council committed to review the fees annually to assure that the rates are adequate to cover all water operations, capital improvements and debt service.

**NOTE 14 – PRIOR YEAR ADJUSTMENT**

There are several adjustments made in this report to correct errors from prior years in capital assets, fund balances, receivable and payable. The adjustments made are as follows:

Government Wide Statements

A prior year adjustment was made in the Governmental Activities for \$(245,002) for an overstatement of loans receivable, \$(12,798) for and overstatement of accounts receivable and \$8,700 for and understatement of capital assets.

A prior year adjustment was made in the Business-type Activities for \$(540,035) for the understatement of capital assets, \$276,251 for the understatement of accounts receivable, \$1,020,393 for understatement of deferred charges, \$(1,901) for an understatement of notes payable, and \$(249,711) for understatement of interest payable.

Fund Statements

**Major Funds**

A prior year adjustment was made in the General Fund for \$100,000 for an overstatement of deferred revenue and \$(12,798), for an overstatement of accounts receivable.

A prior year adjustment was made in the Airport Fund for \$ 263,755 for the understatement of capital assets, as \$(9,834) for overstatement of accounts receivable, and \$(1,901) for and understatement of notes payable.

A prior year adjustment was made in the Water Fund for \$(1,333,971) for an overstatement of the capital assets, \$157,265 for understatement of accounts receivable, and \$(29,371) for understatement of interest payable for a net decrease of \$ (1,206,077).

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 14 – PRIOR YEAR ADJUSTMENT (CONTINUED)**

Fund Statements (Continued)

**Major Funds**

A prior year adjustment was made in the Geothermal Fund for \$(324,203) for an overstatement of capital assets and \$28,919 for an understatement of accounts receivable.

A prior year adjustment was made in the Natural Gas Fund for \$1,319,521 for the understatement of capital assets, \$1,020,393 for understatement of deferred charges, \$99,901 for understatement of account receivable, \$(220,340) for an understatement of interest payable for a net increase of \$2,219,475.

A prior year adjustment was made in the Swimming Pool Fund for \$66 for the understatement of capital assets.

A prior year adjustment was made in the Day Care Fund for \$(1,747) for the overstatement of capital assets.

A prior year adjustment was made in the Golf Course Fund for \$616,341 for the understatement of capital assets.

**Nonmajor Fund**

A prior year adjustment was made in the HUD Revolving Fund for \$110,000 for an overstatement of deferred revenue.

A prior year adjustment was made in the State Revolving Fund for \$76,169 for an overstatement of deferred revenue.

A prior year adjustment was made in the State Revolving Economic Development Fund for \$100,000 for the overstatement of deferred revenue.

A prior year adjustment was made in the Community Redevelopment Agency Fund for \$384,983 for an overstatement of advances from other funds.

Internal Service Fund Statements

A prior year adjustment was made in the Engineering Fund for \$(6,193) for an overstatement of capital assets.

A prior year adjustment was made in the Fleet Management Fund for \$14,898 for the understatement of capital assets.

**NOTE 15 – CITY'S FINANCIAL POSITION**

Like many California cities, the City of Susanville has his share of difficulties in dealing with cash flow shortages and increasing costs. One question that still looms on California's fiscal horizon is whether the state can return to structural balance in the near future without impacting cities and counties. The financial pressures on the City of Susanville are as follows:

1. The General Fund has a due from other funds of \$1,268,417 and Advance to other funds of \$83,392 as of June 30, 2004; this is due primarily to the construction cost overruns of the Natural Gas utility. However, due to Natural Gas operating losses, and other matters as described below, based upon unaudited financial information, the City's cash, during the 2003/2004 fiscal year, is significantly depleted.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE 15 – CITY’S FINANCIAL POSITION (CONTINUED)**

2. The Natural Gas utility system did not perform as well as projected for the 2003/2004 fiscal year. Due to the revenues being substantially less than anticipated, the Natural Gas Fund has had a net loss of \$(1,434,650) for 2003/2004. The anticipated loss for the utility in 2004/2005 is over \$1 million based on unaudited financial information.
3. The annual cost of providing renegotiated PERS retirement benefits to the City employees is expected to increase in the 2004/2005 fiscal year. Retirement costs are currently projected to increase \$980,000 in 2004/2005 and exceed \$1 million in 2005/2006.
4. The City’s health benefit costs increased during fiscal year ended June 30, 2004. These costs are expected to climb an additional 10% during the next two years.
5. The City has unfunded liability to employees to pay for health benefits. The actuarial liability has not been determined; however, the payments are limited to 50% of the employee’s unused sick leave. 50% of unused sick leave at June 30, 2004 is approximately \$250,000.
6. The City experienced an increase in workers compensation insurance expense. This cost is expected to climb.
7. The City has a note receivable of \$368,375 from the Community Redevelopment Agency made by various City CDBG program income funds. This note cannot be repaid until the City has an approved redevelopment project.
8. The City has two more years of ERAF payments to make for approximately \$147,000 per year.
9. The City has been subsidizing certain programs that are not self sufficient, including the Airport, Daycare programs, the Swimming Pool, and the Geothermal utility.

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**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2004

	Special Revenue Funds			
	Local Law Enforcement Block Grant Fund	DOJ COPS Universal Hiring Grant Rancheria Fund	DOJ Universal Hiring Grant Supplement #2 Fund	Gas Tax Fund
<b>Assets</b>				
Cash and investments	\$ 60,393	\$ -	\$ -	\$ 60,705
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable				66,741
Due from other funds				
Advances to other funds				
Loans receivable				
Total assets	\$ 60,393	\$ -	\$ -	\$ 127,446
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 15,873
Accrued wages	2,714			7,781
Deposits payable				42,064
Deferred revenue				
Due to other funds				
Advances from other funds				
Total liabilities	2,714			65,718
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Advances				
Debt service				
<b>Unreserved:</b>				
Designated for capital improvements				
Designated for storm drain projects				
Undesignated	57,679			61,728
Total fund balances	57,679			61,728
Total liabilities and fund balances	\$ 60,393	\$ -	\$ -	\$ 127,446

**Special Revenue Funds**

<b>Curb and Gutter Deposit Fund</b>	<b>Solid Waste Fund</b>	<b>Street Mitigation Fund</b>	<b>Police Mitigation Fund</b>	<b>Fire Mitigation Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
9,366	32,560	30,780	153,891	89,185
<u>\$ 9,366</u>	<u>\$ 32,560</u>	<u>\$ 30,780</u>	<u>\$ 153,891</u>	<u>\$ 89,185</u>
\$ -	\$ -	\$ -	\$ 344	\$ 870
9,366				
<u>9,366</u>			<u>344</u>	<u>870</u>
	<u>32,560</u>	<u>30,780</u>	<u>153,547</u>	<u>88,315</u>
	<u>32,560</u>	<u>30,780</u>	<u>153,547</u>	<u>88,315</u>
<u>\$ 9,366</u>	<u>\$ 32,560</u>	<u>\$ 30,780</u>	<u>\$ 153,891</u>	<u>\$ 89,185</u>

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2004

	<b>Special Revenue Funds</b>			
	<b>Park Land In-lieu Fund</b>	<b>HUD Revolving Fund</b>	<b>State Revolving Fund</b>	<b>State Revolving Economic Development Fund</b>
<b>Assets</b>				
Cash and investments	\$ -	\$ 34,423	\$ 304,804	\$ 65,085
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable			17,130	1,710
Due from other funds	12,715			
Advances to other funds		110,000	74,983	100,000
Loans receivable		64,708	371,745	117,440
<b>Total assets</b>	<b>\$ 12,715</b>	<b>\$ 209,131</b>	<b>\$ 768,662</b>	<b>\$ 284,235</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages				
Deposits payable				
Deferred revenue		64,708	371,745	117,440
Due to other funds				
Advances from other funds				
<b>Total liabilities</b>		<b>64,708</b>	<b>371,745</b>	<b>117,440</b>
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Advances		110,000	74,983	100,000
Debt service				
<b>Unreserved:</b>				
Designated for capital improvements				
Designated for storm drain projects				
Undesignated	12,715	34,423	321,934	66,795
<b>Total fund balances</b>	<b>12,715</b>	<b>144,423</b>	<b>396,917</b>	<b>166,795</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,715</b>	<b>\$ 209,131</b>	<b>\$ 768,662</b>	<b>\$ 284,235</b>

Special Revenue Funds			Debt Service Funds	
Home Revolving Fund	Community Redevelopment Agency Fund	STBG Fund	Mark Roos 92B Fund	City Hall Debt Service Fund
\$ 27,138	\$ -	\$ 240,653	\$ -	\$ -
			11	289,225
		14,000	679,964	
<u>232,767</u>				
<u>\$ 259,905</u>	<u>\$ -</u>	<u>\$ 254,653</u>	<u>\$ 679,975</u>	<u>\$ 289,225</u>
\$ -	\$ 4,500	\$ 14,393	\$ 19,024	\$ -
		1,967		
232,767			679,964	
	368,375		159,448	
<u>232,767</u>	<u>372,875</u>	<u>16,360</u>	<u>858,436</u>	
				289,225
<u>27,138</u>	<u>(372,875)</u>	<u>238,293</u>	<u>(178,461)</u>	
<u>27,138</u>	<u>(372,875)</u>	<u>238,293</u>	<u>(178,461)</u>	<u>289,225</u>
<u>\$ 259,905</u>	<u>\$ -</u>	<u>\$ 254,653</u>	<u>\$ 679,975</u>	<u>\$ 289,225</u>

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
 June 30, 2004

	Debt			
	Service Funds	Capital Projects Funds		
	Lasalle Debt Service Fund	City Hall Capital Projects Fund	Jensen Slough Pedestrian Bridge Fund	Paiute Creek Improvement #2 Fund
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable				
Due from other funds		59,406	19,805	
Advances to other funds				
Loans receivable				
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 59,406</b>	<b>\$ 19,805</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 1,255	\$ 772	\$ -
Accrued wages				
Deposits payable			19,728	
Deferred revenue				
Due to other funds				
Advances from other funds				
<b>Total liabilities</b>		<b>1,255</b>	<b>20,500</b>	
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Advances				
Debt service				
<b>Unreserved:</b>				
Designated for capital improvements		58,151		
Designated for storm drain projects				
Undesignated			(695)	
<b>Total fund balances</b>		<b>58,151</b>	<b>(695)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 59,406</b>	<b>\$ 19,805</b>	<b>\$ -</b>

**Capital Projects Funds**

<b>Chestnut Street Culvert Fund</b>	<b>Barry Creek Rt. 139 Culvert Fund</b>	<b>Skyline Numa Signal Fund</b>	<b>Skyline Bicycle Lane Fund</b>	<b>Skyline Rt. 139 Signal Fund</b>
\$ -	\$ -	\$ -	\$ 13,076	\$ -
20,915		48,427		10,315
<u>\$ 20,915</u>	<u>\$ -</u>	<u>\$ 48,427</u>	<u>\$ 13,076</u>	<u>\$ 10,315</u>
\$ -	\$ -	\$ -	\$ -	\$ -
20,915		48,427	13,076	10,315
<u>20,915</u>		<u>48,427</u>	<u>13,076</u>	<u>10,315</u>
<u>\$ 20,915</u>	<u>\$ -</u>	<u>\$ 48,427</u>	<u>\$ 13,076</u>	<u>\$ 10,315</u>

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2004

	<b>Capital Projects Funds</b>		
	<b>Main Street Traffic Signal Fund</b>	<b>Safe Routes to School Fund</b>	<b>Recreation Center Complex Fund</b>
<b>Assets</b>			
Cash and investments	\$ -	\$ 400	\$ -
Cash and investments with fiscal agent			
Investment in bonds			
Accounts receivable		332,756	60,000
Due from other funds			
Advances to other funds			
Loans receivable			
Total assets	\$ -	\$ 333,156	\$ 60,000
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 131,671	\$ -
Accrued wages			
Deposits payable			
Deferred revenue			
Due to other funds	8		60,334
Advances from other funds			
Total liabilities	8	131,671	60,334
<b>Fund Balances:</b>			
<b>Reserved:</b>			
Advances			
Debt service			
<b>Unreserved:</b>			
Designated for capital improvements		251,229	
Designated for storm drain projects			
Undesignated	(8)	(49,744)	(334)
Total fund balances	(8)	201,485	(334)
Total liabilities and fund balances	\$ -	\$ 333,156	\$ 60,000

Capital Projects Funds

<u>Skyline Park Project Fund</u>	<u>Susan River Trail Acquisition Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ 806,677
		289,236
		679,964
	24,000	516,337
152,558		639,923
		284,983
		786,660
<u>\$ 152,558</u>	<u>\$ 24,000</u>	<u>\$ 4,003,780</u>
\$ -	\$ -	\$ 188,702
		12,462
		71,158
		1,466,624
	24,156	243,946
		368,375
	<u>24,156</u>	<u>2,351,267</u>
		284,983
		289,225
152,558		533,756
		20,915
	(156)	523,634
<u>152,558</u>	<u>(156)</u>	<u>1,652,513</u>
<u>\$ 152,558</u>	<u>\$ 24,000</u>	<u>\$ 4,003,780</u>

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2004

	<b>Special Revenue Funds</b>			
	<b>Local Law Enforcement Block Grant Fund</b>	<b>DOJ COPS Universal Hiring Grant Rancheria Fund</b>	<b>DOJ Universal Hiring Grant Supplement #2 Fund</b>	<b>Gas Tax Fund</b>
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 92,649
Use of money and property	485			470
Intergovernmental revenues	100,000			382,566
Other revenues				
<b>Total revenues</b>	<b>100,485</b>			<b>475,685</b>
<b>Expenditures:</b>				
Current:				
General government				
Public safety	102,365			
Streets and public works				469,691
Parks and recreation				
Community development				
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				
<b>Total expenditures</b>	<b>102,365</b>			<b>469,691</b>
Excess of revenues over (under) expenditures	(1,880)			5,994
<b>Other Financing Sources (Uses):</b>				
Transfers in				
Transfers out				(28,992)
<b>Total other financing sources (uses)</b>				<b>(28,992)</b>
Net changes in fund balances	(1,880)			(22,998)
Fund balances - July 1, 2003	59,559	(859)	10,146	84,726
Equity transfers		859	(10,146)	
Prior year adjustments				
Fund balances - July 1, 2003, restated	59,559			84,726
Fund balances - June 30, 2004	<u>\$ 57,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,728</u>

**Special Revenue Funds**

<b>Curb and Gutter Deposit Fund</b>	<b>Solid Waste Fund</b>	<b>Street Mitigation Fund</b>	<b>Police Mitigation Fund</b>	<b>Fire Mitigation Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
	245		924	1,246
		48		
		68,602	68,040	85,357
	245	68,650	68,964	86,603
			9,223	56,141
	5	34,575		
			46,301	31,399
		33,007		
		1,567		
	5	69,149	55,524	87,540
	240	(499)	13,440	(937)
		30,000		
		(34,976)		(75,000)
		(4,976)		(75,000)
	240	(5,475)	13,440	(75,937)
	32,320	37,012	140,107	164,252
		(757)		
	32,320	36,255	140,107	164,252
<b>\$ -</b>	<b>\$ 32,560</b>	<b>\$ 30,780</b>	<b>\$ 153,547</b>	<b>\$ 88,315</b>

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
For the Fiscal Year Ended June 30, 2004

	<u>Special Revenue Funds</u>			
	<u>Park Land In-lieu Fund</u>	<u>HUD Revolving Fund</u>	<u>State Revolving Fund</u>	<u>State Revolving Economic Development Fund</u>
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	363	273	12,651	5,101
Intergovernmental revenues		456	4,558	
Other revenues	21,883		266,000	17,097
Total revenues	<u>22,246</u>	<u>729</u>	<u>283,209</u>	<u>22,198</u>
<b>Expenditures:</b>				
Current:				
General government		5,701		
Public safety				
Streets and public works				
Parks and recreation	158			
Community development			177,754	
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures	<u>158</u>	<u>5,701</u>	<u>177,754</u>	
Excess of revenues over (under) expenditures	<u>22,088</u>	<u>(4,972)</u>	<u>105,455</u>	<u>22,198</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in			4,200	
Transfers out	(120,000)		(79,200)	
Total other financing sources (uses)	<u>(120,000)</u>		<u>(75,000)</u>	
Net changes in fund balances	<u>(97,912)</u>	<u>(4,972)</u>	<u>30,455</u>	<u>22,198</u>
Fund balances - July 1, 2003	110,627	39,395	290,293	44,597
Equity transfers				
Prior year adjustments		110,000	76,169	100,000
Fund balances - July 1, 2003, restated	<u>110,627</u>	<u>149,395</u>	<u>366,462</u>	<u>144,597</u>
Fund balances - June 30, 2004	<u>\$ 12,715</u>	<u>\$ 144,423</u>	<u>\$ 396,917</u>	<u>\$ 166,795</u>

**Special Revenue Funds**

**Debt Service Funds**

<b>Home Revolving Fund</b>	<b>Community Redevelopment Agency Fund</b>	<b>STBG Fund</b>	<b>Mark Roos 92B Fund</b>	<b>City Hall Debt Service Fund</b>
\$ - 87	\$ - 128	\$ - 240,750	\$ 72,146 17	\$ - (3,634)
<u>27,062</u>				
<u>27,149</u>	<u>128</u>	<u>240,750</u>	<u>72,163</u>	<u>(3,634)</u>
	468		22,503	
		77,457		
				55,000
			53,122	108,076
	<u>468</u>	<u>77,457</u>	<u>75,625</u>	<u>163,076</u>
<u>27,149</u>	<u>(340)</u>	<u>163,293</u>	<u>(3,462)</u>	<u>(166,710)</u>
		75,000		171,913
		75,000		171,913
<u>27,149</u>	<u>(340)</u>	<u>238,293</u>	<u>(3,462)</u>	<u>5,203</u>
(11)	12,448		(174,999)	284,022
	(384,983)			
<u>(11)</u>	<u>(372,535)</u>		<u>(174,999)</u>	<u>284,022</u>
<u>\$ 27,138</u>	<u>\$ (372,875)</u>	<u>\$ 238,293</u>	<u>\$ (178,461)</u>	<u>\$ 289,225</u>

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2004

	Debt		Capital Projects Funds	
	Service Funds			
	Lasalle Debt Service Fund	City Hall Capital Projects Fund	Jensen Slough Pedestrian Bridge Fund	Paiute Creek Improvement #2 Fund
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property		17,622	154	
Intergovernmental revenues		1,946		
Other revenues	186,371	300		
<b>Total revenues</b>	<b>186,371</b>	<b>19,868</b>	<b>154</b>	
<b>Expenditures:</b>				
Current:				
General government		7,272		
Public safety				
Streets and public works			1,472	
Parks and recreation				
Community development				
Capital outlay		230,218		
Debt service:				
Principal	157,185			
Interest and fiscal agent fees	29,186			
<b>Total expenditures</b>	<b>186,371</b>	<b>237,490</b>	<b>1,472</b>	
Excess of revenues over (under) expenditures		(217,622)	(1,318)	
<b>Other Financing Sources (Uses):</b>				
Transfers in				
Transfers out		(1,568)		
<b>Total other financing sources (uses)</b>		<b>(1,568)</b>		
Net changes in fund balances		(219,190)	(1,318)	
Fund balances - July 1, 2003		277,341	623	59,877
Equity transfers				(59,877)
Prior year adjustments				
Fund balances - July 1, 2003, restated		277,341	623	
Fund balances - June 30, 2004	\$ -	\$ 58,151	\$ (695)	\$ -

**Capital Projects Funds**

<b>Chestnut Street Culvert Fund</b>	<b>Barry Creek Rt. 139 Culvert Fund</b>	<b>Skyline Numa Signal Fund</b>	<b>Skyline Bicycle Lane Fund</b>	<b>Skyline Rt. 139 Signal Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
149		354	90	76
1,279		2,809	1,956	565
1,428		3,163	2,046	641
1,428		3,163	2,046	641
1,428		3,163	2,046	641
19,487	(29,431)	45,264	11,030	9,674
	29,431			
19,487		45,264	11,030	9,674
\$ 20,915	\$ -	\$ 48,427	\$ 13,076	\$ 10,315

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2004

	<u>Capital Projects Funds</u>		
	<u>Main Street Traffic Signal Fund</u>	<u>Safe Routes to School Fund</u>	<u>Recreation Center Complex Fund</u>
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Use of money and property	201		
Intergovernmental revenues	22,502	332,756	280,000
Other revenues			14
Total revenues	<u>22,703</u>	<u>332,756</u>	<u>280,014</u>
<b>Expenditures:</b>			
Current:			
General government			
Public safety			
Streets and public works	415		
Parks and recreation			
Community development			
Capital outlay	267,000	166,247	280,348
Debt service:			
Principal			
Interest and fiscal agent fees			
Total expenditures	<u>267,415</u>	<u>166,247</u>	<u>280,348</u>
Excess of revenues over (under) expenditures	<u>(244,712)</u>	<u>166,509</u>	<u>(334)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	120,642	34,976	
Transfers out			
Total other financing sources (uses)	<u>120,642</u>	<u>34,976</u>	
Net changes in fund balances	<u>(124,070)</u>	<u>201,485</u>	<u>(334)</u>
Fund balance - July 1, 2003	124,062		
Equity transfers			
Prior year adjustments			
Fund balance - July 1, 2003, restated	<u>124,062</u>		
Fund balances - June 30, 2004	<u>\$ (8)</u>	<u>\$ 201,485</u>	<u>\$ (334)</u>

**Capital Projects Funds**

Skyline Park Project Fund	Susan River Trail Acquisition Fund	Totals
\$ -	\$ -	\$ 164,795
		37,002
	24,000	1,389,582
		747,335
	24,000	2,338,714
		35,944
		167,729
		506,158
		158
42,442	21,656	255,211
		1,085,611
		245,192
		191,951
42,442	21,656	2,487,954
(42,442)	2,344	(149,240)
195,000		631,731
		(339,736)
195,000		291,995
152,558	2,344	142,755
	(2,500)	1,649,062
		(40,490)
		(98,814)
	(2,500)	1,509,758
\$ 152,558	\$ (156)	\$ 1,652,513

**CITY OF SUSANVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

June 30, 2004

	Engineering Fund	Public Works Administration Fund	Risk Management Fund	Fleet Management Fund	Totals
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ -	\$ -	\$ -	\$ 7,588	\$ 7,588
Total current assets				7,588	7,588
Capital Assets:					
Nondepreciable					
Land				600	600
Total nondepreciable capital assets				600	600
Depreciable					
Buildings		44,630		44,719	89,349
Total depreciable capital assets		44,630		44,719	89,349
Less accumulated depreciation		(44,630)		(17,888)	(62,518)
Net depreciable capital assets				26,831	26,831
Net capital assets				27,431	27,431
Total noncurrent assets				27,431	27,431
Total assets				35,019	35,019
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	545	2,505	307	828	4,185
Accrued wages	2,088	8,436		4,310	14,834
Due to other funds	7,041	22,598	4,831		34,470
Total current liabilities	9,674	33,539	5,138	5,138	53,489
Noncurrent Liabilities:					
Compensated absences	872			14,153	15,025
Total noncurrent liabilities	872			14,153	15,025
Total liabilities	10,546	33,539	5,138	19,291	68,514
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt				27,431	27,431
Unrestricted	(10,546)	(33,539)	(5,138)	(11,703)	(60,926)
Total net assets	\$ (10,546)	\$ (33,539)	\$ (5,138)	\$ 15,728	\$ (33,495)

**CITY OF SUSANVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2004

	<b>Engineering Fund</b>	<b>Public Works Administration Fund</b>	<b>Risk Management Fund</b>	<b>Fleet Management Fund</b>	<b>Totals</b>
Revenues:					
Charges for services	\$ 61,180	\$ -	\$ 808,943	\$ 109,252	\$ 979,375
Total Revenues	61,180		808,943	109,252	979,375
Expenses:					
Administration	110,832	282,497	2,862	238,831	635,022
Insurance costs and claims			811,219		811,219
Depreciation				1,118	1,118
Total Expenses	110,832	282,497	814,081	239,949	1,447,359
Operating Income (Loss)	(49,652)	(282,497)	(5,138)	(130,697)	(467,984)
Non-Operating Revenues (Expenses):					
Interest income		212		12	224
Net Income (Loss) Before Transfers	(49,652)	(282,285)	(5,138)	(130,685)	(467,760)
Transfers in	45,627	248,746		132,507	426,880
Change in net assets	(4,025)	(33,539)	(5,138)	1,822	(40,880)
Net Assets, July 1, 2003	(328)			(987)	(1,315)
Prior Period Adjustments	(6,193)			14,893	8,700
Net Assets, July 1, 2003, restated	(6,521)			13,906	7,385
Net Assets, June 30, 2004	\$ (10,546)	\$ (33,539)	\$ (5,138)	\$ 15,728	\$ (33,495)

**CITY OF SUSANVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2004

	Engineering Fund	Public Works Administration Fund	Risk Management Fund	Fleet Management Fund	Totals
Cash Flows from Operating Activities:					
Receipts from customers	\$ 74,511	\$ -	\$ 808,943	\$ 109,252	\$ 992,706
Payment to suppliers and users	(58,276)	(37,628)	(809,502)	(104,704)	(1,010,110)
Payment to employees	(60,952)	(217,342)		(137,747)	(416,041)
Net Cash Provided (Used) by Operating Activities	(44,717)	(254,970)	(559)	(133,199)	(433,445)
Cash Flows from Non-Capital Financing Activities:					
Transfers in	45,627	248,746		132,507	426,880
Net Cash Provided (Used) by Non-Capital Financing Activities	45,627	248,746		132,507	426,880
Cash Flows from Capital and Related Financing Activities:					
Principal payments - long-term debt	(910)	(1,331)			(2,241)
Net Cash Provided (Used) by Capital and Related Financing Activities	(910)	(1,331)			(2,241)
Cash Flows from Investing Activities:					
Interest on investments		212		12	224
Net Cash Provided by Investing Activities		212		12	224
Net Increase (Decrease) in Cash and Cash Equivalents		(7,343)	(559)	(680)	(8,582)
Cash and Cash Equivalents, July 1, 2003		7,343	559	8,268	16,170
Cash and Cash Equivalents, June 30, 2004	\$ -	\$ -	\$ -	\$ 7,588	\$ 7,588
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (49,652)	\$ (282,497)	\$ (5,138)	\$ (130,697)	\$ (467,984)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation				1,118	1,118
(Increase) Decrease in Operating Assets:					
Accounts receivable	133,075				133,075
Increase (Decrease) in Operating Liabilities:					
Accounts payable	(11,356)	(3,507)	(252)	(22,083)	(37,198)
Accrued wages	2,088	8,436		4,310	14,834
Compensated absences	872			14,153	15,025
Due to other funds	(119,744)	22,598	4,831		(92,315)
Net Cash Provided (Used) by Operating Activities	\$ (44,717)	\$ (254,970)	\$ (559)	\$ (133,199)	\$ (433,445)