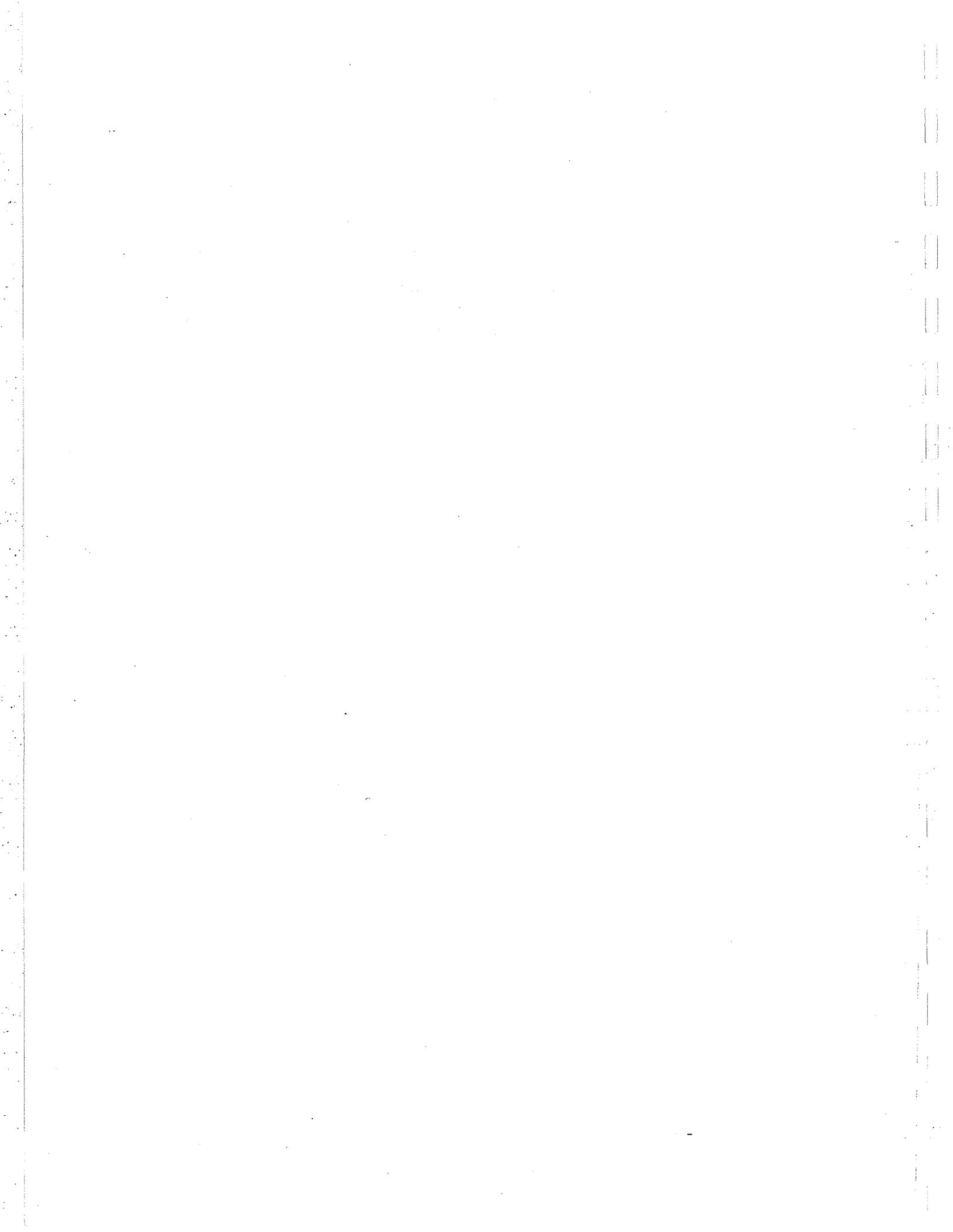


CITY OF SUSANVILLE
FINANCIAL STATEMENTS
June 30, 2005



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June 30, 2005

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FINANCIAL SECTION

MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS

9107 WILSHIRE BLVD., SUITE 400

BEVERLY HILLS, CALIFORNIA 90210

TELEPHONE (310) 273-2745

FAX (310) 273-1689

E-MAIL: mlhbh@pacbell.net

ROBERT M. MOSS, C.P.A.*
RONALD A. LEVY, C.P.A.*
CRAIG A. HARTZHEIM, C.P.A.*
HADLEY HUI, C.P.A.

MEMBER:

AMERICAN INSTITUTE OF C.P.A.S
CALIFORNIA SOCIETY OF C.P.A.S
CALIFORNIA SOCIETY OF
MUNICIPAL FINANCE OFFICERS
CALIFORNIA ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS

OFFICES:

BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA

THOMAS LEUNG, C.P.A.

*DENOTES PROFESSIONAL CORPORATION

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, 2005, 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, 2005, 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.

Management's Discussion and Analysis, on pages 3 through 14, 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 October 28, 2005, 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, Nonmajor Fund Budgetary Comparison Schedule, Combining Internal Service Funds Statement of Net Assets, Combining Internal Service Funds Statement of Revenues, Expenses, and Changes in Net Assets, Combining Internal Service Funds Statement of Cash Flows, and Agency Statement of Net Assets, are presented for purposes of additional analysis and are 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.

Moss, Levy & Hartzheim

MOSS, LEVY AND HARTZHEIM
Beverly Hills, CA
October 28, 2005

City of Susanville
Management Discussion & Analysis
June 30, 2005

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 funds
- Governmental funds
- Proprietary funds
- Fiduciary funds

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

GOVERNMENT-WIDE FUNDS

Generally accepted accounting principles (GAAP) 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 equity/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

GAAP requires that the primary government's governmental activities be reported separately from its business-type activities. Business-type activities include enterprise funds; however, Internal Service funds 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. All internal balances (payables and receivables between governmental activities) are eliminated from this total column.

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 maximizing 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 - GAAP 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. GAAP requires that such *program revenues* be presented separately. Examples of program revenues include:

- charges for services, fees, permits, licenses, 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, use of money and property.

GOVERNMENTAL FUNDS

GAAP 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*.

Major fund reporting

GAAP requires that each *major* fund is reported on a separate column (the general fund is always considered a major fund). All other non-major 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

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

GAAP prescribes three basic financial statements for proprietary funds:

- Statement of net assets/balance sheet
- Statement of revenues, expenses, and changes in fund net assets/equity
- Statement of cash flows

GAAP requires the same major fund reporting for enterprise funds described earlier for governmental funds. However, GAAP 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 are typically the governmental operations. Therefore, internal service funds will be reported in a separate aggregated column on the proprietary fund statement of net assets/balance sheet.

FIDUCIARY FUNDS

Fiduciary funds 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.

GAAP prescribe 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 five fiduciary funds: Museum Development, HUSA Business Improvement, Pancera, Section 125 AFLAC and Local Formation Commission (LAFCO).

COMPARATIVE DATA

FINANCIAL ANALYSIS

Net assets act as an indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7.6 million as of June 30, 2004 (\$5.7 million for Governmental Activities and \$1.9 million for Business-type activities); and \$8.9 million as of June 30, 2005 (\$7.6 for Governmental Activities and \$1.3 for Business-type Activities). Tables A-1 and A-2, below, present a summary of the City's Statement of Net Assets for fiscal years ended June 30, 2004 and 2005.

Table A-1
Government Net Assets for June 30, 2004 and 2005

Governmental activities

	2004	2005
Cash & investments	\$ 819,570	\$ 2,763,502
Capital assets	5,914,152	5,779,983
Other assets, including cash and Investments with fiscal agents	3,747,016	4,089,628
Total assets	\$ 10,480,738	\$ 12,633,113
Long-term liabilities	4,121,015	3,981,470
Other liabilities	572,807	1,010,525
Total liabilities	\$ 4,693,822	\$ 4,991,995
Invested in capital assets, net of debt	2,154,482	2,525,295
Restricted for debt service	253,461	1,600,652
Unrestricted	3,378,973	3,515,171
Total net assets	\$ 5,786,916	\$ 7,641,118

Table A-2
Government Net Assets for June 30, 2004 and 2005

Business-type activities

	2004	2005
Cash & investments	\$ 44,998	\$ 842,874
Capital assets	30,897,747	30,308,189
Other assets	3,287,937	5,537,481
Total assets	\$ 34,230,682	\$ 36,688,544
Long-term liabilities	31,680,859	34,889,181
Other liabilities	668,207	527,470
Total liabilities	\$ 32,349,066	\$ 35,416,651
Invested in capital assets, net of related debt	352,514	1,651,318
Restricted for debt service	2,373,866	3,328,579
Unrestricted	(844,764)	(3,708,004)
Total net assets	\$ 1,881,616	\$ 1,271,893

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

Table B-1
 Changes in Governmental Net Assets
 For the Fiscal Year Ended June 30, 2004 and 2005
Governmental Activities

EXPENSES	<u>2004</u>	<u>2005</u>
General Government	\$ 2,055,249	\$ 1,991,240
Public Safety	3,451,988	3,407,302
Streets & Public Works	887,797	763,635
Planning	213,806	190,003
Parks & Recreation	473,055	415,340
Community Development	255,211	185,535
Interest on long term debt	199,930	402,890
 Total expenditures	 <u>\$ 7,537,036</u>	 <u>\$ 7,355,945</u>
 REVENUES		
<u>Program Revenues:</u>		
Charges for services	\$ 997,572	\$ 1,879,725
Operating contributions, capital contributions & grants	2,834,407	728,364
 Total program revenues	 <u>\$ 3,831,979</u>	 <u>\$ 2,608,089</u>
<u>General Revenues:</u>		
Property Taxes (net of ERAF payment)	\$ 717,840	\$ 1,735,415
Sales & use taxes	1,605,629	1,516,274
Transient lodging taxes	354,338	462,246
Franchise taxes	47,608	45,275
Business license taxes	205,664	233,690
Other taxes	163,305	326,140
Use of money and property	45,068	351,453
Vehicle in lieu		308,668
Miscellaneous revenues		277,911
Transfers	760,288	(239,569)
 Total general revenues & transfers	 <u>\$ 3,899,740</u>	 <u>\$ 5,017,503</u>
 Total revenues and transfers	 <u>\$ 7,731,719</u>	 <u>\$ 7,625,592</u>
 Changes in net assets	 \$ 194,683	 \$ 269,647
 Net assets at July 1, 2003 and 2004	 5,841,333	 5,786,916
Prior Period Adjustments	(249,100)	1,584,555
 Ending net assets at June 30, 2004 and 2005	 <u><u>\$ 5,786,916</u></u>	 <u><u>\$ 7,641,118</u></u>

Table B-2
 Changes in Governmental Net Assets
 For the Fiscal Year Ended June 30, 2004 and 2005
Business-Type Activities

EXPENSES	<u>2004</u>	<u>2005</u>
Rodeo	\$ 70,032	\$ 55,031
Airport	81,362	116,260
Water	1,442,121	2,207,464
Geothermal	190,297	207,914
Natural Gas	2,814,468	3,858,071
Swimming Pool	193,679	148,842
Day Care	130,794	140,657
Golf Course	<u>1,036</u>	<u>7,701</u>
Total	\$ 4,923,789	\$ 6,741,940
 REVENUES		
Charges for Services	\$ 4,082,298	5,330,956
Operating contributions and grants	25,666	174,347
Use of money and property	42,627	184,777
Transfers	<u>(760,288)</u>	<u>239,569</u>
	\$ 3,390,303	\$ 5,929,649
 Change in net assets	 (1,533,486)	 (812,291)
Net Assets, July 1, 2003 and 2004	1,830,035	1,881,616
Prior Period Adjustments	1,585,067	202,568
Net Assets, June 30, 2004 and 2005	<u>\$ 1,881,616</u>	<u>\$ 1,271,893</u>

OVERALL ANALYSIS AND FINANCIAL POSITION OF THE CITY

In the last twelve months, the City has taken several steps to improve its cash flow. The bond issuance of \$3,330,000 in October 2004 by the Water fund covered the cash deficit and allowed the water fund to complete the remaining work on its capital improvement projects. One of the major projects still not completed is the Cady Springs Pipeline. This project has been suspended during winter break, but work did not resume as planned in the spring/summer of 2005 due to a dispute with the contractor. The remaining portion of this project (\$755,500) will be financed through a grant from the USDA (United States Department of Agriculture) and remaining balances from loan proceeds.

The 2004-2005 City annual budget was prepared and approved on time and became effective on July 1, 2004 as scheduled. This budget was balanced by further reducing operating expenditures to the departments including personnel. The total full time equivalent positions went down to sixty-five (65) from seventy-one (71) in the prior year; a drop of 8.5% in the workforce.

In the prior fiscal year, in order to alleviate cash flow problems, the City Council approved additional measures, such as: reviewing all charges and fees annually, reviewing

policies and procedures and creating stricter internal controls for spending. These measures are still in effect in the 2004-05 fiscal year; and overall, they have helped maintain fiscal solvency and correct past problems. In addition, having more timely and accurate financial information, completing the annual audit on time, and having a balanced budget has also helped management a great deal throughout the year.

Given the great financial impact of the construction and operation costs of the Natural Gas System on the entire City, the Council hired a consulting firm, Interstate Gas Services (IGS), 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 City retained the services of IGS during the 2004-05 and 2005-06 fiscal years. The original study and projections prepared by the firm have been updated periodically.

Due to the effects of the 2005 hurricanes, the price of natural gas skyrocketed from \$6 a decatherm to about \$15 at its highest point. Consequently, the City has had to re-project its revenues and expenditures budget for natural gas for fiscal year (2005-06); and, effective November 2005, the City Council approved an increase in the natural gas rates by 79 cents/decatherm. Despite the increase, the Natural Gas system is still the best alternative to the other options customers have in electricity, heating oil, kerosene, propane, and wood.

Prudent budgeting and a conservative approach in spending has paid off in this fiscal year for the General Fund, that ended the 2004-05 fiscal year with a net increase in fund balance of \$152,152. This net increase in the general fund would have been higher if the City did not have to close the swimming pool fund and transfer its negative balances to the general fund. The pool fund carried a negative cash balance of (\$247,864) that has been transferred to the General Fund. This increase in fund balance of \$152,152 is also remarkable considering that cities in California had another year of State takeaways and high cost increases.

In order to maximize efficiency, the City went through additional reorganization. For example, effective June 30, 2005, the Fleet Maintenance Department was closed and the Public Works Department and Engineering Department were combined (in 2005-06 the City will contract out with local businesses for the maintenance of the City's vehicles and equipment). The City public swimming pool that was closed because of structural damage to the roof and walls never reopened. The personnel associated with the pool was terminated which created some salary savings. Fortunately, a grass roots organization composed of several volunteers is now working to establish a regional recreation district to construct a new aquatic center.

With all the changes described above, the ability of the City to keep its commitments has improved significantly in both Enterprise and Governmental Funds. In fact, despite the cash flow problems created by increased costs and flat revenues, the City successfully held the annual Rodeo and two Jr. Rodeos, started rebuilding the City's Museum, completed the Airport perimeter fencing, started the remodel of the police evidence room, received new housing grants for qualifying customers, implemented a direct deposit for the City employees, implemented a debit card program with the Bank of America, completed a pedestrian bridge over the Jensen Slough Creek, constructed sidewalks and improved roads near the Diamond View Elementary School for the Safe Route to School project, took over the accounting and financial reporting of LAFCO (Local Agency Formation Commission) of Lassen County, started construction of trails along the Susan River, and several other projects.

In 1992 the City issued \$1,465,000 (Miller Fletcher Project) in bonds on behalf of property owners to help finance certain land improvements. In fiscal year 2001-2002 there was a delinquency in the payment of the assessment of over \$600,000. Although the City had no direct liability for payment of these bonds, the City continued to make payments to the bank even though collections from the assessments fell short. Later, the City stopped making advances and

the bonds went into default. The City filed lawsuits against the property owners of the properties in default and started foreclosure procedures. In 2004-05 the City completed successfully a foreclosure on the delinquent parcels and received a favorable judgment by collecting all past delinquencies plus interest and penalties. On July 2005 the City brought all past due debt service payments to current and replenished the cash reserves with the fiscal agent bank (bank servicing the bonds).

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund

Total General Fund revenues increased by \$1,601,896 due primarily to an increase in taxes and charges for services. Return on investments increased by \$16,406 as cash balances and investments increased. Revenues came in higher than budgeted by \$226,092.

The General Fund expenditures increased \$297,066 in general government mostly due to increased costs and inflation. Actual expenditures were \$276,764 less than budgeted.

Transfers out of the General Fund were higher than budgeted by \$254,803 due to the closing of funds with negative balances, such as the Swimming Pool Fund. Compared to the prior fiscal year, the total transfers out increased by \$119,902.

On June 30, 2005 the General Fund had a fund balance of \$947,315 which is an increase of \$152,152 from the prior year.

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, 2005, the total fund balances of these funds were \$2,949,913.

ANALYSIS OF MAJOR PROPRIETARY FUNDS

Water Utility

Net assets of the Water Utility Fund increased by \$495,723 in fiscal year 2005. This change is a combination of a prior period adjustment increase of \$383,666 due to a restatement of capital assets and an increase of \$112,057 in 2004-05 from current operations.

Water usage rates were increased in fiscal year 2004-05 by 17 %, for the first three hundred cubic feet and 15 % in excess of three hundred cubic feet. The number of residential customers increased from 3,129 to 3,193 a 2 % increase. The commercial accounts increase from 453 to 454.

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

Natural Gas Utility

The natural gas system is brand new and has been up and running for only 3 years. Because it is taking longer than anticipated to add connections, the natural gas system has not reached its full capacity and so far, revenues have not covered all the expenses.

In fiscal year 2004-05 the Natural Gas utility system performed better than projected. The Natural Gas Fund had a loss of (\$1,007,552) compared to a projected loss of \$1,454,471.

The loss of \$1,007,552 includes non-cash expenses (depreciation and amortization) of \$521,797. For fiscal year 2005-06, the City has projected a loss of (\$557,336) which includes non-cash expenses (depreciation and amortization) of \$518,311. The gap between revenues and expenses has been closing dramatically thanks to new gas customers, both commercial and residential, and rate increases. In November 2005 the City increased the gas rates by \$0.79/decatherm; and, in fiscal year 2005-06 the Natural Gas Fund will be close to breaking even on a cash basis; however, it is expected that revenues will be short of covering depreciation and amortization expenses.

Currently, the debt service payments represent about half of the Natural Gas expenses. The debt was issued with a 10-year repayment plan which the City is planning to refinance in fiscal year 2006-07 for a longer period of time, possibly 35 to 40 years. The natural gas operations are monitored by City staff and by an outside consultant who reports and updates the progress and improvements of the system to the City Council.

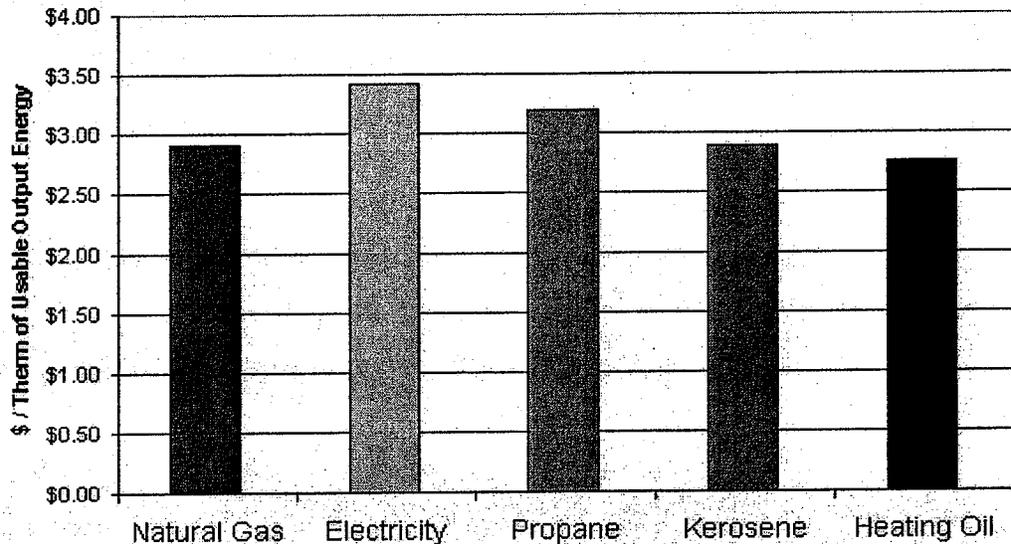
The Gas rates will be reviewed every year to assure that revenues are sufficient to cover all the costs of operations, debt service, and capital improvement.

Despite the recent gas rate increase of 79 cents/decatherm, Natural Gas is still one of the most convenient and economical sources when compared with other heating sources available in the Susanville area. In February of 2006 the natural gas compared as follows:

SUSANVILLE FUEL COST COMPARISON
(Residential Customers)

Units					
	Natural Gas	Electricity	Propane	Kerosene	Heating Oil
	Therm	kWh	Gal	Gal	Gal
Price/Unit	\$2.44	\$0.115	\$2.48	\$2.695	\$2.499
Heating Value (Btu/Unit)	100,000	3,413	92,000	128,000	138,000
Price per Therm	\$2.44	\$3.37	\$2.69	\$2.11	\$1.81
Heating Efficiency					
Space	90%	100%	90%	85%	80%
Water/drying/cooking	75%	96%	75%	Electric	Electric
Heating Allocation					
Space	65%	65%	65%	60%	60%
Water/drying/cooking	35%	35%	35%	40%	40%
Subtotals	\$2.90	\$3.42	\$3.20	\$1.49	\$1.36
			Cost of additional electricity:	\$1.40	\$1.40
Price Per Therm Usable Output	\$2.90	\$3.42	\$3.20	\$2.89	\$2.76

Note: Pricing as of February 2006



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 has formed to support the construction of a new aquatic center possibly under a non-profit organization or a regional recreation district.

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

The City owns but does not operate the Golf Course; instead, the City has leased the Golf Course to a private operator until 2030. In 2011, the City will start receiving a percentage of gross revenues which are estimated to be approximately \$30,000 per year.

Community Development Agency (CDA)

The City does not have an approved redevelopment project area or plan. As a result, very little activity was reported in the redevelopment agency fund in fiscal year 2004-05. It is anticipated that starting in fiscal year 2006-07 the City will have a project area and plan ready for approval.

Airport Fund

The City Airport net assets decreased by (\$57,385) which include \$34,495 from non-cash

expenses (depreciation). The Airport has not received general fund support this year and federal and state grants have not been sufficient to cover its operating and capital expenses.

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 (i.e. the City is awarded a grant after the original budget has been adopted).

In total, General Fund revenues exceeded budgeted amounts by \$226,092. Most of the increase is due to higher than expected charges for services and taxes. At year-end, expenditures were \$276,764 lower than budget. The net transfers out increased by \$254,803, mostly due to the transfer to the swimming pool that was closed. Overall, the General Fund-fund balance increased by \$152,152 rather than decreased as budgeted.

CAPITAL ASSETS

At the end of the fiscal year 2005, the City had approximately \$30 million, net of depreciation, invested in a broad range capital assets used in governmental and business-type activities, as shown below:

Governmental Activities, Including Internal Service Funds

Land	\$	2,896,111
Construction in progress		167,964
Building, improvements, equipment and vehicles		5,568,728
Accumulated depreciation		<u>(2,852,820)</u>
Total	\$	<u>5,779,983</u>

Business-type Activities

Land	\$	2,230,743
Construction in progress		1,633,120
Building, improvements, equipment and vehicles		32,385,539
Accumulated depreciation		<u>(5,941,213)</u>
Total	\$	<u>30,308,139</u>

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

Governmental Activities

Safe Routes to School Project. This project has been completed in 2004-05. It consisted of road and sidewalk improvements on Richmond Road near the Diamond View Elementary School. Fund for the project were provided by 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 has been completed in 2005-06 and consisted of creating trails along the Susan River for approximately \$320,000. The project is entirely funded by the State Department of Parks and Recreation.

Museum. This project will be completed in 2005-06. It consists of remodeling a house adjacent to the current museum that will be used to display artifacts pertinent to the area's history. The house was originally purchased by the City in 1998 for \$118,000. Funds for the project came from the Pancera Plaza Fund for a total of \$142,000.

Chestnut Culvert. This project is funded with developer fees. Fees collected will be used to replace the culvert that crosses under Chestnut Street to the east of Paul Bunyan Road.

Jensen Slough Pedestrian Bridge. This project consists of building a bridge over Jensen Slough Creek. This project is funded with developer fees and it is expected to be completed in 2006-07.

Skyline/Numa Signal. This is the construction of a traffic signal at a City intersection between Skyline Road and Numa Road. The City is collecting developer fees until there is enough money to finance the project.

Skyline/139 Signal. This is the construction of a traffic signal at a City intersection between Skyline Road and Highway 139. The City is collecting developer fees until there is enough money to finance the project.

Skyline Bicycle Lane. This project was completed in fiscal year 2001-02; however, developer fees are still being collected on it as development in the area continues. These fees will be used for upkeep and extend the existing bike lanes.

Skyline Park. The City is collecting developer fees for the construction of a city park along Skyline Road. The construction will begin as soon as housing development takes place in the immediate area and enough revenues have been collected to start the project.

Police Evidence Room. This project is scheduled to be completed in 2006. It consists of totally sealing off and remodeling the evidence room at the police department building. The total cost of \$50,000 is being funded with Police Mitigation revenues.

Business-type Activities

Cady Springs pipeline (Water Utility Fund). This project has not been completed. Work is expected to resume in the spring/summer of 2006. Funding has been provided 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 from the 2004 water 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 2005-06 budget has been prepared to include all of the currently proposed cuts and changes to local government funding including the triple flip (property tax in lieu of 1/4 cent of sales tax and in lieu of vehicle license fees) and the additional Educational Revenue Augmentation Fund (ERAF) property tax shift. The General Fund appropriations for 2005-2006 are about \$6 million, about \$156,000 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 there is cash flow to continue its 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, 2005

	Governmental Activities	Business -type Activities	Totals
ASSETS			
Cash and investments	\$ 2,763,502	\$ 842,874	\$ 3,606,376
Cash and investments with fiscal agents	298,017	3,606,978	3,904,995
Investment in bonds	1,190,000		1,190,000
Accounts receivable	1,215,219	737,002	1,952,221
Interest receivable	16,828	12,131	28,959
Prepaid expenses	5,668	7,060	12,728
Inventory	6,430	67,509	73,939
Deposits		75,000	75,000
Loans receivable	1,222,373		1,222,373
Deferred charges - net of accumulated amortization	135,093	1,031,801	1,166,894
Capital assets:			
Nondepreciable:			
Land	2,896,111	2,230,743	5,126,854
Construction in progress	167,964	1,633,120	1,801,084
Depreciable:			
Buildings, improvements, equipment, and vehicles	5,568,728	32,385,539	37,954,267
Accumulated depreciation	(2,852,820)	(5,941,213)	(8,794,033)
Total assets	12,633,113	36,688,544	49,321,657
LIABILITIES			
Accounts payable	238,055	76,996	315,051
Accrued wages	153,562	30,337	183,899
Accrued interest payable	57,342	278,399	335,741
Deposits payable	503,826	141,738	645,564
Deferred revenue	57,740		57,740
Noncurrent liabilities:			
Due within one year	399,598	140,962	540,560
Due in more than one year	3,581,872	34,748,219	38,330,091
Total liabilities	4,991,995	35,416,651	40,408,646
NET ASSETS			
Invested in capital assets, net of related debt	2,525,295	1,651,318	4,176,613
Restricted for:			
Debt service	1,600,652	3,328,579	4,929,231
Unrestricted	3,515,171	(3,708,004)	(192,833)
Total net assets	\$ 7,641,118	\$ 1,271,893	\$ 8,913,011

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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 1,991,240	\$ 854,062	\$ -	\$ -
Public safety	3,407,302	448,104	232,496	50,000
Streets and public works	763,635	277,403	442,696	
Planning	190,003	219,654		
Parks and recreation	415,340	31,918		3,172
Community development	185,535	48,584		
Interest on long term debt	402,890			
Total governmental activities	7,355,945	1,879,725	675,192	53,172
Business-type activities:				
Rodeo	55,031	50,700		
Airport	116,260	36,553	22,322	
Water	2,207,464	2,118,368	152,025	
Geothermal	207,914	223,565		
Natural gas	3,858,071	2,724,148		
Swimming pool	148,842	43,391		
Day care	140,657	134,231		
Golf course	7,701			
Total business-type activities	6,741,940	5,330,956	174,347	
Total government	\$ 14,097,885	\$ 7,210,681	\$ 849,539	\$ 53,172

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
	\$ (1,137,178)	\$ -	\$ (1,137,178)
	(2,676,702)		(2,676,702)
	(43,536)		(43,536)
	29,651		29,651
	(380,250)		(380,250)
	(136,951)		(136,951)
	(402,890)		(402,890)
	<u>(4,747,856)</u>		<u>(4,747,856)</u>
		(4,331)	(4,331)
		(57,385)	(57,385)
		62,929	62,929
		15,651	15,651
		(1,133,923)	(1,133,923)
		(105,451)	(105,451)
		(6,426)	(6,426)
		(7,701)	(7,701)
		<u>(1,236,637)</u>	<u>(1,236,637)</u>
	<u>(4,747,856)</u>	<u>(1,236,637)</u>	<u>(5,984,493)</u>
General Revenues			
Taxes:			
Secured and unsecured property taxes	746,508		746,508
Sales and use taxes	1,516,274		1,516,274
Transient lodging taxes	462,246		462,246
Franchise taxes	45,275		45,275
Business license taxes	233,690		233,690
Other taxes	326,140		326,140
Sales tax in lieu, unrestricted	988,907		988,907
Vehicle in lieu, unrestricted	308,668		308,668
Use of money and property	351,453	184,777	536,230
Miscellaneous revenue	277,911		277,911
Transfers	<u>(239,569)</u>	<u>239,569</u>	
Total general revenues and transfers	<u>5,017,503</u>	<u>424,346</u>	<u>5,441,849</u>
Change in net assets	<u>269,647</u>	<u>(812,291)</u>	<u>(542,644)</u>
Net Assets, July 1, 2004	5,786,916	1,881,616	7,668,532
Prior Period Adjustments	<u>1,584,555</u>	<u>202,568</u>	<u>1,787,123</u>
Net Assets, July 1, 2004, restated	<u>7,371,471</u>	<u>2,084,184</u>	<u>9,455,655</u>
Net assets, June 30, 2005	<u>\$ 7,641,118</u>	<u>\$ 1,271,893</u>	<u>\$ 8,913,011</u>

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CITY OF SUSANVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2005

	General Fund	Other Governmental Funds	Totals
ASSETS			
Cash and investments	\$ 1,078,034	\$ 1,648,034	\$ 2,726,068
Cash and investments with fiscal agent	7	298,010	298,017
Investment in bonds		1,190,000	1,190,000
Accounts receivable	552,550	524,963	1,077,513
Interest receivable	7,469	8,302	15,771
Prepaid expenses	2,590	2,683	5,273
Inventory	6,430		6,430
Due from other funds	204,541		204,541
Loans receivable		1,222,373	1,222,373
Advances to other funds	87,891	344,167	432,058
	<u>\$ 1,939,512</u>	<u>\$ 5,238,532</u>	<u>\$ 7,178,044</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 161,640	\$ 54,864	\$ 216,504
Accrued wages	131,338	11,898	143,236
Deposits payable	490,388	13,438	503,826
Deferred revenue	208,831	1,571,820	1,780,651
Due to other funds		204,541	204,541
Advances from other funds		432,058	432,058
	<u>992,197</u>	<u>2,288,619</u>	<u>3,280,816</u>
Fund Balances:			
Reserved:			
Debt service		1,657,994	1,657,994
Advances	87,891	344,167	432,058
Prepaid expenses	2,590	2,683	5,273
Inventory	6,430		6,430
Encumbrances	5,502	52,282	57,784
Unreserved, designated:			
Capital improvements		229,375	229,375
Storm drain projects		21,233	21,233
Unreserved, undesignated			
Reported in:			
General Fund	844,902		844,902
Special Revenue Funds		589,990	589,990
Capital Projects Funds		52,189	52,189
	<u>947,315</u>	<u>2,949,913</u>	<u>3,897,228</u>
Total fund balances	<u>\$ 947,315</u>	<u>\$ 2,949,913</u>	<u>\$ 3,897,228</u>
Total liabilities and fund balances	<u>\$ 1,939,512</u>	<u>\$ 5,238,532</u>	<u>\$ 7,178,044</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, 2005

Total fund balances - governmental funds \$ 3,897,228

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	\$	8,137,489
Accumulated depreciation		<u>(2,789,184)</u>

Net 5,348,305

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.

(57,342)

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		<u>(18,422)</u>

Net 135,093

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.

558,094

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		(87,798)
Bonds payable		(3,600,000)
Compensated absences payable		<u>(275,373)</u>

Total (3,963,171)

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.

1,722,911

Total net assets, governmental activities

\$ 7,641,118

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, 2005

	General Fund	Other Governmental Funds	Totals
Revenues:			
Taxes and assessments	\$ 3,927,141	\$ 92,849	\$ 4,019,990
Licenses and permits	324,535		324,535
Fines and forfeitures	41,118		41,118
Use of money and property	24,472	656,132	680,604
Intergovernmental revenues	474,096	527,555	1,001,651
Program income		138,092	138,092
Charges for services	1,322,127		1,322,127
Other revenues	121,124	642,686	763,810
Total revenues	6,234,613	2,057,314	8,291,927
Expenditures:			
Current:			
General government	1,783,411	23,117	1,806,528
Public safety	3,096,915	114,231	3,211,146
Streets and public works		712,216	712,216
Planning	188,475		188,475
Parks and recreation	311,460	13,156	324,616
Community development	269,678	145,107	414,785
Capital outlay		593,457	593,457
Debt service:			
Principal		213,106	213,106
Interest and fiscal agent fees		375,182	375,182
Total expenditures	5,649,939	2,189,572	7,839,511
Excess of revenues over (under) expenditures	584,674	(132,258)	452,416
Other Financing Sources (Uses):			
Transfers in	44,367	786,085	830,452
Transfers out	(476,889)	(596,427)	(1,073,316)
Total other financing sources (uses)	(432,522)	189,658	(242,864)
Net changes in fund balances	152,152	57,400	209,552
Fund balances - July 1, 2004	795,163	1,652,513	2,447,676
Prior Period Adjustment		1,240,000	1,240,000
Fund balances - July 1, 2004, restated	795,163	2,892,513	3,687,676
Fund balances - June 30, 2005	\$ 947,315	\$ 2,949,913	\$ 3,897,228

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, 2005

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 \$ 209,552

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	370,886
Depreciation expense not reported in governmental funds	(366,900)

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	213,106
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 (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest payable	(21,567)
Compensated absences	(90,208)

Certain revenues are offset by deferred revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which prior year deferred revenue exceeded current year

51,654

Dispositions of capital assets result in no gain or loss on the governmental funds statements, however, on the statement of activities gains and losses on sales and dispositions are reported.

(142,162)

Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected it is reflected in revenue. This is a net change between notes receivable collected and issued.

(138,092)

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.

189,519

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 269,647

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 658,608	\$ 2,043,315	\$ 2,043,083	\$ (232)
Taxes other than property	2,509,333	1,855,803	1,884,058	28,255
Licenses and permits		321,760	324,535	2,775
Fines and forfeitures		40,150	41,118	968
Use of money and property		51,100	24,472	(26,628)
Intergovernmental	1,191,258	470,415	474,096	3,681
Charges for services	1,242,676	1,175,491	1,322,127	146,636
Other revenues	39,182	50,487	121,124	70,637
Total revenues	5,641,057	6,008,521	6,234,613	226,092
Expenditures:				
General government	1,645,410	1,876,219	1,783,411	92,808
Public safety	3,207,807	3,216,159	3,096,915	119,244
Planning	255,932	274,817	188,475	86,342
Community development	224,700	200,655	269,678	(69,023)
Parks and recreation	534,965	358,853	311,460	47,393
Total expenditures	5,868,814	5,926,703	5,649,939	276,764
Excess of revenues over (under) expenditures	(227,757)	81,818	584,674	502,856
Other Financing Sources (Uses):				
Transfers in	219,240	109,241	44,367	(64,874)
Transfers out	(213,085)	(222,086)	(476,889)	(254,803)
Total other financing sources (uses)	6,155	(112,845)	(432,522)	(319,677)
Net changes in fund balance	(221,602)	(31,027)	152,152	183,179
Fund balance - July 1, 2004	795,163	795,163	795,163	
Fund balance - June 30, 2005	\$ 573,561	\$ 764,136	\$ 947,315	\$ 183,179

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

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>	<u>Geothermal Fund</u>
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ -	\$ 752,114	\$ 67,821
Cash and investments with fiscal agents			1,178,614	
Accounts receivable - net		15,874	419,215	24,354
Interest receivable			11,568	344
Prepaid expenses		1,357		1,200
Due from other funds			1,194,547	
Inventory				
Deposits				
Total Current Assets		<u>17,231</u>	<u>3,556,058</u>	<u>93,719</u>
Noncurrent Assets:				
Deferred charges, net of amortization			<u>375,302</u>	
Capital Assets:				
Nondepreciable				
Land		43,189	947,841	249,124
Construction in progress			1,633,120	
Total Nondepreciable Capital Assets		<u>43,189</u>	<u>2,580,961</u>	<u>249,124</u>
Depreciable				
Buildings		166,873	315,266	24,852
Improvements		342,655	5,392,698	
Equipment		128,400	3,763,929	228,666
Total Depreciable Capital Assets		<u>637,928</u>	<u>9,471,893</u>	<u>253,518</u>
Less accumulated depreciation		<u>(346,251)</u>	<u>(4,776,797)</u>	<u>(244,197)</u>
Net depreciable capital assets		<u>291,677</u>	<u>4,695,096</u>	<u>9,321</u>
Net Capital Assets		<u>334,866</u>	<u>7,276,057</u>	<u>258,445</u>
Total Noncurrent assets		<u>334,866</u>	<u>7,651,359</u>	<u>258,445</u>
Total Assets	<u>\$ -</u>	<u>\$ 352,097</u>	<u>\$ 11,207,417</u>	<u>\$ 352,164</u>

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

Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ 22,939	\$ 842,874	\$ 37,434
2,428,364				3,606,978	
264,409		13,150		737,002	137,706
			219	12,131	1,057
4,503				7,060	395
			12,069	1,206,616	
67,509				67,509	
75,000				75,000	
<u>2,839,785</u>		<u>13,150</u>	<u>35,227</u>	<u>6,555,170</u>	<u>176,592</u>
				<u>1,031,801</u>	
			990,589	2,230,743	405,965
				1,633,120	
			990,589	3,863,863	405,965
			41,323	548,314	89,349
21,612,346			142,930	27,490,629	
225,601				4,346,596	
<u>21,837,947</u>			<u>184,253</u>	<u>32,385,539</u>	<u>89,349</u>
<u>(457,133)</u>			<u>(116,835)</u>	<u>(5,941,213)</u>	<u>(63,636)</u>
<u>21,380,814</u>			<u>67,418</u>	<u>26,444,326</u>	<u>25,713</u>
<u>21,380,814</u>			<u>1,058,007</u>	<u>30,308,189</u>	<u>431,678</u>
<u>22,037,313</u>			<u>1,058,007</u>	<u>31,339,990</u>	<u>431,678</u>
<u>\$ 24,877,098</u>	<u>\$ -</u>	<u>\$ 13,150</u>	<u>\$ 1,093,234</u>	<u>\$ 37,895,160</u>	<u>\$ 608,270</u>

(continued)

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (Continued)
June 30, 2005

LIABILITIES	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>	<u>Geothermal Fund</u>
Current Liabilities:				
Accounts payable	\$ 997	\$ 1,530	\$ 14,218	\$ 11,244
Accrued wages			12,096	1,472
Due to other funds	12,069	92,079		
Accrued interest			42,720	
Deposits payable			97,689	50
Current portion - long-term debt			140,773	
Total Current Liabilities	<u>13,066</u>	<u>93,609</u>	<u>307,496</u>	<u>12,766</u>
Noncurrent Liabilities:				
Advances from other funds				
Capital lease payable			3,707	
Notes payable			953,000	
Revenue bonds payable			9,480,000	
Certificates of participation				
Compensated absences			47,088	5,417
Total Noncurrent Liabilities			<u>10,483,795</u>	<u>5,417</u>
Total Liabilities	<u>13,066</u>	<u>93,609</u>	<u>10,791,291</u>	<u>18,183</u>
NET ASSETS				
Investment in capital assets, net of related debt		334,866		258,445
Restricted for debt service			1,135,894	
Unrestricted	(13,066)	(76,378)	(719,768)	75,536
Total Net Assets	<u>\$ (13,066)</u>	<u>\$ 258,488</u>	<u>\$ 416,126</u>	<u>\$ 333,981</u>

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

Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Governmental Activities- Internal Service Funds
\$ 47,927	\$ -	\$ 1,080	\$ -	\$ 76,996	\$ 21,551
12,069		4,700		30,337	10,326
950,943		151,525		1,206,616	
235,679				278,399	
43,999				141,738	
189				140,962	
<u>1,290,806</u>		<u>157,305</u>		<u>1,875,048</u>	<u>31,877</u>
				3,707	
				953,000	
				9,480,000	
24,240,000				24,240,000	
15,233		3,774		71,512	18,299
<u>24,255,233</u>		<u>3,774</u>		<u>34,748,219</u>	<u>18,299</u>
<u>25,546,039</u>		<u>161,079</u>		<u>36,623,267</u>	<u>50,176</u>
			1,058,007	1,651,318	431,678
2,192,685				3,328,579	
<u>(2,861,626)</u>		<u>(147,929)</u>	<u>35,227</u>	<u>(3,708,004)</u>	<u>126,416</u>
<u>\$ (668,941)</u>	<u>\$ -</u>	<u>\$ (147,929)</u>	<u>\$ 1,093,234</u>	<u>\$ 1,271,893</u>	<u>\$ 558,094</u>

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2005

	Rodeo Fund	Airport Fund	Water Fund	Geothermal Fund
Operating Revenues:				
Sales and charges for services	\$ 45,479	\$ 36,553	\$ 2,049,409	\$ 223,565
Other operating revenue	5,221		68,959	
Total Operating Revenues	50,700	36,553	2,118,368	223,565
Operating Expenses:				
Purchase of natural gas				
Maintenance and operation				
Administration	55,031	81,765	1,330,188	205,445
Insurance costs and claims				
Depreciation and amortization		34,495	364,803	621
Total Operating Expenses	55,031	116,260	1,694,991	206,066
Operating Income (Loss)	(4,331)	(79,707)	423,377	17,499
Non-Operating Revenues (Expenses):				
Interest income			57,423	444
Interest expense			(512,473)	
Reimbursements				
Loss on disposal of capital assets				(1,848)
Grants and subsidies		22,322	152,025	
Total Non-Operating Revenue(Expenses):		22,322	(303,025)	(1,404)
Income (Loss) Before Transfers	(4,331)	(57,385)	120,352	16,095
Transfers:				
Transfers in			1,104,051	
Transfers out			(1,112,346)	
Change in Net Assets	(4,331)	(57,385)	112,057	16,095
Net Assets, July 1, 2004	(8,735)	315,873	(79,597)	317,886
Prior Period Adjustments			383,666	
Net Assets, July 1, 2004, restated	(8,735)	315,873	304,069	317,886
Net Assets, June 30, 2005	\$ (13,066)	\$ 258,488	\$ 416,126	\$ 333,981

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

Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Governmental Activities-Internal Service Funds
\$ 2,723,547 601	\$ 43,391	\$ 134,231	\$ -	\$ 5,256,175 74,781	\$ 1,584,043
2,724,148	43,391	134,231		5,330,956	1,584,043
786,652				786,652	
1,121,563	148,842	138,456	1,904	3,083,194	723,476 811,988
521,797			5,797	927,513	1,118
2,430,012	148,842	138,456	7,701	4,797,359	1,536,582
294,136	(105,451)	(4,225)	(7,701)	533,597	47,461
126,371 (1,428,059)		(2,201)	539	184,777 (1,942,733)	1,057 137,706
				(1,848) 174,347	
(1,301,688)		(2,201)	539	(1,585,457)	138,763
(1,007,552)	(105,451)	(6,426)	(7,162)	(1,051,860)	186,224
	248,530 (666)			1,352,581 (1,113,012)	58,359 (55,064)
(1,007,552)	142,413	(6,426)	(7,162)	(812,291)	189,519
588,706	(142,413)	(141,503)	1,031,399	1,881,616	(33,495)
(250,095)			68,997	202,568	402,070
338,611	(142,413)	(141,503)	1,100,396	2,084,184	368,575
\$ (668,941)	\$ -	\$ (147,929)	\$ 1,093,234	\$ 1,271,893	\$ 558,094

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2005

	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>	<u>Geothermal Fund</u>
Cash Flows from Operating Activities:				
Receipts from customers	\$ 50,700	\$ 23,756	\$ 1,937,617	\$ 265,081
Payments to suppliers and users	(50,700)	(44,736)	(2,818,093)	(180,267)
Payments to employees		(392)	(196,519)	(25,499)
Net Cash Provided (Used) by Operating Activities		<u>(21,372)</u>	<u>(1,076,995)</u>	<u>59,315</u>
Cash Flow from Non-Capital Financing Activities:				
Grant and contributions received		22,322	152,025	
Transfers in/ (out)			(8,295)	
Net Cash Provided (Used) by Non-Capital Financing Activities		<u>22,322</u>	<u>143,730</u>	
Cash Flows from Capital and Related Financing Activities:				
Sale of capital assets			3,295	
Proceeds from issuance of debt			3,330,000	
Bond issuance costs			(95,432)	
Interest paid			(498,712)	
Principal payments - long-term debt		(950)	(134,440)	
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>(950)</u>	<u>2,604,711</u>	
Cash Flows from Investing Activities:				
Interest received			45,855	100
Net Cash Provided by Investing Activities			<u>45,855</u>	<u>100</u>
Net Increase (Decrease) in Cash and Cash Equivalents			1,717,301	59,415
Cash and Cash Equivalents, July 1, 2004			213,427	8,406
Cash and Cash Equivalents, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,930,728</u>	<u>\$ 67,821</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Cash and investments	\$ -	\$ -	\$ 752,114	\$ 67,821
Cash and investments with fiscal agents			1,178,614	
Total Cash and Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,930,728</u>	<u>\$ 67,821</u>

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

Natural Gas Fund	Swimming Pool Fund	Day Care Fund	Golf Course Fund	Totals	Governmental Activities - Internal Service Funds
\$ 2,619,052	\$ 43,833	\$ 139,619	\$ -	\$ 5,079,658	\$ 1,584,043
(1,052,470)	(76,159)	(61,032)	(13,973)	(4,297,430)	(1,296,530)
(260,704)	(217,368)	(76,386)		(776,868)	(257,667)
<u>1,305,878</u>	<u>(249,694)</u>	<u>2,201</u>	<u>(13,973)</u>	<u>5,360</u>	<u>29,846</u>
				174,347	
	247,864			239,569	3,295
	247,864			413,916	3,295
	1,830			5,125	(3,295)
				3,330,000	
				(95,432)	
(1,428,059)		(2,201)		(1,928,972)	
(903)				(136,293)	
<u>(1,428,962)</u>	<u>1,830</u>	<u>(2,201)</u>		<u>1,174,428</u>	<u>(3,295)</u>
126,371			320	172,646	
126,371			320	172,646	
3,287			(13,653)	1,766,350	29,846
2,425,077			36,592	2,683,502	7,588
<u>\$ 2,428,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,939</u>	<u>\$ 4,449,852</u>	<u>\$ 37,434</u>
\$ -	\$ -	\$ -	\$ 22,939	\$ 842,874	\$ 37,434
2,428,364				3,606,978	
<u>\$ 2,428,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,939</u>	<u>\$ 4,449,852</u>	<u>\$ 37,434</u>

(continued)

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2005

	<u>Rodeo Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>	<u>Geothermal Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (4,331)	\$ (79,707)	\$ 423,377	\$ 17,499
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization		34,495	364,803	621
(Increase) Decrease in Operating Assets:				
Accounts receivable		(12,797)	(180,751)	41,516
Inventory				
Prepaid expenses		(1,357)		(1,200)
Due from other funds			(1,194,547)	
Increase (Decrease) in Operating Liabilities:				
Accounts payable	799	896	(180,443)	1,444
Accrued wages			1,747	169
Due to other funds	3,532	37,325	(338,310)	
Compensated absences		(227)	18,615	(734)
Deposits payable			8,514	
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ (21,372)</u>	<u>\$ (1,076,995)</u>	<u>\$ 59,315</u>

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

<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>
\$ 294,136	\$ (105,451)	\$ (4,225)	\$ (7,701)	\$ 533,597	\$ 47,461
521,797			5,797	927,513	1,118
(105,096)	442	5,388		(251,298)	
(67,509)				(67,509)	
(4,503)				(7,060)	(395)
			(12,069)	(1,206,616)	
6,657	(3,029)	462		(173,214)	17,887
2,094	(5,155)	(301)		(1,446)	(198)
640,864	(129,282)	2,486		216,615	(39,301)
5,789	(7,219)	(1,609)		14,615	3,274
11,649				20,163	
<u>\$ 1,305,878</u>	<u>\$ (249,694)</u>	<u>\$ 2,201</u>	<u>\$ (13,973)</u>	<u>\$ 5,360</u>	<u>\$ 29,846</u>

CITY OF SUSANVILLE
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2005

	Trust Funds			Agency Funds		Totals
	Special Purpose					
	Museum Development Fund	HUSA Business Improvement Fund	Pancera Fund	Section 125 Aflac Fund	LAFCO Fund	
ASSETS						
Cash and investments	\$ -	\$ (259)	\$ 56,275	\$ 11,593	\$ 19,704	\$ 87,313
Accounts receivable		1,166			113	1,279
Interest receivable		8	351		134	493
Total Assets		915	56,626	\$ 11,593	19,951	89,085
LIABILITIES						
Liabilities:						
Accounts payable					4,844	4,844
Deposits payable				11,593	15,107	26,700
Total Liabilities				11,593	19,951	31,544
NET ASSETS						
Unrestricted		915	56,626			57,541
Total Net Assets	\$ -	\$ 915	\$ 56,626	\$ -	\$ -	\$ 57,541

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

CITY OF SUSANVILLE
FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2005

	Trust Funds			Totals
	Special Purpose			
	Museum Development Fund	HUSA Business Improvement Fund	Pancera Fund	
Additions:				
Investment revenue	\$ -	\$ 8	\$ 885	\$ 893
Other revenue		14,665		14,665
Total additions		14,673	885	15,558
Deductions:				
General government	99,680	16,380		116,060
Total deductions	99,680	16,380		116,060
Change in net assets	(99,680)	(1,707)	885	(100,502)
Net Assets - July 1, 2004	99,680	2,622	55,741	158,043
Net Assets - June 30, 2005	\$ -	\$ 915	\$ 56,626	\$ 57,541

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

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying basic financial statements present the financial activities 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.

Currently there is no approved project area, therefore, there was no activity for the fiscal year ended June 30, 2005 for the Redevelopment Agency.

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, 2005

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 five funds – Museum Development, HUSA Business Improvement, Pancera, Section 125 Aflac, and LAFCO.

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, 2005

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 funds:

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, 2005

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 ninety 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, 2005

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%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

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. 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.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

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 the City Manager. Budget transfers within a department/fund may be done by department heads. Budget modifications between funds and increases or decreases to a fund’s overall budget 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 employed by the City.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

<u>Nonmajor Funds</u>	<u>Excess Expenditures</u>
Special Revenue Funds	
Local Law Enforcement Block Grant Fund	\$ 300
04-STBG-1933 Rehab Fund	5,428
Street Mitigation Fund	3,389
Police Mitigation Fund	9,375
STBG Fund	114,752
Mark Roos 92B Fund	8,281

C. Deficit Fund Balances/ Net Assets

Major Funds

A deficit net assets of \$13,066 exists in the Rodeo Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit net assets of \$668,941 exists in the Natural Gas Fund. The deficit is due to the City incurring costs in excess of revenues.

A deficit of net assets of \$147,929 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 \$5,428 exists in the 04-STBG-1933 Rehab Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$29,671 exists in the Gas Tax Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit fund balance of \$432,058 exists in the Community Redevelopment Agency 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, 2005

NOTE 3 – CASH AND INVESTMENTS

Statement of Net Assets:	
Cash and investments	\$ 3,606,376
Cash and investments with fiscal agent	3,904,995
Investment in bonds	1,190,000
Statement of Fiduciary Net Assets:	
Cash and investments	87,313
Total	\$ 8,788,684

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 750
Deposits with financial institutions	366,833
Investment in bonds	1,190,000
Investments	7,231,101
Total	\$ 8,788,684

Investments Authorized by the California Government code and the City's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$40 million	\$40 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Bankers Acceptance (must be dollar denominated)	6 months	30%	None
Commercial Paper	6 months	15%	None
Negotiable Time Certificates of Deposit	6 months	30%	None
Non-negotiable Time Certificates of Deposit	1 year	20%	None
Federally insured Time Deposits	1 year	20%	None

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the **investment types** that are authorized for investments held by trustee. The table also identifies certain provisions of the debt agreements that address **interest rate risk, credit risk, and concentration of credit risk.**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	1 year	20%	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Repurchase Agreements	90 days	None	None
Money Market Accounts	N/A	None	None
Local Agency Investment Fund (State Pool)	N/A	\$40 million	\$40 million
Guaranteed Investment Contracts	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
State Investment Pool	\$ 3,326,106	\$ 3,326,106	\$ -	\$ -	\$ -	\$ -	\$ -
Held by debt trustees:							
Money market funds	1,328,487	1,328,487					
U.S. Agency Securities	2,101,853			195,246		732,409	1,174,198
Investment contracts							474,655
AIG	474,655						474,655
Miller Fletcher bonds	1,190,000	55,000	60,000	65,000	70,000	75,000	865,000
	<u>\$ 8,421,101</u>	<u>\$ 4,709,593</u>	<u>\$ 60,000</u>	<u>\$ 260,246</u>	<u>\$ 70,000</u>	<u>\$ 807,409</u>	<u>\$ 2,513,853</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 3,326,106	N/A	\$ -	\$ -	\$ -	\$ -	\$ 3,326,106
Held by debt trustees:							
Money market funds	1,328,487	N/A					1,328,487
U.S. Agency Securities	2,101,853	N/A		2,101,853			
Investment contracts	474,655	N/A					474,655
Miller Fletcher bonds	1,190,000						1,190,000
Total	\$ 8,421,101		\$ -	\$ 2,101,853	\$ -	\$ -	\$ 6,319,248

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There is one investment that represents more than 5% of total City investments (Miller Fletcher bonds). These bonds are payable annually on a set schedule from the property owners in the assessment district. These annual payments are used to pay the principal and interest of the 1992 Series B Revenue bonds.

Custodial Credit Risk

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

As of June 30, 2005, \$302,327 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deletions	Transfers	Prior Period Adjustments	Balance June 30, 2005
Governmental Activities, not including Internal Service Funds						
Nondepreciable capital assets:						
Land	\$ 2,892,216	\$ -	\$ -	\$ -	\$ (402,070)	\$ 2,490,146
Construction in progress		167,964				167,964
Total nondepreciable capital assets	2,892,216	167,964			(402,070)	2,658,110
Depreciable capital assets:						
Buildings	1,359,438	5,234	(192,491)			1,172,181
Machinery and equipment	2,249,798					2,249,798
Infrastructure		197,688				197,688
Other improvements	1,795,236			64,476		1,859,712
Total depreciable capital assets	5,404,472	202,922	(192,491)	64,476		5,479,379
Less accumulated depreciation	(2,409,967)	(366,900)	50,329	(62,646)		(2,789,184)
Net depreciable capital assets	2,994,505	(163,978)	(142,162)	1,830		2,690,195
Net capital assets	\$ 5,886,721	\$ 3,986	\$ (142,162)	\$ 1,830	\$ (402,070)	\$ 5,348,305
Internal Service Funds						
Nondepreciable capital assets:						
Land	\$ 600	\$ -	\$ -	\$ 3,295	\$ 402,070	\$ 405,965
Total nondepreciable capital assets	600			3,295	402,070	405,965
Depreciable capital assets:						
Buildings	89,349					89,349
Total depreciable capital assets	89,349					89,349
Less accumulated depreciation	(62,518)	(1,118)				(63,636)
Net depreciable capital assets	26,831	(1,118)				25,713
Net capital assets	\$ 27,431	\$ (1,118)	\$ -	\$ 3,295	\$ 402,070	\$ 431,678

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deletions	Transfers	Prior Period Adjustments	Balance June 30, 2005
Business-type Activities						
<u>Airport</u>						
Nondepreciable capital assets:						
Land	\$ 43,189	\$ -	\$ -	\$ -	\$ -	\$ 43,189
Total nondepreciable capital assets	43,189					43,189
Depreciable capital assets:						
Buildings	166,873					166,873
Machinery and equipment	128,400					128,400
Other improvements	342,655					342,655
Total depreciable capital assets	637,928					637,928
Less accumulated depreciation	(311,756)	(34,495)				(346,251)
Net depreciable capital assets	326,172	(34,495)				291,677
Net capital assets	<u>\$ 369,361</u>	<u>\$ (34,495)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,866</u>
<u>Water</u>						
Nondepreciable capital assets:						
Construction in progress	\$ 1,450,393	\$ -	\$ -	\$ -	\$ 182,727	\$ 1,633,120
Land	951,136			(3,295)	-	947,841
Total nondepreciable capital assets	2,401,529			(3,295)	182,727	2,580,961
Depreciable capital assets:						
Infrastructure				1,168,128	352,691	1,520,819
Buildings	291,204				24,062	315,266
Machinery and equipment	1,935,200				1,828,729	3,763,929
Other improvements	4,902,816			(1,168,128)	137,191	3,871,879
Total depreciable capital assets	7,129,220				2,342,673	9,471,893
Less accumulated depreciation	(2,284,406)	(350,657)			(2,141,734)	(4,776,797)
Net depreciable capital assets	4,844,814	(350,657)			200,939	4,695,096
Net capital assets	<u>\$ 7,246,343</u>	<u>\$ (350,657)</u>	<u>\$ -</u>	<u>\$ (3,295)</u>	<u>\$ 383,666</u>	<u>\$ 7,276,057</u>
<u>Geothermal</u>						
Nondepreciable capital assets:						
Land	\$ 249,124	\$ -	\$ -	\$ -	\$ -	\$ 249,124
Total nondepreciable capital assets	249,124					249,124
Depreciable capital assets:						
Buildings	29,474		(4,622)			24,852
Machinery and equipment	228,666					228,666
Total depreciable capital assets	258,140		(4,622)			253,518
Less accumulated depreciation	(246,350)	(621)	2,774			(244,197)
Net depreciable capital assets	11,790	(621)	(1,848)			9,321
Net capital assets	<u>\$ 260,914</u>	<u>\$ (621)</u>	<u>\$ (1,848)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,445</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deletions	Transfers	Prior Period Adjustments	Balance June 30, 2005
Business-type Activities						
<u>Natural Gas</u>						
Depreciable capital assets:						
Infrastructure	\$ 21,612,346	\$ -	\$ -	\$ -	\$ -	\$ 21,612,346
Machinery and equipment	511,924				(286,323)	225,601
Total depreciable capital assets	22,124,270				(286,323)	21,837,947
Less accumulated depreciation	(99,778)	(393,584)			36,229	(457,133)
Net depreciable capital assets	22,024,492	(393,584)			(250,094)	21,380,814
Net capital assets	<u>\$ 22,024,492</u>	<u>\$ (393,584)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (250,094)</u>	<u>\$ 21,380,814</u>
<u>Pool</u>						
Depreciable capital assets:						
Other improvements	\$ 64,476	\$ -	\$ -	\$ (64,476)	\$ -	\$ -
Total depreciable capital assets	64,476			(64,476)		
Less accumulated depreciation	(62,646)			62,646		
Net depreciable capital assets	1,830			(1,830)		
Net capital assets	<u>\$ 1,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,830)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Golf Course</u>						
Nondepreciable capital assets:						
Land	\$ 990,589	\$ -	\$ -	\$ -	\$ -	\$ 990,589
Total nondepreciable capital assets	990,589					990,589
Depreciable capital assets:						
Buildings	41,323					41,323
Other improvements					142,930	142,930
Total depreciable capital assets	41,323				142,930	184,253
Less accumulated depreciation	(37,105)	(5,797)			(73,933)	(116,835)
Net depreciable capital assets	4,218	(5,797)			68,997	67,418
Net capital assets	<u>\$ 994,807</u>	<u>\$ (5,797)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,997</u>	<u>\$ 1,058,007</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	\$ 191,269
Public safety	105,948
Streets and public work	51,822
Planning	1,528
Parks and recreation	<u>16,333</u>

Total Depreciation Expense-Governmental Activities \$ 366,900

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 4 – CAPITAL ASSETS (Continued)

Business-type Activities:

Airport	\$ 34,495
Water	350,657
Geothermal	621
Natural gas	393,584
Golf course	<u>5,797</u>

Total Depreciation Expense-Business-type Activities \$ 785,154

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2005, 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	ABC Grant Police Fund	\$ 1,038
General Fund	04-STBG-1933 Rehab Fund	2,732
General Fund	Gas Tax Fund	85,301
General Fund	Mark Roos 92B Fund	115,470
Major Proprietary Funds:	Major Proprietary Funds:	
Water Fund	Airport Fund	92,079
Water Fund	Natural Gas Fund	950,943
Water Fund	Day Care Fund	151,525
Golf Course Fund	Rodeo Fund	<u>12,069</u>
		<u>\$ 1,411,157</u>

Advances To / From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:	Nonmajor Government Funds:	
General Fund	Community Redevelopment Agency Fund	\$ 87,891
Nonmajor Governmental Funds:		
State Revolving Fund	Community Redevelopment Agency Fund	210,345
State Revolving Economic Development Fund	Community Redevelopment Agency Fund	<u>133,822</u>
		<u>\$432,058</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers:

	Transfers In	Transfers Out
Major Governmental Fund:		
General Fund	\$ 44,367	\$ 421,410
Major Proprietary Funds:		
Swimming Pool Fund	248,530	666
Water Fund	1,104,051	1,112,346
Nonmajor Governmental Funds:		
Gas Tax Fund	103,147	
Street Mitigation Fund		105,152
Police Mitigation Fund		82,153
Fire Mitigation Fund		6,548
HUD Revolving Fund		144,423
State Revolving Fund	144,423	200,000
State Revolving Economic Development Fund	200,000	
City Hall Debt Service Fund	172,546	
City Hall Capital Projects Fund		58,151
Police Department Evidence Room Fund	50,000	
Building Reserve Fund	58,151	
Safe Routes to School Fund	1,997	
Recreation Center Complex Fund	334	
Main Street Signal Fund	8	
Internal Service Funds:		
Engineering Fund	10,546	
Public Works Administration Fund	33,457	24,902
Fleet Management Fund	14,356	30,162
	\$ 2,185,913	\$ 2,185,913

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.

NOTE 6 –LONG-TERM DEBT

A. Compensated Absences

The 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, 2005, total \$293,672 for governmental activities and \$71,512 for business-type activities.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 –LONG-TERM DEBT (Continued)

B. Revenue Bonds

1992 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 on September 1, 2017. Original issue was \$1,650,000. The balance at June 30, 2005 is \$1,445,000. See Note 13 – 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 on September 1, 2027. Original issue was \$2,270,000. The balance at June 30, 2005 is \$2,155,000.

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

Fiscal Year Ended <u>June 30,</u>	Revenue Bonds Payable		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 365,000	\$ 195,946	\$ 560,946
2007	120,000	189,240	309,240
2008	125,000	182,446	307,446
2009	135,000	174,993	309,993
2010	140,000	166,903	306,903
2011-2015	840,000	689,851	1,529,851
2016-2020	850,000	390,120	1,240,120
2021-2025	585,000	204,508	789,508
2026-2030	<u>440,000</u>	<u>37,400</u>	<u>477,400</u>
	<u>\$ 3,600,000</u>	<u>\$ 2,231,407</u>	<u>\$ 5,831,407</u>

2000 Water Revenue Bond – Interest from 4.05% to 5.7% is payable on June 1 and December 1, maturities are payable on June 1 in annual redemptions of \$445,000 and above. Final payment is on 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. The balance at June 30, 2005 is \$6,280,000.

2004 Water Revenue Bond – Interest from 4.75% to 5.35% is payable on June 1 and December 1, maturities are payable on June 1 in annual redemptions of \$70,000 and above. Final payment is on December 1, 2035. Original issue was \$3,330,000. The balance at June 30, 2005 is \$3,330,000.

Water Enterprise debt service requirements for the 2002 and 2004 Revenue bonds are:

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 –LONG-TERM DEBT (Continued)

B. Revenue Bonds (Continued)

Fiscal Year Ended June 30,	Revenue Bonds		Total
	Principal	Interest	
2006	\$ 130,000	\$ 512,643	\$ 642,643
2007	135,000	506,923	641,923
2008	145,000	500,848	645,848
2009	150,000	494,177	644,177
2010	160,000	487,133	647,133
2011-2015	925,000	2,310,437	3,235,437
2016-2020	1,180,000	1,922,401	3,102,401
2021-2025	1,560,000	1,674,650	3,234,650
2026-2030	2,050,000	1,177,555	3,227,555
2031-2035	2,590,000	60,320	2,650,320
2036	585,000	30,420	615,420
Total	\$ 9,610,000	\$ 9,677,507	\$ 19,287,507

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 principal 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 principal 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 principal 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 principal is due in full. Proceeds from this financing are to be used for construction costs related to the City's natural gas utility.

Fiscal Year Ended June 30,	Principal	Interest	Total
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		1,414,076	1,414,076
2011	24,240,000	1,414,076	25,654,076
Total	\$ 24,240,000	\$ 8,484,456	\$ 32,724,456

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 –LONG-TERM DEBT (Continued)

D. Notes Payable

Note payable at June 30, 2005, consisted of the following:

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.

\$963,000

The scheduled annual minimum debt service requirements at June 30, 2005, are as follows:

Future debt service on the note is:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	12,000	38,888	50,888
2011-2015	68,000	186,235	254,235
2016-2020	84,000	170,127	254,127
2021-2025	105,000	150,131	255,131
2026-2030	130,000	125,163	255,163
2031-2035	160,000	94,520	254,520
2036-2040	197,000	56,716	253,716
2041-2044	165,000	12,729	177,729
	<u>\$ 963,000</u>	<u>\$ 994,734</u>	<u>\$ 1,957,734</u>

E. Capital Lease Obligation

LaSalle Bank – Equipment lease purchase contract. Semi-annual payments starting at \$99,131 declining to \$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, Enterprise, and Internal Service Funds.

Future minimum lease payments at June 30, 2005, were:

Fiscal Year Ending June 30,	Amount
2006	\$ 40,197
2007	40,197
2008	<u>19,894</u>
Total minimum lease payments	100,288
Less amounts representing interest	<u>(7,821)</u>
Present value of net minimum lease payments	<u>\$ 92,467</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 6 –LONG-TERM DEBT (Continued)

F. Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2005, was as follows:

	July 1, 2004 Balance	Additions	Reductions	June 30, 2005 Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Revenue	\$ 3,715,000	\$ -	\$ 115,000	\$ 3,600,000	\$ 365,000
Capital leases	185,904		98,106	87,798	34,598
Compensated absences	220,111	73,561		293,672	
	<u>220,111</u>	<u>73,561</u>		<u>293,672</u>	
Governmental activities Long-term liabilities	<u>\$ 4,121,015</u>	<u>\$ 73,561</u>	<u>\$ 213,106</u>	<u>\$ 3,981,470</u>	<u>\$ 399,598</u>
Business-type activities:					
Bonds Payable:					
Revenue	\$ 6,405,000	\$ 3,330,000	\$ 125,000	\$ 9,610,000	\$ 130,000
Certificates of participation	24,240,000			24,240,000	
Note payable	973,390		10,390	963,000	10,000
Capital leases	5,572		903	4,669	962
Compensated absences	56,897	14,615		71,512	
	<u>56,897</u>	<u>14,615</u>		<u>71,512</u>	
Business-type activities Long-term liabilities	<u>\$ 31,680,859</u>	<u>\$ 3,344,615</u>	<u>\$ 136,293</u>	<u>\$ 34,889,181</u>	<u>\$ 140,962</u>

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 (Defined Benefit Pension Plan)

Plan Description

The City'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 employees and employer shares for the Miscellaneous Plan and the Safety Plan. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2004-05 was 16.493% for miscellaneous employees and 26.68% 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.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

NOTE 7 - CITY EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost

For fiscal year 2004/2005, the City's annual pension cost was \$641,198 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2004/2005 was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% 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, 2004, was 30 years, for both miscellaneous and safety employees.

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
6/30/03	\$303,366	100%	\$ -
6/30/04	\$540,387	100%	\$ -
6/30/05	\$641,198	100%	\$ -

* Employer contribution.

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)
6/30/02	\$ 7,151,382	\$ 6,031,938	\$ 1,119,444	84.3%	\$ 1,876,111	59.7%
6/30/03	\$ 8,353,992	\$ 6,255,256	\$ 2,098,736	74.9%	\$ 1,962,404	106.9%
6/30/04**	N/A	N/A	N/A	N/A	N/A	N/A

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)
6/30/02	\$ 9,002,759	\$ 7,297,195	\$ 1,705,564	81.1%	\$ 1,257,172	135.7%
6/30/03	\$ 9,900,324	\$ 7,490,784	\$ 2,409,540	75.7%	\$ 1,265,539	190.4%
6/30/04**	N/A	N/A	N/A	N/A	N/A	N/A

** A new State law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members, the City of Susanville is now required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

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.

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, 2005, is as follows:

	Liability Program	Workers Comp. Program	Total
Total Assets	\$ 4,662,240	\$ 6,107,030	\$ 10,769,270
Total Liabilities	\$ 2,392,434	\$ 2,957,233	\$ 5,349,667
Fund Equity	2,269,806	3,149,797	5,419,603
Total Liabilities and Equity	\$ 4,662,240	\$ 6,107,030	10,769,270
Total Revenues	\$ 1,934,632	\$ 2,879,504	\$ 4,814,136
Total Expenditures	2,097,085	2,016,676	4,113,761
Net Increase/(Decrease)	\$ (162,453)	\$ 862,828	\$ 700,375

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

The City is also a member of a Joint Powers Agreement with Employment Risk Management Authority (ERMA). ERMA is in an overall deficit position. As of December 31, 2004, ERMA's deficit was \$5,114,426. This is a significant increase over the deficit at December 31, 2003 of \$1,126,041. At the August 24, 2004 Board meeting the Board approved an assessment of the first program year's deficit of \$820,471. The second program year was assessed in July, 2005 at approximately \$1,100,000. The subsequent three (3) program years are currently in a deficit position as well and will be assessed over the next three (3) years. In accordance with GASB Statement No. 10, the City is disclosing this potential liability.

Copies of the financial statements are available from ERMA, located in Sacramento, California.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

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, 2005 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, 2005, is \$201,087. 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 2004/2005 fiscal year, the City paid \$17,181 for three 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.

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.

Prepaid Expenses – This reserve is maintained for prepaid items.

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

Inventory – This reserve is maintained as the aggregate of the balances in the inventory accounts and does not represent resources available for appropriation.

Encumbrances – This reserve is maintained to account for outstanding purchase orders and contractual commitments.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Balances, Reserves, and Designations (Continued)

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, 2005 are as follows:

Schedule of Designated Fund Balances

	Other Governmental Funds
Unreserved and designated for:	
Storm drain projects	\$ 21,233
Capital improvements	<u>229,375</u>
	<u>\$ 250,608</u>

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 \$1,314,058 in the Water Fund for contracts awarded but not completed at June 30, 2005. 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

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 13 – SUBSEQUENT EVENT (Continued)

Default on Mark Roos Assessment Bonds (Continued)

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. Sheriff's sales of the properties in question were conducted and both parcels have been sold. 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 was sold in March 2005, with the sale proceeds being received by the City in August 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.

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, 2006 the natural gas system total loss will be \$557,336, after depreciation. 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.

NOTE 14 – PRIOR YEAR ADJUSTMENT

There are several adjustments made in this report to correct errors from prior years in capital assets, investment in bonds, receivables, and payables. The adjustments made are as follows:

Government-wide Statements

A prior year adjustment was made in the Governmental Activities for \$344,555 for an understatement of loans receivable and \$1,240,000 for an understatement of investment in bonds.

A prior year adjustment was made in the Business-type Activities for \$202,568 for an understatement of capital assets.

Fund Statements

Major Funds

A prior year adjustment was made in the Water Fund for \$383,666 for an understatement of capital assets (construction in progress, infrastructure, buildings and other improvements, and machinery and equipment).

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE 14 – PRIOR YEAR ADJUSTMENT (Continued)

Fund Statements (Continued)

Major Funds (Continued)

A prior year adjustment was made in the Natural Gas Fund for \$(250,095) for an overstatement of capital assets (machinery and equipment).

A prior year adjustment was made in the Golf Course Fund for \$68,997 for an understatement of capital assets (other improvements).

Nonmajor Funds

A prior year adjustment was made in the Mark Roos 92B Debt Service Fund for \$1,240,000 for an understatement of investment in bonds.

Internal Service Fund Statements

A prior year adjustment was made in the Public Works Administration Fund for \$402,070 for an understatement of capital assets (land).

NOTE 15 – FUND CLOSURES

During the fiscal year ended June 30, 2005, the City closed the following funds:

Enterprise Fund

Swimming Pool Fund

Internal Service Funds

Engineering Fund

Fleet Maintenance Fund

Special Revenue Fund

Curb and Gutter Deposits Fund

NOTE 16 – DEBT WITHOUT GOVERNMENT COMMITMENT

Local Agency Revenue Bonds – 1992

On October 29, 1992, the Susanville Public Financing Authority issued \$1,650,000 of 1992 Revenue Bonds - Series B (the "Authority Bonds") for the purpose of acquiring the Assessment District 92-1 Miller Fletcher Bonds, (the "District Bonds") in the amount of \$1,465,000. The Miller Fletcher Bonds were issued to provide the District with funds to design or acquire certain public improvements relating to the District.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest was payable on March 1, 1993, and semiannually thereafter on March 1 and September 1 of each year until maturity, with principal due every September 1. Series B Bonds have interest rates of 6.60% to 7.75% and are due September 1, 2017.

The District Bonds are not general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bond reserves, these bonds have not been reflected in the general long-term debt account group in the accompanying financial statements. The outstanding indebtedness at June 30, 2005 was \$ 1,190,000.

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	Special Revenue Funds			
	Local Law Enforcement Block Grant Fund	ABC Grant Police Fund	Gas Tax Fund	Solid Waste Fund
Assets				
Cash and investments	\$ 61,574	\$ -	\$ -	\$ 32,851
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable		1,038	121,424	
Interest receivable	429			205
Advances to other funds				
Prepaid expenses				
Loans receivable				
Total assets	\$ 62,003	\$ 1,038	\$ 121,424	\$ 33,056
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 47,150	\$ -
Accrued wages	4,324		5,206	
Deposits payable			13,438	
Deferred revenue				
Due to other funds		1,038	85,301	
Advances from other funds				
Total liabilities	4,324	1,038	151,095	
Fund Balances:				
Reserved:				
Advances				
Debt service				
Prepaid expenses				
Encumbrances				
Unreserved:				
Designated for capital improvements				
Designated for storm drain projects				
Undesignated	57,679		(29,671)	33,056
Total fund balances	57,679		(29,671)	33,056
Total liabilities and fund balances	\$ 62,003	\$ 1,038	\$ 121,424	\$ 33,056

Special Revenue Funds

Street Mitigation Fund	Police Mitigation Fund	Fire Mitigation Fund	Park Land In-lieu Fund	HUD Revolving Fund
\$ 27,167	\$ 60,824	\$ 157,557	\$ 22,682	\$ -
224	25,000 492	25,000 843	140	
<u>\$ 27,391</u>	<u>\$ 86,316</u>	<u>\$ 183,400</u>	<u>\$ 22,822</u>	<u>\$ -</u>
\$ -	\$ 50	\$ 1,809	\$ -	\$ -
	50	1,809		
	24,710	24,910		
<u>27,391</u>	<u>61,556</u>	<u>156,681</u>	<u>22,822</u>	
<u>27,391</u>	<u>86,266</u>	<u>181,591</u>	<u>22,822</u>	
<u>\$ 27,391</u>	<u>\$ 86,316</u>	<u>\$ 183,400</u>	<u>\$ 22,822</u>	<u>\$ -</u>

(Continued)

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
June 30, 2005

	<u>Special Revenue Funds</u>			
	<u>State Revolving Fund</u>	<u>State Revolving Economic Development Fund</u>	<u>Home Revolving Fund</u>	<u>Community Redevelopment Agency Fund</u>
Assets				
Cash and investments	\$ 215,222	\$ 286,266	\$ 64,955	\$ -
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable	1,344	1,710		
Interest receivable	1,304	1,768	332	
Advances to other funds	210,345	133,822		
Prepaid expenses				
Loans receivable	415,121	100,217	707,035	
	<u>415,121</u>	<u>100,217</u>	<u>707,035</u>	
Total assets	<u>\$ 843,336</u>	<u>\$ 523,783</u>	<u>\$ 772,322</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages				
Deposits payable				
Deferred revenue	415,121	100,217	707,035	
Due to other funds				
Advances from other funds				432,058
	<u>415,121</u>	<u>100,217</u>	<u>707,035</u>	<u>432,058</u>
Total liabilities	<u>415,121</u>	<u>100,217</u>	<u>707,035</u>	<u>432,058</u>
Fund Balances:				
Reserved:				
Advances	210,345	133,822		
Debt service				
Prepaid expenses				
Encumbrances				
Unreserved:				
Designated for capital improvements				
Designated for storm drain projects				
Undesignated	217,870	289,744	65,287	(432,058)
	<u>428,215</u>	<u>423,566</u>	<u>65,287</u>	<u>(432,058)</u>
Total fund balances	<u>428,215</u>	<u>423,566</u>	<u>65,287</u>	<u>(432,058)</u>
Total liabilities and fund balances	<u>\$ 843,336</u>	<u>\$ 523,783</u>	<u>\$ 772,322</u>	<u>\$ -</u>

Special Revenue Funds		Debt Service Funds		
STBG Fund	04-STBG-1933 Rehab Fund	Mark Roos 92B Fund	City Hall Debt Service Fund	Lasalle Debt Service Fund
\$ 124,189	\$ -	\$ 286,001	\$ -	\$ -
		1,435	296,575	
		1,190,000		
872		349,447		
			2,683	
<u>\$ 125,061</u>	<u>\$ -</u>	<u>\$ 1,826,883</u>	<u>\$ 299,258</u>	<u>\$ -</u>
\$ -	\$ 328	\$ 547	\$ -	\$ -
	2,368			
		349,447		
	2,732	115,470		
	<u>5,428</u>	<u>465,464</u>		
		1,361,419	296,575	
			2,683	
<u>125,061</u>	<u>(5,428)</u>			
<u>125,061</u>	<u>(5,428)</u>	<u>1,361,419</u>	<u>299,258</u>	
<u>\$ 125,061</u>	<u>\$ -</u>	<u>\$ 1,826,883</u>	<u>\$ 299,258</u>	<u>\$ -</u>

(Continued)

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
June 30, 2005

Capital Projects Funds

	City Hall Capital Projects Fund	Jensen Slough Pedestrian Bridge Fund	Chestnut Street Culvert Fund	Police Department Evidence Room Fund
Assets				
Cash and investments	\$ -	\$ 988	\$ 21,102	\$ 36,260
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable				
Interest receivable		6	131	
Advances to other funds				
Prepaid expenses				
Loans receivable				
Total assets	\$ -	\$ 994	\$ 21,233	\$ 36,260
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages				
Deposits payable				
Deferred revenue				
Due to other funds				
Advances from other funds				
Total liabilities				
Fund Balances:				
Reserved:				
Advances				
Debt service				
Prepaid expenses				
Encumbrances				
Unreserved:				
Designated for capital improvements				
Designated for storm drain projects			21,233	
Undesignated		994		36,260
Total fund balances		994	21,233	36,260
Total liabilities and fund balances	\$ -	\$ 994	\$ 21,233	\$ 36,260

Capital Projects Funds

Skyline Noma Signal Fund	Skyline Bicycle Lane Fund	Skyline Rt. 139 Signal Fund	Building Reserve Fund	Safe Routes to School Fund
\$ 52,045	\$ 14,953	\$ 11,048	\$ 15,363	\$ -
323	93	69	97	
<u>\$ 52,368</u>	<u>\$ 15,046</u>	<u>\$ 11,117</u>	<u>\$ 15,460</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 25	\$ -
			25	
52,368	15,046	11,117	500	
			14,935	
<u>52,368</u>	<u>15,046</u>	<u>11,117</u>	<u>15,435</u>	
<u>\$ 52,368</u>	<u>\$ 15,046</u>	<u>\$ 11,117</u>	<u>\$ 15,460</u>	<u>\$ -</u>

(Continued)

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
June 30, 2005

<u>Capital Projects Funds</u>						
	<u>Recreation Center Complex Fund</u>	<u>Skyline Park Project Fund</u>	<u>Susan River Trail Acquisition Fund</u>	<u>Main Street Traffic Signal Fund</u>	<u>Museum Development Fund</u>	<u>Totals</u>
Assets						
Cash and investments	\$ -	\$ 153,896	\$ 2,156	\$ -	\$ 935	\$ 1,648,034
Cash and investments with fiscal agent						298,010
Investment in bonds						1,190,000
Accounts receivable						524,963
Interest receivable		959	15			8,302
Advances to other funds						344,167
Prepaid expenses						2,683
Loans receivable						1,222,373
Total assets	<u>\$ -</u>	<u>\$ 154,855</u>	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ 935</u>	<u>\$ 5,238,532</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ 4,946	\$ 9		\$ -	\$ 54,864
Accrued wages						11,898
Deposits payable						13,438
Deferred revenue						1,571,820
Due to other funds						204,541
Advances from other funds						432,058
Total liabilities		<u>4,946</u>	<u>9</u>			<u>2,288,619</u>
Fund Balances:						
Reserved:						
Advances						344,167
Debt service						1,657,994
Prepaid expenses						2,683
Encumbrances			2,162			52,282
Unreserved:						
Designated for capital improvements		149,909			935	229,375
Designated for storm drain projects						21,233
Undesignated						642,179
Total fund balances		<u>149,909</u>	<u>2,162</u>		<u>935</u>	<u>2,949,913</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 154,855</u>	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ 935</u>	<u>\$ 5,238,532</u>

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CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2005

	<u>Special Revenue Funds</u>			
	<u>Local Law Enforcement Block Grant Fund</u>	<u>ABC Grant Police Fund</u>	<u>Gas Tax Fund</u>	<u>Solid Waste Fund</u>
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ 92,849	\$ -
Use of money and property	1,133		463	496
Intergovernmental revenues	100,000	1,038	370,345	
Program income				
Other revenues			102	
Total revenues	<u>101,133</u>	<u>1,038</u>	<u>463,759</u>	<u>496</u>
Expenditures:				
Current:				
General government				
Public safety	101,133	1,038		
Streets and public works			658,305	
Parks and recreation				
Community development				
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures	<u>101,133</u>	<u>1,038</u>	<u>658,305</u>	
Excess of revenues over (under) expenditures			<u>(194,546)</u>	<u>496</u>
Other Financing Sources (Uses):				
Transfers in			103,147	
Transfers out				
Total other financing sources (uses)			<u>103,147</u>	
Net changes in fund balances			<u>(91,399)</u>	<u>496</u>
Fund balances - July 1, 2004	57,679		61,728	32,560
Prior year adjustments				
Fund balances - July 1, 2004, restated	<u>57,679</u>		<u>61,728</u>	<u>32,560</u>
Fund balances - June 30, 2005	<u>\$ 57,679</u>	<u>\$ -</u>	<u>\$ (29,671)</u>	<u>\$ 33,056</u>

Special Revenue Funds

Street Mitigation Fund	Police Mitigation Fund	Fire Mitigation Fund	Park Land In-lieu Fund	HUD Revolving Fund
\$ -	\$ -	\$ -	\$ -	\$ -
706	1,621	2,061	324	
	28,000	25,000		
<u>118,305</u>	<u>115,631</u>	<u>147,848</u>	<u>22,939</u>	
<u>119,011</u>	<u>145,252</u>	<u>174,909</u>	<u>23,263</u>	
		6,266		
17,248	18,579		13,156	
	111,801	68,819		
<u>17,248</u>	<u>130,380</u>	<u>75,085</u>	<u>13,156</u>	
<u>101,763</u>	<u>14,872</u>	<u>99,824</u>	<u>10,107</u>	
<u>(105,152)</u>	<u>(82,153)</u>	<u>(6,548)</u>		<u>(144,423)</u>
<u>(105,152)</u>	<u>(82,153)</u>	<u>(6,548)</u>		<u>(144,423)</u>
<u>(3,389)</u>	<u>(67,281)</u>	<u>93,276</u>	<u>10,107</u>	<u>(144,423)</u>
30,780	153,547	88,315	12,715	144,423
<u>30,780</u>	<u>153,547</u>	<u>88,315</u>	<u>12,715</u>	<u>144,423</u>
<u>\$ 27,391</u>	<u>\$ 86,266</u>	<u>\$ 181,591</u>	<u>\$ 22,822</u>	<u>\$ -</u>

(Continued)

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds			
	State Revolving Fund	State Revolving Economic Development Fund	Home Revolving Fund	Community Redevelopment Agency Fund
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	30,391	36,254	670	
Intergovernmental revenues				
Program income	56,484	20,517	37,479	
Other revenues				
Total revenues	86,875	56,771	38,149	
Expenditures:				
Current:				
General government				
Public safety				
Streets and public works				
Parks and recreation				
Community development				
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				59,183
Total expenditures				59,183
Excess of revenues over (under) expenditures	86,875	56,771	38,149	(59,183)
Other Financing Sources (Uses):				
Transfers in	144,423	200,000		
Transfers out	(200,000)			
Total other financing sources (uses)	(55,577)	200,000		
Net changes in fund balances	31,298	256,771	38,149	(59,183)
Fund balances - July 1, 2004	396,917	166,795	27,138	(372,875)
Prior year adjustments				
Fund balances - July 1, 2004, restated	396,917	166,795	27,138	(372,875)
Fund balances - June 30, 2005	\$ 428,215	\$ 423,566	\$ 65,287	\$ (432,058)

Special Revenue Funds		Debt Service Funds		
STBG Fund	04-STBG-1933 Rehab Fund	Mark Roos 92B Fund	City Hall Debt Service Fund	Lasalle Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -
2,675		566,854	8,047	
23,612		5,552		107,338
26,287		572,406	8,047	107,338
		21,319		
139,519	5,428			
		55,000	60,000	98,106
		196,207	110,560	9,232
139,519	5,428	272,526	170,560	107,338
(113,232)	(5,428)	299,880	(162,513)	
			172,546	
			172,546	
(113,232)	(5,428)	299,880	10,033	
238,293		(178,461)	289,225	
		1,240,000		
238,293		1,061,539	289,225	
\$ 125,061	\$ (5,428)	\$ 1,361,419	\$ 299,258	\$ -

(Continued)

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
June 30, 2004

<u>Capital Projects Funds</u>				
	<u>City Hall Capital Projects Fund</u>	<u>Jensen Slough Pedestrian Bridge Fund</u>	<u>Chestnut Street Culvert Fund</u>	<u>Police Department Evidence Room Fund</u>
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property		45	318	
Intergovernmental revenues				
Program income				
Other revenues		19,728		
Total revenues		<u>19,773</u>	<u>318</u>	
Expenditures:				
Current:				
General government				
Public safety				
Streets and public works		18,084		
Parks and recreation				
Community development				
Capital outlay				13,740
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures		<u>18,084</u>		<u>13,740</u>
Excess of revenues over (under) expenditures		<u>1,689</u>	<u>318</u>	<u>(13,740)</u>
Other Financing Sources (Uses):				
Transfers in				50,000
Transfers out	(58,151)			
Total other financing sources (uses)	<u>(58,151)</u>			<u>50,000</u>
Net changes in fund balances	<u>(58,151)</u>	<u>1,689</u>	<u>318</u>	<u>36,260</u>
Fund balances - July 1, 2004	58,151	(695)	20,915	
Prior year adjustments				
Fund balances - July 1, 2004, restated	<u>58,151</u>	<u>(695)</u>	<u>20,915</u>	
Fund balances - June 30, 2005	<u>\$ -</u>	<u>\$ 994</u>	<u>\$ 21,233</u>	<u>\$ 36,260</u>

Capital Projects Funds

Skyline Noma Signal Fund	Skyline Bicycle Lane Fund	Skyline Rt. 139 Signal Fund	Building Reserve Fund	Safe Routes to School Fund
\$ -	\$ -	\$ -	\$ -	\$ -
769	217	164	612	
<u>3,172</u>	<u>1,753</u>	<u>638</u>		
<u>3,941</u>	<u>1,970</u>	<u>802</u>	<u>612</u>	
			1,798	5,794
			41,530	197,688
			<u>43,328</u>	<u>203,482</u>
<u>3,941</u>	<u>1,970</u>	<u>802</u>	<u>(42,716)</u>	<u>(203,482)</u>
			58,151	1,997
			<u>58,151</u>	<u>1,997</u>
<u>3,941</u>	<u>1,970</u>	<u>802</u>	<u>15,435</u>	<u>(201,485)</u>
<u>48,427</u>	<u>13,076</u>	<u>10,315</u>		<u>201,485</u>
<u>48,427</u>	<u>13,076</u>	<u>10,315</u>		<u>201,485</u>
<u>\$ 52,368</u>	<u>\$ 15,046</u>	<u>\$ 11,117</u>	<u>\$ 15,435</u>	<u>\$ -</u>

(Continued)

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
 June 30, 2005

<u>Capital Projects Funds</u>						
	<u>Recreation Center Complex Fund</u>	<u>Skyline Park Project Fund</u>	<u>Susan River Trail Acquisition Fund</u>	<u>Main Street Traffic Signal Fund</u>	<u>Museum Development Fund</u>	<u>Totals</u>
Revenues:						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,849
Use of money and property		2,297	15			656,132
Intergovernmental revenues			3,172			527,555
Program income						138,092
Other revenues					99,680	642,686
Total revenues		<u>2,297</u>	<u>3,187</u>		<u>99,680</u>	<u>2,057,314</u>
Expenditures:						
Current:						
General government						23,117
Public safety						114,231
Streets and public works						712,216
Parks and recreation						13,156
Community development			160			145,107
Capital outlay		4,946	709		154,224	593,457
Debt service:						
Principal						213,106
Interest and fiscal agent fees						375,182
Total expenditures		<u>4,946</u>	<u>869</u>		<u>154,224</u>	<u>2,189,572</u>
Excess of revenues over (under) expenditures		<u>(2,649)</u>	<u>2,318</u>		<u>(54,544)</u>	<u>(132,258)</u>
Other Financing Sources (Uses):						
Transfers in	334			8	55,479	786,085
Transfers out						(596,427)
Total other financing sources (uses)	<u>334</u>			<u>8</u>	<u>55,479</u>	<u>189,658</u>
Net changes in fund balances	334	(2,649)	2,318	8	935	57,400
Fund balances- July 1, 2004	(334)	152,558	(156)	(8)		1,652,513
Prior year adjustments						1,240,000
Fund balances - July 1, 2004, restated	<u>(334)</u>	<u>152,558</u>	<u>(156)</u>	<u>(8)</u>		<u>2,892,513</u>
Fund balances - June 30, 2005	<u>\$ -</u>	<u>\$ 149,909</u>	<u>\$ 2,162</u>	<u>\$ -</u>	<u>\$ 935</u>	<u>\$ 2,949,913</u>

CITY OF SUSANVILLE
LOCAL LAW ENFORCEMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 300	\$ 1,133	\$ 833
Intergovernmental revenues	100,000	100,000	
Total Revenues	<u>100,300</u>	<u>101,133</u>	<u>833</u>
Expenditures:			
Current:			
Public safety	100,000	101,133	(1,133)
Total Expenditures	<u>100,000</u>	<u>101,133</u>	<u>(1,133)</u>
Excess of revenues over (under) expenditures	300		(300)
Fund Balance - beginning of fiscal year	<u>57,679</u>	<u>57,679</u>	
Fund Balance - end of fiscal year	<u>\$ 57,979</u>	<u>\$ 57,679</u>	<u>\$ (300)</u>

CITY OF SUSANVILLE
ABC GRANT POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental revenues	\$ 11,850	\$ 1,038	\$ (10,812)
Total Revenues	<u>11,850</u>	<u>1,038</u>	<u>(10,812)</u>
Expenditures:			
Current:			
Public safety	<u>11,850</u>	<u>1,038</u>	<u>10,812</u>
Total Expenditures	<u>11,850</u>	<u>1,038</u>	<u>10,812</u>
Excess of revenues over (under) expenditures			
Fund Balance - beginning of fiscal year	<u> </u>	<u> </u>	<u> </u>
Fund Balance - end of fiscal year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF SUSANVILLE
GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and assessments	\$ 66,602	\$ 92,849	\$ 26,247
Use of money and property	80	463	383
Intergovernmental revenues	341,197	370,345	29,148
Other revenues	<u>102</u>	<u>102</u>	<u>102</u>
Total Revenues	<u>407,879</u>	<u>463,759</u>	<u>55,880</u>
Expenditures:			
Current:			
Streets and public works	<u>700,650</u>	<u>658,305</u>	<u>42,345</u>
Total Expenditures	<u>700,650</u>	<u>658,305</u>	<u>42,345</u>
Excess of revenues over (under) expenditures	<u>(292,771)</u>	<u>(194,546)</u>	<u>98,225</u>
Other financing Sources (Uses)			
Transfers in	<u>103,147</u>	<u>103,147</u>	<u></u>
Total other financing sources (uses)	<u>103,147</u>	<u>103,147</u>	<u></u>
Net change in fund balances	(189,624)	(91,399)	98,225
Fund Balance - beginning of fiscal year	<u>61,728</u>	<u>61,728</u>	<u></u>
Fund Balance - end of fiscal year	<u>\$ (127,896)</u>	<u>\$ (29,671)</u>	<u>\$ 98,225</u>

CITY OF SUSANVILLE
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 200	\$ 496	\$ 296
Total Revenues	<u>200</u>	<u>496</u>	<u>296</u>
Expenditures:			
Current:			
Public safety			
Total Expenditures			
Excess of revenues over (under) expenditures	200	496	296
Fund Balance - beginning of fiscal year	<u>32,560</u>	<u>32,560</u>	
Fund Balance - end of fiscal year	<u><u>\$ 32,760</u></u>	<u><u>\$ 33,056</u></u>	<u><u>\$ 296</u></u>

CITY OF SUSANVILLE
STREET MITIGATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Use of money and property	\$ 1,200	\$ 706	\$ (494)
Other revenues	<u>127,696</u>	<u>118,305</u>	<u>(9,391)</u>
 Total Revenues	 <u>128,896</u>	 <u>119,011</u>	 <u>(9,885)</u>
 Expenditures:			
Current:			
Street and public works	<u>23,752</u>	<u>17,256</u>	<u>6,496</u>
 Total Expenditures	 <u>23,752</u>	 <u>17,256</u>	 <u>6,496</u>
 Excess of revenues over (under) expenditures	 <u>105,144</u>	 <u>101,755</u>	 <u>(3,389)</u>
Other financing Sources (Uses)			
Transfers in			
Transfers out	<u>(105,144)</u>	<u>(105,144)</u>	<u></u>
 Total other financing sources (uses)	 <u>(105,144)</u>	 <u>(105,144)</u>	 <u></u>
 Net change in fund balances		 (3,389)	 (3,389)
 Fund Balance - beginning of fiscal year	 <u>30,780</u>	 <u>30,780</u>	 <u></u>
 Fund Balance - end of fiscal year	 <u>\$ 30,780</u>	 <u>\$ 27,391</u>	 <u>\$ (3,389)</u>

CITY OF SUSANVILLE
POLICE MITIGATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 1,000	\$ 1,621	\$ 621
Intergovernmental revenues	25,000	28,000	3,000
Other revenues	175,108	115,631	(59,477)
Total Revenues	<u>201,108</u>	<u>145,252</u>	<u>(55,856)</u>
Expenditures:			
Current:			
Street and public works	19,908	18,579	1,329
Capital outlay	136,801	111,801	25,000
Total Expenditures	<u>156,709</u>	<u>130,380</u>	<u>26,329</u>
Excess of revenues over (under) expenditures	44,399	14,872	(29,527)
Other financing Sources (Uses)			
Transfers in			
Transfers out	(102,305)	(82,153)	20,152
Total other financing sources (uses)	<u>(102,305)</u>	<u>(82,153)</u>	<u>20,152</u>
Net change in fund balances	(57,906)	(67,281)	(9,375)
Fund Balance - beginning of fiscal year	<u>153,547</u>	<u>153,547</u>	
Fund Balance - end of fiscal year	<u>\$ 95,641</u>	<u>\$ 86,266</u>	<u>\$ (9,375)</u>

CITY OF SUSANVILLE
FIRE MITIGATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 1,000	\$ 2,061	\$ 1,061
Intergovernmental revenues	25,000	25,000	
Other revenues	143,360	147,848	4,488
Total Revenues	<u>169,360</u>	<u>174,909</u>	<u>5,549</u>
Expenditures:			
Current:			
Public safety	31,335	6,266	25,069
Capital outlay	102,278	68,819	33,459
Total Expenditures	<u>133,613</u>	<u>75,085</u>	<u>58,528</u>
Excess of revenues over (under) expenditures	<u>35,747</u>	<u>99,824</u>	<u>64,077</u>
Other financing Sources (Uses)			
Transfers in			
Transfers out	(34,747)	(6,548)	28,199
Total other financing sources (uses)	<u>(34,747)</u>	<u>(6,548)</u>	<u>28,199</u>
Net change in fund balances	1,000	93,276	92,276
Fund Balance - beginning of fiscal year	<u>88,315</u>	<u>88,315</u>	
Fund Balance - end of fiscal year	<u>\$ 89,315</u>	<u>\$ 181,591</u>	<u>\$ 92,276</u>

CITY OF SUSANVILLE
PARK LAND IN-LIEU FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 200	\$ 324	\$ 124
Other revenues	23,000	22,939	(61)
Total Revenues	<u>23,200</u>	<u>23,263</u>	<u>63</u>
Expenditures:			
Current:			
Park and recreation	13,156	13,156	
Total Expenditures	<u>13,156</u>	<u>13,156</u>	
Excess of revenues over (under) expenditures	10,044	10,107	63
Fund Balance - beginning of fiscal year	<u>12,175</u>	<u>12,175</u>	
Fund Balance - end of fiscal year	<u>\$ 22,219</u>	<u>\$ 22,282</u>	<u>\$ 63</u>

CITY OF SUSANVILLE
STATE REVOLVING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 3,500	\$ 30,391	\$ 26,891
Program income	40,500	56,484	15,984
Total Revenues	<u>44,000</u>	<u>86,875</u>	<u>42,875</u>
Expenditures:			
Current:			
Public safety			
Total Expenditures			
Excess of revenues over (under) expenditures	44,000	86,875	42,875
Other financing Sources (Uses)			
Transfers in		144,423	144,423
Transfers out	(200,000)	(200,000)	
Total other financing sources (uses)	<u>(200,000)</u>	<u>(55,577)</u>	<u>144,423</u>
Net change in fund balances	(156,000)	31,298	187,298
Fund Balance - beginning of fiscal year	<u>396,917</u>	<u>396,917</u>	
Fund Balance - end of fiscal year	<u>\$ 240,917</u>	<u>\$ 428,215</u>	<u>\$ 187,298</u>

CITY OF SUSANVILLE
STATE REVOLVING ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 3,800	\$ 36,255	\$ 32,455
Program income	20,517	20,517	
Total Revenues	<u>24,317</u>	<u>56,772</u>	<u>32,455</u>
Expenditures:			
Current:			
Public safety			
Total Expenditures			
Excess of revenues over (under) expenditures	<u>24,317</u>	<u>56,772</u>	<u>32,455</u>
Other financing Sources (Uses)			
Transfers in	<u>200,000</u>	<u>200,000</u>	
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	
Net change in fund balances	224,317	256,772	32,455
Fund Balance - beginning of fiscal year	<u>166,795</u>	<u>166,795</u>	
Fund Balance - end of fiscal year	<u>\$ 391,112</u>	<u>\$ 423,567</u>	<u>\$ 32,455</u>

CITY OF SUSANVILLE
HOME REVOLVING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 205	\$ 670	\$ 465
Program income	14,413	37,479	23,066
Total Revenues	<u>14,618</u>	<u>38,149</u>	<u>23,531</u>
Expenditures:			
Current:			
Public safety			
Total Expenditures			
Excess of revenues over (under) expenditures	14,618	38,149	23,531
Fund Balance - beginning of fiscal year	<u>27,138</u>	<u>27,138</u>	
Fund Balance - end of fiscal year	<u>\$ 41,756</u>	<u>\$ 65,287</u>	<u>\$ 23,531</u>

CITY OF SUSANVILLE
STBG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 1,520	\$ 2,675	\$ 1,155
Program income	238,970	23,612	(215,358)
Total Revenues	<u>240,490</u>	<u>26,287</u>	<u>(214,203)</u>
Expenditures:			
Current:			
Community development	238,970	139,519	99,451
Total Expenditures	<u>238,970</u>	<u>139,519</u>	<u>99,451</u>
Excess of revenues over (under) expenditures	1,520	(113,232)	(114,752)
Fund Balance - beginning of fiscal year	<u>238,293</u>	<u>238,293</u>	
Fund Balance - end of fiscal year	<u>\$ 239,813</u>	<u>\$ 125,061</u>	<u>\$ (114,752)</u>

CITY OF SUSANVILLE
04-STBG-1933 REHAB FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Program income	\$ 500,000	\$ -	\$ (500,000)
Total Revenues	<u>500,000</u>	<u> </u>	<u>(500,000)</u>
Expenditures:			
Current:			
Community development	500,000	5,428	494,572
Total Expenditures	<u>500,000</u>	<u>5,428</u>	<u>494,572</u>
Excess of revenues over (under) expenditures		(5,428)	(5,428)
Fund Balance - beginning of fiscal year	<u> </u>	<u> </u>	<u> </u>
Fund Balance - end of fiscal year	<u><u>\$ -</u></u>	<u><u>\$ (5,428)</u></u>	<u><u>\$ (5,428)</u></u>

CITY OF SUSANVILLE
MARK ROOS 92B FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and assessments	\$ 115,000	\$ -	\$ (115,000)
Use of money and property	594,744	566,854	(27,890)
Other revenues	5,000	5,552	552
Total Revenues	<u>714,744</u>	<u>572,406</u>	<u>(142,338)</u>
Expenditures:			
Current:			
General government	4,951	21,319	(16,368)
Debt service:			
Principal	148,199	55,000	93,199
Interest and fiscal agent fees	253,433	196,207	57,226
Total Expenditures	<u>406,583</u>	<u>272,526</u>	<u>134,057</u>
Excess of revenues over (under) expenditures	<u>308,161</u>	<u>299,880</u>	<u>(8,281)</u>
Fund Balance - beginning of fiscal year	(178,461)	(178,461)	
Prior year adjustments		<u>1,240,000</u>	<u>1,240,000</u>
Fund Balance - beginning of fiscal year, restated	(178,461)	1,061,539	1,240,000
Fund Balance - end of fiscal year	<u>\$ 129,700</u>	<u>\$ 1,361,419</u>	<u>\$ 1,231,719</u>

CITY OF SUSANVILLE
CITY HALL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 7,000	\$ 8,047	\$ 1,047
Total Revenues	<u>7,000</u>	<u>8,047</u>	<u>1,047</u>
Expenditures:			
Debt service:			
Principal	60,000	60,000	
Interest and fiscal agent fees	109,961	110,560	(599)
Total Expenditures	<u>169,961</u>	<u>170,560</u>	<u>(599)</u>
Excess of revenues over (under) expenditures	<u>(162,961)</u>	<u>(162,513)</u>	<u>448</u>
Other financing Sources (Uses)			
Transfers in	166,606	172,546	5,940
Total other financing sources (uses)	<u>166,606</u>	<u>172,546</u>	<u>5,940</u>
Net change in fund balances	3,645	10,033	6,388
Fund Balance - beginning of fiscal year	<u>289,225</u>	<u>289,225</u>	
Fund Balance - end of fiscal year	<u>\$ 292,870</u>	<u>\$ 299,258</u>	<u>\$ 6,388</u>

CITY OF SUSANVILLE
LASALLE DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Other revenues	\$ 107,339	\$ 107,338	\$ (1)
Total Revenues	<u>107,339</u>	<u>107,338</u>	<u>(1)</u>
Expenditures:			
Debt service:			
Principal	98,931	98,106	825
Interest and fiscal agent fees	8,408	9,232	(824)
Total Expenditures	<u>107,339</u>	<u>107,338</u>	<u>1</u>
Excess of revenues over (under) expenditures			
Fund Balance - beginning of fiscal year	<u> </u>	<u> </u>	<u> </u>
Fund Balance - end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SUSANVILLE
JENSEN SLOUGH PEDESTRIAN BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ 45	\$ 45
Other revenues	19,728	19,728	
Total Revenues	<u>19,728</u>	<u>19,773</u>	<u>45</u>
Expenditures:			
Current:			
Street and public works	19,728	18,084	1,644
Total Expenditures	<u>19,728</u>	<u>18,084</u>	<u>1,644</u>
Excess of revenues over (under) expenditures		1,689	1,689
Fund Balance - beginning of fiscal year	<u>(695)</u>	<u>(695)</u>	
Fund Balance - end of fiscal year	<u>\$ (695)</u>	<u>\$ 994</u>	<u>\$ 1,689</u>

CITY OF SUSANVILLE
POLICE DEPARTMENT EVIDENCE ROOM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ -	\$ -
Total Revenues			
Expenditures:			
Capital outlay	50,000	13,740	36,260
Total Expenditures	50,000	13,740	36,260
Excess of revenues over (under) expenditures	(50,000)	(13,740)	36,260
Other financing Sources (Uses)			
Transfers in	50,000	50,000	
Total other financing sources (uses)	50,000	50,000	
Net change in fund balances		36,260	36,260
Fund Balance - beginning of fiscal year			
Fund Balance - end of fiscal year	<u>\$ -</u>	<u>\$ 36,260</u>	<u>\$ 36,260</u>

CITY OF SUSANVILLE
SKYLINE NUMA SIGNAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ 769	\$ 769
Other revenues	2,000	3,172	1,172
Total Revenues	<u>2,000</u>	<u>3,941</u>	<u>1,941</u>
Expenditures:			
Current:			
Public safety			
Total Expenditures			
Excess of revenues over (under) expenditures	2,000	3,941	1,941
Fund Balance - beginning of fiscal year	<u>48,427</u>	<u>48,427</u>	
Fund Balance - end of fiscal year	<u>\$ 50,427</u>	<u>\$ 52,368</u>	<u>\$ 1,941</u>

CITY OF SUSANVILLE
SKYLINE BICYCLE LANE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ 217	\$ 217
Other revenues	1,000	1,753	753
Total Revenues	1,000	1,970	970
Expenditures:			
Current:			
Public safety			
Total Expenditures			
Excess of revenues over (under) expenditures	1,000	1,970	970
Fund Balance - beginning of fiscal year	13,076	13,076	
Fund Balance - end of fiscal year	\$ 14,076	\$ 15,046	\$ 970

CITY OF SUSANVILLE
SKYLINE RT. 139 SIGNAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ 164	\$ 164
Other revenues	400	638	238
Total Revenues	<u>400</u>	<u>802</u>	<u>402</u>
Expenditures:			
Current:			
Public safety			
Total Expenditures			
Excess of revenues over (under) expenditures	400	802	402
Fund Balance - beginning of fiscal year	<u>10,315</u>	<u>10,315</u>	
Fund Balance - end of fiscal year	<u>\$ 10,715</u>	<u>\$ 11,117</u>	<u>\$ 402</u>

CITY OF SUSANVILLE
BUILDING RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ 612	\$ 612
Intergovernmental revenues			
Other revenues			
Total Revenues	<u>612</u>	<u>612</u>	<u>612</u>
Expenditures:			
Current:			
General government	2,375	1,798	577
Capital outlay	60,255	41,530	18,725
Total Expenditures	<u>62,630</u>	<u>43,328</u>	<u>19,302</u>
Excess of revenues over (under) expenditures	<u>(62,630)</u>	<u>(42,716)</u>	<u>19,914</u>
Other financing Sources (Uses)			
Transfers in		58,151	58,151
Total other financing sources (uses)		<u>58,151</u>	<u>58,151</u>
Net change in fund balances	(62,630)	15,435	78,065
Fund Balance - beginning of fiscal year			
Fund Balance - end of fiscal year	<u>\$ (62,630)</u>	<u>\$ 15,435</u>	<u>\$ 78,065</u>

CITY OF SUSANVILLE
SAFE ROUTES TO SCHOOL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ -	\$ -
Total Revenues			
Expenditures:			
Current:			
Public safety	63,889	5,794	58,095
Capital outlay	203,482	197,688	5,794
Total Expenditures	267,371	203,482	63,889
Excess of revenues over (under) expenditures	(267,371)	(203,482)	63,889
Other financing Sources (Uses)			
Transfers in	1,997	1,997	
Total other financing sources (uses)	1,997	1,997	
Net change in fund balances	(265,374)	(201,485)	63,889
Fund Balance - beginning of fiscal year	201,485	201,485	
Fund Balance - end of fiscal year	\$ (63,889)	\$ -	\$ 63,889

CITY OF SUSANVILLE
SKYLINE PARK PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ 2,297	\$ 2,297
Total Revenues	<u>-</u>	<u>2,297</u>	<u>2,297</u>
Expenditures:			
Current:			
Public safety			
Capital outlay	42,368	4,946	37,422
Total Expenditures	<u>42,368</u>	<u>4,946</u>	<u>37,422</u>
Net change in fund balances	(42,368)	(2,649)	39,719
Fund Balance - beginning of fiscal year	<u>152,558</u>	<u>152,558</u>	
Fund Balance - end of fiscal year	<u><u>\$ 110,190</u></u>	<u><u>\$ 149,909</u></u>	<u><u>\$ 39,719</u></u>

CITY OF SUSANVILLE
SUSAN RIVER TRAIL ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ -	\$ 15	\$ 15
Intergovernmental revenues	320,000	3,172	(316,828)
Total Revenues	<u>320,000</u>	<u>3,187</u>	<u>(316,813)</u>
Expenditures:			
Current:			
Professional services	316,248		316,248
Community development	160	160	
Capital outlay	3,436	709	2,727
Total Expenditures	<u>319,844</u>	<u>869</u>	<u>318,975</u>
Excess of revenues over (under) expenditures	<u>156</u>	<u>2,318</u>	<u>2,162</u>
Net changes in fund balances	156	2,318	2,162
Fund Balance - beginning of fiscal year	<u>(156)</u>	<u>(156)</u>	
Fund Balance - end of fiscal year	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ 2,162</u>

CITY OF SUSANVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2005

	Engineering Fund	Public Works Administration Fund	Risk Management Fund	Fleet Management Fund	Totals
ASSETS					
Current Assets:					
Cash and investments	\$ -	\$ 37,434	\$ -	\$ -	\$ 37,434
Interest receivable		925	132		1,057
Accounts receivable			137,706		137,706
Prepaid expenses			395		395
Total current assets		38,359	138,233		176,592
Capital Assets:					
Nondepreciable					
Land		405,965			405,965
Total nondepreciable capital assets		405,965			405,965
Depreciable					
Buildings		89,349			89,349
Total depreciable capital assets		89,349			89,349
Less accumulated depreciation		(63,636)			(63,636)
Net depreciable capital assets		25,713			25,713
Net capital assets		431,678			431,678
Total noncurrent assets		431,678			431,678
Total assets		470,037	138,233		608,270
LIABILITIES					
Current Liabilities:					
Accounts payable		10,353	11,198		21,551
Accrued wages		10,326			10,326
Due to other funds					
Total current liabilities		20,679	11,198		31,877
Noncurrent Liabilities:					
Compensated absences		18,299			18,299
Total noncurrent liabilities		18,299			18,299
Total liabilities		38,978	11,198		50,176
NET ASSETS					
Investment in capital assets, net of related debt		431,678			431,678
Unrestricted		(619)	127,035		126,416
Total net assets	\$ -	\$ 431,059	\$ 127,035	\$ -	\$ 558,094

CITY OF SUSANVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2005

	Engineering Fund	Public Works Administration Fund	Risk Management Fund	Fleet Management Fund	Totals
Revenues:					
Charges for services	\$ -	\$ 498,230	\$ 814,120	\$ 271,693	\$ 1,584,043
Total Revenues		498,230	814,120	271,693	1,584,043
Expenses:					
Administration		444,064	7,797	271,615	723,476
Insurance costs and claims			811,988		811,988
Depreciation		1,118			1,118
Total Expenses		445,182	819,785	271,615	1,536,582
Operating Income (Loss)		53,048	(5,665)	78	47,461
Non-Operating Revenues (Expenses):					
Reimbursements			137,706		137,706
Interest income		925	132		1,057
Net Income (Loss) Before Transfers		53,973	132,173	78	186,224
Transfers in	10,546	33,457		14,356	58,359
Transfers out		(24,902)		(30,162)	(55,064)
Change in net assets	10,546	62,528	132,173	(15,728)	189,519
Net Assets, July 1, 2004	(10,546)	(33,539)	(5,138)	15,728	(33,495)
Prior Period Adjustments		402,070			402,070
Net Assets, July 1, 2004, restated	(10,546)	368,531	(5,138)	15,728	368,575
Net Assets, June 30, 2005	\$ -	\$ 431,059	\$ 127,035	\$ -	\$ 558,094

CITY OF SUSANVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2005

	Engineering Fund	Public Works Administration Fund	Risk Management Fund	Fleet Management Fund	Totals
Cash Flows from Operating Activities:					
Receipts from customers	\$ -	\$ 498,230	\$ 814,120	\$ 271,693	\$ 1,584,043
Payment to suppliers and users	(7,586)	(272,750)	(814,120)	(202,074)	(1,296,530)
Payment to employees	(2,960)	(165,875)		(88,832)	(257,667)
Net Cash Provided (Used) by Operating Activities	(10,546)	59,605		(19,213)	29,846
Cash Flows from Non-Capital Financing Activities:					
Transfers in	10,546	33,457		14,356	58,359
Transfers out		(24,902)		(30,162)	(55,064)
Net Cash Provided (Used) by Non-Capital Financing Activities	10,546	8,555		(15,806)	3,295
Cash Flows from Capital and Related					
Purchase of capital assets		(30,726)			(30,726)
Sale of capital assets				27,431	27,431
Net Cash Provided (Used) by Capital and Related Financing Activities		(30,726)		27,431	(3,295)
Net Increase (Decrease) in Cash and Cash Equivalents		37,434		(7,588)	29,846
Cash and Cash Equivalents, July 1, 2004				7,588	7,588
Cash and Cash Equivalents, June 30, 2005	\$ -	\$ 37,434	\$ -	\$ -	\$ 37,434
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ -	\$ 53,048	\$ (5,665)	\$ 78	\$ 47,461
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation		1,118			1,118
(Increase) Decrease in Operating Assets:					
Prepaid expenses			(395)		(395)
Increase (Decrease) in Operating Liabilities:					
Accounts payable	(545)	7,848	10,891	(307)	17,887
Accrued wages	(2,088)	1,890			(198)
Compensated absences	(872)	18,299		(14,153)	3,274
Due to other funds	(7,041)	(22,598)	(4,831)	(4,831)	(39,301)
Net Cash Provided (Used) by Operating Activities	\$ (10,546)	\$ 59,605	\$ -	\$ (19,213)	\$ 29,846

CITY OF SUSANVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Section 125 Aflac Fund				
ASSETS				
Cash and investments	\$ -	\$ 11,593	\$ -	\$ 11,593
Total Assets	<u>\$ -</u>	<u>\$ 11,593</u>	<u>\$ -</u>	<u>\$ 11,593</u>
LIABILITIES				
Deposits payable	\$ -	\$ 11,593	\$ -	\$ 11,593
Total Liabilities	<u>\$ -</u>	<u>\$ 11,593</u>	<u>\$ -</u>	<u>\$ 11,593</u>
LAFCO Fund				
ASSETS				
Cash and investments	\$ -	\$ 19,704	\$ -	\$ 19,704
Accounts receivable		113		113
Interest receivable		134		134
Total Assets	<u>\$ -</u>	<u>\$ 19,951</u>	<u>\$ -</u>	<u>\$ 19,951</u>
LIABILITIES				
Accounts payable	\$ -	\$ 4,844	\$ -	\$ 4,844
Deposits payable		15,107		15,107
Total Liabilities	<u>\$ -</u>	<u>\$ 19,951</u>	<u>\$ -</u>	<u>\$ 19,951</u>

MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS
9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CALIFORNIA 90210

TELEPHONE (310) 273-2745
FAX (310) 273-1689
E-MAIL: mlhbh@pacbell.net

MEMBER:

ROBERT M. MOSS, C.P.A.*
RONALD A. LEVY, C.P.A.*
CRAIG A. HARTZHEIM, C.P.A.*
HADLEY HUI, C.P.A.

THOMAS LEUNG, C.P.A.

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*DENOTES PROFESSIONAL CORPORATION

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

The Honorable Members of the City Council of the
City of Susanville
Susanville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Susanville, California, as of and for the fiscal year ended June 30, 2005 which collectively comprise the City of Susanville's basic financial statements, and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Susanville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim
October 28, 2005

