

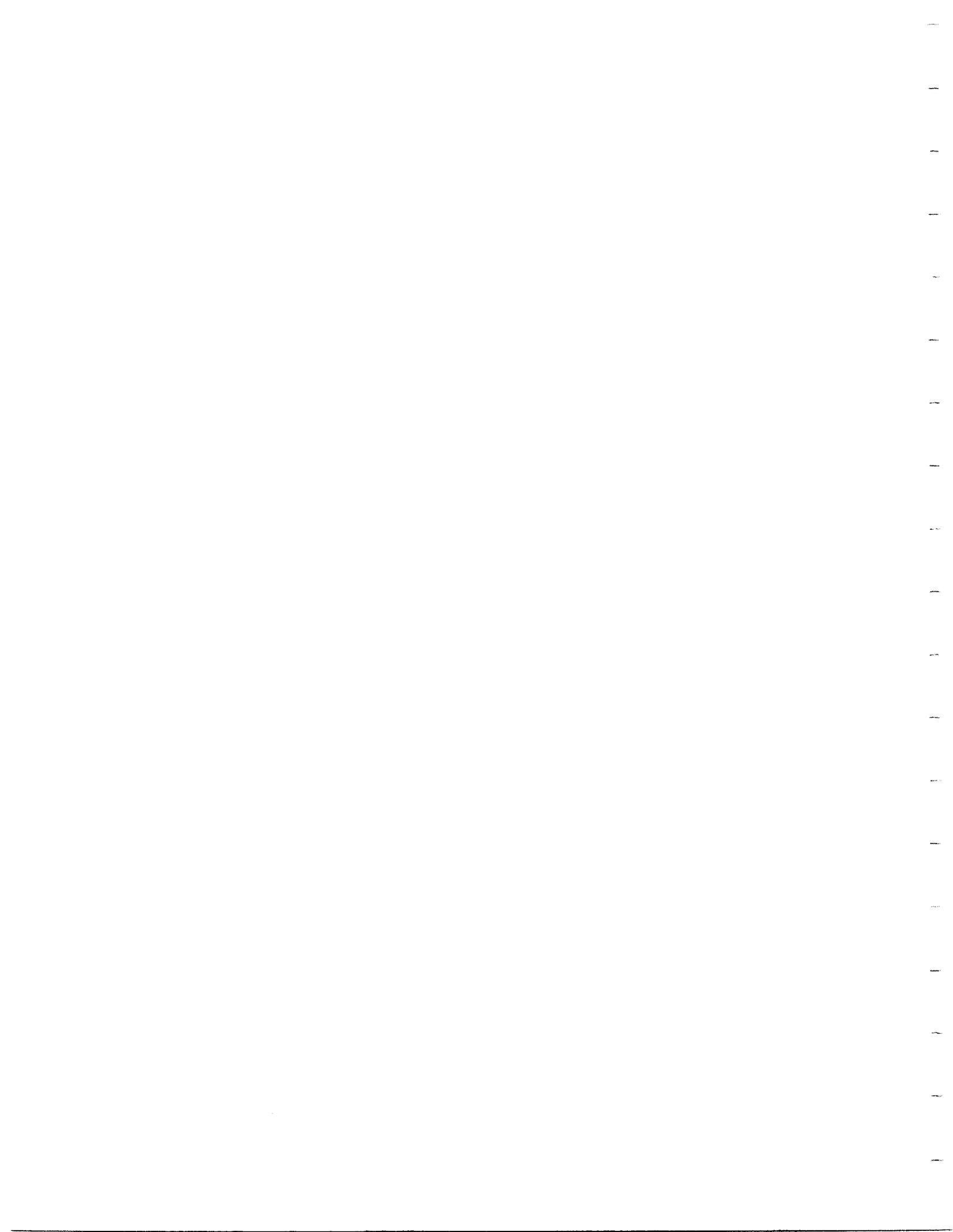
CITY OF SUSANVILLE

CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2008

Main Street Susanville



CITY OF SUSANVILLE
CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the fiscal year ended
June 30, 2008

CITY OF SUSANVILLE

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Finance Department

December 9, 2008

To the Honorable Mayor, Members of the City Council, City Administrator, and Citizens of Susanville, California:

The Comprehensive Annual Financial Report of the City of Susanville for the fiscal year ended June 30, 2008 is hereby submitted. In order to better understand the report, this letter of transmittal should be read in conjunction with the Management Discussion and Analysis, which can be found in the financial section of the report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Susanville's Management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the City of Susanville. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as set forth in pronouncements by the National Council of Governmental Accounting (NCGA), the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) and includes the report of the City's independent certified public accountants, Moss, Levy & Hartzheim, Certified Public Accountants.

BACKGROUND INFORMATION

The City of Susanville is a general-law City incorporated under California law in 1900. The City operates under the City Council/City Administrator form of government. The people of Susanville elect five Council Members, from which the City Council chooses the Mayor and the Mayor pro-tempore. The City Council appoints the City Administrator and the City Attorney. The position of the Mayor is elected for a two-year term. Council Members are elected to serve alternating four-year terms. The City Clerk is appointed by the City Council. All municipal elections are non-partisan.

The City of Susanville provides a wide range of municipal services, including police and fire protection, water, natural gas and geothermal utilities, street maintenance, snow removal, parks, planning, zoning, building and safety, housing assistance, and other general government services. Accounting, payroll, revenue collection, accounts payable, treasury, budget, financial reporting, business licensing and utility billing are the responsibility of the Finance Department.

This report includes all funds and account groups of the City of Susanville. It reports all activities to be considered part of, controlled by, and dependent on the City.

The accounts of the City are organized on the basis of funds with each fund considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liability and fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The report includes all activities carried out by the City as a legal entity, and also includes the activities of the City of Susanville Redevelopment Agency, for which the City Council, acting in the capacity of the Redevelopment Agency Board, is financially accountable as determined under the guidelines of the Governmental Accounting Standards Board (GASB).

ECONOMIC CONDITIONS AND OUTLOOK

LOCATION

The City of Susanville is located in Lassen County in Northeastern California, bounded by Modoc County to the North, Shasta County to the West, Plumas County to the South and by the State of Nevada to the East. State routes 44 and 36 connect the City of Susanville to the greater Sacramento Valley and the City of Redding, while Reno (NV) is an easy and scenic 85-mile drive via interstate 395.

MILEAGE CHART TO OTHER MAJOR CITIES

Portland, OR	458 miles	Northwest
San Francisco, CA	280 miles	Southwest
Redding, CA	112 miles	West
Reno, NV	86 miles	Southeast
Sacramento, CA	223 miles	Southwest

LOCAL ECONOMY

The City of Susanville is surrounded by open space with many recreational opportunities. Lake Almanor, Eagle Lake, Antelope Lake, and other lakes are within half an hour drive from the City. The area is well known for hunting, fishing, snowmobiling, motocross races, rodeo, and many other outdoor activities. One of the major employers and consumers in the area is the California Department of Corrections (CDC) with a total population of about 9,000 inmates. CDC has announced an expansion of its facility.

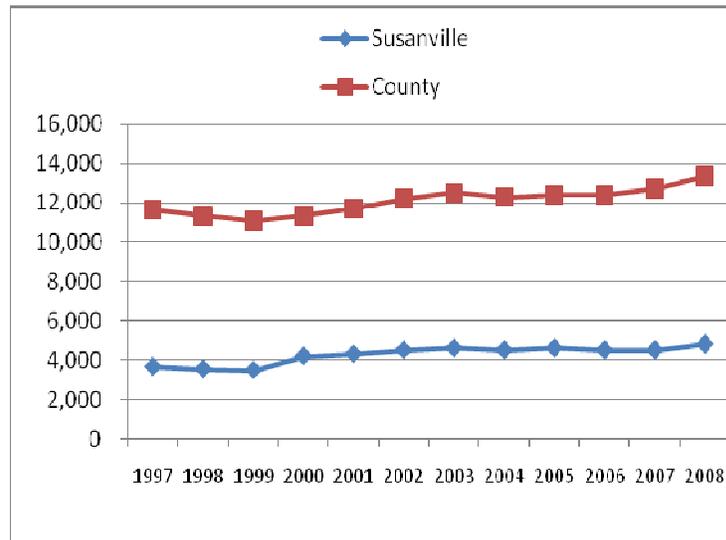
LABOR MARKET

The labor market is a significant indicator of the economic and social condition of a community. It identifies labor trends in the area, defines the supply and demand for employment, and indicates the strengths of the businesses that are supporting the demand.

The labor force of the City and County has been very stable for the last ten years and unemployment rate is continuing to decrease.

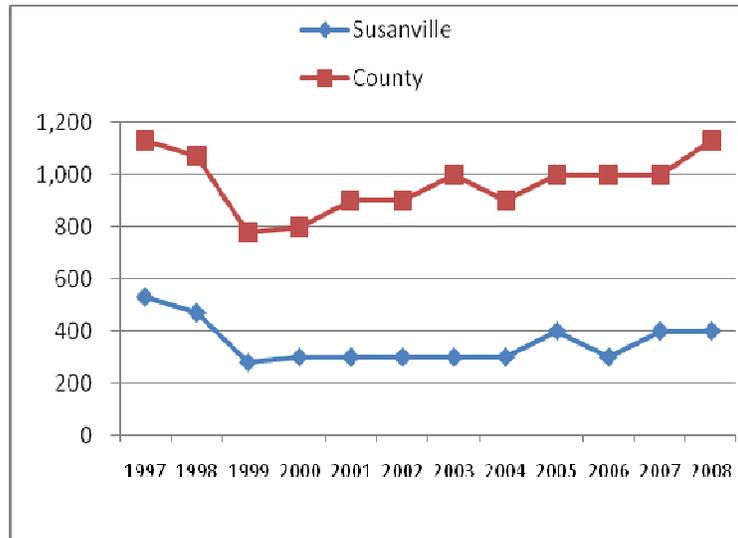
TOTAL LABOR FORCE

Year	City of Susanville	Lassen County
1997	3,650	11,650
1998	3,540	11,300
1999	3,480	11,060
2000	4,200	11,300
2001	4,300	11,700
2002	4,500	12,200
2003	4,600	12,500
2004	4,500	12,300
2005	4,600	12,400
2006	4,500	12,400
2007	4,500	12,700
2008	4,800	13,360



UNEMPLOYMENT

Year	City of Susanville	Lassen County
1997	530	1,130
1998	470	1,070
1999	280	780
2000	300	800
2001	300	900
2002	300	900
2003	300	1,000
2004	300	900
2005	400	1,000
2006	300	1,000
2007	400	1,000
2008	400	1,130



MAJOR PROJECTS FOR THE FUTURE

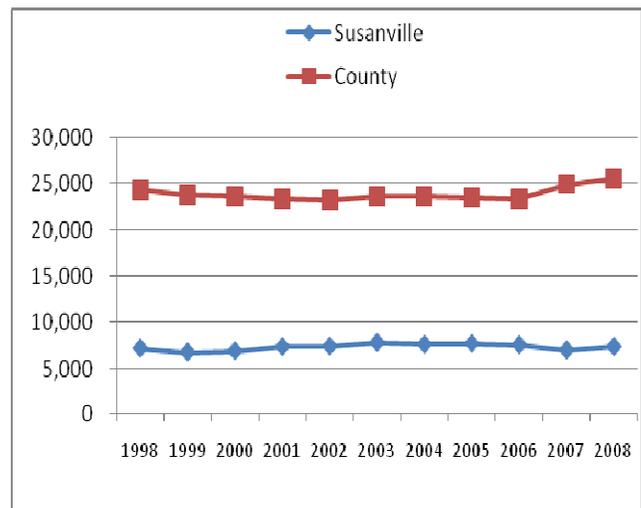
- 1 Remodel of fire station at 1505 Main Street.
- 2 Build a new fire station on Skyline Drive.
- 3 Purchase new equipment for the fire department. This included a front line engine, two command vehicles, specialized equipment for hazardous material emergencies and confined space rescue equipment.
- 4 Upgrade financial software and computers for the Finance Department.
- 5 Establish a redevelopment plan and project area.
- 6 Construct curbs, gutters, sidewalks using Community Development Block grant funds.
- 7 Update the Land Use Element of the General Plan.
- 8 Update the Zoning Ordinance.
- 9 Update Susanville Area Plan.
- 10 Construct an amphitheater at Roop's Fort.
- 11 Complete the water transmission pipeline, storage tank, and pump house project at Cady Springs.
- 12 Increase code enforcement efforts through the use of a citation/infraction process to help improve the image of the community.
- 13 Refinance the \$24 million debt of the Natural Gas System.
- 14 Update and employ economic development strategic plan.

MAJOR INITIATIVES

The City continues to focus priority efforts on projects that promote quality new development, that include industrial, commercial, and residential projects. The City is actively involved with economic development and the revitalization of the historic uptown area. Some of the activities and events the City sponsors include the annual Bizz-Johnson Marathon, and Air Fair. The City has purchased approximately 18 acres for the purpose of building a new community swimming pool. A committee, represented by the City of Susanville, Lassen County, Lassen College, Lassen High School, and Lassen County Office of Education, has formed to explore the possibility of creating a Joint Power Authority to lead the construction of the swimming pool.

POPULATION

Year	City of Susanville	Prison Populations	Lassen County
1998	7,191	9,778	24,252
1999	6,758	10,064	23,775
2000	6,893	10,196	23,581
2001	7,353	10,194	23,315
2002	7,399	10,124	23,192
2003	7,797	10,089	23,632
2004	7,603	10,496	23,640
2005	7,708	10,593	23,490
2006	7,557	10,780	23,320
2007	6,987	10,896	24,908
2008	7,359	10,211	25,546



ACCOUNTING SYSTEMS AND BUDGETARY CONTROLS

The City's fund accounting records are maintained using a modified accrual basis of accounting as explained in the Notes to the Financial Statements, following the accounting practices for governmental units as recommended by the Governmental Accounting Standards Board. Basic City operations are accounted for in the City's General Fund, with other activities accounted for in separate funds as required by law or determined by management discretion. Generally, revenues are recorded when measurable and available, and expenditures are recorded when incurred.

The Government-Wide financial statements follow the accrual basis of accounting, with a reconciliation statement to foot to the individual funds' financial statements, as required by GASB Statement No. 34. This reconciliation statement follows in the body of the financial statements.

In administering the City's accounting system, primary consideration is given to the adequacy of the internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for accurate and fair presentation of financial reports. The concept of reasonable assurance recognizes that the cost of specific controls should not exceed the benefits likely to be derived from exercising these controls, and that this evaluation necessarily involves estimates and judgments by management. It is believed that the City's internal accounting controls adequately safeguard City assets and provide reasonable assurance of proper recording of financial transactions. The level of budgetary control, that is, the level at which expenditures are not to exceed Council approved appropriations is established at the Fund level. An encumbrance (commitment) accounting system is utilized as a technique to enhance budgetary control during the year. Department Heads are responsible for approving expenditures within their respective fund allocations. The Finance Department is responsible for collecting revenues and making payments for expenditures according to the adopted budget.

ACCOMPLISHMENTS

During the 2007-08 fiscal year the City achieved many accomplishments that may not be evident from a review of the financial statements. Some of the more important accomplishments as well as ongoing projects are summarized below.

Community Development Department:

Despite a slow housing market, the Building Division issued permits for 22 new single-family homes, with a total of 352 permits being issued overall and performed 1,921 individual inspections. The department website was extended to include many downloadable forms to improve the public's access to information and reduce trips and phone calls to City Hall. The Building Division also implemented a new process for reactivating expired building permits, a new records retention system and cross training of personnel.

Police Department:

During the year, the Police Department was able to continue providing a dedicated officer to traffic enforcement. This resulted in an increase in suspended license arrests, moving violations and driving under the influence arrests. As a result of this increased enforcement, injury accidents decreased by 36%. The Department continued to provide 24 hour patrol service and saw a decrease in burglaries for

the year. Special Enforcement Operations included DUI checkpoints, court stings and saturation patrols.

Finance Department:

Two of the major reports the Finance Department is responsible for are the Annual Budget and the Comprehensive Annual Financial Report (CAFR). Both reports were completed on time and submitted to the California Society Municipal Finance Officers (CSMFO) for the review and award program. The Finance Department received awards on both documents. In addition, the Department continued to receive “unqualified” opinions from the auditors on its financial reports. The Department’s web page was also upgraded to include financial statements and budgets from prior years.

Fire Department:

The Susanville Fire Department has been quite fortunate with writing successful grant applications during the 2007-2008 year. The Assistance to Firefighter Grant brought in \$99,307.00 to purchase radios, pagers, diesel exhaust system, automatic external defibrillators, and oxygen saturation monitors. The fire department was also the recipient of a grant from the Bureau of Land Management which enabled us to receive a used wild-land fire engine.

Community Services Department:

The Community Services Department continued to offer a wide variety of park facilities and recreations experiences for area residents. The Park Department maintained four developed parks and over 150 acres of open space for public use. The City managed a trail system to serve a wide diversity of users. The new museum that opened in 2006 continued to expand and improve its exhibits. Staff cleared approximately 120 acres for fuels reduction. Approximately 90 acres were treated for noxious weeds.

Public Works Department:

The Department is responsible for the Water, Geothermal, and Natural Gas utilities, the Airport and the maintenance of streets and roads. The Public Works Department continued to update its water and natural gas systems with operational upgrades to better serve and protect the City’s Water and Natural Gas Systems and to ensure that we deliver the best quality water, and natural gas services to our customers. The Street Department continued to improve our streets with overlays and reconstruction project including paving, crack-sealing, curbs, gutters and sidewalks. We have also improved the City’s Airport with projects including a sand-seal-slurry on the main taxi way to the main ramp, and the rebuilt and paved the Airports main runway.

City Administration:

The City Administrator is responsible for the enforcement of all City ordinances, provide direction and support to department heads and follow through on Council's requests. The City Administrator participated in a number of committees and meetings. The Department issued several grants during the year under the Community Development Block Grant program for housing rehabilitation, economic development and first time homebuyers. With the assistance of a grant, the Department has begun to identify economic blight for a community redevelopment plan and project area. The City Administrator remained involved with the League of California Cities and its mission to provide cities a voice in the State Capital.

The City Attorney provided assistance to the City Council with the following: settled a rent control dispute between a particular large mobile home park and its tenants; assisted City Council and Administrator in completing negotiations with local bank for terminating long term lease of city golf course; drafted ordinances partially revising Municipal Code and participated with City Council and Administrator in planning for drafting future ordinances and policies; updated the code and streamlined the operation of the city; worked closely with City Administrator and other department heads and other staff on a daily basis to insure legal compliance and sound footing of daily decisions regarding operation of City.

The City Clerk investigated a number of workers' compensation claims, completed a technology update of its records retention and updated the web site.

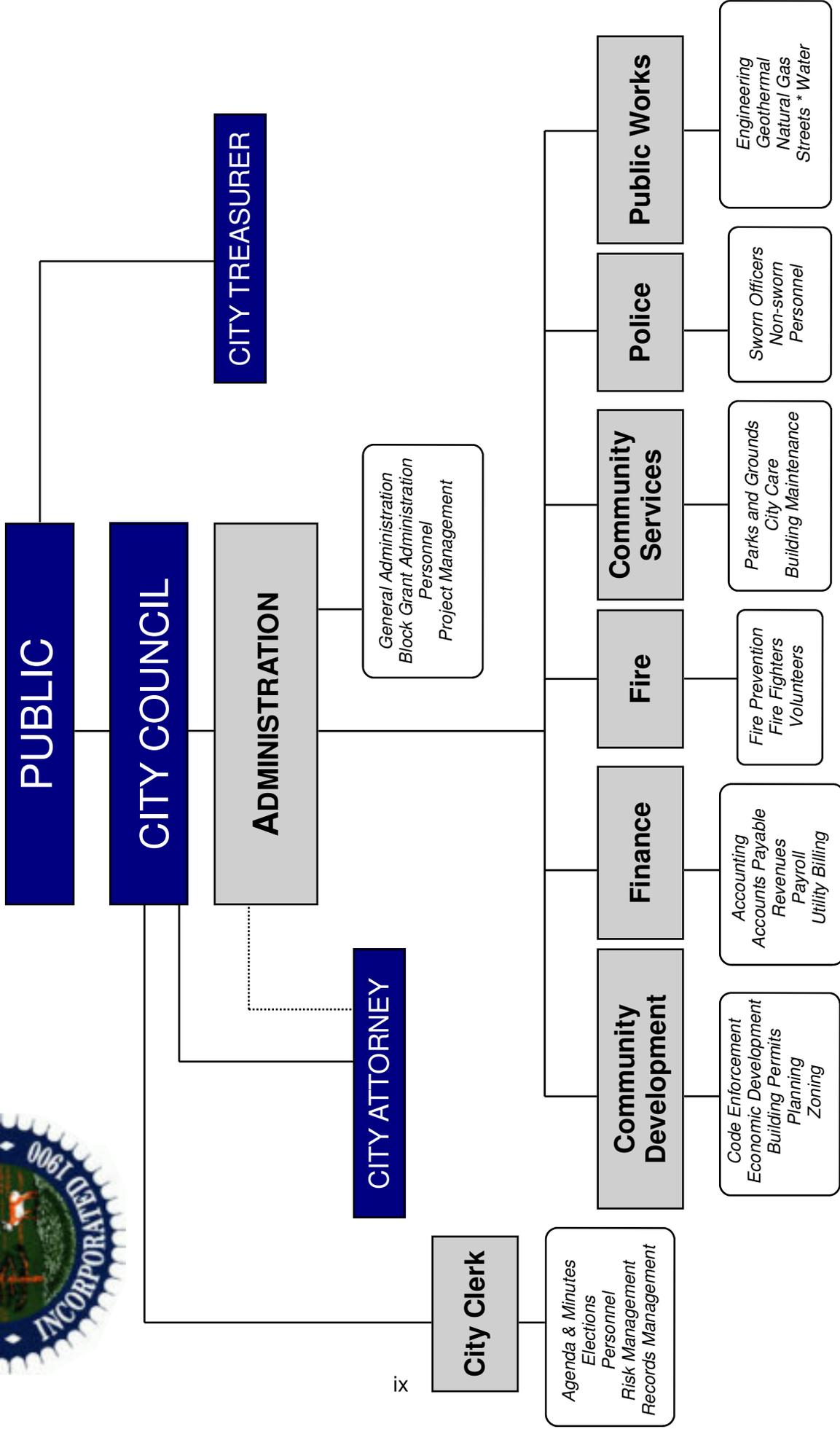
ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report was made possible by the special efforts of the finance department, working in conjunction with the City's independent auditors. We would like to express our appreciation to all who assisted and contributed to the preparation of this report.

Sincerely

Robert Porfiri

Finance Director



Organization Chart

City of Susanville

City Council

Fiscal Year 2007-2008

Mayor

Lino Callegari

Mayor Pro-Tempore

Vernon Templeton

Council Members

Rodney DeBoer

Kurt Bonham

Douglas Sayers

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2006-07

Presented to the

City of Susanville

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

June 2008



Jesse Takahashi
Professional and Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.

9107 WILSHIRE BLVD., STE. 400
BEVERLY HILLS, CA 90210
PHONE: (310) 273-2745
FAX: (310) 273-1689
EMAIL: mlhbh@mlhpcpa.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the
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), California, as of and for the fiscal year ended June 30, 2008, 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, 2008, 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.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2007, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*.

Management's Discussion and Analysis, on pages 3 through 17, 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 December 9, 2008, 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 conducted for the purpose of forming opinions on the basic financial statements of the City of Susanville, taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
December 9, 2008



City of Susanville
Management's Discussion & Analysis
June 30, 2008

This is the management's discussion and analysis of the financial performance of the City of Susanville for the fiscal year ended June 30, 2008. Please read this in conjunction with the transmittal letter, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements - A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives.

The basic financial statements, including the accompanying notes, constitute the core of the City's financial section. The fiscal year of the city starts on July 1 and ends on 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 of 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 generally 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, community services 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

General revenues

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

GOVERNMENTAL FUNDS

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 be 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 *deletions*. The City has three fiduciary funds: Historic Uptown Susanville Association Business Improvement District (HUSA), Section 125 AFLAC and Local Agency 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 \$9.3 million as of June 30, 2007 (\$8.5 million for Governmental Activities and \$.8 million for Business-type activities); and \$12 million as of June 30, 2008 (\$9.4 million for Governmental Activities and \$2.6 million for Business-type Activities). Governmental activities are generally financed through taxes and intergovernmental revenues. These activities are reported in the governmental funds (general fund, special revenue funds, capital projects funds, debt service funds) and internal service funds. Tables A-1 and A-2 below, present a summary of the City's Statement of Net Assets for fiscal years ended June 30, 2007 and 2008.

Table A-1
Government Net Assets for June 30, 2007 and 2008
Governmental activities

	<u>2007</u>	<u>2008</u>
Cash & investments	\$ 3,962,990	\$ 3,914,139
Capital assets	5,491,594	5,148,015
Other assets, including cash and Investments with fiscal agents	4,056,332	4,105,390
Total assets	<u>\$ 13,510,916</u>	<u>\$ 13,167,544</u>
Long-term liabilities	3,209,531	3,051,467
Other liabilities	1,765,316	664,479
Total liabilities	<u>\$ 4,974,847</u>	<u>\$ 3,715,946</u>
Invested in capital assets, net of related debt	2,480,051	2,274,687
Restricted for debt service	1,651,776	420,435
Unrestricted net assets	4,404,242	6,756,476
Total net assets	<u>\$ 8,536,069</u> =====	<u>\$ 9,451,598</u> =====

Table A-2
Government Net Assets for June 30, 2007 and 2008
Business-type activities

	<u>2007</u>	<u>2008</u>
Cash & investments	\$ 1,117,699	\$ 1,632,835
Capital assets	30,109,452	31,852,222
Other assets	4,935,991	4,696,366
Total assets	<u>\$ 36,163,142</u>	<u>\$ 38,181,423</u>
Long-term liabilities	34,461,972	34,287,899
Other liabilities	880,050	1,269,210
Total liabilities	<u>\$ 35,342,022</u>	<u>\$ 35,557,109</u>
Invested in capital assets, net of related debt	3,673,059	(2,270,671)
Restricted for debt service	2,971,552	2,864,661
Unrestricted net assets	(5,823,491)	2,030,324
Total net assets	<u>\$ 821,120</u> =====	<u>\$ 2,624,314</u> =====

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 in Tables B-1 and B-2.

Table B-1
Changes in Governmental Net Assets
For the Fiscal Year Ended June 30, 2007 and 2008
Governmental Activities

EXPENSES	<u>2007</u>	<u>2008</u>
<u>Program expenses (by function):</u>		
General Government	\$ 1,616,449	\$ 816,839
Public Safety	3,537,646	3,696,206
Streets	884,532	1,427,687
Protective Inspections	212,454	244,966
Community Services	504,755	325,669
Community Development	336,742	462,648
Interest on long term debt	230,157	194,800
Total expenses	<u>\$ 7,322,735</u>	<u>\$ 7,168,815</u>
 REVENUES		
<u>Program Revenues (by major source):</u>		
Charges for services	\$ 1,539,609	\$ 334,600
Operating, Capital Contributions And Grants	1,185,264	2,277,555
Total program revenues	<u>\$ 2,724,873</u>	<u>\$2,612,155</u>
 <u>General Revenues (by major source):</u>		
Property taxes	\$ 906,170	\$ 924,914
Sales & use taxes	1,398,022	1,326,767
Transient lodging taxes	523,774	517,214
Franchise taxes	48,027	55,428
Business license taxes	240,592	247,732
Other taxes	36,479	246,035
Property tax in lieu of Sales tax	506,153	419,193
Property tax in lieu of VLF	1,256,457	1,396,408
Use of money and property	161,206	163,501
Gain on sale of capital assets	-----	(6,491)
Miscellaneous revenues	42,099	100,101
Total general revenues	<u>\$ 5,118,979</u>	<u>\$ 5,390,802</u>
Total revenues	<u>\$ 7,843,852</u>	<u>\$ 8,002,957</u>
Excess (deficiency) before contributions to:	\$ 521,117	\$ 834,142
Contributions to term & permanent endowments	---	
Special and extraordinary items	---	
Transfers	<u>(29,920)</u>	<u>5,000</u>
Changes in net assets	\$ 491,197	\$ 839,142
Net assets at July 1, 2007 and 2008	8,044,872	8,536,069
Prior Period Adjustments	<u>-----</u>	<u>76,387</u>
(See Note #17 to Basic Financial Statement)		
Ending net assets at June 30, 2007 and 2008	<u>\$ 8,536,069</u> =====	<u>\$ 9,451,598</u> =====

Table B-2
 Changes in Governmental Net Assets
 For the Fiscal Year Ended June 30, 2007 and 2008
Business-Type Activities

EXPENSES	<u>2007</u>	<u>2008</u>
<u>Expenses (by function)</u>		
Airport	\$ 145,780	166,609
Water	2,180,730	2,145,401
Geothermal	46,800	63,868
Natural Gas	4,783,357	4,941,853
Day Care	133,493	118,160
Golf Course	<u>37,749</u>	<u>99,865</u>
Total expenses	\$ <u>7,327,909</u>	\$ <u>7,535,756</u>
 REVENUES		
<u>Program revenues (by major source)</u>		
Charges for Services	\$ 6,631,281	\$ 6,930,026
Operating, Capital Contributions And grants	722,575	2,111,713
 <u>General revenues (by major source)</u>		
Use of money and property	189,756	282,717
Gain on sale of capital assets	3,637	17,982
Miscellaneous revenue	5,083	1,512
 Total program and general revenues	 <u>\$ 7,552,332</u>	 <u>\$ 9,343,950</u>
 Excess (deficiency) before contributions to:	 \$ 224,423	 \$ 1,808,194
Term & Permanent Endowments	---	---
Transfers	<u>29,920</u>	<u>(5,000)</u>
Change in net assets	\$ 254,343	\$ 1,803,194
 Net Assets, July 1, 2006 and 2007	 566,777	 821,120
 Net Assets, June 30, 2007 and 2008	 <u>\$ 821,120</u>	 <u>\$ 2,624,314</u>
	=====	=====

OVERALL ANALYSIS

The 2007-08 City annual budget was prepared and approved on time and became effective July 1, 2007. The total full time equivalent positions decreased by two (from 68 to 66 from the prior fiscal year). In the Community Services Department 3 positions were deleted (Director, Construction Supervisor and Maintenance Worker). In the Fire Department 2 positions were added (Firefighters). In the Police Department 1 position was deleted (Detective). Overall, the financial position of the City has improved slightly maintaining fiscal solvency and strict controls on spending. At June 30, 2008 the total pooled cash and investments for all funds increased by \$481,605 (from \$5,143,169 to \$5,624,774). Total net assets increased by \$915,529 in the governmental activities, and increased by \$1,803,194 in the business-type activities.

Governmental Activities

GENERAL FUND - Prudent budgeting and a conservative approach in spending has paid off again in this fiscal year for the General Fund. Fiscal year 2007-08 ended with a positive increase in fund balance of \$376,133. This increase is \$1,772 higher than the previous fiscal year increase of \$374,361. The increase in fund balance is mostly due to salary savings from delaying the hire of vacant positions and from a re-organization of the staff that had the net effect of deleting two full-time positions as follows:

<u>Police Dept.</u>	Deleted Detective position
<u>Fire Dept</u>	Added two Firefighter positions
<u>Community Services Dept.</u>	Deleted Director of Community Services
	Deleted Construction Supervisor
	Deleted Maintenance Worker

On a cash basis, the General Fund cash and investments total decreased by \$160,794 from the prior year. The main reason for this decrease is a combination of an increase in fund balance (revenues over expenditures \$376,133) and the payment of deposits payable (contracts retention for approximately \$550,000) outstanding from the prior year.

Overall, in fiscal year 2007-08, the City's ability to keep its commitments has improved in both Governmental and Business-type activities.

FUND ANALYSIS

ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund

Total General Fund revenues decreased from prior year by a total of \$726,208 (from \$6,408,176 to \$5,681,968). The is due to a decrease in property taxes for \$205,000, a decrease in administrative charges for \$463,000 to the Water and Natural Gas Enterprise funds, a decrease in Federal and State assistance for \$20,000 and a decrease in Licenses and permits for \$38,000.

Compared to prior year, the General Fund expenditures (including transfers out to other funds) decreased by \$727,980 (from \$6,033,815 to \$5,305,835). The decrease is mostly in the administrative departments for \$667,000, Community Services Department for \$176,000, Community Development Department for \$106,000 offset by an increase in Fire Department for \$62,000 and increase in transfers out to other funds for \$156,000.

On June 30, 2008 the General Fund had a fund balance of \$2,027,496 which is an increase of \$376,133 from the prior fiscal year of \$1,651,363. This is a welcome repeat of an increase in fund balance that allows the City to create some reserves even during difficult times.

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, 2008, the total fund balance of these funds was \$3,620,695, an increase of \$667,316 when compared to the prior fiscal year of \$2,953,379.

ANALYSIS OF MAJOR PROPRIETARY FUNDS

Business-type Activities

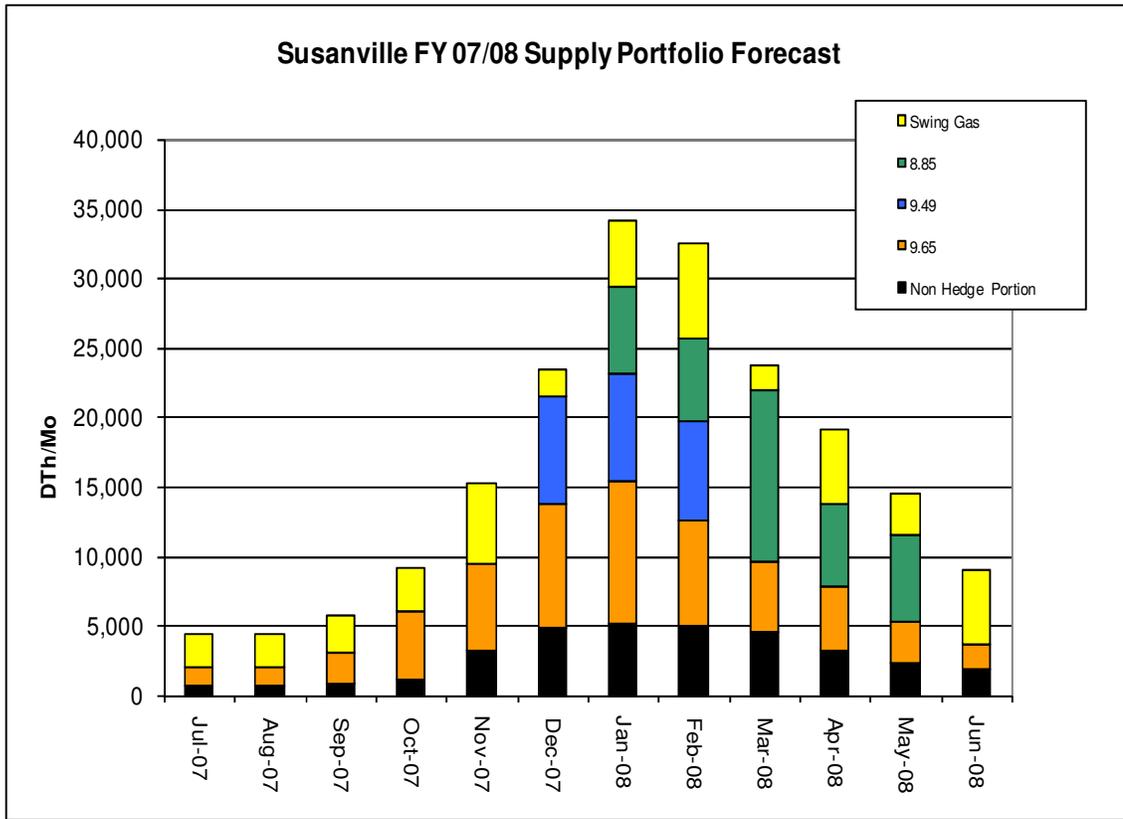
WATER UTILITY ENTERPRISE FUND – At June 30, 2008, the water fund reports an increase in net assets of \$229,491. The gain includes \$330,602 in depreciation and amortization expenses. On a cash basis, the water fund cash and investments increased by \$517,688 (from \$1,028,505 to \$1,546,193. Cady Springs Pipeline, one of the major water projects, is still not completed. The Rock Removal project is anticipated to be finished in 2008/2009. The number of water accounts increased from 3,736 at June 30, 2007 to 3,788 at June 30, 2008, equivalent to a 1.4 % increase.

The net assets increase of \$229,491 is mostly due to the construction of the Cady Springs Pipeline project and the related capitalization of expenses that were added to the fixed assets of the Water Utility Fund.

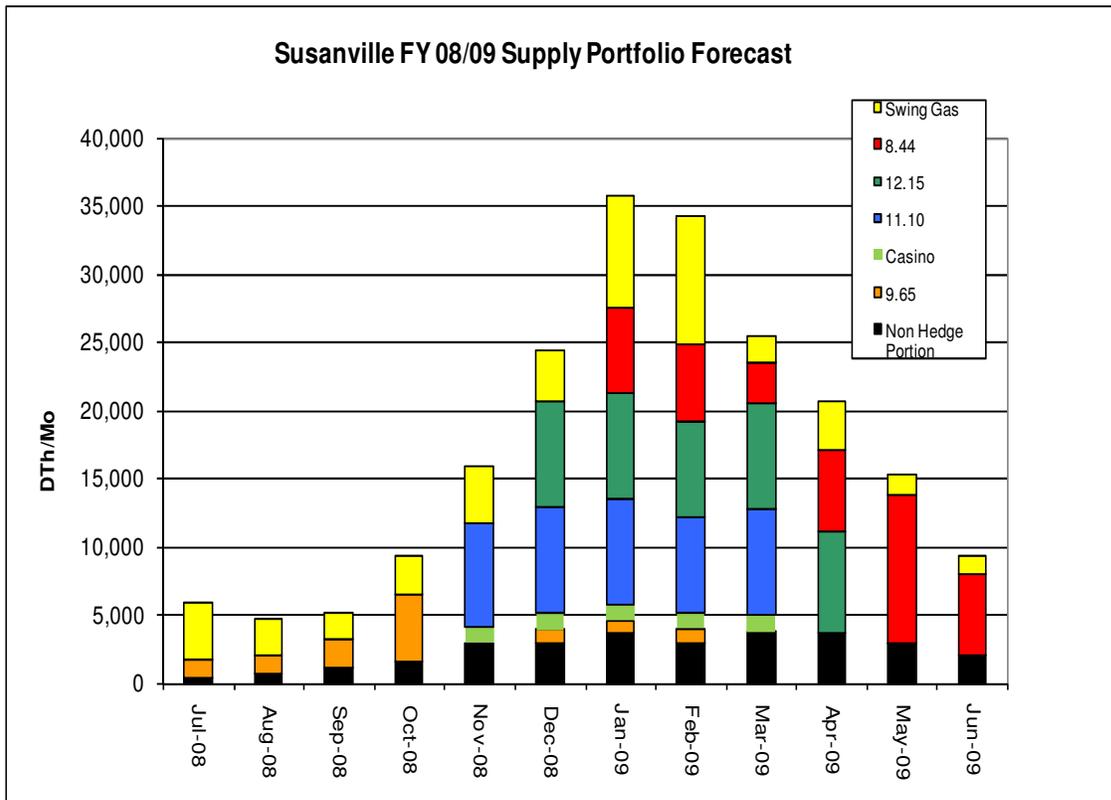
The water rates are reviewed every year to assure that all the costs of operations, debt service, and capital improvements are paid with water revenues. Water usage rates were not increased in fiscal year 2007-08; however, an increase took effect in fiscal year 2008-09 (August 2008).

NATURAL GAS ENTERPRISE FUND - The Natural Gas system performed well overall and revenues and expenses projections were met during the 2007-08 fiscal year.

The Natural Gas Fund shows a decrease in net assets of \$152,219 which includes depreciation and amortization expenses for \$517,556. The cash flow at the end of the fiscal year was \$352,470 in the positive. Because the natural gas was priced competitively, the City was able to continue adding new customers to the system. The gas purchased in FY 2007-08 was as follows:



Despite the effect of gasoline prices at record highs, the cost of natural gas in the open market has not increased significantly, allowing the City to make critical purchases for the following year. As the gas is purchased in the market approximately a year in advance, the City has already secured its FY 2008-09 supply portfolio as follows:



With this gas inventory, the City is able to maintain its competitive edge over other fuels; however, since the cost of purchasing gas is expected to go up, a rate increase is expected for fiscal year 2008-09. The low cost of natural gas compared with its competition (propane, electricity, kerosene and heating oil) has allowed the City to continue adding new customers. In fiscal year 2007-08 a net of 73 new customers were added to the system for an estimated 70,750 additional gas therms.

The City has maintained the services of Interstate Gas Services (IGS), a consulting firm specialized in natural gas, and it is projected to continue through 2008-09 fiscal year. IGS was hired to evaluate and monitor the natural gas system operations and its performance. The firm also acts as an advisor to the City Administrator in the periodical task of purchasing gas in the open market.

The number of natural gas meters increased from 2,376 at June 30, 2007 to 2,449 at June 30, 2008 equivalent to a 3.1% increase.

AIRPORT ENTERPRISE FUND - The net assets of the Airport Fund increased by \$316,407 due to the capitalization of expenses related to capital improvement projects. The operating revenues of the Airport remain insufficient to pay for operating expenses. On a cash-basis the Airport cash balance at June 30 went from negative \$111,835 to negative \$252,170 (this amount has been borrowed from the pooled cash fund). The Airport remains a valuable asset to the City and County despite the fact that it needs a cash inflow to continue operating.

BUDGET VARIANCES IN THE GENERAL FUND

	Original Budget	Final Budget	Difference	Actual
Revenues	\$6,558,630	\$6,606,583	\$ 47,953	\$5,671,712
Expenditures	\$6,498,031	\$6,386,519	(\$111,512)	\$4,891,881
Difference	\$ 60,559	\$ 220,064		\$ 779,831

Other financing sources and (uses):

Transfers-In	136,000	9,965	(126,035)	10,256
Transfers-Out	(235,831)	(495,790)	(259,959)	(413,954)
Difference	(99,831)	(485,825)		(403,698)
Net change in Fund balance	(39,232)	(256,761)		376,133

Reasons for Variances

General Fund - Original Budget to Final Budget variance:

After the original 2007-08 budget was adopted, the City Council approved several budget amendments. Changes were as follows:

	<u>Increases</u> <u>(Decreases)</u>
<u>Revenues and Transfers In:</u>	
Decrease Sales Tax	(\$10,802)
Decrease Property Tax Revenue	(10,796)
Decrease Personal Property Tax	(2,069)
Decrease Prop..Tax in-lieu of Sales Tax	(104,675)
Increase Property Tax in-lieu of VLF	95,975
Decrease Public Safety Sales Tax	(2,363)
Increase Internal Service Allocation	74,985
Decrease Projec. Zoning & Subdv..Fees	(20,000)
Decrease City Engi.Svc	(3,500)
Decrease Building Permit	(30,000)
Decrease Police Svc-Hospital Contract	(21,840)
Remove AB1662 No County Fees	(33,855)
Increase Task Force Agreement	2,031
Remove Indian Gaming Revenue	(30,000)
Add Indian Rancheria Fire Service Fee	30,000
Decrease Fire Permits	(2,500)
Decrease Fire Dept Inspection Fees	(6,000)
Increase Rev for Additional OES Reimb.	25,000
Increase Fire Donations	4,020
Increase Fire for Homeland/FEMA grant	94,342
Total Revenues	\$47,953
Transfers In	(\$126,035)
Total Revenues and Transfers In	(\$78,082)

Expenditures and Transfers Out:

Remove Health Care & PERS for Councilmember	(11,452)
Increase budget for Net of Open Purchase Orders	15,296
Increase Ballot Measure	40,000
Increase Planning Budget for Fee Study	10,000
Decrease Police Booking Fee Expense	(30,000)
Increase Police Animal Control Contract	15,000
Increase Fire Budget for Remaining BLM Grant	262

Increase Fire budget for Retiree Health Benefit	3,965
Increase Fire Overtime	15,000
Increase Fire budget for Volunteers Out of Area	5,000
Increase Fire budget for Supply Safety Items	5,000
Increase Fire budget for 2 new firefighters	65,892
Increase Fire budget for Chief's Vehicle	30,000
Increase Fire donations	4,020
Increase Fire Overtime	25,000
Increase Fire budget for Technical Services	33,000
Increase Fire Budget for Fire Safety Items	3,000
Increase Fire Homeland/FEMA Grant	99,307
Net payroll changes (Salary savings, red. COLA)	(440,432)
Total Expenditures	(111,512)
Transfers – Out	259,959
Total Expenditures & Transfers Out	<u>\$148,447</u>

Final Budget to Actual variance

REVENUES: As of June 30, 2008, total General Fund actual revenues were \$5,671,712 or \$81,000 less than budgeted. This variance comes from a decline in general revenues such as Sales and Use Taxes.

EXPENDITURES: Expenditures were \$4,891,881 or \$640,000 less than budgeted. This was due mainly from salary savings from unfilled vacant positions, savings from a ballot measure the City did not have, savings from two deleted positions, and an accounting change for Administrative Allocation of Expenditures. At the beginning of the fiscal year, *administrative expenditures* were budgeted as revenues in the General Fund and as expenses in other funds. Later in the year we found out that a better accounting treatment is to record these transactions as *reimbursements* by debiting the expenses in the appropriate funds and crediting expenditures in the General Fund.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

For more detailed information, please read this in conjunction with the notes to the financial statements and with the City's financial statements, which follow this discussion.

Capital assets are reported at historical cost. The cost of capital assets includes capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition, such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges if any.

Capital assets includes land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures,

infrastructure, all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Some of the significant capital asset changes from 2006-2007 are as follows:

- Transfer of \$665,340 in assets from Internal Service Funds to Governmental Funds
- Booking \$1.8 Million in assets received from a settlement with the previous Golf Course Lessee.

Infrastructure

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water systems, dams and lighting systems.

The City of Susanville depreciates its capital assets according to their estimated useful lives and does not use the Modified Approach.

Long-term debt activity

The City's outstanding debt at June 30, 2008 was as follows:

Natural Gas Utility	\$24,240,000	Secured by gas revenues
Water Utility	\$10,132,000	Secured by water revenues
City Hall	\$ 1,975,000	Secured by vehicle license fees
Capital Leases	\$ 0	Secured by equipment
Mark Roos Assessment	\$ 1,015,000	Secured by property assessments

All debt service principal and interest payments are current.

OTHER POTENTIALLY SIGNIFICANT MATTERS

As many other cities in California, the City of Susanville's ability to provide services decreases overtime. So far, the City has done an excellent job in maintaining services to the public despite increased costs. However, due to the limitations, imposed on California cities by Proposition 13 and 218, in generating new revenues, the City has continued to balance its budget by cutting expenditures wherever the Council has control over; mostly by cutting positions.

The City has a Redevelopment Agency; however, currently, it does not have an approved redevelopment project. Without an approved project area the City cannot take advantage of the redevelopment laws that would allow capturing revenues for the needed work in the blighted areas.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Country's mortgage crisis, the stock plunge, the drop in retail sales, the increase in unemployment, the fear of economic recession, the banks' rescue by the federal government and the repercussions on the European and World markets, have created a very difficult economic condition that is not going to improve significantly any time soon. The City of Susanville as well as most other cities in the State and in the Country are faced with declining revenues and increased cost of services. The State budget shortfall for the coming fiscal year is in the \$10 billion range. With the passage of Proposition 1A in California, the state government can now borrow local government funds twice in any ten year period. City governments should not be surprised if the State will again try to balance its budget with local governments' money. Unless there are new annexations, the City's revenues are not going to grow significantly. The city's population is expected to grow at a very slow rate and the unemployment rate is expected to stay the same as the prior year.

The 2008-09 budget includes changes to local government funding including the triple flip (loss of 1/4 cent of sales tax for property tax, and loss of the Vehicle License Fees for property tax). The General Fund budget for 2008-09 (including transfers out) decreased by \$280,841 or 4.9% (from \$6,055,938 in 2007-08 to \$5,775,097. The main reasons for the decrease are: a change in overhead allocation to the Enterprise funds and a reduction in full-time and part-time positions.

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.

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CITY OF SUSANVILLE
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 3,914,139	\$ 1,632,835	\$ 5,546,974
Cash and investments with fiscal agents	480,071	3,147,593	3,627,664
Investment in bonds	1,264,106		1,264,106
Accounts receivable	954,710	836,399	1,791,109
Internal balances	70,624	(70,624)	
Interest receivable	29,027	20,107	49,134
Prepaid expenses	18,158	10,042	28,200
Inventory	34,757	75,520	110,277
Deposits		75,000	75,000
Loans receivable	1,137,265		1,137,265
Deferred charges - net of accumulated amortization	116,672	602,329	719,001
Capital assets:			
Nondepreciable:			
Land	2,930,975	2,226,085	5,157,060
Construction in progress	5,902	2,737,654	2,743,556
Depreciable:			
Buildings, improvements, equipment, and vehicles	5,805,328	35,129,968	40,935,296
Accumulated depreciation	(3,594,190)	(8,241,485)	(11,835,675)
Total assets	<u>13,167,544</u>	<u>38,181,423</u>	<u>51,348,967</u>
LIABILITIES			
Accounts payable	305,669	313,195	618,864
Accrued wages	112,228		112,228
Accrued interest payable	59,636	282,932	342,568
Deposits payable	44,700	144,405	189,105
Noncurrent liabilities:			
Due within one year	142,246	543,134	685,380
Due in more than one year	3,051,467	34,273,443	37,324,910
Total liabilities	<u>3,715,946</u>	<u>35,557,109</u>	<u>39,273,055</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,274,687	(2,285,127)	(10,440)
Restricted for:			
Debt service	1,780,484	2,864,661	4,645,145
Unrestricted	5,396,427	2,044,780	7,441,207
Total net assets	<u>\$ 9,451,598</u>	<u>\$ 2,624,314</u>	<u>\$ 12,075,912</u>

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 816,839	\$ 27,937	\$ 85,152	\$ -
Public safety	3,696,206	121,247	147,880	200,194
Streets	1,427,687		943,625	846,174
Protective inspections	244,966			
Community services	325,669	8,931	2,245	24,124
Community development	462,648	176,485		28,161
Interest on long term debt	194,800			
Total governmental activities	7,168,815	334,600	1,178,902	1,098,653
Business-type activities:				
Airport	166,609	52,477	439,104	
Water	2,145,401	2,049,605		154,500
Geothermal	63,868	69,389		
Natural gas	4,941,853	4,650,665		
Day care	118,160	107,890		
Golf course	99,865			1,518,109
Total business-type activities	7,535,756	6,930,026	439,104	1,672,609
Total government	\$ 14,704,571	\$ 7,264,626	\$ 1,618,006	\$ 2,771,262

General Revenues
Taxes:
Secured and unsecured property taxes
Sales and use taxes
Transient lodging taxes
Franchise taxes
Business license tax
Other taxes
Property tax in lieu of sales tax, unrestricted
Property tax in lieu of VLF, unrestricted
Use of money and property
Gain/(loss) on sale of capital assets
Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net assets

Net Assets, July 1, 2007

Prior period adjustments

Net Assets, July 1, 2007, restated

Net assets, June 30, 2008

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
\$ (703,750)	\$ -	\$ (703,750)
(3,226,885)		(3,226,885)
362,112		362,112
(244,966)		(244,966)
(290,369)		(290,369)
(258,002)		(258,002)
(194,800)		(194,800)
<u>(4,556,660)</u>		<u>(4,556,660)</u>
	324,972	324,972
	58,704	58,704
	5,521	5,521
	(291,188)	(291,188)
	(10,270)	(10,270)
	<u>1,418,244</u>	<u>1,418,244</u>
	<u>1,505,983</u>	<u>1,505,983</u>
<u>(4,556,660)</u>	<u>1,505,983</u>	<u>(3,050,677)</u>
924,914		924,914
1,326,767		1,326,767
517,214		517,214
55,428		55,428
247,732		247,732
246,035		246,035
419,193		419,193
1,396,408		1,396,408
163,501	282,717	446,218
(6,491)	17,982	11,491
100,101	1,512	101,613
5,000	(5,000)	
<u>5,395,802</u>	<u>297,211</u>	<u>5,693,013</u>
<u>839,142</u>	<u>1,803,194</u>	<u>2,642,336</u>
8,536,069	821,120	9,357,189
<u>76,387</u>		<u>76,387</u>
<u>8,612,456</u>	<u>821,120</u>	<u>9,433,576</u>
<u>\$ 9,451,598</u>	<u>\$ 2,624,314</u>	<u>\$ 12,075,912</u>

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

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CITY OF SUSANVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008

	General Fund	Other Governmental Funds	Totals
ASSETS			
Cash and investments	\$ 1,556,583	\$ 1,596,294	\$ 3,152,877
Cash and investments with fiscal agent		480,071	480,071
Investment in bonds		1,264,106	1,264,106
Accounts receivable	321,717	632,765	954,482
Interest receivable	13,801	11,082	24,883
Prepaid expenditures	13,756	885	14,641
Inventory	34,757		34,757
Due from other funds	44,282		44,282
Loans receivable	95,417	1,041,848	1,137,265
Advances to other funds	355,204	381,372	736,576
	<u>\$ 2,435,517</u>	<u>\$ 5,408,423</u>	<u>\$ 7,843,940</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 264,013	\$ 35,646	\$ 299,659
Accrued wages	3,891		3,891
Deposits payable	44,700		44,700
Deferred revenue	95,417	1,041,848	1,137,265
Due to other funds		44,282	44,282
Advances from other funds		665,952	665,952
	<u>408,021</u>	<u>1,787,728</u>	<u>2,195,749</u>
Fund Balances:			
Reserved:			
Debt service		1,840,120	1,840,120
Advances	355,204	381,372	736,576
Prepaid expenditures	13,756	885	14,641
Inventory	34,757		34,757
Encumbrances	15,215		15,215
Unreserved, designated:			
Capital improvements	16,668	289,042	305,710
Unreserved, undesignated			
Reported in:			
General Fund	1,591,896		1,591,896
Special Revenue Funds		1,108,885	1,108,885
Capital Projects Funds		391	391
	<u>2,027,496</u>	<u>3,620,695</u>	<u>5,648,191</u>
Total liabilities and fund balances	<u>\$ 2,435,517</u>	<u>\$ 5,408,423</u>	<u>\$ 7,843,940</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, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,648,191

In the 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	\$	8,742,205
Accumulated depreciation		<u>(3,594,190)</u>

Net 5,148,015

In the 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. (59,636)

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>(36,843)</u>

Net 116,672

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. 654,804

Long-term liabilities: In the 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:

Bonds payable		(2,990,000)
Compensated absences payable		<u>(203,713)</u>

Total (3,193,713)

In the governmental funds balance sheet, other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue. 1,137,265

TOTAL NET ASSETS, GOVERNMENTAL ACTIVITIES \$ 9,451,598

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, 2008

	General Fund	Other Governmental Funds	Totals
Revenues:			
Taxes and assessments	\$ 4,642,846	\$ 106,870	\$ 4,749,716
Licenses and permits	151,143		151,143
Fines and forfeitures	74,585		74,585
Use of money and property	70,142	75,449	145,591
Intergovernmental revenues	326,388	1,951,167	2,277,555
Program income		222,302	222,302
Charges for services	318,628		318,628
Other revenues	87,980	188,351	276,331
Total revenues	<u>5,671,712</u>	<u>2,544,139</u>	<u>8,215,851</u>
Expenditures:			
Current:			
General government	722,770		722,770
Public safety	3,325,072	276,603	3,601,675
Streets	36,577	1,361,359	1,397,936
Protective inspections	244,966		244,966
Community services	265,023		265,023
Community development	253,073	381,201	634,274
Capital outlay	44,400	60,090	104,490
Debt service:			
Principal		144,355	144,355
Interest and fiscal agent fees		191,019	191,019
Total expenditures	<u>4,891,881</u>	<u>2,414,627</u>	<u>7,306,508</u>
Excess of revenues over (under) expenditures	<u>779,831</u>	<u>129,512</u>	<u>909,343</u>
Other Financing Sources (Uses):			
Transfers in	10,256	544,898	555,154
Transfers out	(413,954)	(136,200)	(550,154)
Total other financing sources (uses)	<u>(403,698)</u>	<u>408,698</u>	<u>5,000</u>
Net changes in fund balances	<u>376,133</u>	<u>538,210</u>	<u>914,343</u>
Fund balances - July 1, 2007	1,651,363	2,953,379	4,604,742
Prior period adjustment		129,106	129,106
Fund balances - July 1, 2007, restated	<u>1,651,363</u>	<u>3,082,485</u>	<u>4,733,848</u>
Fund balances - June 30, 2008	<u>\$ 2,027,496</u>	<u>\$ 3,620,695</u>	<u>\$ 5,648,191</u>

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

CITY OF SUSANVILLE
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

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	\$ 914,343
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
<p>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.</p>	
Capital outlay expenditures are therefore added back to fund balances	98,210
Depreciation expense is not reported in governmental funds	(380,568)
<p>Debt 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 principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.</p>	
Repayment of debt principal is added back to fund balances	144,355
Amortization expense of costs of issuance not reported in governmental funds	(6,140)
<p>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 revenues or expenditures in governmental funds (net change):</p>	
Interest payable	2,359
Compensated absences	15,818
<p>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</p>	
	(50,676)
<p>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.</p>	
	(8,502)
<p>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.</p>	
	109,943
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 839,142

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Negative)
Revenues:				
Property taxes	\$ 2,806,965	\$ 2,785,400	\$ 2,740,515	\$ (44,885)
Taxes other than property	2,034,580	2,021,415	1,902,331	(119,084)
Licenses and permits	193,350	140,850	151,143	10,293
Fines and forfeitures	57,904	57,904	74,585	16,681
Use of money and property	16,646	16,646	70,142	53,496
Intergovernmental	258,298	345,816	326,388	(19,428)
Charges for services	357,603	326,263	318,628	(7,635)
Other revenues	54,420	58,440	87,980	29,540
	<u>5,779,766</u>	<u>5,752,734</u>	<u>5,671,712</u>	<u>(81,022)</u>
Expenditures:				
Current:				
General government	1,108,142	919,646	722,770	196,876
Public safety	3,560,792	3,531,012	3,325,072	205,940
Streets		6,560	36,577	(30,017)
Protective inspections	251,475	263,404	244,966	18,438
Community development	384,664	363,128	253,073	110,055
Community services	384,094	319,613	265,023	54,590
Capital outlay	30,000	129,307	44,400	84,907
	<u>5,719,167</u>	<u>5,532,670</u>	<u>4,891,881</u>	<u>640,789</u>
Excess of revenues over (under) expenditures	<u>60,599</u>	<u>220,064</u>	<u>779,831</u>	<u>559,767</u>
Other Financing Sources (Uses):				
Transfers in	136,000	9,965	10,256	291
Transfers out	(235,831)	(495,790)	(413,954)	81,836
	<u>(99,831)</u>	<u>(485,825)</u>	<u>(403,698)</u>	<u>82,127</u>
Net changes in fund balance	(39,232)	(265,761)	376,133	641,894
Fund balance - July 1, 2007	<u>1,651,363</u>	<u>1,651,363</u>	<u>1,651,363</u>	
Fund balance - June 30, 2008	<u>\$ 1,612,131</u>	<u>\$ 1,385,602</u>	<u>\$ 2,027,496</u>	<u>\$ 641,894</u>

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

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2008

	Business-type Activities - Enterprise Funds		
	Airport Fund	Water Fund	Geothermal Fund
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 1,546,193	\$ 80,943
Cash and investments with fiscal agents		800,933	
Accounts receivable - net	97,459	452,316	1,960
Interest receivable		19,363	684
Prepaid expenses	1,616	2,022	1,200
Due from other funds		986,689	
Inventory		9,888	
Deposits			
Total Current Assets	99,075	3,817,404	84,787
Noncurrent Assets:			
Deferred charges, net of accumulated amortization		330,478	
Capital Assets:			
Nondepreciable			
Land	43,189	943,183	249,124
Construction in progress	162,009	2,575,645	
Total Nondepreciable Capital Assets	205,198	3,518,828	249,124
Depreciable			
Buildings	166,873	315,266	24,852
Improvements	1,094,493	5,429,854	
Equipment	128,400	3,796,303	228,666
Total Depreciable Capital Assets	1,389,766	9,541,423	253,518
Less accumulated depreciation	(491,117)	(5,722,087)	(246,062)
Net Depreciable Capital Assets	898,649	3,819,336	7,456
Net Capital Assets	1,103,847	7,338,164	256,580
Total Noncurrent Assets	1,103,847	7,668,642	256,580
Total Assets	1,202,922	11,486,046	341,367

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

Business-type Activities - Enterprise Funds				Governmental
Natural Gas Fund	Day Care Fund	Golf Course Fund	Totals	Activities - Internal Service Funds
\$ -	\$ -	\$ 5,699	\$ 1,632,835	\$ 761,262
2,346,660			3,147,593	
279,313	5,351		836,399	228
		60	20,107	4,144
4,977	227		10,042	3,517
			986,689	
65,632			75,520	
75,000			75,000	
<u>2,771,582</u>	<u>5,578</u>	<u>5,759</u>	<u>6,784,185</u>	<u>769,151</u>
<u>271,851</u>			<u>602,329</u>	
		990,589	2,226,085	
			2,737,654	
		990,589	4,963,739	
		374,632	881,623	
21,612,346		1,555,951	29,692,644	
277,332		125,000	4,555,701	
21,889,678		2,055,583	35,129,968	
(1,631,008)		(151,211)	(8,241,485)	
20,258,670		1,904,372	26,888,483	
20,258,670		2,894,961	31,852,222	
20,530,521		2,894,961	32,454,551	
23,302,103	5,578	2,900,720	39,238,736	769,151

(Continued)

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (Continued)
June 30, 2008

	Business-type Activities - Enterprise Funds		
	Airport Fund	Water Fund	Geothermal Fund
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 47,536	\$ 183,670	\$ 386
Accrued wages			
Due to other funds	252,170		
Accrued interest		41,181	
Deposits payable		96,764	
Current portion - long-term debt		175,456	
	299,706	497,071	386
Total Current Liabilities			
Noncurrent Liabilities:			
Advances from other funds			
Notes payable		921,000	
Revenue bonds payable		9,050,000	
Certificates of participation			
Compensated absences	364	41,377	
	364	10,012,377	
Total Noncurrent Liabilities			
	300,070	10,509,448	386
Total Liabilities			
NET ASSETS			
Investment in capital assets, net of related debt	1,103,847	(2,477,814)	256,580
Restricted for debt service		759,752	
Unrestricted	(200,995)	2,694,660	84,401
	\$ 902,852	\$ 976,598	\$ 340,981
Total Net Assets			

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

Business-type Activities - Enterprise Funds				Governmental
Natural	Day	Golf		Activities-
Gas	Care	Course		Internal
Fund	Fund	Fund	Totals	Service
				Funds
\$ 80,069	\$ 1,534	\$ -	\$ 313,195	\$ 6,010
				108,337
537,315	197,204		986,689	
235,679		6,072	282,932	
47,641			144,405	
		353,222	528,678	
<u>900,704</u>	<u>198,738</u>	<u>359,294</u>	<u>2,255,899</u>	<u>114,347</u>
		70,624	70,624	
			921,000	
			9,050,000	
24,240,000			24,240,000	
29,907	5,251		76,899	
<u>24,269,907</u>	<u>5,251</u>	<u>70,624</u>	<u>34,358,523</u>	
<u>25,170,611</u>	<u>203,989</u>	<u>429,918</u>	<u>36,614,422</u>	<u>114,347</u>
(3,709,479)		2,541,739	(2,285,127)	
2,110,981		(6,072)	2,864,661	
(270,010)	(198,411)	(64,865)	2,044,780	654,804
<u>\$ (1,868,508)</u>	<u>\$ (198,411)</u>	<u>\$ 2,470,802</u>	<u>\$ 2,624,314</u>	<u>\$ 654,804</u>

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Airport Fund</u>	<u>Water Fund</u>	<u>Geothermal Fund</u>
Operating Revenues:			
Sales and charges for services	\$ 52,477	\$ 2,049,605	\$ 69,389
Total Operating Revenues	<u>52,477</u>	<u>2,049,605</u>	<u>69,389</u>
Operating Expenses:			
Direct:			
Purchase of natural gas			
Administration	58,754	881,582	59,135
Insurance costs and claims			
Depreciation and amortization	67,372	330,602	621
Total Direct Operating Expenses	<u>126,126</u>	<u>1,212,184</u>	<u>59,756</u>
Indirect:			
Overhead allocation	40,483	394,064	4,112
Total Indirect Operating Expenses	<u>40,483</u>	<u>394,064</u>	<u>4,112</u>
Total Operating Expenses	<u>166,609</u>	<u>1,606,248</u>	<u>63,868</u>
Operating Income (Loss)	<u>(114,132)</u>	<u>443,357</u>	<u>5,521</u>
Non-Operating Revenues (Expenses):			
Interest income	(8,565)	156,293	3,462
Interest expense		(539,153)	
Reimbursements		1,512	
Grants and subsidies	439,104		
Gain on sale of capital assets		17,982	
Total Non-Operating Revenue(Expenses)	<u>430,539</u>	<u>(363,366)</u>	<u>3,462</u>
Income (Loss) Before Transfers, Contributions, and Grants	316,407	79,991	8,983
Capital contributions and grants		154,500	
Transfers:			
Transfers in			
Transfers out		(5,000)	
Change in Net Assets	<u>316,407</u>	<u>229,491</u>	<u>8,983</u>
Net Assets, July 1, 2007	586,445	747,107	331,998
Prior Period Adjustments			
Net Assets, July 1, 2007, restated	<u>586,445</u>	<u>747,107</u>	<u>331,998</u>
Net Assets, June 30, 2008	<u>\$ 902,852</u>	<u>\$ 976,598</u>	<u>\$ 340,981</u>

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

Business-type Activities - Enterprise Funds				Governmental
Natural Gas Fund	Day Care Fund	Golf Course Fund	Totals	Activities-Internal Service Funds
\$ 4,650,665	\$ 107,890	\$ -	\$ 6,930,026	\$ 1,201,042
4,650,665	107,890		6,930,026	1,201,042
1,674,750			1,674,750	
778,992	107,216	68,767	1,954,446	419,861
				689,148
517,556		22,782	938,933	
2,971,298	107,216	91,549	4,568,129	1,109,009
556,480	10,944	2,244	1,008,327	
556,480	10,944	2,244	1,008,327	
3,527,778	118,160	93,793	5,576,456	1,109,009
1,122,887	(10,270)	(93,793)	1,353,570	92,033
138,969	(7,755)	313	282,717	17,910
(1,414,075)		(6,072)	(1,959,300)	
			1,512	
			439,104	
			17,982	
(1,275,106)	(7,755)	(5,759)	(1,217,985)	17,910
(152,219)	(18,025)	(99,552)	135,585	109,943
		1,518,109	1,672,609	
			(5,000)	
(152,219)	(18,025)	1,418,557	1,803,194	109,943
(1,716,289)	(180,386)	1,052,245	821,120	974,303
				(429,442)
(1,716,289)	(180,386)	1,052,245	821,120	544,861
\$ (1,868,508)	\$ (198,411)	\$ 2,470,802	\$ 2,624,314	\$ 654,804

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Airport Fund	Water Fund	Geothermal Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 137,746	\$ 1,915,016	\$ 71,123
Payments to suppliers and users	(83,306)	(622,637)	(71,628)
Payments to employees	(2,173)	(302,022)	
Net Cash Provided (Used) by Operating Activities	<u>52,267</u>	<u>990,357</u>	<u>(505)</u>
Cash Flow from Non-Capital Financing Activities:			
Grants and contributions received	439,104	1,512	
Transfers in/ (out)		(5,000)	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>439,104</u>	<u>(3,488)</u>	
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(482,806)	(181,901)	
Proceeds from sale of capital assets		20,477	
Capital grants received		154,500	
Interest paid		(540,692)	
Principal payments - long-term debt		(156,000)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(482,806)</u>	<u>(703,616)</u>	
Cash Flows from Investing Activities:			
Proceeds from advances from other funds			
Interest received	(8,565)	165,004	3,677
Net Cash Provided (Used) by Investing Activities	<u>(8,565)</u>	<u>165,004</u>	<u>3,677</u>
Net Increase (Decrease) in Cash and Cash Equivalents		448,257	3,172
Cash and Cash Equivalents, July 1, 2007		<u>1,898,869</u>	<u>77,771</u>
Cash and Cash Equivalents, June 30, 2008	<u>\$ -</u>	<u>\$ 2,347,126</u>	<u>\$ 80,943</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets			
Cash and investments	\$ -	\$ 1,546,193	\$ 80,943
Cash and investments with fiscal agents		<u>800,933</u>	
Total Cash and Investments	<u>\$ -</u>	<u>\$ 2,347,126</u>	<u>\$ 80,943</u>

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

Business-type Activities - Enterprise Funds				Governmental
Natural Gas Fund	Day Care Fund	Golf Course Fund	Totals	Activities - Internal Service Funds
\$ 4,625,481	\$ 114,108	\$ -	\$ 6,863,474	\$ 1,200,910
(3,069,415)	(38,657)	(70,972)	(3,956,615)	(949,593)
(308,887)	(67,696)	(6,013)	(686,791)	(272,759)
1,247,179	7,755	(76,985)	2,220,068	(21,442)
			440,616	
			(5,000)	
			435,616	
(5,000)			(669,707)	
			20,477	
			154,500	
(1,414,075)			(1,954,767)	
			(156,000)	
(1,419,075)			(2,605,497)	
138,969	(7,755)	70,624	70,624	20,449
138,969	(7,755)	637	291,967	20,449
		71,261	362,591	20,449
(32,927)		(5,724)	412,778	(993)
2,379,587		11,423	4,367,650	762,255
\$ 2,346,660	\$ -	\$ 5,699	\$ 4,780,428	\$ 761,262
\$ -	\$ -	\$ 5,699	\$ 1,632,835	\$ 761,262
2,346,660			3,147,593	
\$ 2,346,660	\$ -	\$ 5,699	\$ 4,780,428	\$ 761,262

(Continued)

CITY OF SUSANVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2008

	<u>Business-type Activities - Enterprise Funds</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)	\$ (114,132)	\$ 443,357	\$ 5,521
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	67,372	330,602	621
(Increase) Decrease in Operating Assets:			
Accounts receivable	85,269	(143,525)	1,734
Inventory		1,366	
Prepaid expenses	(1,616)	(559)	(1,200)
Due from other funds		199,608	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(124,881)	149,596	(7,181)
Accrued wages			
Due to other funds	140,335		
Compensated absences	(80)	976	
Deposits payable		8,936	
Net Cash Provided (Used) by Operating Activities	<u>\$ 52,267</u>	<u>\$ 990,357</u>	<u>\$ (505)</u>

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

Business-type Activities - Enterprise Funds				Governmental
Natural	Day	Golf	Totals	Activities-
Gas	Care	Course		Internal
Fund	Fund	Fund		Service
				Funds
\$ 1,122,887	\$ (10,270)	\$ (93,793)	\$ 1,353,570	\$ 92,033
517,556		22,782	938,933	
(36,188)	6,218		(86,492)	(132)
2,977			4,343	
(216)	(27)		(3,618)	(1,084)
			199,608	
(18,465)	(1,086)	(5,974)	(7,991)	(22,176)
				(90,083)
(352,470)	12,527		(199,608)	
94	393		1,383	
11,004			19,940	
<u>\$ 1,247,179</u>	<u>\$ 7,755</u>	<u>\$ (76,985)</u>	<u>\$ 2,220,068</u>	<u>\$ (21,442)</u>

CITY OF SUSANVILLE
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2008

	Agency Funds			Totals
	Section 125 Aflac Fund	LAFCO Fund	HUSA Business Improvement Fund	
ASSETS				
Cash and investments	\$ 15,787	\$ 61,147	\$ 1,151	\$ 78,085
Accounts receivable			2,837	2,837
Interest receivable		492		492
Total Assets	15,787	61,639	3,988	81,414
LIABILITIES				
Liabilities:				
Accounts payable		4,249	631	4,880
Deposits payable	15,787	57,390	3,357	76,534
Total Liabilities	15,787	61,639	3,988	81,414
NET ASSETS				
Unrestricted				
Total Net Assets	\$ -	\$ -	\$ -	\$ -

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

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 a 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, 2008 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 (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, 2008

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 funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

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

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

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains three funds – HUSA Business Improvement, 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 at least ten percent of their fund-type total and at least five percent of the grand 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, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

The City reported the following major governmental fund 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:

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.

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.

Additionally, the government reports the following fund types:

The Internal Service Funds are used to account for financial transactions related to the City's public works and engineering program, payroll, and risk management program. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

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, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. However, due to the complexities of the State of California's "Triple Flip" calculations, the City is using ninety days in accruing these revenues. 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 compensatory and vacation time in relevant funds. For governmental type funds, the current liability appears in the respective funds. All vacation 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 compensatory and vacation time 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, 2008

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 costs are 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 and with useful lives exceeding two years.

As required under GASB Statement No. 34, phase III governments were required to report the cost and accumulated depreciation of infrastructure as of June 30, 2008. Phase III governments also had the option of reporting all infrastructure assets acquired prior to June 30, 2004, but were required to report all infrastructure assets acquired on July 1, 2004 and thereafter. The City has elected not to report infrastructure acquired prior to June 30, 2004 and has not had any infrastructure acquisitions or contributions/donations since that time.

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.

I. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of supplies are expended when purchased because the amounts are not considered to be material. Inventories of governmental funds are recorded as expenditures when used or consumed.

J. New Accounting Pronouncements

The City has implemented the requirements of GASB Statements No. 48 and No. 50 during the fiscal year ended June 30, 2008.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. New Accounting Pronouncements (Continued)

GASB Statement No. 48

This statement is effective for periods beginning after December 15, 2006 and establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the City's basic financial statements for the fiscal year ended June 30, 2008.

GASB Statement No. 50

For the fiscal year ended June 30, 2008, the City implemented GASB Statement No. 50, "Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27". The statement is effective for periods beginning after June 15, 2007. This statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions.

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 Administrator 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 Administrator. 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.

There were no budgets adopted for the following funds: Solid Waste Fund, Home Revolving Fund, Barry Creek Development Fund, Chestnut Street Culvert Fund, Skyline Park Project Fund, Jensen Slough Pedestrian Bridge Fund, Skyline Numa Signal Fund, Building Reserve Fund, and Uptown Cinema Barrier Fund.

There was approximately a \$5,537,819 change in appropriations from the original budget to the final budget.

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	\$ 7,204
Community Redevelopment Agency Fund	4,066
04-EDBG-0630 Fund	91,056

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Deficit Fund Balances/Net Assets

Major Funds

A deficit net assets of \$1,868,508 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 \$198,411 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 \$665,962 exists in the Community Redevelopment Agency Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

NOTE 3 – CASH AND INVESTMENTS

Statement of Net Assets:

Cash and investments	\$ 5,546,974
Cash and investments with fiscal agent	3,627,664
Investment in bonds	1,264,106

Statement of Fiduciary Net Assets:

Cash and investments	78,085
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Total	\$ 10,516,829
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Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 650
Deposits with financial institutions	299,363
Investments in bonds	1,264,106
Investments	8,952,710

Total	\$ 10,516,829
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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.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage/Amount 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

Investments Authorized by Debt Agreements

Investments 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/Amount of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	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:

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	\$ 5,325,046	\$ 5,325,046	\$ -	\$ -	\$ -	\$ -	\$ -
Held by debt trustees:							
Money market funds	1,979,875	1,979,875					
U.S. Agency Securities	1,173,134					398,984	774,150
Investment contracts							
AIG	474,655						474,655
Miller Fletcher bonds	1,264,106	65,000	70,000	75,000	80,000	85,000	889,106
	<u>\$ 10,216,816</u>	<u>\$ 7,369,921</u>	<u>\$ 70,000</u>	<u>\$ 75,000</u>	<u>\$ 80,000</u>	<u>\$ 483,984</u>	<u>\$ 2,137,911</u>

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	\$ 5,325,046	N/A	\$ -	\$ -	\$ -	\$ -	\$ 5,325,046
Held by debt trustees:							
Money market funds	1,979,875	N/A		1,979,875			
U.S. Agency Securities	1,173,134	N/A		1,173,134			
Investment contracts							
AIG	474,655	N/A				474,655	
Miller Fletcher bonds	1,264,106						1,264,106
Total	<u>\$ 10,216,816</u>		<u>\$ -</u>	<u>\$ 3,153,009</u>	<u>\$ -</u>	<u>\$ 474,655</u>	<u>\$ 6,589,152</u>

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), other than the State Investment Pool. 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.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2008, \$970,050 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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 asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Transfers	Prior Period Adjustments	Balance June 30, 2008
Governmental Activities, not including Internal Service Funds						
Nondepreciable capital assets:						
Land	\$ 2,525,010	\$ -	\$ -	\$ 405,965	\$ -	\$ 2,930,975
Construction in progress	5,902					5,902
Total nondepreciable capital assets	2,530,912			405,965		2,936,877
Depreciable capital assets:						
Buildings	1,163,087			89,349		1,252,436
Machinery and equipment	2,225,145	66,790	(117,312)	13,219		2,187,842
Other improvements	2,398,106	31,420			(64,476)	2,365,050
Total depreciable capital assets	5,786,338	98,210	(117,312)	102,568	(64,476)	5,805,328
Less accumulated depreciation	(3,255,098)	(380,568)	108,810	(79,091)	11,757	(3,594,190)
Net depreciable capital assets	2,531,240	(282,358)	(8,502)	23,477	(52,719)	2,211,138
Net capital assets	\$ 5,062,152	\$ (282,358)	\$ (8,502)	\$ 429,442	\$ (52,719)	\$ 5,148,015

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Internal Service Funds					
Nondepreciable capital assets:					
Land	\$ 405,965	\$ -	\$ -	\$(405,965)	\$ -
Total nondepreciable capital assets	405,965			(405,965)	
Depreciable capital assets:					
Buildings	89,349			(89,349)	
Machinery and equipment	13,219			(13,219)	
Total depreciable capital assets	102,568			(102,568)	
Less accumulated depreciation	(79,091)			79,091	
Net depreciable capital assets	23,477			(23,477)	
Net capital assets	<u>\$ 429,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(429,442)</u>	<u>\$ -</u>
Business-type Activities					
Airport					
Nondepreciable capital assets:					
Land	\$ 43,189	\$ -	\$ -	\$ -	\$ 43,189
Construction in progress	258,898	162,009		(258,898)	162,009
Total nondepreciable capital assets	302,087	162,009		(258,898)	205,198
Depreciable capital assets:					
Buildings	166,873				166,873
Machinery and equipment	128,400				128,400
Other improvements	514,798	320,797		258,898	1,094,493
Total depreciable capital assets	810,071	320,797		258,898	1,389,766
Less accumulated depreciation	(423,745)	(67,372)			(491,117)
Net depreciable capital assets	386,326	253,425		258,898	898,649
Net capital assets	<u>\$ 688,413</u>	<u>\$ 415,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103,847</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Water					
Nondepreciable capital assets:					
Construction in progress	\$ 2,419,837	\$ 155,808	\$ -	\$ -	\$ 2,575,645
Land	945,678		(2,495)		943,183
Total nondepreciable capital assets	<u>3,365,515</u>	<u>155,808</u>	<u>(2,495)</u>		<u>3,518,828</u>
Depreciable capital assets:					
Infrastructure	1,520,819				1,520,819
Buildings	315,266				315,266
Machinery and equipment	3,770,210	26,093			3,796,303
Other improvements	3,909,035				3,909,035
Total depreciable capital assets	<u>9,515,330</u>	<u>26,093</u>			<u>9,541,423</u>
Less accumulated depreciation	<u>(5,406,425)</u>	<u>(315,662)</u>			<u>(5,722,087)</u>
Net depreciable capital assets	<u>4,108,905</u>	<u>(289,569)</u>			<u>3,819,336</u>
Net capital assets	<u>\$ 7,474,420</u>	<u>\$ (133,761)</u>	<u>\$ (2,495)</u>	<u>\$ -</u>	<u>\$ 7,338,164</u>

The City sold land during the fiscal year for a sales price of \$20,477, resulting in a gain of \$17,982, as shown on the Statement of Revenues, Expenses, and Changes in Net Assets. The original cost of the land was \$2,495.

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Geothermal					
Nondepreciable capital assets:					
Land	\$ 249,124	\$ -	\$ -	\$ -	\$ 249,124
Total nondepreciable capital assets	<u>249,124</u>				<u>249,124</u>
Depreciable capital assets:					
Buildings	24,852				24,852
Machinery and equipment	228,666				228,666
Total depreciable capital assets	<u>253,518</u>				<u>253,518</u>
Less accumulated depreciation	<u>(245,441)</u>	<u>(621)</u>			<u>(246,062)</u>
Net depreciable capital assets	<u>8,077</u>	<u>(621)</u>			<u>7,456</u>
Net capital assets	<u>\$ 257,201</u>	<u>\$ (621)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,580</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Business-type Activities					
<u>Natural Gas</u>					
Depreciable capital assets:					
Infrastructure	\$ 21,612,346	\$ -	\$ -	\$ -	\$ 21,612,346
Machinery and equipment	272,332	5,000			277,332
Total depreciable capital assets	21,884,678	5,000			21,889,678
Less accumulated depreciation	(1,241,672)	(389,336)			(1,631,008)
Net depreciable capital assets	20,643,006	(384,336)			20,258,670
Net capital assets	<u>\$ 20,643,006</u>	<u>\$ (384,336)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,258,670</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	333,309			374,632
Machinery and equipment		125,000			125,000
Other improvements	142,930	1,413,021			1,555,951
Total depreciable capital assets	184,253	1,871,330			2,055,583
Less accumulated depreciation	(128,430)		(22,781)		(151,211)
Net depreciable capital assets	55,823	1,871,330	(22,781)		1,904,372
Net capital assets	<u>\$ 1,046,412</u>	<u>\$ 1,871,330</u>	<u>\$ (22,781)</u>	<u>\$ -</u>	<u>\$ 2,894,961</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	\$ 195,640
Public safety	94,531
Streets	29,751
Community services	60,646
Total Depreciation Expense-Governmental Activities	<u>\$ 380,568</u>
Business-type Activities:	
Airport	\$ 67,372
Water	315,662
Geothermal	621
Natural gas	389,336
Golf course	22,782
Total Depreciation Expense-Business-type Activities	<u>\$ 795,773</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2008, 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	Gas Tax Fund	\$ 30,595
General Fund	Office of Traffic Safety Fund	<u>13,687</u>
		<u>\$ 44,282</u>
Major Proprietary Fund:	Major Proprietary Funds:	
Water Fund	Airport Fund	\$ 252,170
Water Fund	Natural Gas Fund	537,315
Water Fund	Day Care Fund	<u>197,204</u>
		<u>\$ 986,689</u>

Advances To / From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:	Nonmajor Governmental Funds:	
General Fund	Community Redevelopment Agency Fund	\$284,580
	Major Proprietary Fund:	
	Golf Course Fund	70,624
Nonmajor Governmental Funds:		
Special Revenue Funds:		
State Revolving Fund	Community Redevelopment Agency Fund	247,549
State Revolving Economic Development Fund	Community Redevelopment Agency Fund	<u>133,823</u>
		<u>\$736,576</u>

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Fund:		
General Fund	\$ 10,256	\$ 413,954
Major Proprietary Fund:		
Water Fund		5,000
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Gas Tax Fund	88,816	
Street Mitigation Fund		32,000
Fire Mitigation Fund		4,965
State Revolving Economic Development Fund	98,944	
04-EDBG-0630 Fund	190,000	98,944
Debt Service Fund:		
City Hall Debt Service Fund	167,138	

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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

	Transfers In	Transfers Out
Capital Projects Fund:		
Safe Routes to School Fund	\$ -	\$ 291
	<u>\$ 555,154</u>	<u>\$ 555,154</u>

Current interfund balances arise in the normal course of business and to assist funds with negative cash balance at the fiscal year end. They are expected to be repaid shortly after the end of the fiscal year.

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 –NOTES AND LOANS RECEIVABLE

The following schedule summarizes notes and loans receivables as of June 30, 2008:

Note Receivable for business assistance	\$ 95,417
State Revolving Fund notes receivables	245,672
State Revolving Economic Development fund notes receivable	124,218
Home Revolving Loan funds notes receivable	<u>671,958</u>
Total notes receivable, Nonmajor Governmental Funds	<u>\$ 1,137,265</u>

These notes and loans represent amounts loaned to individuals and businesses to assist in the purchase or rehabilitation of residences or businesses.

NOTE 7 –LONG-TERM DEBT

A. Compensated Absences

City employees accumulate earned but unused vacation and compensatory time 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, 2008, total \$196,467 for governmental activities and \$76,899 for business-type activities. The current portion is \$7,246 and \$14,456, respectively.

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, 2008 is \$1,015,000.

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, 2008 is \$1,975,000.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 –LONG-TERM DEBT (Continued)

B. Revenue Bonds (Continued)

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

Fiscal Year Ended June 30,	Revenue Bonds		Total
	Principal	Interest	
2009	\$ 135,000	\$ 174,993	\$ 309,993
2010	140,000	166,903	306,903
2011	145,000	158,330	303,330
2012	160,000	148,973	308,973
2013	165,000	138,794	303,794
2014-2018	1,020,000	510,714	1,530,714
2019-2023	530,000	265,105	795,105
2024-2028	695,000	99,963	794,963
	<u>\$ 2,990,000</u>	<u>\$ 1,663,775</u>	<u>\$ 4,653,775</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 \$110,000 to \$445,000. 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, 2008 is \$5,875,000.

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 \$5,000 to \$585,000. Final payment is on June 1, 2036. Original issue was \$3,330,000. The balance at June 30, 2008 is \$3,325,000.

Water Enterprise debt service requirements for the 2000 and 2004 Revenue bonds are:

Fiscal Year Ended June 30,	Revenue Bonds		Total
	Principal	Interest	
2009	\$ 150,000	\$ 494,177	\$ 644,177
2010	160,000	487,133	647,133
2011	170,000	479,540	649,540
2012	175,000	471,307	646,307
2013	185,000	462,663	647,663
2014-2018	1,065,000	2,160,615	3,225,615
2019-2023	1,390,000	1,836,238	3,226,238
2024-2028	1,845,000	1,392,895	3,237,895
2029-2033	2,355,000	819,205	3,174,205
2034-2036	1,705,000	178,855	1,883,855
Total	<u>\$ 9,200,000</u>	<u>\$ 8,782,628</u>	<u>\$ 17,982,628</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 –LONG-TERM DEBT (Continued)

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,	Certificates of Participation		Total
	Principal	Interest	
2009	\$ -	\$ 1,414,076	\$ 1,414,076
2010		1,414,076	1,414,076
2011	24,240,000	1,414,077	25,654,077
Total	<u>\$ 24,240,000</u>	<u>\$ 4,242,229</u>	<u>\$ 28,482,229</u>

D. Notes Payable

Notes payable at June 30, 2008, consisted of the following:

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

\$ 932,000

Golf Course Fund to Plumas Bank, bears interest at 6.50%. This note was used to pay off a settlement agreement. Principal was payable on June 30, 2008, but was not paid until July 23, 2008. Interest is due on the 25th of each month.

353,222

Total Notes Payable

\$1,285,222

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 –LONG-TERM DEBT (Continued)

D. Notes Payable (Continued)

The scheduled annual minimum debt service requirements at June 30, 2008, are as follows:

Future debt service on the notes are:

Fiscal Year Ending June 30,	Notes Payable		Total
	Principal	Interest	
2009	\$ 364,222	\$ 45,448	\$ 409,670
2010	12,000	39,888	51,888
2011	12,000	38,378	50,378
2012	13,000	38,846	51,846
2013	14,000	37,273	51,273
2014-2018	77,000	176,991	253,991
2019-2023	96,000	158,653	254,653
2024-2028	120,000	135,787	255,787
2029-2033	147,000	107,546	254,546
2034-2038	181,000	72,781	253,781
2039-2043	225,000	29,856	254,856
2044	24,000	510	24,510
	<u>\$ 1,285,222</u>	<u>\$ 881,957</u>	<u>\$ 2,167,179</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 was made in October 2007.

F. Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2008, was as follows:

	July 1, 2007 Balance	Additions	Reductions	June 30, 2008 Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Revenue	\$ 3,115,000	\$ -	\$ 125,000	\$ 2,990,000	\$ 135,000
Capital lease	19,355		19,355		
Compensated absences	219,531		15,818	203,713	7,246
Governmental activities Long-term liabilities	<u>\$ 3,353,886</u>	<u>\$ -</u>	<u>\$ 160,173</u>	<u>\$ 3,193,713</u>	<u>\$ 142,246</u>
Business-type activities:					
Bonds Payable:					
Revenue	\$ 9,345,000	\$ -	\$ 145,000	\$ 9,200,000	\$ 150,000
Certificates of participation	24,240,000			24,240,000	
Notes payable	943,000	353,222	11,000	1,285,222	364,222
Compensated absences	89,972	1,383		91,355	14,456
Business-type activities Long-term liabilities	<u>\$ 34,617,972</u>	<u>\$ 354,605</u>	<u>\$ 156,000</u>	<u>\$ 34,816,577</u>	<u>\$ 528,678</u>

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 –LONG-TERM DEBT (Continued)

G. Deferred Debt Expense

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

NOTE 8 - 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 a 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 2007-08 was 21.233% for miscellaneous employees and 33.235% 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. The City's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$842,328, \$821,698, and \$778,074, respectively, and equal 100% of the required contributions for each fiscal year. The City also paid the employees portion of their required contribution, which was \$269,402, \$272,224, and \$255,401 for the fiscal years ending June 30, 2008, 2007, and 2006, respectively.

NOTE 9 – 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.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 9 – INSURANCE (Continued)

Condensed financial information of the Small Cities Organized Risk Effort (SCORE) for the fiscal year ended June 30, 2006, is as follows:

	Liability Program	Workers Comp. Program	Total
Total Assets	\$ 4,143,351	\$ 5,919,765	\$ 10,063,116
Total Liabilities	\$ 1,441,134	\$ 2,860,470	\$ 4,301,604
Fund Equity	2,702,217	3,059,295	5,761,512
Total Liabilities and Equity	\$ 4,143,351	\$ 5,919,765	\$ 10,063,116
Total Revenues	\$ 1,747,013	\$ 2,231,360	\$ 3,978,373
Total Expenditures	1,259,338	2,304,919	3,564,257
Net Increase/(Decrease)	\$ 487,675	\$ (73,559)	\$ 414,116

The financial information above is the latest available information, as neither the June 30, 2007 or 2008 information was available as of the date of these financial statements.

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 the June 30, 2008 draft audit, ERMA's deficit was \$1,741,333. 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.

As of June 30, 2008, no claims exceeded insurance coverage in the last three fiscal years.

NOTE 10 – POSTRETIREMENT BENEFITS OTHER THAN PENSION BENEFITS

The City provides post-retirement health care benefits to eligible employees who retire from the City. On June 30, 2008 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 on June 30, 2008, is \$326,016. 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 2007/2008 fiscal year, the City paid \$10,698 for three retirees receiving this benefit.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 11 – DEFERRED COMPENSATION PLANS

The City offers its employees deferred compensation plans through three different financial services companies. These plans were created in accordance with Internal Revenue Code Section 457. The plans are available to all employees. The Omnibus Budget Reconciliation Act of 1990 mandates social security coverage for state and local government employees who are not covered by a retirement plan. The Internal Revenue Service regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City matches employee contributions at rate of 2% to 100%, with a maximum of \$25 to \$40 per pay period.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (AIG Valic, PebsCo, or IMCA) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

NOTE 12 – 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 Expenditures – 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.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2008

NOTE 12 – NET ASSETS AND FUND BALANCES (Continued)

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

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.

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 on June 30, 2008 are as follows:

Schedule of Designated Fund Balances

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Unreserved and designated for:		
Capital improvements	\$ <u>16,668</u>	\$ <u>289,042</u>

NOTE 13 – 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 14 – 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 \$1,160,819 for contracts awarded but not completed on June 30, 2008. The major contracts outstanding are \$16,400 in the Water Fund for the Cady Springs rock removal project, \$109,144 in Streets for the STIP 1A rehabilitation project, and \$1,035,275 in the Airport Fund for the Runway 1129 rehabilitation project.

CITY OF SUSANVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 15 – SUBSEQUENT EVENTS

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 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.

As of June 30, 2008, the Natural Gas Fund has borrowed \$537,315 of pooled cash in order to maintain its operations. It is estimated, based on unaudited information that for the fiscal year ending June 30, 2009, that the natural gas system's total loss will be \$521,547, after depreciation and amortization. However, on a cash flow basis, the Natural Gas system is expected to provide a positive cash flow, assuming no additional capital outlay. The Natural Gas system has not performed as well as anticipated since operations have begun. 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 6 per month.

Note Payable

On July 23, 2008, the City issued a note payable to Plumas Bank in the amount of \$382,800. This note relates to the outstanding note payable of \$353,222 in the Golf Course Fund as of June 30, 2008, and is a part of a settlement agreement. The interest rate is 6.50% and is due in full on June 30, 2009. It is anticipated that this note will be paid off by a third note, with similar terms.

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 long-term debt in the accompanying financial statements. The outstanding indebtedness on June 30, 2008 was \$1,015,000.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$76,387 was made on the Statement of Activities for Governmental Activities for an overstatement of capital assets (\$52,719), and an understatement of investment in bonds \$129,106.

A prior period adjustment of \$129,106 was made in the Mark Roos 92B Fund for an understatement of investment in bonds.

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Local Law Enforcement Block Grant Fund – A State grant used to fund a Police Sergeant’s position to supplement the number of personnel assigned to provide law enforcement services to the city.

05-PTAA-1505 Fund – A grant from the Department of Housing and Community Development to fund a Household Income Survey to be used for future CDBG applications.

Gas Tax Fund – Gas Tax monies received from the State of California are used to construct and maintain the streets, alleys, etc. and provide emergency snow-removal services within the City of Susanville.

Solid Waste Fund – General Fund money set aside for the City use in any solid waste matters.

Street, Police & Fire Mitigation Funds – Fees collected from new developments within the City are placed in these separate funds and used to purchase and maintain vehicles, equipment and various facilities.

Park Land In-lieu Fund – Fees collected from new developments within the City are used to purchase necessary equipment and land to maintain and expand the City’s parks.

State Revolving Fund – Program income received from Community Development Block Grant loans given for Housing Rehabilitation are deposited to this fund and re-issued in the form of new loans.

Office of Traffic Safety Fund – A grant from the State of California to be used for the Vehicle Impound Program. This grant will be used to fund a full time traffic officer and purchase a motorcycle for traffic enforcement. Funding for the full time officer is 100% year one of the grant and 50% year two of the grant. Grant will expire 9/30/08.

State Revolving Economic Development & Home Revolving Funds- Program income received from Façade Improvement, Business Assistance and First-Time Home Buyers loan re-payments are deposited to this funds and re-issued in the form of new loans.

Community Redevelopment Agency Fund- This fund represents the City’s Redevelopment Area. At this time the City does not have a project area on file.

04-EDBG-0630 Fund - A grant from the State of California to provide Business Assistance loans and Façade Improvement. Grant expired 06/30/08.

Traffic Safety Fund – A portion of the fines and forfeitures received by the City for any arrests by a City Officer under VC 42200 shall be deposited in this fund for the purchase and maintenance of equipment associated with Traffic Law Enforcement.

Barry Creek Development & Chestnut Street Culvert Funds – Fees collected from new development within the Barry Creek and Chestnut Street areas are deposited in this fund s to repay the City for installation of the culverts.

04-STBG-1968 Fund – A grant from the State of California to provide Housing Rehabilitation to citizens within the City that fall within the Target Income Group. Grant expires 12/31/08.

Skyline Route 139 Signal, Skyline Park Project, Skyline Numa Signal, Skyline Bicycle Lane Funds – Fees collected from new development within the Skyline area are deposited in these funds to be used for installation and maintenance of traffic signals, parks and parkways.

Jensen Slough Pedestrian Bridge Fund – The construction and maintenance of the pedestrian bridge over Jensen Slough.

DEBT SERVICE FUNDS

Mark Roos 92B Fund – Assessments collected from the homeowners within the Miller/Fletcher Housing Development are deposited in this Debt Service account to repay the Bond that was issued in 1992 to install the infrastructure within this development.

City Hall Debt Service Fund – Payment of the Bond issued to remodel City Hall is charged to this Debt Service Fund.

LaSalle Debt Service Fund – The City entered into a lease to own contract with Fifth Third Leasing to purchase various pieces of equipment and vehicles. The final payment for Engine 622 was made in 07/08.

CAPITAL PROJECTS FUNDS

STIP Rehabilitation Fund – State of California, Department of Transportation funds used to rehab project streets within the City.

Peggy's Playground & Memorial Park Facility Remodel Funds – Use of Per Capita Grant from the 2000 Parks Bond Act to install a new playground at Riverside Park and to remodel the restroom facility and the Grandstand at Memorial Park.

Safe Routes to School Fund – State of California State Highway Sidewalk Maintenance Project to remove and replace concrete curbs, gutters, sidewalks and drives at various locations within the City.

Building Reserve Fund – Capital set aside to upgrade the City Hall Facility. Fund will be closed in 08/09.

Uptown Cinema Barrier Fund – Donations for the construction of a barrier wall at the top of Main Street to prevent future runaway truck accidents were set aside in this construction fund. Caltrans has installed this barrier and all donations have been returned as of 6/30/08.

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	Special Revenue Funds			
	Local Law Enforcement Block Grant Fund	05-PTAA-1505 Fund	Gas Tax Fund	Solid Waste Fund
Assets				
Cash and investments	\$ 50,406	\$ 2,304	\$ -	\$ 37,463
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable			555,526	
Interest receivable	452	17		281
Advances to other funds				
Prepaid expenditures				
Loans receivable				
Total assets	\$ 50,858	\$ 2,321	\$ 555,526	\$ 37,744
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 16,532	\$ -
Deferred revenue				
Due to other funds			30,595	
Advances from other funds				
Total liabilities			47,127	
Fund Balances:				
Reserved:				
Advances				
Debt service				
Prepaid expenditures				
Unreserved:				
Designated for capital improvements				
Undesignated	50,858	2,321	508,399	37,744
Total fund balances	50,858	2,321	508,399	37,744
Total liabilities and fund balances	\$ 50,858	\$ 2,321	\$ 555,526	\$ 37,744

Special Revenue Funds

Street Mitigation Fund	Police Mitigation Fund	Fire Mitigation Fund	Park Land In-lieu Fund	State Revolving Fund
\$ 4,455	\$ 62,134	\$ 115,477	\$ 69,332	\$ 530,439
22	458	875	520	222 3,781 247,549
				245,672
<u>\$ 4,477</u>	<u>\$ 62,592</u>	<u>\$ 116,352</u>	<u>\$ 69,852</u>	<u>\$ 1,027,663</u>
\$ -	\$ 870	\$ 144	\$ -	\$ - 245,672
	870	144		245,672
				247,549
4,477	61,722	116,208	69,852	534,442
4,477	61,722	116,208	69,852	781,991
<u>\$ 4,477</u>	<u>\$ 62,592</u>	<u>\$ 116,352</u>	<u>\$ 69,852</u>	<u>\$ 1,027,663</u>

(Continued)

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
June 30, 2008

Special Revenue Funds				
	Office of Traffic Safety Fund	State Revolving Economic Development Fund	Home Revolving Fund	Community Redevelopment Agency Fund
Assets				
Cash and investments	\$ -	\$ 174,249	\$ 121,231	\$ -
Cash and investments with fiscal agent				
Investment in bonds				
Accounts receivable	13,687	3,331		
Interest receivable		1,282	909	
Advances to other funds		133,823		
Prepaid expenditures				
Loans receivable		124,218	671,958	
Total assets	\$ 13,687	\$ 436,903	\$ 794,098	\$ -
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 15,406	\$ -	\$ 10
Deferred revenue		124,218	671,958	
Due to other funds	13,687			
Advances from other funds				665,952
Total liabilities	13,687	139,624	671,958	665,962
Fund Balances:				
Reserved:				
Advances		133,823		
Debt service				
Prepaid expenditures				
Unreserved:				
Designated for capital improvements				
Undesignated		163,456	122,140	(665,962)
Total fund balances		297,279	122,140	(665,962)
Total liabilities and fund balances	\$ 13,687	\$ 436,903	\$ 794,098	\$ -

Special Revenue Funds

<u>04-EDBG-0630 Fund</u>	<u>Traffic Safety Fund</u>	<u>Barry Creek Development Fund</u>	<u>04-STBG-1968 Fund</u>	<u>Skyline Rt. 139 Signal Fund</u>
\$ -	\$ 43,576	\$ 466	\$ -	\$ 16,703
	327	4	59,999	125
<u>\$ -</u>	<u>\$ 43,903</u>	<u>\$ 470</u>	<u>\$ 59,999</u>	<u>\$ 16,828</u>
\$ -	\$ -	\$ -	\$ 2,100	\$ -
			2,100	
	43,903	470	57,899	16,828
	43,903	470	57,899	16,828
<u>\$ -</u>	<u>\$ 43,903</u>	<u>\$ 470</u>	<u>\$ 59,999</u>	<u>\$ 16,828</u>

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CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
 June 30, 2008

Special Revenue Funds

	Chestnut Street Culvert Fund	Skyline Park Project Fund	Jensen Slough Pedestrian Bridge Fund	Skyline Numa Signal Fund	Skyline Bicycle Lane Fund
Assets					
Cash and investments	\$ 24,064	\$ 168,925	\$ 956	\$ 71,789	\$ 5,410
Cash and investments with fiscal agent					
Investment in bonds					
Accounts receivable					
Interest receivable	180	1,267		538	41
Advances to other funds					
Prepaid expenditures					
Loans receivable					
Total assets	\$ 24,244	\$ 170,192	\$ 956	\$ 72,327	\$ 5,451
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue					
Due to other funds					
Advances from other funds					
Total liabilities					
Fund Balances:					
Reserved:					
Advances					
Debt service					
Prepaid expenditures					
Unreserved:					
Designated for capital improvements	24,244	170,192		72,327	5,451
Undesignated			956		
Total fund balances	24,244	170,192	956	72,327	5,451
Total liabilities and fund balances	\$ 24,244	\$ 170,192	\$ 956	\$ 72,327	\$ 5,451

Debt Service Funds			Capital Projects Funds	
Mark Roos 92B Fund	City Hall Debt Service Fund	Lasalle Debt Service Fund	STIP Rehabilitation Fund	Peggy's Playground Fund
\$ 74,420	\$ -	\$ -	\$ 22,107	\$ -
150,922	329,149			
1,264,106				
885				
<u>\$ 1,490,333</u>	<u>\$ 329,149</u>	<u>\$ -</u>	<u>\$ 22,107</u>	<u>\$ -</u>
\$ 584	\$ -	\$ -	\$ -	\$ -
584				
1,488,864	329,149		22,107	
885				
<u>1,489,749</u>	<u>329,149</u>		<u>22,107</u>	
<u>\$ 1,490,333</u>	<u>\$ 329,149</u>	<u>\$ -</u>	<u>\$ 22,107</u>	<u>\$ -</u>

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CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (Continued)
June 30, 2008

Capital Projects Funds

	Memorial Park Facility Remodel Fund	Safe Routes to School Fund	Building Reserve Fund	Uptown Cinema Barrier Fund	Totals
Assets					
Cash and investments	\$ -	\$ -	\$ 388	\$ -	\$ 1,596,294
Cash and investments with fiscal agent					480,071
Investment in bonds					1,264,106
Accounts receivable					632,765
Interest receivable			3		11,082
Advances to other funds					381,372
Prepaid expenditures					885
Loans receivable					1,041,848
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391</u>	<u>\$ -</u>	<u>\$ 5,408,423</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 35,646
Deferred revenue					1,041,848
Due to other funds					44,282
Advances from other funds					665,952
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,787,728</u>
Fund Balances:					
Reserved:					
Advances					381,372
Debt service					1,840,120
Prepaid expenditures					885
Unreserved:					
Designated for capital improvements					289,042
Undesignated			391		1,109,276
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391</u>	<u>\$ -</u>	<u>\$ 3,620,695</u>
Total fund balances			<u>391</u>		<u>3,620,695</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391</u>	<u>\$ -</u>	<u>\$ 5,408,423</u>
Total liabilities and fund balances			<u>\$ 391</u>	<u>\$ -</u>	<u>\$ 5,408,423</u>

CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Local Law Enforcement Block Grant Fund</u>	<u>05-PTAA-1505 Fund</u>	<u>Gas Tax Fund</u>	<u>Solid Waste Fund</u>
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	2,883	20		1,572
Intergovernmental revenues	100,000		907,048	
Program income		70,000		
Other revenues			14,132	
Total revenues	<u>102,883</u>	<u>70,020</u>	<u>921,180</u>	<u>1,572</u>
Expenditures:				
Current:				
Public safety	109,704			
Streets			537,010	
Community development		61,253		
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures	<u>109,704</u>	<u>61,253</u>	<u>537,010</u>	
Excess of revenues over (under) expenditures	<u>(6,821)</u>	<u>8,767</u>	<u>384,170</u>	<u>1,572</u>
Other Financing Sources (Uses):				
Transfers in			88,816	
Transfers out				
Total other financing sources (uses)			<u>88,816</u>	
Net changes in fund balances	<u>(6,821)</u>	<u>8,767</u>	<u>472,986</u>	<u>1,572</u>
Fund balances (deficits) - July 1, 2007	57,679	(6,446)	35,413	36,172
Prior period adjustments				
Fund balances (deficits) - July 1, 2007, restated	<u>57,679</u>	<u>(6,446)</u>	<u>35,413</u>	<u>36,172</u>
Fund balances (deficits) - June 30, 2008	<u>\$ 50,858</u>	<u>\$ 2,321</u>	<u>\$ 508,399</u>	<u>\$ 37,744</u>

Special Revenue Funds

Street Mitigation Fund	Police Mitigation Fund	Fire Mitigation Fund	Park Land In-lieu Fund	State Revolving Fund
\$ - 184	\$ - 3,101	\$ - 5,394	\$ - 2,707	\$ - 22,409
				72,521
<u>33,828</u>	<u>43,662</u>	<u>45,470</u>	<u>9,605</u>	
<u>34,012</u>	<u>46,763</u>	<u>50,864</u>	<u>12,312</u>	<u>94,930</u>
	20,227	70,351		
	31,972	494		200
	<u>52,199</u>	<u>70,845</u>		<u>200</u>
<u>34,012</u>	<u>(5,436)</u>	<u>(19,981)</u>	<u>12,312</u>	<u>94,730</u>
<u>(32,000)</u>		<u>(4,965)</u>		
<u>(32,000)</u>		<u>(4,965)</u>		
<u>2,012</u>	<u>(5,436)</u>	<u>(24,946)</u>	<u>12,312</u>	<u>94,730</u>
<u>2,465</u>	<u>67,158</u>	<u>141,154</u>	<u>57,540</u>	<u>687,261</u>
<u>2,465</u>	<u>67,158</u>	<u>141,154</u>	<u>57,540</u>	<u>687,261</u>
<u>\$ 4,477</u>	<u>\$ 61,722</u>	<u>\$ 116,208</u>	<u>\$ 69,852</u>	<u>\$ 781,991</u>

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CITY OF SUSANVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds			
	Office of Traffic Safety Fund	State Revolving Economic Development Fund	Home Revolving Fund	Community Redevelopment Agency Fund
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property		(1,055)	5,061	
Intergovernmental revenues	73,821			
Program income		19,781		
Other revenues				
Total revenues	73,821	18,726	5,061	
Expenditures:				
Current:				
Public safety	73,821			
Streets				
Community development		24,537		5,467
Capital outlay				
Debt service:				
Principal				
Interest and fiscal agent fees				
Total expenditures	73,821	24,537		5,467
Excess of revenues over (under) expenditures		(5,811)	5,061	(5,467)
Other Financing Sources (Uses):				
Transfers in		98,944		
Transfers out				
Total other financing sources (uses)		98,944		
Net changes in fund balances		93,133	5,061	(5,467)
Fund balances (deficits) - July 1, 2007		204,146	117,079	(660,495)
Prior period adjustments				
Fund balances (deficits) - July 1, 2007, restated		204,146	117,079	(660,495)
Fund balances (deficits) - June 30, 2008	\$ -	\$ 297,279	\$ 122,140	\$ (665,962)

Special Revenue Funds

04-EDBG-0630 Fund	Traffic Safety Fund	Barry Creek Development Fund	04-STBG-1968 Fund	Skyline Rt. 139 Signal Fund
\$ -	\$ - 1,584	\$ - 20	\$ -	\$ - 692
	14,378		60,000	391
	15,962	20	60,000	1,083
	2,500			
159,950			126,674	
159,950	2,500		126,674	
(159,950)	13,462	20	(66,674)	1,083
190,000 (98,944)				
91,056				
(68,894)	13,462	20	(66,674)	1,083
68,894	30,441	450	124,573	15,745
68,894	30,441	450	124,573	15,745
<u>\$ -</u>	<u>\$ 43,903</u>	<u>\$ 470</u>	<u>\$ 57,899</u>	<u>\$ 16,828</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, 2008

	Special Revenue Funds				
	Chestnut Street Culvert Fund	Skyline Park Project Fund	Jensen Slough Pedestrian Bridge Fund	Skyline Numa Signal Fund	Skyline Bicycle Lane Fund
Revenues:					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,008	7,077		2,970	207
Intergovernmental revenues					
Program income					
Other revenues				1,945	1,342
Total revenues	<u>1,008</u>	<u>7,077</u>		<u>4,915</u>	<u>1,549</u>
Expenditures:					
Current:					
Public safety					
Streets					
Community development		949			
Capital outlay					
Debt service:					
Principal					
Interest and fiscal agent fees					
Total expenditures		<u>949</u>			
Excess of revenues over (under) expenditures	<u>1,008</u>	<u>6,128</u>		<u>4,915</u>	<u>1,549</u>
Other Financing Sources (Uses):					
Transfers in					
Transfers out					
Total other financing sources (uses)					
Net changes in fund balances	<u>1,008</u>	<u>6,128</u>		<u>4,915</u>	<u>1,549</u>
Fund balances (deficits) - July 1, 2007	23,236	164,064	956	67,412	3,902
Prior period adjustments					
Fund balances (deficits) - July 1, 2007, restated	<u>23,236</u>	<u>164,064</u>	<u>956</u>	<u>67,412</u>	<u>3,902</u>
Fund balances (deficits) - June 30, 2008	<u>\$ 24,244</u>	<u>\$ 170,192</u>	<u>\$ 956</u>	<u>\$ 72,327</u>	<u>\$ 5,451</u>

Debt Service Funds			Capital Projects Funds	
Mark Roos 92B Fund	City Hall Debt Service Fund	Lasalle Debt Service Fund	STIP Rehabilitation Fund	Peggy's Playground Fund
\$ 106,870	\$ -	\$ -	\$ -	\$ -
5,537	11,752		2,264	
			821,179	6,924
		20,098		3,500
<u>112,407</u>	<u>11,752</u>	<u>20,098</u>	<u>823,443</u>	<u>10,424</u>
			801,336	
				10,424
65,000	60,000	19,355		
85,983	104,293	743		
<u>150,983</u>	<u>164,293</u>	<u>20,098</u>	<u>801,336</u>	<u>10,424</u>
<u>(38,576)</u>	<u>(152,541)</u>		<u>22,107</u>	
	167,138			
	<u>167,138</u>			
<u>(38,576)</u>	<u>14,597</u>		<u>22,107</u>	
1,399,219	314,552			
129,106				
<u>1,528,325</u>	<u>314,552</u>			
<u>\$ 1,489,749</u>	<u>\$ 329,149</u>	<u>\$ -</u>	<u>\$ 22,107</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, 2008

Capital Projects Funds

	Memorial Park Facility Remodel Fund	Safe Routes to School Fund	Building Reserve Fund	Uptown Cinema Barrier Fund	Totals
Revenues:					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 106,870
Use of money and property			34	28	75,449
Intergovernmental revenues	17,200	24,995			1,951,167
Program income					222,302
Other revenues					188,351
Total revenues	17,200	24,995	34	28	2,544,139
Expenditures:					
Current:					
Public safety					276,603
Streets		23,013			1,361,359
Community development				2,171	381,201
Capital outlay	17,200				60,090
Debt service:					
Principal					144,355
Interest and fiscal agent fees					191,019
Total expenditures	17,200	23,013		2,171	2,414,627
Excess of revenues over (under) expenditures		1,982	34	(2,143)	129,512
Other Financing Sources (Uses):					
Transfers in					544,898
Transfers out		(291)			(136,200)
Total other financing sources (uses)		(291)			408,698
Net changes in fund balances		1,691	34	(2,143)	538,210
Fund balances (deficits) - July 1, 2007		(1,691)	357	2,143	2,953,379
Prior period adjustments					129,106
Fund balances (deficits) - July 1, 2007, restated		(1,691)	357	2,143	3,082,485
Fund balances (deficits) - June 30, 2008	\$ -	\$ -	\$ 391	\$ -	\$ 3,620,695

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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 2,500	\$ 2,883	\$ 383
Intergovernmental revenues	100,000	100,000	
Total Revenues	<u>102,500</u>	<u>102,883</u>	<u>383</u>
Expenditures:			
Current:			
Public safety	102,500	109,704	(7,204)
Total Expenditures	<u>102,500</u>	<u>109,704</u>	<u>(7,204)</u>
Excess of revenues over (under) expenditures		(6,821)	(6,821)
Fund Balance - beginning of fiscal year	<u>57,679</u>	<u>57,679</u>	
Fund Balance - end of fiscal year	<u><u>\$ 57,679</u></u>	<u><u>\$ 50,858</u></u>	<u><u>\$ (6,821)</u></u>

CITY OF SUSANVILLE
05-PTAA-1505 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 20	\$ 20
Program income	70,000	70,000	
Total Revenues	<u>70,000</u>	<u>70,020</u>	<u>20</u>
Expenditures:			
Current:			
Community development	63,260	61,253	2,007
Total Expenditures	<u>63,260</u>	<u>61,253</u>	<u>2,007</u>
Net changes in fund balance	6,740	8,767	2,027
Fund Balance (Deficit) - beginning of fiscal year	<u>(6,446)</u>	<u>(6,446)</u>	
Fund Balance - end of fiscal year	<u>\$ 294</u>	<u>\$ 2,321</u>	<u>\$ 2,027</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental revenues	\$ 429,702	\$ 907,048	\$ 477,346
Other revenues	8,971	14,132	5,161
Total Revenues	<u>438,673</u>	<u>921,180</u>	<u>482,507</u>
Expenditures:			
Current:			
Streets	567,245	537,010	30,235
Total Expenditures	<u>567,245</u>	<u>537,010</u>	<u>30,235</u>
Excess of revenues over (under) expenditures	<u>(128,572)</u>	<u>384,170</u>	<u>512,742</u>
Other financing sources (Uses)			
Transfers in	109,205	88,816	(20,389)
Total other financing sources (uses)	<u>109,205</u>	<u>88,816</u>	<u>(20,389)</u>
Net change in fund balance	(19,367)	472,986	492,353
Fund Balance - beginning of fiscal year	<u>35,413</u>	<u>35,413</u>	
Fund Balance - end of fiscal year	<u>\$ 16,046</u>	<u>\$ 508,399</u>	<u>\$ 492,353</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 184	\$ 184
Other revenues	32,000	33,828	1,828
Total Revenues	<u>32,000</u>	<u>34,012</u>	<u>2,012</u>
Other financing sources (uses)			
Transfers out	(32,000)	(32,000)	
Total other financing sources (uses)	<u>(32,000)</u>	<u>(32,000)</u>	
Net change in fund balance		2,012	2,012
Fund Balance - beginning of fiscal year	<u>2,465</u>	<u>2,465</u>	
Fund Balance - end of fiscal year	<u>\$ 2,465</u>	<u>\$ 4,477</u>	<u>\$ 2,012</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 3,101	\$ 3,101
Other revenues	40,000	43,662	3,662
Total Revenues	<u>40,000</u>	<u>46,763</u>	<u>6,763</u>
Expenditures:			
Current:			
Public safety	20,200	20,227	(27)
Capital outlay	57,000	31,972	25,028
Total Expenditures	<u>77,200</u>	<u>52,199</u>	<u>25,001</u>
Net change in fund balance	(37,200)	(5,436)	31,764
Fund Balance - beginning of fiscal year	<u>67,158</u>	<u>67,158</u>	
Fund Balance - end of fiscal year	<u>\$ 29,958</u>	<u>\$ 61,722</u>	<u>\$ 31,764</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 5,394	\$ 5,394
Other revenues	42,000	45,470	3,470
Total Revenues	<u>42,000</u>	<u>50,864</u>	<u>8,864</u>
Expenditures:			
Current:			
Public safety	98,000	70,351	27,649
Capital outlay		494	(494)
Total Expenditures	<u>98,000</u>	<u>70,845</u>	<u>27,155</u>
Excess of Revenues Over (Under) Expenditures	<u>(56,000)</u>	<u>(19,981)</u>	<u>36,019</u>
Other financing sources (uses)			
Transfers out	(4,965)	(4,965)	
Total other financing sources (uses)	<u>(4,965)</u>	<u>(4,965)</u>	
Net change in fund balance	(60,965)	(24,946)	36,019
Fund Balance - beginning of fiscal year	<u>141,154</u>	<u>141,154</u>	
Fund Balance - end of fiscal year	<u>\$ 80,189</u>	<u>\$ 116,208</u>	<u>\$ 36,019</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 2,707	\$ 2,707
Other revenues	8,000	9,605	1,605
Total Revenues	<u>8,000</u>	<u>12,312</u>	<u>4,312</u>
Expenditures:			
Current:			
Community services	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Expenditures	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Net change in fund balance	(7,000)	12,312	19,312
Fund Balance - beginning of fiscal year	<u>57,540</u>	<u>57,540</u>	<u>-</u>
Fund Balance - end of fiscal year	<u><u>\$ 50,540</u></u>	<u><u>\$ 69,852</u></u>	<u><u>\$ 19,312</u></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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 22,409	\$ 22,409
Program income	50,000	72,521	22,521
Total Revenues	50,000	94,930	44,930
Expenditures:			
Current:			
Community development	369,166	200	368,966
Total Expenditures	369,166	200	368,966
Excess of Revenues Over (Under) Expenditures	(319,166)	94,730	413,896
Other financing sources (uses)			
Transfers out	(100,000)		100,000
Total other financing sources (uses)	(100,000)		100,000
Net change in fund balance	(419,166)	94,730	513,896
Fund Balance - beginning of fiscal year	687,261	687,261	
Fund Balance - end of fiscal year	\$ 268,095	\$ 781,991	\$ 513,896

CITY OF SUSANVILLE
OFFICE OF TRAFFIC SAFETY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental revenues	\$ 132,609	\$ 73,821	\$ (58,788)
Total Revenues	<u>132,609</u>	<u>73,821</u>	<u>(58,788)</u>
Expenditures:			
Current:			
Public safety	<u>132,610</u>	<u>73,821</u>	<u>58,789</u>
Total Expenditures	<u>132,610</u>	<u>73,821</u>	<u>58,789</u>
Net change in fund balance	(1)		1
Fund Balance - beginning of fiscal year	<u> </u>	<u> </u>	<u> </u>
Fund Balance - end of fiscal year	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ (1,055)	\$ (1,055)
Program income	13,322	19,781	6,459
Total Revenues	<u>13,322</u>	<u>18,726</u>	<u>5,404</u>
Expenditures:			
Current:			
Community development	53,200	24,537	28,663
Total Expenditures	<u>53,200</u>	<u>24,537</u>	<u>28,663</u>
Excess of Revenues Over (Under) Expenditures	<u>(39,878)</u>	<u>(5,811)</u>	<u>34,067</u>
Other financing sources (uses)			
Transfers in		98,944	98,944
Total other financing sources (uses)		<u>98,944</u>	<u>98,944</u>
Net change in fund balance	(39,878)	93,133	133,011
Fund Balance - beginning of fiscal year	<u>204,146</u>	<u>204,146</u>	
Fund Balance - end of fiscal year	<u>\$ 164,268</u>	<u>\$ 297,279</u>	<u>\$ 133,011</u>

CITY OF SUSANVILLE
COMMUNITY REDEVELOPMENT AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ -	\$ -
Total Revenues			
Expenditures:			
Current:			
Community development	1,401	5,467	(4,066)
Total Expenditures	1,401	5,467	(4,066)
Net change in fund balance	(1,401)	(5,467)	(4,066)
Fund Balance (Deficit) - beginning of fiscal year	(660,495)	(660,495)	
Fund Balance (Deficit) - end of fiscal year	<u>\$ (661,896)</u>	<u>\$ (665,962)</u>	<u>\$ (4,066)</u>

CITY OF SUSANVILLE
04-EDBG-0630 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Program income	\$ -	\$ -	\$ -
Total Revenues			
Expenditures:			
Current:			
Community development	68,894	159,950	(91,056)
Total Expenditures	68,894	159,950	(91,056)
Excess of revenues over (under) expenditures	(68,894)	(159,950)	(91,056)
Other financing sources (uses)			
Transfers in	190,000	190,000	
Transfers out		(98,944)	(98,944)
Total other financing sources (uses)	190,000	91,056	(98,944)
Net change in fund balance	121,106	(68,894)	(190,000)
Fund Balance - beginning of fiscal year	68,894	68,894	
Fund Balance - end of fiscal year	<u>\$ 190,000</u>	<u>\$ -</u>	<u>\$ (190,000)</u>

CITY OF SUSANVILLE
TRAFFIC SAFETY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 1,584	\$ 1,584
Other revenues	10,000	14,378	4,378
Total Revenues	<u>10,000</u>	<u>15,962</u>	<u>5,962</u>
Expenditures:			
Current:			
Public safety	<u>2,500</u>	<u>2,500</u>	
Total Expenditures	<u>2,500</u>	<u>2,500</u>	
Net change in fund balance	7,500	13,462	5,962
Fund Balance - beginning of fiscal year	<u>30,441</u>	<u>30,441</u>	
Fund Balance - end of fiscal year	<u><u>\$ 37,941</u></u>	<u><u>\$ 43,903</u></u>	<u><u>\$ 5,962</u></u>

CITY OF SUSANVILLE
04-STBG-1968 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Program income	\$ 594,663	\$ 60,000	\$ (534,663)
Total Revenues	<u>594,663</u>	<u>60,000</u>	<u>(534,663)</u>
Expenditures:			
Current:			
Community development	719,236	126,674	592,562
Total Expenditures	<u>719,236</u>	<u>126,674</u>	<u>592,562</u>
Net change in fund balance	(124,573)	(66,674)	57,899
Fund Balance - beginning of fiscal year	<u>124,573</u>	<u>124,573</u>	
Fund Balance - end of fiscal year	<u><u>\$ -</u></u>	<u><u>\$ 57,899</u></u>	<u><u>\$ 57,899</u></u>

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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 692	\$ 692
Other revenues	2,000	391	(1,609)
Total Revenues	<u>2,000</u>	<u>1,083</u>	<u>(917)</u>
Net change in fund balance	2,000	1,083	(917)
Fund Balance - beginning of fiscal year	<u>15,745</u>	<u>15,745</u>	
Fund Balance - end of fiscal year	<u><u>\$ 17,745</u></u>	<u><u>\$ 16,828</u></u>	<u><u>\$ (917)</u></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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 2,970	\$ 2,970
Other revenues	3,000	1,945	(1,055)
Total Revenues	<u>3,000</u>	<u>4,915</u>	<u>1,915</u>
Net change in fund balance	3,000	4,915	1,915
Fund Balance - beginning of fiscal year	<u>67,412</u>	<u>67,412</u>	
Fund Balance - end of fiscal year	<u><u>\$ 70,412</u></u>	<u><u>\$ 72,327</u></u>	<u><u>\$ 1,915</u></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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 207	\$ 207
Other revenues	1,500	1,342	(158)
Total Revenues	<u>1,500</u>	<u>1,549</u>	<u>49</u>
Net change in fund balance	1,500	1,549	49
Fund Balance - beginning of fiscal year	<u>3,902</u>	<u>3,902</u>	
Fund Balance - end of fiscal year	<u><u>\$ 5,402</u></u>	<u><u>\$ 5,451</u></u>	<u><u>\$ 49</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes and assessments	\$ 162,590	\$ 106,870	\$ (55,720)
Use of money and property		5,537	5,537
Total Revenues	<u>162,590</u>	<u>112,407</u>	<u>(50,183)</u>
Expenditures:			
Debt service:			
Principal	65,000	65,000	
Interest and fiscal agent fees	86,182	85,983	199
Total Expenditures	<u>151,182</u>	<u>150,983</u>	<u>199</u>
Net change in fund balance	<u>11,408</u>	<u>(38,576)</u>	<u>(49,984)</u>
Fund Balance - beginning of fiscal year	1,399,219	1,399,219	
Prior period adjustments		129,106	129,106
Fund Balance - beginning of fiscal year, restated	<u>1,399,219</u>	<u>1,528,325</u>	<u>129,106</u>
Fund Balance - end of fiscal year	<u>\$ 1,410,627</u>	<u>\$ 1,489,749</u>	<u>\$ 79,122</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 7,000	\$ 11,752	\$ 4,752
Total Revenues	<u>7,000</u>	<u>11,752</u>	<u>4,752</u>
Expenditures:			
Debt service:			
Principal	60,000	60,000	
Interest and fiscal agent fees	<u>105,265</u>	<u>104,293</u>	<u>972</u>
Total Expenditures	<u>165,265</u>	<u>164,293</u>	<u>972</u>
Excess of revenues over (under) expenditures	<u>(158,265)</u>	<u>(152,541)</u>	<u>5,724</u>
Other financing sources (uses)			
Transfers in	<u>158,265</u>	<u>167,138</u>	<u>8,873</u>
Total other financing sources (uses)	<u>158,265</u>	<u>167,138</u>	<u>8,873</u>
Net change in fund balance		14,597	14,597
Fund Balance - beginning of fiscal year	<u>314,552</u>	<u>314,552</u>	
Fund Balance - end of fiscal year	<u>\$ 314,552</u>	<u>\$ 329,149</u>	<u>\$ 14,597</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, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other revenues	\$ 20,099	\$ 20,098	\$ (1)
Total Revenues	<u>20,099</u>	<u>20,098</u>	<u>(1)</u>
Expenditures:			
Debt service:			
Principal	19,355	19,355	
Interest and fiscal agent fees	744	743	1
Total Expenditures	<u>20,099</u>	<u>20,098</u>	<u>1</u>
Net change in fund balance			
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
STIP REHABILITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 2,264	\$ 2,264
Intergovernmental revenues	910,000	821,179	(88,821)
Total Revenues	<u>910,000</u>	<u>823,443</u>	<u>(86,557)</u>
Expenditures:			
Current:			
Streets	910,000	801,336	108,664
Total Expenditures	<u>910,000</u>	<u>801,336</u>	<u>108,664</u>
Net change in fund balance		22,107	22,107
Fund Balance - beginning of fiscal year	<u> </u>	<u> </u>	<u> </u>
Fund Balance - end of fiscal year	<u><u>\$ -</u></u>	<u><u>\$ 22,107</u></u>	<u><u>\$ 22,107</u></u>

CITY OF SUSANVILLE
PEGGY'S PLAYGROUND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental revenues	\$ 7,100	\$ 6,924	\$ (176)
Other revenues	6,500	3,500	(3,000)
Total Revenues	<u>13,600</u>	<u>10,424</u>	<u>(3,176)</u>
Expenditures:			
Capital outlay	13,600	10,424	3,176
Total Expenditures	<u>13,600</u>	<u>10,424</u>	<u>3,176</u>
Net change in fund balance			
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
MEMORIAL PARK FACILITY REMODEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental revenues	\$ 17,200	\$ 17,200	\$ -
Total Revenues	<u>17,200</u>	<u>17,200</u>	
Expenditures:			
Capital outlay	<u>17,200</u>	<u>17,200</u>	
Total Expenditures	<u>17,200</u>	<u>17,200</u>	
Net change in fund balance			
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
SAFE ROUTES TO SCHOOL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental revenues	\$ 24,995	\$ 24,995	\$ -
Total Revenues	<u>24,995</u>	<u>24,995</u>	
Expenditures:			
Current:			
Streets	<u>23,013</u>	<u>23,013</u>	
Total Expenditures	<u>23,013</u>	<u>23,013</u>	
Excess of revenues over (under) expenditures	<u>1,982</u>	<u>1,982</u>	
Other financing sources (uses)			
Transfers out		<u>(291)</u>	<u>(291)</u>
Total other financing sources (uses)		<u>(291)</u>	<u>(291)</u>
Net change in fund balance	1,982	1,691	(291)
Fund Balance - beginning of fiscal year	<u>(1,691)</u>	<u>(1,691)</u>	
Fund Balance - end of fiscal year	<u>\$ 291</u>	<u>\$ -</u>	<u>\$ (291)</u>

CITY OF SUSANVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2008

	Public Works Administration Fund	Risk Management Fund	Payroll Fund	Totals
ASSETS				
Current Assets:				
Cash and investments	\$ 4,408	\$ 648,517	\$ 108,337	\$ 761,262
Interest receivable	135	4,009		4,144
Accounts receivable	228			228
Prepaid expenses	610	2,907		3,517
Total assets	<u>5,381</u>	<u>655,433</u>	<u>108,337</u>	<u>769,151</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	5,348	662		6,010
Accrued wages			108,337	108,337
Total current liabilities	<u>5,348</u>	<u>662</u>	<u>108,337</u>	<u>114,347</u>
Total liabilities	<u>5,348</u>	<u>662</u>	<u>108,337</u>	<u>114,347</u>
NET ASSETS				
Unrestricted	<u>33</u>	<u>654,771</u>		<u>654,804</u>
Total net assets	<u>\$ 33</u>	<u>\$ 654,771</u>	<u>\$ -</u>	<u>\$ 654,804</u>

CITY OF SUSANVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

	Public Works Administration Fund	Risk Management Fund	Payroll Fund	Totals
Revenues:				
Charges for services	\$ 339,864	\$ 861,178	\$ -	\$ 1,201,042
Total Revenues	<u>339,864</u>	<u>861,178</u>		<u>1,201,042</u>
Expenses:				
Administration	412,341	7,520		419,861
Insurance costs and claims		689,148		689,148
Total Expenses	<u>412,341</u>	<u>696,668</u>		<u>1,109,009</u>
Operating Income (Loss)	(72,477)	164,510		92,033
Non-Operating Revenues (Expenses):				
Interest income	<u>2,938</u>	<u>14,972</u>		<u>17,910</u>
Change in Net Assets	<u>(69,539)</u>	<u>179,482</u>		<u>109,943</u>
Net Assets, July 1, 2007	499,014	475,289		974,303
Prior period adjustments	<u>(429,442)</u>			<u>(429,442)</u>
Net Assets, July 1, 2007, restated	<u>69,572</u>	<u>475,289</u>		<u>544,861</u>
Net Assets, June 30, 2008	<u>\$ 33</u>	<u>\$ 654,771</u>	<u>\$ -</u>	<u>\$ 654,804</u>

CITY OF SUSANVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008

	Public Works Administration Fund	Risk Management Fund	Payroll Fund	Totals
Cash Flows from Operating Activities:				
Receipts from customers	\$ 339,732	\$ 861,178	\$ -	\$ 1,200,910
Payment to suppliers and users	(227,254)	(722,339)		(949,593)
Payment to employees	(182,676)		(90,083)	(272,759)
Net Cash Provided (Used) by Operating Activities	<u>(70,198)</u>	<u>138,839</u>	<u>(90,083)</u>	<u>(21,442)</u>
Cash flows from Investing Activities				
Interest received	4,073	16,376		20,449
Net Cash Provided by Investing Activities	<u>4,073</u>	<u>16,376</u>		<u>20,449</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(66,125)	155,215	(90,083)	(993)
Cash and Cash Equivalents, July 1, 2007	<u>70,533</u>	<u>493,302</u>	<u>198,420</u>	<u>762,255</u>
Cash and Cash Equivalents, June 30, 2008	<u>\$ 4,408</u>	<u>\$ 648,517</u>	<u>\$ 108,337</u>	<u>\$ 761,262</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (72,477)	\$ 164,510	\$ -	\$ 92,033
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
(Increase) Decrease in Operating Assets:				
Prepaid expenses	(610)	(474)		(1,084)
Accounts receivable	(132)			(132)
Increase (Decrease) in Operating Liabilities:				
Accounts payable	3,021	(25,197)		(22,176)
Accrued wages			(90,083)	(90,083)
Net Cash Provided (Used) by Operating Activities	<u>\$ (70,198)</u>	<u>\$ 138,839</u>	<u>\$ (90,083)</u>	<u>\$ (21,442)</u>

CITY OF SUSANVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

	Balance	Additions	Deletions	Balance
	July 1, 2007			June 30, 2008
Section 125 Aflac Fund				
ASSETS				
Cash and investments	\$ 14,821	\$ 966	\$ -	\$ 15,787
Total Assets	\$ 14,821	\$ 966	\$ -	\$ 15,787
LIABILITIES				
Deposits payable	\$ 14,821	\$ 966	\$ -	\$ 15,787
Total Liabilities	\$ 14,821	\$ 966	\$ -	\$ 15,787
LAFCO Fund				
ASSETS				
Cash and investments	\$ 45,598	\$ 15,549	\$ -	\$ 61,147
Interest receivable	603		(111)	492
Total Assets	\$ 46,201	\$ 15,549	\$ (111)	\$ 61,639
LIABILITIES				
Accounts payable	\$ 3,832	\$ 528	\$ (111)	\$ 4,249
Deposits payable	42,369	15,021		57,390
Total Liabilities	\$ 46,201	\$ 15,549	\$ (111)	\$ 61,639
HUSA Business Improvement Fund				
ASSETS				
Cash and investments	\$ 2,810	\$ -	\$ (1,659)	\$ 1,151
Accounts receivable	63	2,774		2,837
Interest receivable	34		(34)	
Total Assets	\$ 2,907	\$ 2,774	\$ (1,693)	\$ 3,988
LIABILITIES				
Accounts payable	\$ 2,050	\$ -	\$ (1,419)	\$ 631
Deposits payable	857	2,774	(274)	3,357
Total Liabilities	\$ 2,907	\$ 2,774	\$ (1,693)	\$ 3,988



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

RONALD A. LEVY, C.P.A.
CPA/C. A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.

9107 WILSHIRE BLVD., STE. 400
BEVERLY HILLS, CA 90210
PHONE: (310) 273-2745
FAX: (310) 273-1689
EMAIL: mlhbh@mihcpa.com

**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 Mayor and 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, 2008 which collectively comprise the City of Susanville's basic financial statements, and have issued our report thereon dated December 9, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Susanville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Susanville's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Susanville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Susanville's financial statements that is more than inconsequential will not be prevented or detected by the City of Susanville's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Susanville's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to management of the City of Susanville in a separate letter dated December 9, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Susanville are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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, LLP
Beverly Hills, CA
December 9, 2008

Statistical Section

This part of the report is consisted of the City of Susanville's comprehensive annual financial report which presents detailed information as a context for understanding in regarding to what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with other governments.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 as of June 30, 2004; schedules presenting government-wide information, include information beginning in that year.

Schedule 1
City of Susanville
Net Assets by Component,
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$2,154,482	\$ 2,525,295	\$ 2,648,771	\$2,480,051	\$ 2,274,687
Restricted	253,461	1,600,652	1,565,208	1,651,776	420,435
Unrestricted	3,378,973	3,515,171	3,830,893	4,404,242	6,756,476
Total governmental activities net assets	<u>\$5,786,916</u>	<u>\$ 7,641,118</u>	<u>\$ 8,044,872</u>	<u>\$8,536,069</u>	<u>\$ 9,451,598</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 352,514	\$ 1,651,318	\$ (3,892,035)	\$3,673,059	\$ (2,270,671)
Restricted for Debt Service	2,373,866	3,328,579	3,089,827	2,971,552	2,864,661
Unrestricted	(844,764)	(3,708,004)	1,368,985	(5,823,491)	2,030,324
Total business-type activities net assets	<u>\$1,881,616</u>	<u>\$ 1,271,893</u>	<u>\$ 566,777</u>	<u>\$ 821,120</u>	<u>\$ 2,624,314</u>
Primary government					
Invested in capital assets, net of related debt	\$2,506,996	\$ 4,176,613	\$ (1,243,264)	\$6,153,110	\$ 4,016
Restricted	2,627,327	4,929,231	4,655,035	4,623,328	3,285,096
Unrestricted	2,534,209	(192,833)	5,199,878	(1,419,249)	8,786,800
Total primary government net assets	<u>\$7,668,532</u>	<u>\$ 8,913,011</u>	<u>\$ 8,611,649</u>	<u>\$9,357,189</u>	<u>\$ 12,075,912</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003-04.

Schedule 2
City of Susanville
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities:					
General government	\$ 2,055,249	\$ 1,991,240	\$ 1,629,410	\$ 1,616,449	\$ 816,839
Public safety	3,451,988	3,407,302	3,398,809	3,537,646	3,696,206
Streets	887,797	763,635	663,794	884,532	1,427,687
Protective inspections	213,806	190,003	203,979	212,454	244,966
Community services	473,055	415,340	328,252	504,755	325,669
Community development	255,211	185,535	867,183	336,742	462,648
Interest on long term debt	199,930	402,890	294,672	230,157	194,800
Total governmental activities expenses	7,537,036	7,355,945	7,386,099	7,322,735	7,168,815
Business-type activities:					
Rodeo	70,032	55,031	36,508	-	-
Airport	81,362	116,260	113,600	145,780	166,609
Water	1,442,121	2,207,464	2,200,070	2,180,730	2,145,401
Geothermal	190,297	207,914	104,637	46,800	63,868
Natural Gas	2,814,468	3,858,071	4,855,872	4,783,357	4,941,853
Swimming Pool (closed in 2004-05)	193,679	148,842	-	-	-
Day Care	130,794	140,657	140,796	133,493	118,160
Golf Course	1,036	7,701	6,400	37,749	99,865
Total business-type activities expenses	4,923,789	6,741,940	7,457,883	7,327,909	7,535,756
Total primary government expenses	\$ 12,460,825	\$ 14,097,885	\$ 14,843,982	\$ 14,650,644	\$ 14,704,571
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 362,530	\$ 854,062	\$ 1,020,336	\$ 743,153	\$ 27,937
Public safety	273,909	448,104	179,907	308,352	121,247
Streets	97,142	277,403	-	265,907	-
Protective inspections	195,483	219,654	232,684	167,645	-
Community services	24,349	31,918	4,784	5,932	8,931
Community development	44,159	48,584	45,392	48,620	176,485
Operating grants and contributions	2,834,407	675,192	890,930	690,816	1,178,902
Capital grants and contributions	-	53,172	337,178	494,448	1,098,653
Total governmental activities program revenues	3,831,979	2,608,089	2,711,211	2,724,873	2,612,155
Business-type activities:					
Charges for services:					
Rodeo	61,297	50,700	29,654	-	-
Airport	32,867	36,553	41,302	50,190	52,477
Water	1,796,393	2,118,368	2,046,516	2,064,187	2,049,605
Geothermal	250,742	223,565	71,124	73,653	69,389
Natural Gas	1,749,040	2,724,148	4,264,151	4,325,805	4,650,665
Swimming Pool	93,474	43,391	-	-	-
Day Care	98,485	134,231	121,386	117,446	107,890
Golf Course	-	-	-	-	-
Operating grants and contributions	25,666	174,347	202,667	283,641	439,104
Capital grants and contributions	-	-	-	438,934	1,672,609
Total business-type activities program revenues	4,107,964	5,505,303	6,776,800	7,353,856	9,041,739
Total primary government program revenues	\$ 7,939,943	\$ 8,113,392	\$ 9,488,011	\$ 10,078,729	\$ 11,653,894

Net (Expense)/Revenue					
Governmental activities	(\$3,705,057)	(\$4,747,856)	(\$4,674,888)	(\$4,597,862)	(\$4,556,660)
Business-type activities	(815,825)	(1,236,637)	(681,083)	25,947	1,505,983
Total primary government net expense	<u>(\$4,520,882)</u>	<u>(\$5,984,493)</u>	<u>(\$5,355,971)</u>	<u>(\$4,571,915)</u>	<u>(\$3,050,677)</u>

General Revenues and Other Changes in Net Assets**Governmental activities:**

Taxes					
Property taxes	\$ 717,840	\$ 746,508	\$ 884,863	\$ 906,170	\$ 924,914
Sales taxes	1,605,629	1,516,274	1,263,661	1,398,022	1,326,767
Transient Lodging Taxes	354,338	462,246	465,369	523,774	517,214
Franchise taxes	47,608	45,275	39,161	48,027	55,428
Business license taxes	205,664	233,690	276,044	240,592	247,732
Other taxes	163,305	326,140	330,685	36,479	246,035
Property tax in lieu of VLF, unrestricted	-	988,907	1,138,723	1,256,457	1,396,408
Property tax in lieu of sales tax, unrestricted	-	308,608	417,836	506,153	419,193
Use of money and property	45,068	351,453	227,236	161,206	163,501
Gain (loss) on sale of capital assets	-	-	-	-	(6,491)
Miscellaneous revenues	-	277,911	227,752	42,099	100,101
Transfers	760,288	(239,569)	5,000	(29,920)	5,000
Total governmental activities	<u>3,899,740</u>	<u>5,017,503</u>	<u>5,276,330</u>	<u>5,089,059</u>	<u>5,395,802</u>
Business-type activities:					
Use of money and property	42,627	184,777	142,518	189,756	282,717
Gain on sale of capital assets	-	-	-	3,637	17,982
Miscellaneous revenues	-	-	-	5,083	1,512
Transfers	(760,288)	(239,569)	(5,000)	29,920	(5,000)
Total business-type activities	<u>(717,661)</u>	<u>424,346</u>	<u>137,518</u>	<u>228,396</u>	<u>297,211</u>
Total primary government	<u>3,182,079</u>	<u>5,441,849</u>	<u>5,413,848</u>	<u>5,317,455</u>	<u>5,693,013</u>
Change in Net Assets					
Governmental activities	194,683	269,647	601,442	491,197	839,142
Business-type activities	(1,533,486)	(812,291)	(543,565)	254,343	1,803,194
Total primary government	<u>\$ (1,338,803)</u>	<u>\$ (542,644)</u>	<u>\$ 57,877</u>	<u>\$ 745,540</u>	<u>\$ 2,642,336</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003-04.

Schedule 3
City of Susanville
Fund Balances - Governmental Funds,
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Reserved	\$83,392	\$102,413	\$305,858	\$370,296	\$418,932
Unreserved	711,771	844,902	971,144	1,281,067	1,608,564
Total general fund	<u>795,163</u>	<u>947,315</u>	<u>1,277,002</u>	<u>1,651,363</u>	<u>2,027,496</u>
All Other Governmental Funds					
Reserved	574,208	420,365	688,726	399,192	382,257
Unreserved, reported in:					
Special revenue funds	753,032	589,990	501,016	566,069	1,108,885
Capital projects funds	503,734	281,564	13,370	275,168	289,433
Debt Service Funds	(178,461)	1,657,994	1,620,694	1,712,950	1,840,120
Total all other governmental funds	<u>\$1,652,513</u>	<u>\$2,949,913</u>	<u>\$2,823,806</u>	<u>\$2,953,379</u>	<u>\$3,620,695</u>

Schedule 4
City of Susanville
Changes in Fund Balances - Governmental Funds,
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
Taxes and assessments	\$3,191,838	\$4,019,990	\$4,518,116	\$5,113,507	\$4,749,716
Licenses and permits	195,483	324,535	258,277	189,740	151,143
Fines and forfeitures	28,343	41,118	54,872	67,621	74,585
Use of money and property	45,068	680,604	232,778	141,181	145,591
Intergovernmental revenues	2,567,689	1,001,651	1,228,108	1,185,264	2,277,555
Program income	-	138,092	590,316	1,103,399	222,302
Charges for services	132,043	1,322,127	1,115,460	792,797	318,628
Other revenues	810,967	763,810	608,611	333,591	276,331
Total revenues	6,971,431	8,291,927	8,606,538	8,927,100	8,215,851
Expenditures					
General government	1,553,060	1,806,528	1,591,271	1,399,497	722,770
Public safety	3,347,798	3,211,146	3,453,212	3,486,523	3,601,675
Streets	506,158	712,216	670,762	848,692	1,397,936
Protective inspections	212,278	188,475	203,470	212,454	244,966
Community services	443,568	324,616	273,198	441,325	265,023
Community development	255,211	414,785	863,933	1,500,658	634,274
Capital outlay	1,085,611	593,457	717,791	119,358	104,490
Debt service:					
Principal	245,192	213,106	400,559	152,884	144,355
Interest	191,951	375,182	290,388	217,507	191,019
Total expenditures	7,840,827	7,839,511	8,464,584	8,378,898	7,306,508
Excess of revenues over (under) expenditures	(869,396)	452,416	141,954	548,202	909,343
Other Financing Sources (Uses)					
Contributions from trust funds			56,626		
Transfers in	1,030,131	830,452	736,834	377,575	555,154
Transfers out	(696,723)	(1,073,316)	(731,834)	(421,843)	(550,154)
Total other financing sources (uses)	333,408	(242,864)	61,626	(44,268)	5,000
Net changes in fund balances	(535,988)	209,552	203,580	503,934	914,343
Debt service as a percentage of non-capital expenditures	6.5%	8.1%	8.9%	4.5%	4.7%

Schedule 5
 City of Susanville
 Assessed Value and Estimated Actual Value of Taxable Property,
 Last Five Fiscal Years

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Less: Tax Exemptions</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2004	\$ 375,828,965	\$ 207,787	\$25,279,665	\$ 12,003,306	\$ 389,313,111	1.0000
2005	399,569,372	206,940	25,966,041	12,284,799	413,457,554	1.0000
2006	435,313,349	206,482	26,084,788	12,428,869	449,175,750	1.0000
2007	484,139,014	13,587	26,234,905	12,657,141	497,730,365	1.0000
2008	568,493,249	12,420	26,872,204	12,432,005	582,945,868	1.0000

*Source:
 Lassen County - Assessor's Office*

*Notes:
 The voters of the State of California passed Proposition 13 in 1978 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property. Each year, the assessed value of property may be increased by an "Inflation factor" of no more than 2%. Property is assessed at 100% of the original purchase price and is reassessed upon each subsequent sale.*

Tax rates are per \$1,000 of assessed value.

Schedule 6
 City of Susanville
 Direct and Overlapping Property Tax Rates,
 Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	<u>City Direct Rate</u>	<u>Overlapping Rates (a)</u>		Total Direct Rate
	Basic Rate	Elementary School Bond	Jail Bond	
1999	1.0000	0.0605		1.0605
2000	1.0000	0.0605		1.0605
2001	1.0000	0.0586		1.0586
2002	1.0000	0.0606		1.0606
2003	1.0000	0.0606		1.0606
2004	1.0000	0.0598		1.0598
2005	1.0000	0.0090		1.0090
2006	1.0000	0.0096		1.0096
2007	1.0000	0.0008		1.0008
2008	1.0000			1.0000

Source:
Lassen County

Notes:
The City's basic property tax rate is the same rate as Lassen County.
Refer to Schedule 5 for explanation on direct rate limits.

(a) Overlapping rates are those of local and county governments that apply to property owners within the City of Susanville. Not all overlapping rates apply to all Susanville property owners.

Schedule 7
 City of Susanville
 Principal Property Tax Payers
 Current Year and Nine Years Ago

	2008		1999 (2)	
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value (1)	Information Unavailable
<u>Taxpayer</u>				
Wal-Mart	10,447,035	1	1.79%	
Rassier-Mariani	9,757,623	2	1.67%	
Triple E Investment Co. Inc.	8,739,043	3	1.50%	
Darmond Eagle Lake Village	6,734,187	4	1.16%	
Foxdale Associates LTD (Walgreens)	6,006,000	5	1.03%	
Lassen Station LP	4,150,000	6	0.71%	
Trav-Cor & Investment Inc.	4,098,526	7	0.70%	
Joel & Shirlee Nolen, JT	3,961,877	8	0.68%	
Indar Jeet and Ashwindar Kaur	3,426,786	9	0.59%	
2005 River4 LLC	3,115,188	10	0.53%	
Total	<u>\$49,989,230</u>		<u>8.58%</u>	

Source:
 Lassen County Assessors Office

Notes:
 (1) For total taxable assessed value, see schedule 5.
 (2) Information for 9 years ago unavailable, but will be accumulated over time as it becomes available.

Schedule 8
City of Susanville
Property Tax Levies and Collections,
Last Six Fiscal Years

Fiscal Year Ended June 30,	County Taxes Levied	AB8 City Allocation Factor	AB8 Allocations Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 13,940,708	0.04209031	\$ 586,769	\$ 560,471	95.52%	\$ 49,938	\$ 610,409	104.03%
2004	14,508,790	0.04118791	597,587	583,624	97.66%	42,765	626,389	104.82%
2005	15,302,568	0.04136327	632,964	613,665	96.95%	31,033	644,698	101.85%
2006	16,409,859	0.04168806	684,095	661,347	96.67%	25,346	686,694	100.38%
2007	18,125,879	0.04150919	752,391	707,387	94.02%	45,004	752,391	100.00%
2008	19,437,444	0.04209745	818,267	773,822	94.57%			

Sources:

Lassen County Assessors Office

Notes:

Taxes levied are totals for Lassen County. Taxes are based on 1% of assessed value. Taxes are distributed using an AB8 allocation factor. Therefore city tax amounts will not compute using this 1% as a basis.

Schedule 9
City of Susanville
Ratios of Outstanding Debt by Type.
Last Six Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities					Total Primary Government	Percentage of Property Values (1)	Per Capita (2)
	General Obligation Bonds	Special Assessment Bonds (3)	Total Governmental Activities	Water Revenue Bonds	Term Loan	Certificate of Participation	Capital Leases	Total Business-type Activities			
2003	\$ 2,270,000	\$ 1,255,000	\$ 3,901,096	\$ 6,520,000	\$ 1,901	\$ 2,225,000	\$ 17,214	\$ 8,764,115	\$ 12,665,211	3.32%	\$ 1,624
2004	2,215,000	1,200,000	3,600,904	6,405,000	973,390	24,240,000	5,572	31,623,962	35,224,866	9.05%	4,633
2005	2,155,000	1,145,000	3,387,798	9,610,000	963,000	24,240,000	4,669	34,817,669	38,205,467	9.24%	4,957
2006	2,095,000	1,140,000	3,287,238	9,480,000	953,000	24,240,000	4,669	34,677,669	37,964,907	8.45%	5,024
2007	2,035,000	1,080,000	3,134,549	9,345,000	943,000	24,240,000	-	34,528,000	37,662,549	7.57%	5,390
2008	1,975,000	1,015,000	2,990,000	9,200,000	932,000	24,240,000	-	34,372,000	37,362,000	6.41%	5,077

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Personal Income for the City is unavailable. Substituted property values in this calculation. See Schedule 5 for values.

(2) Population data can be found in schedule 13.

(3) Payment for this bond is responsibility of property owners within the assessment district.

Schedule 10
City of Susanville
Legal Debt Margin Information

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Assessed Valuation	\$381,592,925	\$389,313,111	\$413,457,554	\$449,175,750	\$497,730,365	\$582,945,868
Conversion Percentage	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$95,398,231	\$97,328,278	\$103,364,389	\$112,293,938	\$124,432,591	\$145,736,467
Debt Limit Percentage	15%	15%	15%	15%	15%	15%
Debt Limit	\$14,309,735	\$14,599,242	\$15,504,658	\$16,844,091	\$18,664,889	\$21,860,470
Total net debt applicable to limit	\$2,270,000	\$2,215,000	\$2,155,000	\$2,095,000	\$2,035,000	\$1,975,000
Legal debt margin	\$12,039,735	\$12,384,242	\$13,349,658	\$14,749,091	\$16,629,889	\$19,885,470
Total net debt applicable to the limit as a percentage of debt limit	15.9%	15.2%	13.9%	12.4%	10.9%	9.0%

Source:
Lassen County Assessors Office
City of Susanville Finance Department

Notes:
The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. With the implementation of Prop 13, property is now assessed at 100% of market value (as of the most recent ownership of that parcel). The computations above reflect the 25% conversion from full valuation that would have been in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Schedule 11
City of Susanville
Ratios of General Bonded Debt Outstanding
Last Five Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita (a)
	General Obligation Bonds	Capital Leases	Total		
2004	\$ 2,215,000	\$ 185,904	\$ 2,400,904	0.62%	\$ 316
2005	2,155,000	87,798	2,242,798	0.54%	291
2006	2,095,000	52,238	2,147,238	0.48%	284
2007	2,035,000	19,549	2,054,549	0.41%	294
2008	1,975,000	-	1,975,000	0.34%	268

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) Population data can be found in Schedule 13

Schedule 12
City of Susanville
Pledged Revenue Coverage,
Last Six Fiscal Years

Water Revenue Bonds							Miller /Fletcher Assessment Bonds				
Fiscal Year	Gross Income and Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service			
				Principal	Interest			Principal	Interest	Coverage	
2003	\$1,596,437	\$ 983,580	\$ 612,857	\$115,000	\$ 357,338	1.30	\$ 79,863	\$ 45,000	\$ 102,290	0.54	
2004	1,804,093	764,660	1,039,433	115,000	373,114	2.13	72,163	50,000	98,750	0.49	
2005	2,175,791	1,330,188	845,603	134,440	503,440	1.33	572,406	55,000	94,744	3.82	
2006	2,188,482	1,308,937	879,545	140,000	553,358	1.27	417,794	55,000	90,481	2.87	
2007	2,252,280	1,298,562	953,718	145,000	547,213	1.38	228,473	60,000	86,025	1.56	
2008	2,207,718	1,275,999	931,719	156,000	540,691	1.34	112,407	65,000	81,181	0.77	

Natural Gas Revenue Bonds							City Hall Improvement Bond				
Fiscal Year	Gross Income and Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Vehicle License Fees	Property Tax In Lieu of VLF	Debt Service		
				Principal	Interest				Principal	Interest	Coverage
2003	\$1,178,377	\$ 930,189	\$ 248,188	\$ -	\$1,322,038	0.19	\$1,084,054	\$ -	\$ -	\$78,085	13.88
2004	1,749,040	1,252,460	496,580	-	1,514,314	0.33	952,051	-	55,000	107,930	5.84
2005	2,775,708	1,922,169	853,539	-	1,428,059	0.60	120,328	988,907	60,000	106,605	6.66
2006	4,207,739	2,863,838	1,343,901	-	1,470,486	0.91	174,072	1,138,723	60,000	105,015	7.96
2007	4,363,546	2,941,944	1,421,602	-	1,414,075	1.01	116,605	1,256,457	60,000	103,215	8.41
2008	4,735,092	3,010,223	1,724,870	-	1,414,075	1.22	83,753	1,396,408	60,000	101,265	9.18

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest, depreciation, or amortization expenses.

Schedule 13
 City of Susanville and County of Lassen
 Demographic and Economic Statistics
 Last Ten Years

Fiscal Year	City Population	Prison Population	Total City & Prison Population	County Population	County Personal Income	County Per Capita Personal Income	City Unemployment Rate
1999	6,758	10,064	16,822	23,775	\$ 572,753,000	\$ 24,091	5.05%
2000	6,893	10,196	17,089	23,571	589,375,000	25,004	6.90%
2001	7,353	10,194	17,547	23,315	605,104,000	25,953	7.10%
2002	7,399	10,124	17,523	23,192	628,276,000	27,090	7.50%
2003	7,797	10,089	17,886	23,632	666,873,000	28,219	7.50%
2004	7,603	10,496	18,099	23,640	708,056,000	29,952	7.40%
2005	7,708	10,593	18,301	23,490	736,266,000	31,344	7.70%
2006	7,557	10,780	18,337	23,320	783,732,000	33,608	7.60%
2007	6,987	10,896	17,883	24,908	n/a	n/a	8.00%
2008	7,359	10,211	17,570	25,546	n/a	n/a	n/a

Sources:

Personal income and unemployment data - Labor Market Info - Employment Development Department
 City and County population - State of California Department of Finance Demographic
 Prison population - State of California Department of Corrections

Schedule 14
 City of Susanville
 Principal Employers
 Current Year and Nine Years Ago

Employer	2008			1999			
	Employees	Rank	Percentage of Total City Employment	Employer	Employees	Rank	Percentage of Total City Employment
High Desert State Prison	1511	1	31.48%				
California Correctional Center	1091	2	22.73%				
Lassen County	464	3	9.67%				
Wal-Mart	226	4	4.71%				
Banner Lassen Medical Center	200	5	4.17%				
Diamond Mountain Casino	159	6	3.31%				
Lassen Community College	153	7	3.19%				
Susanville Indian Rancheria	143	8	2.98%				
Susanville School District	141	9	2.94%				
Lassen Union High School	122	10	2.54%				
Northeastern Rural Health	110	11	2.29%				
Countryvilla Riverview Rehab	105	12	2.19%				
Safeway	100	13	2.08%				
City of Susanville	66	14	1.38%				
Susanville Supermarket	52	15	1.08%				
	4643		96.73%				

Information Unavailable

Notes:

(a) Total Labor Force for the City is 4800.

(b) Information unavailable for past nine years, but will be accumulated over time as it becomes available.

Source:

Employment Development Department, Lassen County Chamber of Commerce

Schedule 15

City of Susanville

Full-time and Part-time City Governmental Employees by Function/Program,

Last Ten Fiscal Years

	Fiscal Year										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administration	2.8	3.7	3.1	3.4	3.4	3.5	3.5	2.5	2.5	2.5	2.5
City Clerk	4.1	4.1	4.1	4.1	4.1	1.5	1.5	1.5	1.5	1.5	1.5
Finance	6	6.5	6.5	6.5	6.5	7	7	7	6	6	6
Police	20	22	23	24	24	24	22	22	21	20	20
Fire	8.5	8.8	8.8	9.7	9.7	11	10.5	8.5	9	11	11
Community Development	9.4	8.6	10	9.8	9.8	5	4.5	4.5	4	4	3
Community Services	5.9	5.9	5.9	6.9	6.9	9	9	8	6	3	2
Public Works	17.3	16.4	16.6	18.6	18.6	19	20	17	18	18	18
Total	74	76	78	83	83	80	78	71	68	66	64

Source:

City Finance Department

Notes:

A full-time employee is scheduled to work 2,080 hours per year.

Schedule 16
 City of Susanville
 Operating Indicators by Function/Program,
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Building Permits Issued	n/a	n/a	300	377	465	532	453	467	352	281
Building Inspections Conducted	n/a	n/a	n/a	690	1094	1452	1821	2249	1921	1152
Police										
Physical arrests	467	496	634	578	601	485	681	479	400	565
Parking violations	0	0	0	0	0	271	819	498	401	338
Traffic violations	1029	580	677	1093	472	425	650	724	832	1180
Fire										
Emergency responses	n/a	597	738	1098	1067	1087	1311	1309	1383	n/a
Fires extinguished	n/a	82	72	84	70	73	82	96	89	n/a
Inspections	n/a	n/a	n/a	n/a	n/a	406	217	350	224	n/a
Public Works										
Street resurfacing (miles)	0	0	0	6.27	0	0	0	0.25	0	2.3
Potholes repaired	65	50	110	75	125	150	150	180	165	172
Community Services										
Athletic field permits issued	4	4	4	4	4	4	4	4	4	4
Water										
New connections	6	2	16	31	41	91	34	8	68	-12
Average daily consumption (thousands of gallons)	2111	2693	3026	3057	2954	3039	3152	2758	2116	2123
Peak daily consumption (thousands of gallons)	4861	4255	4932	5055	4394	4642	4900	4777	4809	5308
Natural Gas										
New connections				1480	329	323	124	76	44	21
Average daily consumption MMBTU's				246	328	441	457	513	499	539
Peak daily consumption MMBTU's				481	824	768	834	870	1044	1099

Sources:
 Various City Departments

Notes:
 City's Natural Gas Department began operating in 2002
 MMBTU's equals one million British thermal units

Schedule 17
City of Susanville
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	7	7	7	8	7	8
Fire										
Fire Stations	1	1	1	1	1	1	1	1	1	1
Fire engines	5	5	5	5	5	5	6	6	6	6
Public works										
Streets (miles)	53	53	53	53	53	54	54	54	54	54
Highways (miles)	0	0	0	0	0	0	0	0	0	0
Street lights	492	494	494	496	502	512	528	532	532	532
Traffic signals	0	0	0	0	0	0	0	0	0	0
Community Services										
Parks acreage	97	97	97	97	97	147	147	147	147	147
Playgrounds	2	2	2	2	2	2	2	2	2	2
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Museums	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	0	0	0	0
Water										
Water mains (miles)	63	63	63	63	64	64	65	65	65	65
Fire hydrants	334	340	344	352	356	371	389	396	403	403
Storage capacity (thousands of gallons)	2000	2000	2000	2000	3000	4000	4000	4000	4000	4000
Water meters	3418	3420	3436	3467	3508	3599	3633	3641	3709	3697
Natural Gas										
Gas mains (miles)			44	56	56	56	57	57	59	59
Gas meters				1480	1809	2132	2256	2332	2392	2413

Sources:
Various City departments

Notes:
Traffic Signals and Highways are owned and maintained by CalTrans.
City's Natural Gas Department began operating in 2002
In December 2005, Roosevelt Pool was closed due to structural damage to the building that housed the pool.

Schedule 18
 City of Susanville
 Water Department
 Water Sold by Type of Customer
 Last Five Fiscal Years
 (In Millions of Gallons)

	Fiscal Year				
	2004	2005	2006	2007	2008
Residential	569.45	548.37	567.09	558.7	549.86
Commercial	245.6	216.2	209.1	214.91	205.6
Total	815.0	764.5	776.2	773.6	755.5
City Direct Rate Per Gallon	0.0022	0.0027	0.0026	0.0027	0.0027

Source:
 City of Susanville Finance Department

Notes:
 Ten years of data unavailable due to software conversion.
 Data will be accumulated from 2004 forward.
 City Direct Rate Calculation equals charges for service (as found in the statement of activities) divided by water sold.
 Charges for services include water revenue, meter fees, reconnect fees, new meter install, etc.

Schedule 19
 City of Susanville
 Water Department
 Water Rates
 Last Five Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rates	Average Rate per 1,000 Gallons
2004	\$12.85	\$1.23
2005	\$16.50	\$1.41
2006	\$18.20	\$1.41
2007	\$18.20	\$1.41
2008	\$18.20	\$1.41

Source

City of Susanville Finance Department

Notes:

Rates are based on 5/8" meter, which is standard household meter size.

Commercial accounts charged differently based on meter size. The Department charges an excess use rate above 4.7 million gallons and charges a reduced rate for usage under 2 thousand gallons.

Schedule 20
City of Susanville
Water Department
Top Ten Water Customers
Current Year and Nine Years Ago

Water Customer	2008		1999	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Lassen County	\$55,278.30	2.70%	Information Unavailable	
Susanville Indian Rancheria	\$29,655.68	1.45%		
Lassen High School	\$23,638.34	1.15%		
Lassen County Fairgrounds	\$22,862.04	1.12%		
Hidden Acres	\$16,240.02	0.79%		
Meadowview School	\$13,358.79	0.65%		
Diamond View School	\$11,101.24	0.54%		
Millview Apartments	\$10,474.04	0.51%		
Meadowbrook Apartments	\$10,466.92	0.51%		
Mathfallu Properties	\$9,254.36	0.45%		
	\$202,329.73	9.87%		

Source:
City of Susanville Finance Department

Notes:
Total Water Revenue equals charges for services as found in the statement of activities.
Ten years of information unavailable but will be accumulated as available.

Schedule 21
 City of Susanville
 Gas Department
 Gas Sold by Type of Customer
 Last Five Fiscal Years
 (In Therms)

	Fiscal Year				
	2004	2005	2006	2007	2008
Residential	749,716	974,574	932,384	881,058	942,696
Commercial	548,769	730,538	941,029	943,663	1,024,591
Total	1,298,485	1,705,112	1,873,413	1,824,721	1,967,287
City Direct Rate per Therm	\$1.35	\$1.60	\$2.28	\$2.37	\$2.36

Source:
 City of Susanville Finance Department - Utility Billing

Notes:
 100 cubic feet = 100,000 BTUs = 1 Therm
 BTU is British Thermal Unit
 Ten years of information unavailable but will be accumulated as available.
 City direct rate is calculated using charges for services divided by therms sold.

Schedule 22
City of Susanville
Gas Department
Gas Rates
Last Seven Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rates	Rate per Therm	
2002	\$6.00	\$1.22	
2003	\$6.00	\$1.20	
2004	\$6.00	\$1.42	
2005	\$7.00	\$1.65	
2006	\$7.00	\$2.44	
2007	\$7.00	\$2.21	(A)(B)
2008	\$7.00	\$2.21	(A)(B))(C)

Source:
City of Susanville Finance Department

Notes:
City of Susanville Natural Gas Department began operation in 2002
(A) - City of Susanville currently has winter and summer rates as follows:
Winter rates apply from November-March

	Winter	Summer
0-30 Therms	\$2.19	\$2.44
30-450 Therms	\$2.44	\$2.44
450 + Therms	\$1.99	\$1.99

(B) - Resolution 07-4306 set variable price index billing for the city's largest consuming customers capable of using alternate fuels as their primary energy source in place of natural gas. The variable gas rate is set monthly by comparing one or both of the propane and heating oil indexes to the city's variable monthly gas cost. The lowest of the three shall be used as the current billing rate.

(C) - Resolution 07-4119 gave the city's largest users that qualify for the variable price index the opportunity to lock into a fixed price for all or a portion of their supply. The fixed price is a mutually agreeable fixed price offered through City of Susanville by Susanville's gas supplier for the quantities specified by the customer, plus customer's variable price natural gas adder.

1 Therm = 100,000 BTU's

Schedule 23
 City of Susanville
 Gas Department
 Top Ten Gas Customers
Current Year and Nine Years Ago

Gas Customer	2008		1999	
	Gas Charges	Percent of Total Gas Revenues	Gas Charges	Percent of Total Gas Revenues
Lassen Community College	\$361,433.12	7.77%	Information Unavailable	
Banner Lassen Hospital	\$301,945.32	6.49%		
Susanville Indian Rancheria	\$97,261.02	2.09%		
Susanville Garden Apartments	\$83,157.45	1.79%		
Diamond View School	\$68,154.03	1.47%		
Safeway	\$67,418.97	1.45%		
Northeastern Rural Health Clinic	\$61,219.86	1.32%		
Lassen High School	\$60,051.88	1.29%		
California Division of Forestry	\$46,947.61	1.01%		
McKinley School	\$46,179.62	0.99%		
	\$1,193,768.88	25.67%		

Source:
 City of Susanville Finance Department

Notes:
 Total Gas Revenue includes gas charges, meter fee and gas surcharge
 Ten years of information unavailable but will be accumulated as available.

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