

# **CITY OF SUSANVILLE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR 2009/2010**



**Susanville, California**

CITY OF SUSANVILLE  
CALIFORNIA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the fiscal year ended  
June 30, 2010

**CITY OF SUSANVILLE**

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Finance Department

December 3, 2010

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, 2010 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 and Mayor Pro-Tempore are 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 and reports to the City Administrator. 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

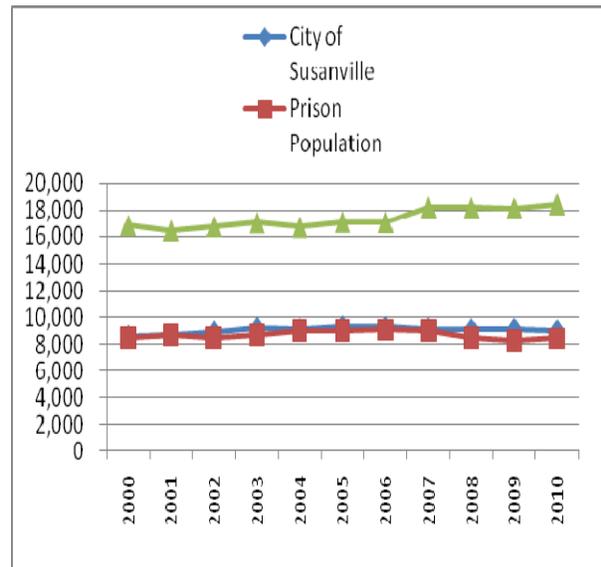
Portland, OR	458 miles	Northwest
San Francisco, CA	280 miles	Southwest
Redding, CA	112 miles	West
Reno, NV	86 miles	Southeast
Sacramento, CA	223 miles	Southwest

**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 which equals the amount of the City’s population. The local economy has been consistently stable during the past years, and insulated from the nation’s economy, but it has also been very dependent on the government, since in Susanville, 74% of the work force is employed by the federal, state and local governments. The two prisons alone employ approximately 54% of the total work force. This economic condition is good and bad for the local economy. It was good during the recent recession and economic downturn that rocket the nation, because the local housing market, employment and local sales remained fairly stable. Another reason for the insulation from the economic downturn is the city’s isolation. The City of Susanville is the only city in the county, and the closest city is Reno (Nevada) that is about 100 miles away. On the other hand, for the same reasons, our economy would probably not improve much from the economic recovery that has started to occur.

**POPULATION**

Year	City of Susanville	Prison Population	Lassen County
2000	8,620	8,469	16,871
2001	8,733	8,676	16,474
2002	8,936	8,456	16,791
2003	9,216	8,670	17,069
2004	9,099	9,000	16,747
2005	9,323	9,001	17,131
2006	9,267	9,070	17,115
2007	9,151	8,987	18,237
2008	9,091	8,479	18,187
2009	9,104	8,298	18,148
2010	8,992	8,439	18,458



(a) County population does not include City and Prison

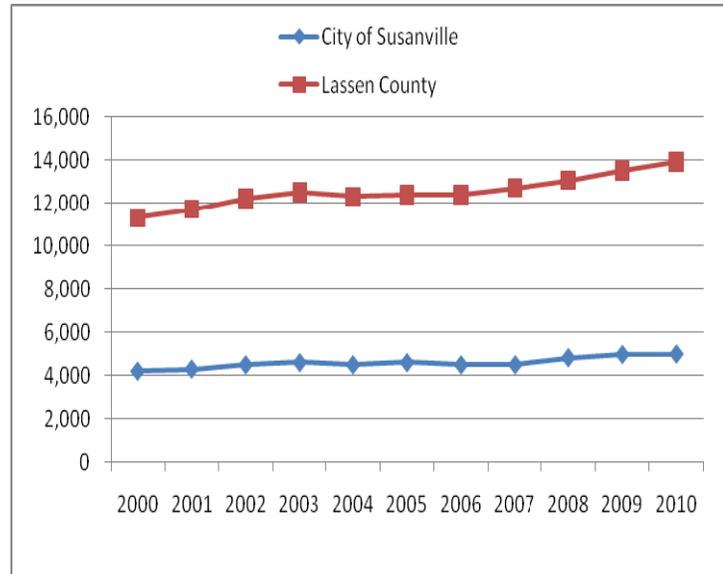
## LABOR MARKET

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. Unemployment has suffered a slight increase in the City and a higher increase in the County during the recent recession.

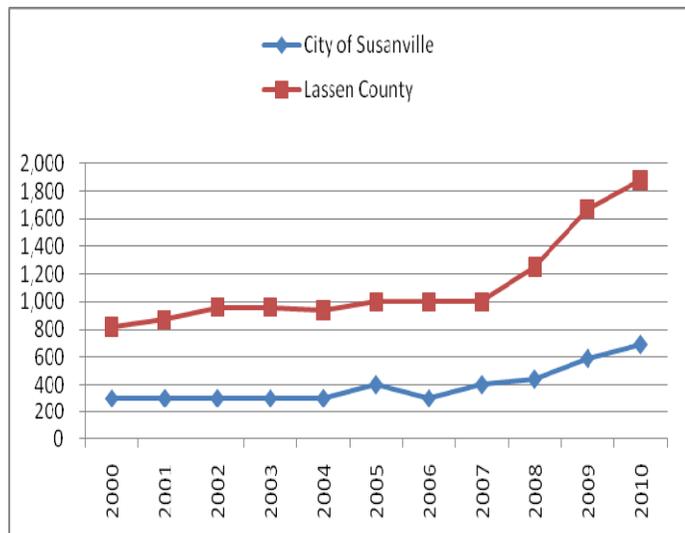
### TOTAL LABOR FORCE

Year	City of Susanville	Lassen County
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	4,830	13,060
2009	4,980	13,510
2010	5,000	13,910



### UNEMPLOYMENT

Year	City of Susanville	Lassen County
2000	300	820
2001	300	870
2002	300	960
2003	300	960
2004	300	940
2005	400	1,000
2006	300	1,000
2007	400	1,000
2008	440	1,250
2009	590	1,670
2010	690	1,880



## **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, ladder truck, specialized equipment for hazardous material emergencies and confined space rescue equipment.
4. Establish a redevelopment plan and project area.
5. Update the Land Use Element of the General Plan.
6. Update the Zoning Ordinance.
7. Update Susanville Area Plan.
8. Increase code enforcement efforts through the use of a citation/infracton process.
9. Refinance the \$24 million debt of the Natural Gas System.
10. Update and employ an economic development strategic plan.
11. Start replacing water lines throughout the City.
12. Replace all water and natural gas meters with remote reading units.

## **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, Air Fair, Veterans Parade, Best of Broadway, Main Street Cruise, Susanville Symphony, Rails to Trails Festival, and wine tasting.

## **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.

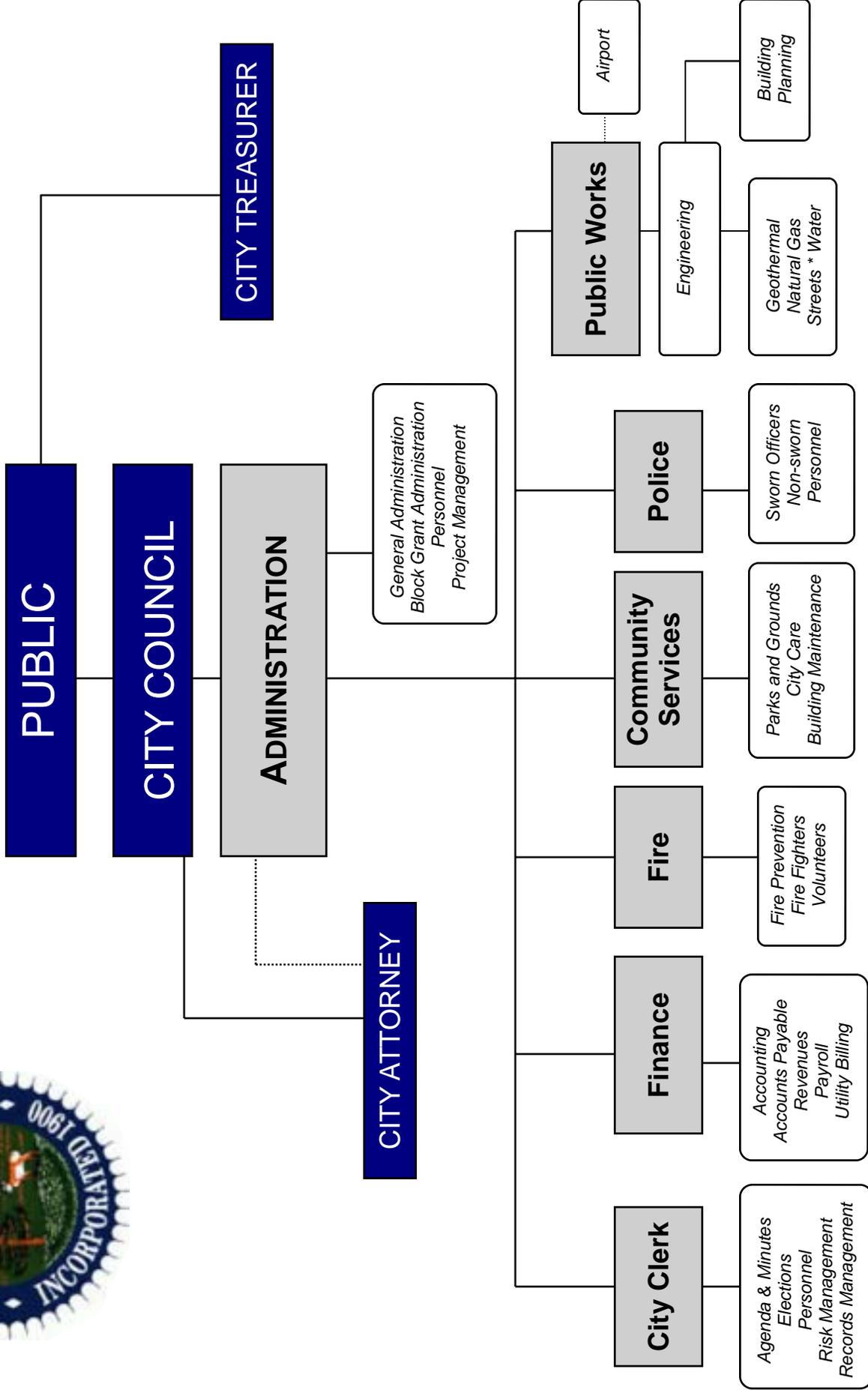
### **ACKNOWLEDGEMENTS**

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 2009-10

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## Mayor

Kurt Bonham

## Mayor Pro-Tempore

Vernon Templeton

## Council Members

Lino Callegari

Joseph Franco

Douglas Sayers

*California Society of  
Municipal Finance Officers*

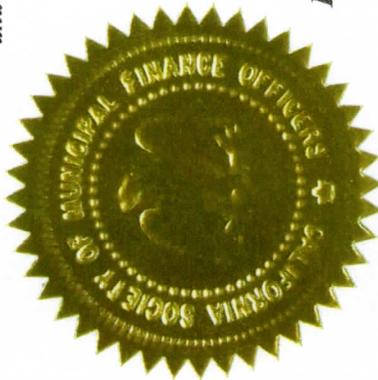
*Certificate of Award*

*Outstanding Financial Reporting for the Fiscal  
Year ending June 30, 2009*

*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 systems from which the reports were prepared.*



*Ronnie Campbell*

*Ronnie Campbell, President*

*Jesse Takahashi*

*Jesse Takahashi  
Recognition Committee*

*Dedicated Excellence in Municipal Financial Management*

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2010, 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, 2010, and the respective changes in financial position and cash flows where applicable thereof, 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 the basic financial statements effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with the *Government Auditing Standards*, we have also issued a report dated December 3, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17 and budgetary comparison information on pages 65 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Susanville, California's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, CA  
December 3, 2010



**City of Susanville**  
**Management's Discussion & Analysis**  
**June 30, 2010**

This is the management's discussion and analysis of the financial performance of the City of Susanville for the fiscal year ended June 30, 2010. 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 \$12.5 million as of June 30, 2009 (\$9.2 million for Governmental Activities and \$3.3 million for Business-type Activities), and by \$12.8 million as of June 30 2010 (\$9.2 million for Governmental Activities and \$3.6 million for Business-Enterprise 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, 2009 and 2010.

Table A-1  
Government Net Assets for June 30, 2009 and 2010  
**Governmental activities**

	<u>2009</u>	<u>2010</u>
Cash & investments	\$ 4,805,742	\$ 3,897,948
Capital assets	4,917,283	4,564,411
Other assets, including cash and Investments with fiscal agents	3,173,246	4,150,619
Total assets	<u>\$ 12,896,271</u>	<u>\$ 12,612,978</u>
Long-term liabilities	2,897,344	2,895,845
Other liabilities	781,027	488,344
Total liabilities	<u>\$ 3,678,371</u>	<u>\$ 3,384,189</u>
Invested in capital assets, net of related debt	2,062,283	1,849,411
Restricted for debt service	1,547,711	1,569,288
Unrestricted net assets	5,607,906	5,810,090
Total net assets	<u>\$ 9,217,900</u> =====	<u>\$ 9,228,789</u> =====

Table A-2  
Government Net Assets for June 30, 2009 and 2010  
**Business-type activities**

	<u>2009</u>	<u>2010</u>
Cash & investments	\$ 1,809,111	\$ 3,591,355
Capital assets	32,332,619	31,648,520
Other assets	4,478,875	3,531,281
Total assets	<u>\$ 38,620,605</u>	<u>\$ 38,771,156</u>
Long-term liabilities	34,312,764	34,638,356
Other liabilities	977,610	496,945
Total liabilities	<u>\$ 35,290,374</u>	<u>\$ 35,135,301</u>
Invested in capital assets, net of related debt	(1,804,335)	(2,877,539)
Restricted for debt service	2,864,798	2,864,195
Unrestricted net assets	2,269,768	3,649,199
Total net assets	<u>\$ 3,330,231</u> =====	<u>\$ 3,635,855</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, 2009 and 2010  
**Governmental Activities**

<b>EXPENSES</b>	<u>2009</u>	<u>2010</u>
<u>Program expenses (by function):</u>		
General Government	\$ 1,228,083	\$ 1,094,945
Public Safety	3,593,218	3,517,162
Streets	935,540	963,197
Protective Inspections	235,270	210,793
Community Services	288,355	255,316
Community Development	302,502	149,961
Interest on long term debt	186,060	175,910
Total expenses	<u>\$ 6,769,028</u>	<u>\$ 6,367,284</u>
 <b>REVENUES</b>		
<u>Program Revenues (by major source):</u>		
Charges for services	\$ 457,589	\$ 503,040
Operating Contributions, Capital Contributions And Grants	1,281,678	911,150
Total program revenues	<u>\$ 1,739,267</u>	<u>\$ 1,414,190</u>
 <u>General Revenues (by major source):</u>		
Property taxes	\$ 913,055	\$ 829,452
Sales & use taxes	1,193,085	1,076,014
Transient lodging taxes	405,860	380,354
Franchise taxes	45,197	48,855
Business license taxes	235,283	231,796
Other taxes	70,723	188,948
Property tax in lieu of Sales tax	474,943	298,882
Property tax in lieu of VLF	1,488,666	1,523,051
Use of money and property	( 35,749)	29,896
Miscellaneous revenues	----	351,735
Total general revenues	<u>\$ 4,791,063</u>	<u>\$ 4,958,983</u>
Total revenues	<u>\$ 6,530,330</u>	<u>\$ 6,373,173</u>
Excess (deficiency) before contributions to:	\$ ( 238,698)	\$ 5,889
Transfers	<u>5,000</u>	<u>5,000</u>
Changes in net assets	\$ ( 233,698)	\$ 10,889
Net assets at July 1, 2008 and 2009	<u>9,451,598</u>	<u>9,217,900</u>
Ending net assets at June 30, 2009 and 2010	<u>\$ 9,217,900</u> =====	<u>\$ 9,228,789</u> =====

Table B-2  
Changes in Governmental Net Assets  
For the Fiscal Year Ended June 30, 2009 and 2010  
**Business-Type Activities**

<b>EXPENSES</b>	<u>2009</u>	<u>2010</u>
<u>Expenses (by function)</u>		
Airport	\$ 189,488	171,886
Water	2,396,179	2,126,843
Geothermal	55,889	52,561
Natural Gas	4,924,613	4,557,201
Day Care	144,912	120,890
Golf Course	<u>112,179</u>	<u>136,267</u>
Total expenses	\$ <u>7,823,260</u>	\$ <u>7,165,648</u>
 <b>REVENUES</b>		
<u>Program revenues (by major source)</u>		
Charges for Services	\$ 6,900,740	\$ 7,228,588
Operating, Capital Contributions and grants	1,500,068	29,175
 <u>General revenues (by major source)</u>		
Use of money and property	120,656	27,132
Miscellaneous revenue	12,713	42,542
Total program and general revenues	<u>\$ 8,534,177</u>	<u>\$ 7,327,437</u>
Excess (deficiency) before transfers	\$ 710,917	\$ 161,789
Transfers	<u>( 5,000)</u>	<u>( 5,000)</u>
Change in net assets	\$ 705,917	\$ 156,789
Net Assets, July 1, 2008 and 2009	2,624,314	3,330,231
Prior Period Adjustments	<u>---</u>	<u>148,835</u>
Net Assets, July 1, 2009 Restated	\$ 2,624,314	\$ 3,479,066
 <hr/>		
Net Assets, June 30, 2009 and 2010	\$ 3,330,231	\$ 3,635,855
	=====	=====

**OVERALL ANALYSIS**

The 2009-10 annual budget was prepared and approved on time and became effective July 1, 2009. In order to balance the budget with declining revenues, two full-time positions have been deleted for FY 2009-10. The total full time equivalent positions decreased from 64 to 62 from the prior fiscal year. One position was deleted in the Finance Department (Accounting Manager) and one was deleted in the Police Department (Police Sergeant). Overall, the financial position of the City shows a small improvement from the prior fiscal year. At June 30, 2010 the total pooled cash and investments for all funds increased by \$874,450 (from \$6,614,853 to \$7,489,303). Of the largest funds, the General Fund cash decreased by \$973,212 (from \$1,998,394 to \$1,025,182). This decrease in cash is due to the enterprise funds that had to borrow

from the General Fund (Airport Fund \$302,830, Day Care Fund \$327,431, Golf Course Fund \$61,696) and from additional cash transfers to the Streets Fund. The Natural Gas Fund cash increased by \$730,644 (from negative \$646,471 to positive \$84,173). The Water Fund increased by \$1,689,131 (from \$1,704,172 to \$3,393,303). This increase is mostly due to the repayment of the Natural Gas Fund loan from the prior fiscal year plus additional revenue collected for water lines replacement. Total net assets in the governmental activities increased by \$10,889 (from \$9,217,900 to \$9,228,789). Total net assets in the business-type activities increased by \$305,624 (from \$3,330,231 to \$3,635,855).

## Governmental Activities

Overall, in fiscal year 2009-10, the City's ability to keep its commitments has remained the same.

### **FUND ANALYSIS**

#### **ANALYSIS OF MAJOR GOVERNMENTAL FUNDS**

GENERAL FUND - Prudent budgeting and a conservative approach in spending have paid off again in this fiscal year for the General Fund. Fiscal year 2009-10 ended with a positive increase in fund balance of \$179,828. The increase in fund balance is mostly due to salary savings from delaying the hiring of vacant positions and from a re-organization of the staff that had the net effect of deleting two full-time positions as follows:

Finance Department	Accounting Manager
Police Department	Sergeant

Continuing reducing staff helped the City cope with the economic downfall of the last two years; however, the City's ability to provide services is starting to degrade in quality and quantity.

On a cash basis, the General Fund cash and investments total decreased by \$973,212 (from \$1,998,394 to \$1,025,182) from the prior year. The main reason for this decrease is a combination of decreasing revenues and the increase in the amount borrowed by other funds with negative cash balances.

Total General Fund revenues and transfers-in decreased from prior year by a total of \$272,527 (from \$5,710,970 to 5,438,443). The decrease is due to a combination of a decrease in taxes of \$-338,331, a decrease in Licenses and Permits of \$-3,182, a decrease in Fines and Forfeitures of \$-13,214, a decrease in Use of Money and Property of \$-27,158, a decrease in Intergovernmental Revenues of \$-325,371, and an increase in other miscellaneous revenues of \$434,729.

Compared to prior year, the General Fund expenditures and transfers-out decreased by \$207,474 (from \$5,466,089 to \$5,258,615). The change is a combination of a decrease in the General Government of \$-26,373, a decrease in Public Safety of \$-51,880 a decrease in Protective Inspections of \$-24,670, a decrease in the Community Services Department of \$-25,742, a decrease in Community Development Department of \$-108,663, a decrease in capital outlay of \$-135,227 and an increase in transfers-out of \$165,081.

On June 30, 2010 the General Fund had a fund balance of \$2,452,205 which is an increase of \$179,828 from the prior fiscal year of \$2,272,377. This is a welcome repeat of an increase in fund balance that allowed the City to increase its reserves even during difficult times.

### **Gas Tax and Other Governmental Funds**

The Gas Tax Fund received \$282,331 cash transfer from the General Fund which is an increase from the prior fiscal year of \$124,656. The additional cash transfer was necessary for the Streets fund to qualify for Proposition 42 subsidy from the State.

The Other Governmental Funds are not presented separately in the Basic Financial Statements, but are individually presented as Other Supplemental Information. At June 30, 2010, the total fund balance of these funds was \$3,020,312, a decrease of \$-195,756 when compared to the prior fiscal year of \$3,216,068.

## **ANALYSIS OF MAJOR PROPRIETARY FUNDS**

### **Business-type Activities**

WATER UTILITY ENTERPRISE FUND – At June 30, 2010, the water fund reports an increase in net assets of \$238,620. The gain includes \$366,101 in depreciation and amortization expenses. On a cash basis, the water fund Cash and Investments increased by \$1,689,131 (from \$1,704,172 to \$3,393,303). This increase in cash is due mostly to a change in net assets from operations of \$238,620, plus a change in accounting reclassification of the Due To/From accounts. At June 30, 2009 enterprise funds with negative cash balances recorded a payable to the Water Fund for a total of \$1,348,821 for borrowing cash from the Water Fund. These entries were recorded in the balance sheet as “Due To” in the payable funds and as “Due From” in the receivable Water Fund (see NOTE #5 of the June 30, 2009 Financial Statements). At June 30, 2010, the Water Fund transferred these accounts receivable to the General Fund and was reimbursed in cash for the total amount originally borrowed of \$1,348,821 (Airport \$430,015, Natural Gas \$646,471, Day Care Fund \$266,070, and Golf Course Fund \$6,265).

The Water system also continued to grow during the year. The number of water accounts increased from 3,797 at June 30, 2009 to 3,807 at June 30, 2010.

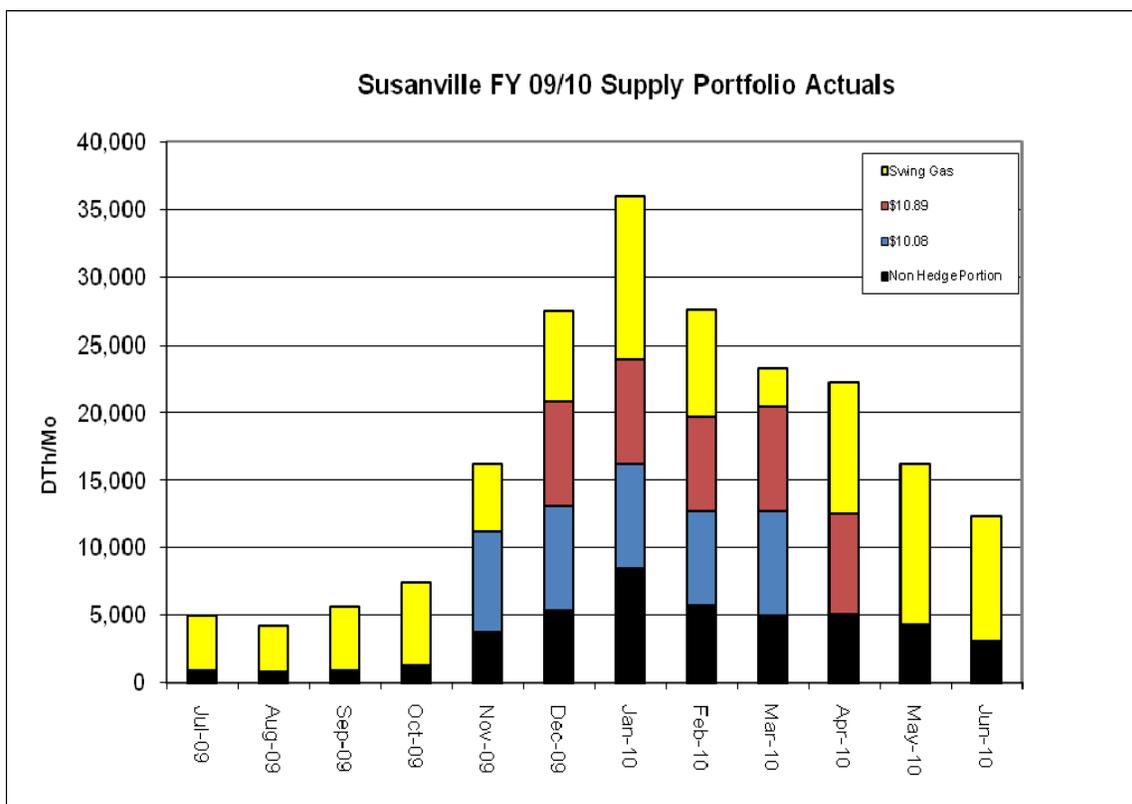
The net assets increase of \$238,620 is mostly due to the increase in water rates that went into effect in August, 2008. The purpose of the increase was to set aside money for imminent capital improvement projects; such as, the replacement of meters and the replacement of aging water lines throughout the water distribution system.

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. The last time water rates were increased was in fiscal year 2008-09 as mentioned above.

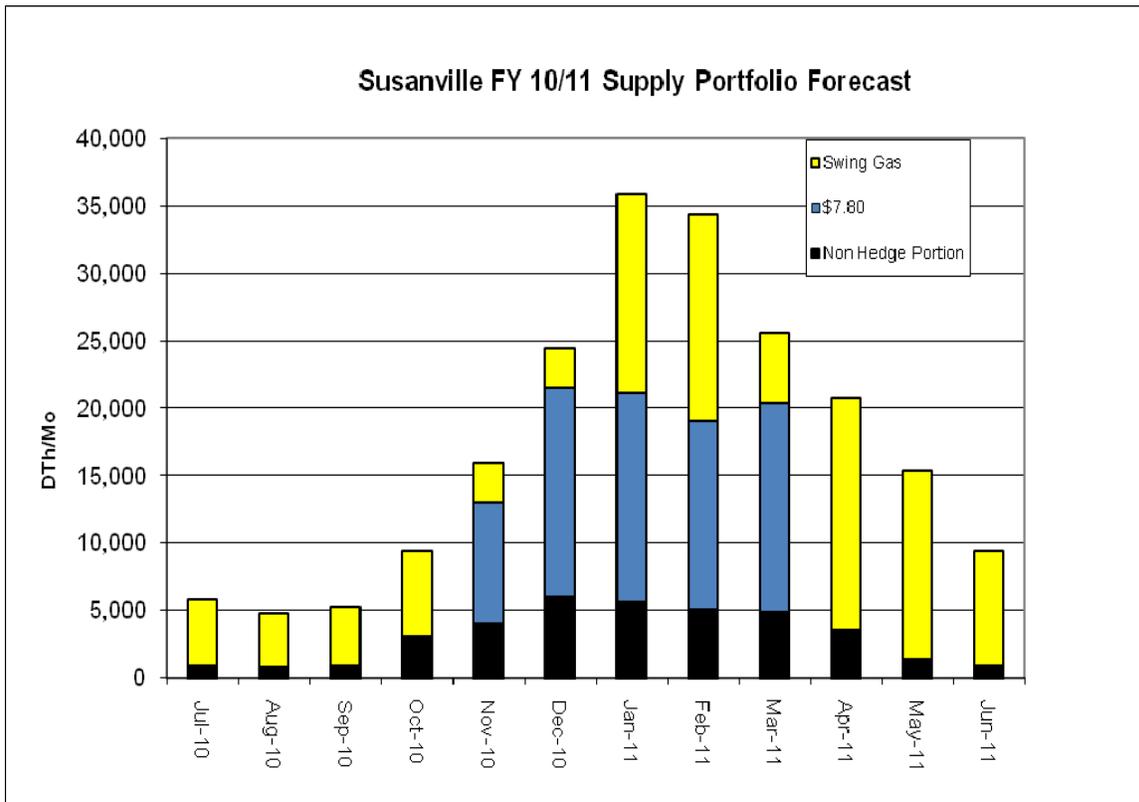
**NATURAL GAS ENTERPRISE FUND** – The Natural Gas system did very well in FY 2009-10 by exceeding expectation and ultimately reducing its net assets deficit by \$320,603 (from negative \$2,479,810 to negative \$2,159,207).

The increase in net assets of \$320,603 includes depreciation and amortization expenses of \$506,018. The net cash flow at the end of the fiscal year was \$82,886 in the positive. The entire cash amount borrowed (\$646,471) as of June 30, 2009 by the gas fund from the Water fund has been repaid as of June 30, 2010. Because the natural gas was priced competitively, the City was able to continue adding new customers to the system. The number of natural gas accounts increased from 2,546 at June 30, 2009 to 2,630 at June 30, 2010 equivalent to approximately 4% increase.

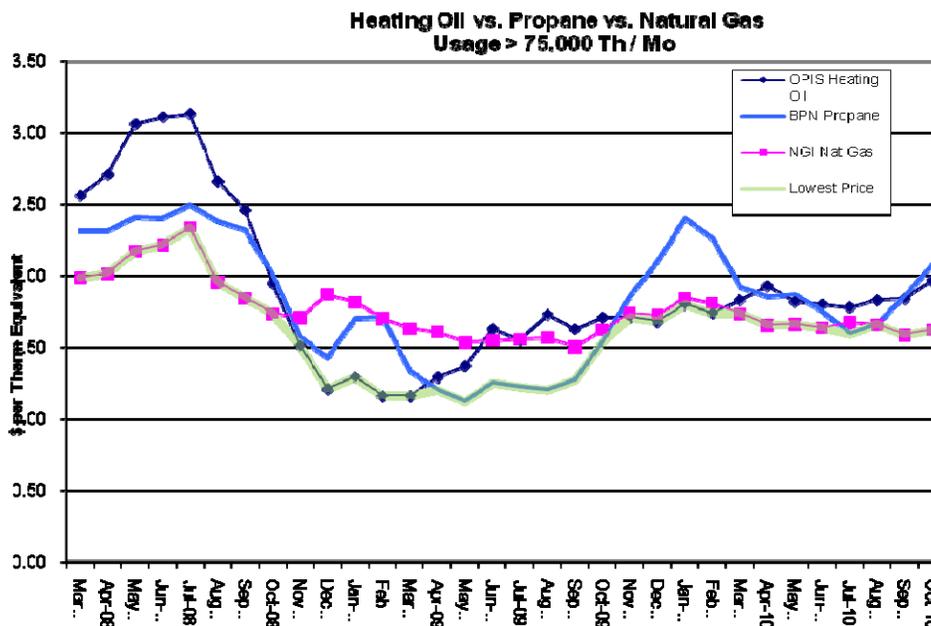
The gas purchased in FY 2009-10 was as follows:



The cost of natural gas in the open market has continued to decrease 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 2010-11 supply portfolio as follows:



Historically, the cost of natural gas has been lower than its competition (propane, electricity, kerosene and heating oil). During this year, however, the cost of other fuels has matched the natural gas, and at times, has been even lower.



Despite, the competitiveness of other fuels, the City has continued adding new customers to the system and in fiscal year 2009-10, a net of 87 new customers were added to the system for an estimated 38,400 additional gas therms. As of June 30, 2010 the system had 2,630 customers.

The City has maintained the services of Interstate Gas Services (IGS), a consulting firm specializing in natural gas, and it is projected to continue through 2010-11 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.

AIRPORT ENTERPRISE FUND – The net assets of the Airport Fund decreased by \$80,994 due to expenses exceeding revenues. Consistent with prior year, 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 \$-430,015 to negative \$-302,830 (this amount has been borrowed from the general fund). This improvement in cash is due to the collection of accounts receivable outstanding in the prior fiscal year (Airport runaway capital improvement project). 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	Variance
Revenues	\$5,505,701	\$5,425,566	\$ 80,135	\$5,394,934	\$( 30,632)
Expenditures	\$5,399,126	\$5,214,210	\$ 184,916	\$4,829,687	\$ 384,523
<b>Difference</b>	<b>\$ 106,575</b>	<b>\$ 211,356</b>	<b>\$ 265,051</b>	<b>\$ 565,247</b>	<b>\$ 353,891</b>

Other financing sources and (uses):

Transfers-In	5,000	5,000	----	43,509	38,509
Transfers-Out	( 246,575)	( 428,928)	( 182,353)	( 428,928)	---
<b>Difference</b>	<b>( 241,575)</b>	<b>( 423,928)</b>	<b>( 182,353)</b>	<b>( 385,419)</b>	<b>38,509</b>
<b>Net change in Fund balance</b>	<b>( 135,000 )</b>	<b>( 212,572)</b>	<b>82,698</b>	<b>179,828</b>	<b>392,400</b>

## Reasons for Variances

### General Fund - Original Budget to Final Budget variance:

After the original 2009-10 budget was adopted, the City Council approved several budget amendments. Changes were as follows:

<b>REVENUES</b>	Increases <u>(Decreases)</u>
\$(22,500)	Reduce police revenue-No Lassen High Contract
(46,844)	Reduce sales tax for State cuts
25,000	Transient occupancy tax revenue
10	Finance fines
7,417	Rancheria public safety
(133,317)	Property tax in lieu of sales tax
108,818	Property tax in lieu of vehicle license fees
3,096	Fishing Derby res#09-4562
74,167	Rancheria public safety
(81,582)	Transfer from Indian Rancheria public safety
<u>(14,400)</u>	Correct T-Mobile Revenue-booked twice
<u>\$(80,135)</u>	Net revenues
<b>EXPENDITURES</b>	
\$6,500	Increase budget for Caselle purchase order
(26,416)	Budget for salary savings-Acct Mgr
(3,706)	Budget for salary savings-Secretary
(32,982)	PW-Planning restructure
(49,880)	Remove partial budget for unfilled CSO/Officer
(81,562)	Remove Budget for Fire Chief Retirement
1,014	Increase for employee merit-Building Official
(980)	Payroll changes
3,096	Increase budget for Fishing Derby res#09-4562
<u>(184,916)</u>	Net expenditures
68,154	Res #10-4610 snow removal
<u>114,199</u>	Transfers to Streets res#09-4568
<u>182,353</u>	Net Transfers –Out
<u>\$(2,563)</u>	Net Expenditures and Transfers-Out

## Final Budget to Actual variance

**REVENUES:** As of June 30, 2010, total General Fund actual revenues were \$5,394,934 or \$30,632 less than budgeted. This variance comes mostly from a decline in general revenues, such as property taxes, sales taxes, charges for services offset partially by an increase in reimbursements from our risk management pool recorded as Other Revenues.

**EXPENDITURES:** Actual expenditures were \$4,829,687 or \$384,523 less than budgeted. This was due mainly from salary savings from unfilled vacant positions.

### **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.

#### **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, 2010 was as follows:

Natural Gas Utility	\$24,248,166	Secured by gas revenues
Water Utility	\$ 9,805,070	Secured by water revenues
City Hall	\$ 1,845,000	Secured by vehicle license fees
Golf Course	\$ 487,379	Secured by equipment/assets
Mark Roos Assessment	\$ 870,000	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 over time. 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, 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 improving, but very slowly. 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 \$25 billion range. Many City governments are struggling to balance their budget. 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 General Fund expenditures budget for 2010-11 (including transfers out) has been reduced significantly from the 2009-10. The reduction is \$314,348 or 6% (from \$5,643,138 in 2009-10 to \$5,328,790 in 2010-11). The main reasons for the decrease are projected declining general revenues. The reduction in costs to compensate for the revenue shortfall is primarily in full-time positions and in total employee benefits.

## **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, 2010

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 3,897,948	\$ 3,591,355	\$ 7,489,303
Cash and investments with fiscal agents	482,416	3,139,836	3,622,252
Investment in bonds	865,000		865,000
Accounts receivable	667,931	666,749	1,334,680
Internal balances	762,581	(762,581)	
Interest receivable	5,769	5,127	10,896
Prepaid expenses	27,932	10,216	38,148
Inventory	30,536	80,925	111,461
Deposits		75,000	75,000
Loans receivable	1,204,064		1,204,064
Deferred charges - net of accumulated amortization	104,390	316,009	420,399
Capital assets:			
Nondepreciable:			
Land	2,930,975	2,226,085	5,157,060
Construction in progress	6,612	1,429,037	1,435,649
Depreciable:			
Buildings, improvements, equipment, and vehicles	5,888,112	37,959,923	43,848,035
Accumulated depreciation	(4,261,288)	(9,966,525)	(14,227,813)
Total assets	<u>12,612,978</u>	<u>38,771,156</u>	<u>51,384,134</u>
<b>LIABILITIES</b>			
Accounts payable	241,855	98,688	340,543
Accrued wages	150,712		150,712
Accrued interest payable	53,506	275,641	329,147
Deposits payable	42,271	122,616	164,887
Noncurrent liabilities:			
Due within one year	160,947	24,863,798	25,024,745
Due in more than one year	2,734,898	9,774,558	12,509,456
Total liabilities	<u>3,384,189</u>	<u>35,135,301</u>	<u>38,519,490</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,849,411	(2,877,539)	(1,028,128)
Restricted for:			
Debt service	1,569,288	2,864,195	4,433,483
Unrestricted	5,810,090	3,649,199	9,459,289
Total net assets	<u>\$ 9,228,789</u>	<u>\$ 3,635,855</u>	<u>\$ 12,864,644</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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 1,094,945	\$ 155,256	\$ 143,597	\$ -
Public safety	3,517,162	172,430	176,246	720
Streets	963,197	49,047	428,792	161,795
Protective inspections	210,793	9,491		
Community services	255,316	22,472		
Community development	149,961	94,344		
Interest on long term debt	175,910			
<b>Total governmental activities</b>	<b>6,367,284</b>	<b>503,040</b>	<b>748,635</b>	<b>162,515</b>
Business-type activities:				
Airport	171,886	58,284		29,175
Water	2,126,843	2,315,996		
Geothermal	52,561	69,783		
Natural gas	4,557,201	4,723,849		
Day care	120,890	60,676		
Golf course	136,267			
<b>Total business-type activities</b>	<b>7,165,648</b>	<b>7,228,588</b>		<b>29,175</b>
<b>Total government</b>	<b>\$ 13,532,932</b>	<b>\$ 7,731,628</b>	<b>\$ 748,635</b>	<b>\$ 191,690</b>

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  
Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net assets

Net Assets, July 1, 2009

Prior period adjustments

Net Assets, July 1, 2009, restated

Net Assets, June 30, 2010

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
\$ (796,092)	\$ -	\$ (796,092)
(3,167,766)		(3,167,766)
(323,563)		(323,563)
(201,302)		(201,302)
(232,844)		(232,844)
(55,617)		(55,617)
(175,910)		(175,910)
(4,953,094)		(4,953,094)
	(84,427)	(84,427)
	189,153	189,153
	17,222	17,222
	166,648	166,648
	(60,214)	(60,214)
	(136,267)	(136,267)
	92,115	92,115
(4,953,094)	92,115	(4,860,979)
829,452		829,452
1,076,014		1,076,014
380,354		380,354
48,855		48,855
231,796		231,796
188,948		188,948
298,882		298,882
1,523,051		1,523,051
29,896	27,132	57,028
351,735	42,542	394,277
5,000	(5,000)	
4,963,983	64,674	5,028,657
10,889	156,789	167,678
9,217,900	3,330,231	12,548,131
	148,835	148,835
9,217,900	3,479,066	12,696,966
\$ 9,228,789	\$ 3,635,855	\$ 12,864,644

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, 2010

	General Fund	Gas Tax Fund	Other Governmental Funds	Totals
<b>ASSETS</b>				
Cash and investments	\$ 1,025,182	\$ 53,404	\$ 1,971,210	\$ 3,049,796
Cash and investments with fiscal agent			482,416	482,416
Investment in bonds			865,000	865,000
Accounts receivable	575,652	80,887	10,218	666,757
Interest receivable	2,631	151	2,125	4,907
Prepaid expenditures	18,224	5,000	768	23,992
Inventory	30,536			30,536
Due from other funds	691,957			691,957
Loans receivable	85,417		1,118,647	1,204,064
Advances to other funds	356,838		381,372	738,210
	<u>\$ 2,786,437</u>	<u>\$ 139,442</u>	<u>\$ 4,831,756</u>	<u>\$ 7,757,635</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 206,544	\$ 6,895	\$ 25,211	\$ 238,650
Deposits payable	42,271			42,271
Deferred revenue	85,417		1,118,647	1,204,064
Advances from other funds			667,586	667,586
	<u>334,232</u>	<u>6,895</u>	<u>1,811,444</u>	<u>2,152,571</u>
Fund Balances:				
Reserved:				
Debt service			1,622,026	1,622,026
Advances	356,838		381,372	738,210
Prepaid expenditures	18,224	5,000	768	23,992
Inventory	30,536			30,536
Encumbrances	7,725			7,725
Unreserved, designated:				
Capital improvements	28,331		124,748	153,079
Unreserved, undesignated				
Reported in:				
General Fund	2,010,551			2,010,551
Special Revenue Funds		127,547	742,871	870,418
Capital Projects Fund			148,527	148,527
	<u>2,452,205</u>	<u>132,547</u>	<u>3,020,312</u>	<u>5,605,064</u>
Total liabilities and fund balances	<u>\$ 2,786,437</u>	<u>\$ 139,442</u>	<u>\$ 4,831,756</u>	<u>\$ 7,757,635</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, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,605,064

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	\$	8,825,699	
Accumulated depreciation		<u>(4,261,288)</u>	
Net			4,564,411

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 net assets, it is recognized in the period that it is incurred. (53,506)

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>(49,125)</u>	
Net			104,390

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. 700,211

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		(2,715,000)	
Compensated absences payable		<u>(180,845)</u>	
Total			(2,895,845)

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. 1,204,064

**TOTAL NET ASSETS, GOVERNMENTAL ACTIVITIES \$ 9,228,789**

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, 2010

	General Fund	Gas Tax Fund	Other Governmental Funds	Totals
<b>Revenues:</b>				
Taxes and assessments	\$ 4,184,234	\$ -	\$ 161,322	\$ 4,345,556
Licenses and permits	100,231			100,231
Fines and forfeitures	34,400			34,400
Use of money and property	12,354	134	13,754	26,242
Intergovernmental revenues	121,563	590,587	100,000	812,150
Program income	5,417		62,227	67,644
Charges for services	321,081	10,400		331,481
Other revenues	615,654	17,164	86,641	719,459
<b>Total revenues</b>	<b>5,394,934</b>	<b>618,285</b>	<b>423,944</b>	<b>6,437,163</b>
<b>Expenditures:</b>				
Current:				
General government	969,963			969,963
Public safety	3,314,530		103,346	3,417,876
Streets		786,641	161,403	948,044
Protective inspections	209,633			209,633
Community services	193,714			193,714
Community development	141,847		123,840	265,687
Capital outlay			25,910	25,910
Debt service:				
Principal			140,000	140,000
Interest and fiscal agent fees			173,289	173,289
<b>Total expenditures</b>	<b>4,829,687</b>	<b>786,641</b>	<b>727,788</b>	<b>6,344,116</b>
Excess of revenues over (under) expenditures	565,247	(168,356)	(303,844)	93,047
<b>Other Financing Sources (Uses):</b>				
Transfers in	43,509	282,331	166,597	492,437
Transfers out	(428,928)		(58,509)	(487,437)
<b>Total other financing sources (uses)</b>	<b>(385,419)</b>	<b>282,331</b>	<b>108,088</b>	<b>5,000</b>
Net changes in fund balances	179,828	113,975	(195,756)	98,047
Fund balances - July 1, 2009	2,272,377	18,572	3,216,068	5,507,017
Fund balances - June 30, 2010	\$ 2,452,205	\$ 132,547	\$ 3,020,312	\$ 5,605,064

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

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**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, 2010

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 \$ 98,047

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

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

Capital outlay expenditures are therefore added back to fund balances	16,435
Depreciation expense is not reported in governmental funds	(369,307)

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.

Repayment of debt principal is added back to fund balances	140,000
Amortization expense of costs of issuance not reported in governmental funds	(6,141)

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

Interest payable	3,520
Compensated absences	28,346

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 current year deferred revenue exceeded prior year.	54,582
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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.	45,407
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 10,889
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The notes to the financial statements are an integral part of this statement.

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
June 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Geothermal Fund</b>
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ -	\$ 3,393,303	\$ 113,879
Cash and investments with fiscal agents		802,462	
Accounts receivable - net	5,424	322,452	6,011
Interest receivable		4,969	158
Prepaid expenses	13	2,563	1,200
Inventory		27,471	
Deposits			
<b>Total Current Assets</b>	<b>5,437</b>	<b>4,553,220</b>	<b>121,248</b>
Noncurrent Assets:			
Deferred charges, net of accumulated amortization		300,598	
Capital Assets:			
Nondepreciable			
Land	43,189	943,183	249,124
Construction in progress	1,349,797	79,240	
<b>Total Nondepreciable Capital Assets</b>	<b>1,392,986</b>	<b>1,022,423</b>	<b>249,124</b>
Depreciable			
Buildings	166,873	315,266	24,852
Improvements	1,094,493	8,047,894	
Equipment	128,400	3,809,660	228,666
<b>Total Depreciable Capital Assets</b>	<b>1,389,766</b>	<b>12,172,820</b>	<b>253,518</b>
Less accumulated depreciation	(630,689)	(6,394,895)	(247,304)
<b>Net Depreciable Capital Assets</b>	<b>759,077</b>	<b>5,777,925</b>	<b>6,214</b>
<b>Net Capital Assets</b>	<b>2,152,063</b>	<b>6,800,348</b>	<b>255,338</b>
<b>Total Noncurrent Assets</b>	<b>2,152,063</b>	<b>7,100,946</b>	<b>255,338</b>
<b>Total Assets</b>	<b>2,157,500</b>	<b>11,654,166</b>	<b>376,586</b>

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
\$ 84,173	\$ -	\$ -	\$ 3,591,355	\$ 848,152
2,337,374			3,139,836	
323,016	7,560	2,286	666,749	1,174
			5,127	862
5,657	236	547	10,216	3,940
53,454			80,925	
75,000			75,000	
<u>2,878,674</u>	<u>7,796</u>	<u>2,833</u>	<u>7,569,208</u>	<u>854,128</u>
15,411			316,009	
		990,589	2,226,085	
			1,429,037	
		990,589	3,655,122	
		374,632	881,623	
21,705,344		1,563,229	32,410,960	
277,332		223,282	4,667,340	
21,982,676		2,161,143	37,959,923	
(2,391,735)		(301,902)	(9,966,525)	
19,590,941		1,859,241	27,993,398	
19,590,941		2,849,830	31,648,520	
19,606,352		2,849,830	31,964,529	
<u>22,485,026</u>	<u>7,796</u>	<u>2,852,663</u>	<u>39,533,737</u>	<u>854,128</u>

(Continued)

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS (Continued)**  
June 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Geothermal Fund</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 5,226	\$ 21,421	\$ 1,599
Accrued wages			
Due to other funds	302,830		
Accrued interest		39,962	
Deposits payable		66,540	
Current portion - long-term debt	160	188,070	48
	308,216	315,993	1,647
Total Current Liabilities			
Noncurrent Liabilities:			
Advances from other funds			
Capital lease payable			
Notes payable		897,000	
Revenue bonds payable		8,720,000	
Compensated absences	1,093	50,790	185
	1,093	9,667,790	185
Total Noncurrent Liabilities			
	309,309	9,983,783	1,832
Total Liabilities			
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,152,063	(2,998,652)	255,338
Restricted for debt service		762,500	
Unrestricted	(303,872)	3,906,535	119,416
	\$ 1,848,191	\$ 1,670,383	\$ 374,754
Total Net Assets (Deficit)			

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

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
<b>Natural</b>	<b>Day</b>	<b>Golf</b>		<b>Activities-</b>
<b>Gas</b>	<b>Care</b>	<b>Course</b>		<b>Internal</b>
<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Totals</b>	<b>Service</b>
				<b>Funds</b>
\$ 64,977	\$ 840	\$ 4,625	\$ 98,688	\$ 3,205
				150,712
	327,431	61,696	691,957	
235,679			275,641	
56,076			122,616	
24,248,166	160	427,194	24,863,798	
<u>24,604,898</u>	<u>328,431</u>	<u>493,515</u>	<u>26,052,700</u>	<u>153,917</u>
		70,624	70,624	
		60,185	60,185	
			897,000	
			8,720,000	
39,335	5,827	143	97,373	
<u>39,335</u>	<u>5,827</u>	<u>130,952</u>	<u>9,845,182</u>	
<u>24,644,233</u>	<u>334,258</u>	<u>624,467</u>	<u>35,897,882</u>	<u>153,917</u>
(4,649,059)		2,362,771	(2,877,539)	
2,101,695			2,864,195	
388,157	(326,462)	(134,575)	3,649,199	700,211
<u>\$ (2,159,207)</u>	<u>\$ (326,462)</u>	<u>\$ 2,228,196</u>	<u>\$ 3,635,855</u>	<u>\$ 700,211</u>

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Geothermal Fund</b>
Operating Revenues:			
Sales and charges for services	\$ 58,284	\$ 2,315,996	\$ 69,783
Total Operating Revenues	<u>58,284</u>	<u>2,315,996</u>	<u>69,783</u>
Operating Expenses:			
Direct:			
Purchase of natural gas			
Administration	92,394	1,149,314	48,406
Insurance costs and claims			
Depreciation and amortization	69,787	366,101	621
Total Direct Operating Expenses	<u>162,181</u>	<u>1,515,415</u>	<u>49,027</u>
Indirect:			
Overhead allocation	7,328	80,687	3,534
Total Indirect Operating Expenses	<u>7,328</u>	<u>80,687</u>	<u>3,534</u>
Total Operating Expenses	<u>169,509</u>	<u>1,596,102</u>	<u>52,561</u>
Operating Income (Loss)	<u>(111,225)</u>	<u>719,894</u>	<u>17,222</u>
Non-Operating Revenues (Expenses):			
Interest income		25,395	808
Interest expense	(2,377)	(530,741)	
Reimbursements	3,433	29,072	
Total Non-Operating Revenue(Expenses)	<u>1,056</u>	<u>(476,274)</u>	<u>808</u>
Income (Loss) Before Transfers and Capital Contributions and Grants	(110,169)	243,620	18,030
Capital contributions and grants	29,175		
Transfers:			
Transfers out		(5,000)	
Change in Net Assets	<u>(80,994)</u>	<u>238,620</u>	<u>18,030</u>
Net Assets (Deficit), July 1, 2009	1,929,185	1,431,763	356,724
Prior Period Adjustments			
Net Assets (Deficit), July 1, 2009, restated	<u>1,929,185</u>	<u>1,431,763</u>	<u>356,724</u>
Net Assets (Deficit), June 30, 2010	<u>\$ 1,848,191</u>	<u>\$ 1,670,383</u>	<u>\$ 374,754</u>

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

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
<b>Natural</b>	<b>Day</b>	<b>Golf</b>	<b>Totals</b>	<b>Activities-</b>
<b>Gas</b>	<b>Care</b>	<b>Course</b>		<b>Internal</b>
<b>Fund</b>	<b>Fund</b>	<b>Fund</b>		<b>Service</b>
				<b>Funds</b>
\$ 4,723,849	\$ 60,676	\$ -	\$ 7,228,588	\$ 758,708
4,723,849	60,676		7,228,588	758,708
1,473,091			1,473,091	
1,052,877	112,532	23,384	2,478,907	31,970
				684,985
506,018		77,993	1,020,520	
3,031,986	112,532	101,377	4,972,518	716,955
95,676	6,206	8,347	201,778	
95,676	6,206	8,347	201,778	
3,127,662	118,738	109,724	5,174,296	716,955
1,596,187	(58,062)	(109,724)	2,054,292	41,753
929			27,132	3,654
(1,429,539)	(2,152)	(26,543)	(1,991,352)	
4,191		5,846	42,542	
(1,424,419)	(2,152)	(20,697)	(1,921,678)	3,654
171,768	(60,214)	(130,421)	132,614	45,407
			29,175	
			(5,000)	
171,768	(60,214)	(130,421)	156,789	45,407
(2,479,810)	(266,248)	2,358,617	3,330,231	654,804
148,835			148,835	
(2,330,975)	(266,248)	2,358,617	3,479,066	654,804
\$ (2,159,207)	\$ (326,462)	\$ 2,228,196	\$ 3,635,855	\$ 700,211

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Geothermal Fund</b>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 197,907	\$ 2,299,374	\$ 72,397
Payments to suppliers and users	(184,092)	756,227	(57,827)
Payments to employees	(37,881)	(636,445)	(6,696)
Net Cash Provided (Used) by Operating Activities	<u>(24,066)</u>	<u>2,419,156</u>	<u>7,874</u>
Cash Flow from Non-Capital Financing Activities:			
Other non-operating revenues	3,433	29,072	
Transfers in/(out)		(5,000)	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,433</u>	<u>24,072</u>	
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(4,482)	(83,582)	
Capital grants received	29,175		
Proceeds from issuance of debt			
Interest paid	(4,060)	(531,372)	
Principal payments - long-term debt		(172,000)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>20,633</u>	<u>(786,954)</u>	
Cash Flows from Investing Activities:			
Interest received		32,909	1,066
Net Cash Provided (Used) by Investing Activities		<u>32,909</u>	<u>1,066</u>
Net Increase (Decrease) in Cash and Cash Equivalents		1,689,183	8,940
Cash and Cash Equivalents, July 1, 2009		<u>2,506,582</u>	<u>104,939</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ -</u>	<u>\$ 4,195,765</u>	<u>\$ 113,879</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets			
Cash and investments	\$ -	\$ 3,393,303	\$ 113,879
Cash and investments with fiscal agents		<u>802,462</u>	
Total Cash and Investments	<u>\$ -</u>	<u>\$ 4,195,765</u>	<u>\$ 113,879</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
\$ 4,779,165	\$ 60,480	\$ (2,286)	\$ 7,407,037	\$ 757,534
(2,742,700)	20,153	34,589	(2,173,650)	(711,566)
(526,007)	(77,428)	(8,325)	(1,292,782)	43,132
<u>1,510,458</u>	<u>3,205</u>	<u>23,978</u>	<u>3,940,605</u>	<u>89,100</u>
4,191		5,846	42,542	
			(5,000)	
<u>4,191</u>		<u>5,846</u>	<u>37,542</u>	
		(105,197)	(193,261)	
			29,175	
		490,025	490,025	
(1,429,539)	(3,205)	(26,543)	(1,994,719)	
		(388,087)	(560,087)	
<u>(1,429,539)</u>	<u>(3,205)</u>	<u>(29,802)</u>	<u>(2,228,867)</u>	
(2,224)		(22)	31,729	4,901
(2,224)		(22)	31,729	4,901
82,886			1,781,009	94,001
<u>2,338,661</u>			<u>4,950,182</u>	<u>754,151</u>
<u>\$ 2,421,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,731,191</u>	<u>\$ 848,152</u>
\$ 84,173	\$ -	\$ -	\$ 3,591,355	\$ 848,152
<u>2,337,374</u>			<u>3,139,836</u>	
<u>\$ 2,421,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,731,191</u>	<u>\$ 848,152</u>

(Continued)

**CITY OF SUSANVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
For the Fiscal Year Ended June 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Geothermal Fund</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (111,225)	\$ 719,894	\$ 17,222
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	69,787	366,101	621
(Increase) Decrease in Operating Assets:			
Accounts receivable	139,623	15,026	2,614
Inventory		31,006	
Prepaid expenses	1,603	(460)	
Due from other funds		1,348,821	
Increase (Decrease) in Operating Liabilities:			
Accounts payable	3,588	(32,608)	(12,576)
Accrued wages			
Due to other funds	(127,185)		
Compensated absences	(257)	3,024	(7)
Deposits payable		(31,648)	
Net Cash Provided (Used) by Operating Activities	<u>\$ (24,066)</u>	<u>\$ 2,419,156</u>	<u>\$ 7,874</u>

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

<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
<b>Natural</b>	<b>Day</b>	<b>Golf</b>		<b>Activities-</b>
<b>Gas</b>	<b>Care</b>	<b>Course</b>		<b>Internal</b>
<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Totals</b>	<b>Service</b>
				<b>Funds</b>
\$ 1,596,187	\$ (58,062)	\$ (109,724)	\$ 2,054,292	\$ 41,753
506,018		77,993	1,020,520	
51,847	(196)	(2,286)	206,628	(1,174)
17,989			48,995	
2,005	(8)	(547)	2,593	7,378
			1,348,821	
(29,525)	128	4,258	(66,735)	(1,989)
				43,132
(646,471)	61,361	55,431	(656,864)	
8,939	(18)	(1,147)	10,534	
3,469			(28,179)	
<u>\$ 1,510,458</u>	<u>\$ 3,205</u>	<u>\$ 23,978</u>	<u>\$ 3,940,605</u>	<u>\$ 89,100</u>

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**CITY OF SUSANVILLE**  
**FIDUCIARY FUNDS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
June 30, 2010

	<u>Agency Funds</u>			<u>Totals</u>
	<u>Section 125 Aflac Fund</u>	<u>LAFCO Fund</u>	<u>HUSA Business Improvement Fund</u>	
<b>ASSETS</b>				
Cash and investments	\$ 4,210	\$ 68,963	\$ 534	\$ 73,707
Accounts receivable			6,024	6,024
Interest receivable		104		104
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 4,210</u>	<u>\$ 69,067</u>	<u>\$ 6,558</u>	<u>\$ 79,835</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 5,463	\$ 225	\$ 5,688
Deposits payable	4,210	63,604	6,333	74,147
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 4,210</u>	<u>\$ 69,067</u>	<u>\$ 6,558</u>	<u>\$ 79,835</u>

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

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**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, 2010 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, 2010

**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 of all funds excluding fiduciary. 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, 2010

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

**C. Major Funds (Continued)**

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

General Fund

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

Gas Tax Fund

This fund accounts for gas tax monies received from the State of California, which are used to construct and maintain streets, alleys, etc., and provide emergency snow-removal services within the City of Susanville.

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 heat 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. Agency funds have no measurement focus. 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, 2010

**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, 2010

**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 July 1, 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 July 1, 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. 45, No. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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

**J. New Accounting Pronouncements (Continued)**

*GASB Statement No. 45 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

This Statement is effective for periods beginning after December 15, 2008 for governments with total annual revenues of less than \$10 million. The Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures, related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”. This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”. This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

*GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”. This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

**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 Solid Waste Fund, Barry Creek Development Fund, Chestnut Street Culvert Fund, or Jensen Slough Pedestrian Bridge Fund.

There was approximately a \$141,903 change in appropriations from the original budget to the final budget, for all funds.

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

Major Funds

A deficit net assets of \$2,159,207 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 \$326,462 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 \$667,596 exists in the Community Redevelopment Agency Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

A deficit of net assets of \$1,120 exists in the Public Works Administration Fund. The deficit is due to the City incurring costs in excess of revenues.

**NOTE 3 – CASH AND INVESTMENTS**

Statement of Net Assets:	
Cash and investments	\$ 7,489,303
Cash and investments with fiscal agent	3,622,252
Investment in bonds	865,000
Statement of Fiduciary Net Assets:	
Cash and investments	<u>73,707</u>
Total	<u><u>\$ 12,050,262</u></u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$	650
Deposits with financial institutions		196,463
Investments in bonds		865,000
Investments		<u>10,988,149</u>
Total		<u><u>\$ 12,050,262</u></u>

**Investments Authorized by the California Government Code and the City’s Investment Policy**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage/Amount of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$50 million	\$50 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	\$50 million	\$50 million
Guaranteed Investment Contracts	N/A	None	None
Local Assessment District Bonds	30 years	None	None

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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

**Disclosures Relating to Interest Rate Risk**

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

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

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
State Investment Pool	\$ 7,365,897	\$ 7,365,897	\$ -	\$ -	\$ -	\$ -	\$ -
Held by debt trustees:							
Money market funds	3,622,252	3,622,252					
Miller Fletcher bonds	865,000	80,000	85,000	95,000	105,000	110,000	390,000
	<u>\$ 11,853,149</u>	<u>\$ 11,068,149</u>	<u>\$ 85,000</u>	<u>\$ 95,000</u>	<u>\$105,000</u>	<u>\$ 110,000</u>	<u>\$ 390,000</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	\$ 7,365,897	N/A	\$ -	\$ -	\$ -	\$ -	\$ 7,365,897
Held by debt trustees:							
Money market funds	3,622,252	N/A		3,622,252			
Miller Fletcher bonds	865,000						865,000
Total	<u>\$ 11,853,149</u>		<u>\$ -</u>	<u>\$ 3,622,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,230,897</u>

**CITY OF SUSANVILLE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010

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

**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 exceed 5% of investments in the governmental activities and aggregate remaining fund information opinion units. These bonds are payable annually on a set schedule from the property owners in the assessment district. These annual payments are used to pay the principal and interest of the 1992 Series B Revenue bonds.

**Custodial Credit Risk**

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

As of June 30, 2010, the City did not have any deposits with financial institutions in excess of federal depository insurance limits.

**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.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>Governmental Activities</b>				
Nondepreciable capital assets:				
Land	\$ 2,930,975	\$ -	\$ -	\$ 2,930,975
Construction in progress	2,177	4,435		6,612
Total nondepreciable capital assets	2,933,152	4,435		2,937,587
Depreciable capital assets:				
Buildings	1,252,436			1,252,436
Machinery and equipment	2,258,626	12,000		2,270,626
Other improvements	2,365,050			2,365,050
Total depreciable capital assets	5,876,112	12,000		5,888,112
Less accumulated depreciation	(3,891,981)	(369,307)		(4,261,288)
Net depreciable capital assets	1,984,131	(357,307)		1,626,824
Net capital assets	\$ 4,917,283	\$ (352,872)	\$ -	\$ 4,564,411
<b>Business-type Activities</b>				
<b>Airport</b>				
Nondepreciable capital assets:				
Land	\$ 43,189	\$ -	\$ -	\$ 43,189
Construction in progress	1,345,315	4,482		1,349,797
Total nondepreciable capital assets	1,388,504	4,482		1,392,986
Depreciable capital assets:				
Buildings	166,873			166,873
Machinery and equipment	128,400			128,400
Other improvements	1,094,493			1,094,493
Total depreciable capital assets	1,389,766			1,389,766
Less accumulated depreciation	(560,902)	(69,787)		(630,689)
Net depreciable capital assets	828,864	(69,787)		759,077
Net capital assets	\$ 2,217,368	\$ (65,305)	\$ -	\$ 2,152,063

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Business-type Activities</b>					
<b>Water</b>					
Nondepreciable capital assets:					
Land	\$ 943,183	\$ -	\$ -	\$ -	\$ 943,183
Construction in progress	9,015	70,225			79,240
Total nondepreciable capital assets	<u>952,198</u>	<u>70,225</u>			<u>1,022,423</u>
Depreciable capital assets:					
Infrastructure	4,112,864				4,112,864
Buildings	315,266				315,266
Machinery and equipment	3,796,303	13,357			3,809,660
Other improvements	3,935,030				3,935,030
Total depreciable capital assets	<u>12,159,463</u>	<u>13,357</u>			<u>12,172,820</u>
Less accumulated depreciation	<u>(6,043,733)</u>	<u>(351,162)</u>			<u>(6,394,895)</u>
Net depreciable capital assets	<u>6,115,730</u>	<u>(337,805)</u>			<u>5,777,925</u>
Net capital assets	<u>\$ 7,067,928</u>	<u>\$ (267,580)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,800,348</u>
	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Geothermal</b>					
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>(246,683)</u>	<u>(621)</u>			<u>(247,304)</u>
Net depreciable capital assets	<u>6,835</u>	<u>(621)</u>			<u>6,214</u>
Net capital assets	<u>\$ 255,959</u>	<u>\$ (621)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,338</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Transfers	Balance June 30, 2010
<b>Business-type Activities</b>				
<b>Natural Gas</b>				
Nondepreciable capital assets:				
Construction in progress	\$ 80,778	\$ -	\$ (80,778)	\$ -
Total nondepreciable capital assets	80,778		(80,778)	
Depreciable capital assets:				
Infrastructure	21,624,566		80,778	21,705,344
Machinery and equipment	277,332			277,332
Total depreciable capital assets	21,901,898		80,778	21,982,676
Less accumulated depreciation	(2,013,937)	(377,798)		(2,391,735)
Net depreciable capital assets	19,887,961	(377,798)	80,778	19,590,941
Net capital assets	\$ 19,968,739	\$ (377,798)	\$ -	\$ 19,590,941
<b>Golf Course</b>				
Nondepreciable capital assets:				
Land	\$ 990,589	\$ -	\$ -	\$ 990,589
Construction in progress	363		(363)	
Total nondepreciable capital assets	990,952		(363)	990,589
Depreciable capital assets:				
Buildings	374,632			374,632
Machinery and equipment	125,000	98,282	363	223,645
Other improvements	1,555,951	6,915		1,562,866
Total depreciable capital assets	2,055,583	105,197	363	2,161,143
Less accumulated depreciation	(223,909)	(77,993)		(301,902)
Net depreciable capital assets	1,831,674	27,204	363	1,859,241
Net capital assets	\$ 2,822,626	\$ 27,204	\$ -	\$ 2,849,830

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:

<b>Governmental Activities:</b>	
General government	\$ 185,606
Public safety	99,286
Community development	6,500
Streets	15,153
Protective inspections	1,160
Community services	61,602
Total Depreciation Expense-Governmental Activities	<u>\$ 369,307</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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

Depreciation Allocations (Continued)

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:

**Business-type Activities:**

Airport	\$	69,787
Water		351,162
Geothermal		621
Natural gas		377,798
Golf course		<u>77,993</u>
Total Depreciation Expense-Business-type Activities	\$	<u>877,361</u>

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

The composition of interfund balances at June 30, 2010, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Governmental Fund:	Major Proprietary Funds:	
General Fund	Airport Fund	\$ 302,830
	Day Care Fund	327,431
	Golf Course Fund	<u>61,696</u>
		<u>\$ 691,957</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	\$286,214
	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>\$738,210</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

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

**Interfund transfers:**

	<u>Transfer In</u>	<u>Explanation</u>	<u>Transfer Out</u>	<u>Explanation</u>
Major Governmental Funds:				
General Fund	\$ 43,509	Fire hydrant maintenance and close Solid Waste Fund	\$ (428,928)	City Hall debt service, street lights, snow removal, and Street maintenance
Gas Tax Fund	282,331	Street maintenance, street lights, and snow removal		
Major Proprietary Fund:				
Water Fund			(5,000)	Fire hydrant maintenance
Nonmajor Governmental Funds:				
Special Revenue Funds:				
Solid Waste Fund			(38,509)	Close fund
Street Mitigation Fund			(20,000)	Street maintenance
Debt Service Fund:				
City Hall Debt Service Fund	<u>166,597</u>	General fund vehicle license fees for debt service		
Total	<u>\$ 492,437</u>	Total	<u>\$ (492,437)</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, 2010:

Note Receivable for business assistance	\$ 85,417
State Revolving Fund notes receivables	331,193
State Revolving Economic Development fund notes receivable	115,496
Home Revolving Loan funds notes receivable	<u>671,958</u>
Total notes receivable, Nonmajor Governmental Funds	<u>\$1,204,064</u>

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

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**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, 2010, total \$180,845 for governmental activities and \$112,296 for business-type activities. The current portion is \$15,947 and \$14,925, 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, 2010 is \$870,000.

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, 2010 is \$1,845,000.

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

Fiscal Year Ended June 30,	Revenue Bonds		Total
	Principal	Interest	
2011	\$ 145,000	\$ 158,330	\$ 303,330
2012	160,000	148,973	308,973
2013	165,000	138,794	303,794
2014	180,000	127,817	307,817
2015	190,000	115,937	305,937
2016-2020	850,000	390,121	1,240,121
2021-2025	585,000	204,568	789,568
2026-2028	<u>440,000</u>	<u>37,460</u>	<u>477,460</u>
	<u>\$ 2,715,000</u>	<u>\$ 1,322,000</u>	<u>\$ 4,037,000</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, 2010 is \$5,575,000.

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, 2010 is \$3,315,000.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 7 – LONG-TERM DEBT (Continued)**

**B. Revenue Bonds (Continued)**

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

Fiscal Year Ended June 30,	Revenue Bonds		Total
	Principal	Interest	
2011	\$ 170,000	\$ 479,540	\$ 649,540
2012	175,000	471,307	646,307
2013	185,000	462,663	647,663
2014	190,000	453,343	643,343
2015	205,000	443,585	648,585
2016-2020	1,180,000	2,042,982	3,222,982
2021-2025	1,560,000	1,674,650	3,234,650
2026-2030	2,050,000	1,175,553	3,225,553
2031-2035	2,590,000	565,270	3,155,270
2036	585,000	30,420	615,420
Total	<u>\$ 8,890,000</u>	<u>\$ 7,799,313</u>	<u>\$ 16,689,313</u>

**C. Certificates of Participation**

Certificates of Participation are summarized as follows:

Natural Gas Enterprise Fund

2001-1 Certificate of Participation (COP's), Series A - \$8,785,000 Financing secured by City Enterprise Fund improvements and equipment, interest only at 6% until May 2011 when the 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.

Debt service requirements for the Certificates of Participation are:

Fiscal Year Ended June 30,	Certificates of Participation		Total
	Principal	Interest	
2011	\$ 24,240,000	\$ 1,414,075	\$ 25,654,075
Total	<u>\$ 24,240,000</u>	<u>\$ 1,414,075</u>	<u>\$ 25,654,075</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 7 – LONG-TERM DEBT (Continued)**

**D. Notes Payable**

Notes payable at June 30, 2010, 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. \$ 909,000

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, 2010, but was not paid until July 2010. Interest is due on the 25<sup>th</sup> of each month. 410,025

Total Notes Payable \$1,319,025

The scheduled annual minimum debt service requirements at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Notes Payable		Total
	Principal	Interest	
2011	\$ 422,025	\$ 38,378	\$ 460,403
2012	13,000	37,846	50,846
2013	14,000	37,273	51,273
2014	14,000	36,677	50,677
2015	15,000	36,061	51,061
2016-2020	84,000	170,126	254,126
2021-2025	105,000	150,131	255,131
2026-2030	130,000	125,162	255,162
2031-2035	160,000	96,520	256,520
2036-2040	197,000	56,716	253,716
2041-2044	<u>165,000</u>	<u>12,729</u>	<u>177,729</u>
	<u>\$ 1,319,025</u>	<u>\$ 797,619</u>	<u>\$ 2,116,644</u>

**E. Capital Lease Payable**

The City entered into a capital lease agreement with Business Equipment Financing for golf course equipment during the fiscal year ended June 30, 2010. The lease terms are 48 months with monthly payments of \$2,033, which includes sales tax, and commenced June 12, 2010.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Total
2011	\$ 20,662
2012	22,540
2013	22,540
2014	<u>20,665</u>
Total requirements	86,407
Less: interest	<u>(9,372)</u>
Present value of remaining payments	<u>\$ 77,035</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 7 – LONG-TERM DEBT (Continued)**

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

Long-term liability activity for the fiscal year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Reductions	June 30, 2010 Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Revenue	\$ 2,855,000	\$ -	\$ 140,000	\$ 2,715,000	\$ 145,000
Compensated absences	209,191		28,346	180,845	15,947
Governmental activities Long-term liabilities	<u>\$ 3,064,191</u>	<u>\$ -</u>	<u>\$ 168,346</u>	<u>\$ 2,895,845</u>	<u>\$ 160,947</u>
<b>Business-type activities:</b>					
Bonds Payable:					
Revenue	\$ 9,050,000	\$ -	\$ 160,000	\$ 8,890,000	\$ 170,000
Certificates of participation	24,240,000			24,240,000	24,240,000
Notes payable	1,306,122	410,025	397,122	1,319,025	422,025
Capital lease payable		80,000	2,965	77,035	16,848
Compensated absences	101,762	10,534		112,296	14,925
Business-type activities Long-term liabilities	<u>\$ 34,697,884</u>	<u>\$ 500,559</u>	<u>\$ 560,087</u>	<u>\$ 34,638,356</u>	<u>\$ 24,863,798</u>

**F. 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 2009-10 was 21.050% and 8.697% for miscellaneous employees and 32.887% and 13.516% 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, 2010, 2009, and 2008, were \$804,776, \$856,400, and \$842,328, 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 \$261,837, \$271,044, and \$269,402 for the fiscal years ending June 30, 2010, 2009, and 2008, respectively.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**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.

Condensed financial information of the Small Cities Organized Risk Effort (SCORE) for the fiscal year ended June 30, 2008, is as follows:

	<u>Liability Program</u>	<u>Workers Comp. Program</u>	<u>Total</u>
Total Assets	\$ 5,209,776	\$ 7,130,953	\$ 12,340,729
Total Liabilities	\$ 2,344,884	\$ 3,665,493	\$ 6,010,377
Fund Equity	2,864,892	3,465,460	6,330,352
Total Liabilities and Equity	<u>\$ 5,209,776</u>	<u>\$ 7,130,953</u>	<u>\$ 12,340,729</u>
Total Revenues	\$ 2,131,084	\$ 2,163,435	\$ 4,294,519
Total Expenditures	2,647,792	2,317,598	4,965,390
Net Increase/(Decrease)	<u>\$ (516,708)</u>	<u>\$ (154,163)</u>	<u>\$ (670,871)</u>

The financial information above is the latest available information, as neither the June 30, 2009 or 2010 information was available as of the date of these financial statements.

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

Condensed financial information of ERMA for the fiscal year ended June 30, 2009 (most recent available), is as follows:

Total Assets	<u>\$ 16,382,303</u>
Total Liabilities	\$ 15,863,170
Fund Equity	519,133
Total Liabilities and Equity	<u>\$ 16,382,303</u>
Total Revenues	\$ 7,740,857
Total Expenditures	5,480,391
Net Increase/(Decrease)	<u>\$ 2,260,466</u>

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 9 – INSURANCE (Continued)**

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

As of June 30, 2010, 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, 2010 all full time permanent City employees were eligible for this benefit, upon retirement. The City has started utilizing an internal service fund (Other Postemployment Benefits) to fund these future benefits.

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. All employees other than members of the Susanville Police Officer's Association are limited to \$15,000 of conversion of unused sick leave upon retirement. 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 2009/2010 fiscal year, the City paid \$2,936 for two retirees receiving this benefit.

**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, Pebasco, or ICMA) 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.

As of September 2009, all newly hired employees will receive benefits based on the tier 2 system of compensation adopted by the City Council. All employees under the tier 2 system will no longer receive a City match on employee contributions.

**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.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2010

**NOTE 12 – NET ASSETS AND FUND BALANCES (Continued)**

**A. Net Assets (Continued)**

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

Included in restricted net assets at June 30, 2010 are net assets restricted by enabling legislation of \$1,479,400.

*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:

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

**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.

**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:

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

**Fund balances unreserved/designated on June 30, 2010 are as follows:**

Schedule of Designated Fund Balances

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Unreserved and designated for:		
Capital improvements	<u>\$ 28,331</u>	<u>\$ 124,748</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.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**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 secured a price of \$7.80/Dth for natural gas purchases for the months of November 2010 through March 2011. The total amount of this commitment is \$542,100 as of June 30, 2010. This represents approximately two thirds of the City's winter gas requirements.

**NOTE 15 – SUBSEQUENT EVENTS**

Natural Gas System

On August 24, 2010, the Susanville Public Financing Authority issued a total of \$34,860,000 in Revenue Refunding Bonds. \$9,700,000 were senior Series A Bonds which were used to refund the 2000 and 2004 Water Revenue Bonds. \$25,160,000 were subordinate Series B Bonds which were used to refund the 2001-1 Certificates of Participation, Series A, B, C, and D.

Note Payable

On July 8, 2010, the City issued a note payable to Plumas Bank in the amount of \$434,114. This note relates to the outstanding note payable of \$410,025 in the Golf Course Fund as of June 30, 2010, and is a part of a settlement agreement. The interest rate is 6.50% and is due in full on March 30, 2011.

**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, 2010 was \$870,000.

**NOTE 17 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA**

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Susanville was \$236,496.

**CITY OF SUSANVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010

**NOTE 17 – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA (Continued)**

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

**NOTE 18 - PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment of \$148,835 was made on the Statement of Activities for Business-type Activities for an understatement of accounts receivable in the prior fiscal year. A prior period adjustment of \$148,835 was made in the Natural Gas Fund for an understatement of accounts receivable in the prior fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SUSANVILLE**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Property taxes	\$ 2,810,089	\$ 2,785,590	\$ 2,651,385	\$ (134,205)
Taxes other than property	1,681,609	1,659,765	1,532,849	(126,916)
Licenses and permits	64,200	64,200	100,231	36,031
Fines and forfeitures	47,044	45,144	34,400	(10,744)
Use of money and property	58,800	30,000	12,354	(17,646)
Intergovernmental	126,145	128,145	121,563	(6,582)
Program income	5,600	5,600	5,417	(183)
Charges for services	435,860	427,670	321,081	(106,589)
Other revenues	276,354	279,452	615,654	336,202
<b>Total revenues</b>	<u>5,505,701</u>	<u>5,425,566</u>	<u>5,394,934</u>	<u>(30,632)</u>
<b>Expenditures:</b>				
Current:				
General government	1,024,017	1,057,771	969,963	87,808
Public safety	3,685,075	3,548,223	3,314,530	233,693
Protective inspections	251,575	235,752	209,633	26,119
Community development	225,372	158,558	141,847	16,711
Community services	213,087	213,906	193,714	20,192
<b>Total expenditures</b>	<u>5,399,126</u>	<u>5,214,210</u>	<u>4,829,687</u>	<u>384,523</u>
Excess of revenues over (under) expenditures	<u>106,575</u>	<u>211,356</u>	<u>565,247</u>	<u>353,891</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	5,000	5,000	43,509	38,509
Transfers out	(246,575)	(428,928)	(428,928)	
<b>Total other financing sources (uses)</b>	<u>(241,575)</u>	<u>(423,928)</u>	<u>(385,419)</u>	<u>38,509</u>
Net changes in fund balance	(135,000)	(212,572)	179,828	392,400
Fund balance - July 1, 2009	<u>2,272,377</u>	<u>2,272,377</u>	<u>2,272,377</u>	
Fund balance - June 30, 2010	<u>\$ 2,137,377</u>	<u>\$ 2,059,805</u>	<u>\$ 2,452,205</u>	<u>\$ 392,400</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, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 134	\$ 134
Intergovernmental	417,902	546,845	590,587	43,742
Charges for services	10,400	10,400	10,400	
Other revenues	10,000	10,000	17,164	7,164
	<u>438,302</u>	<u>567,245</u>	<u>618,285</u>	<u>51,040</u>
<b>Expenditures:</b>				
Current:				
Streets	534,304	840,076	786,641	53,435
Capital outlay	10,000	10,000		10,000
	<u>544,304</u>	<u>850,076</u>	<u>786,641</u>	<u>63,435</u>
Excess of revenues over (under) expenditures	<u>(106,002)</u>	<u>(282,831)</u>	<u>(168,356)</u>	<u>114,475</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	106,002	282,329	282,331	2
	<u>106,002</u>	<u>282,329</u>	<u>282,331</u>	<u>2</u>
Net changes in fund balance		(502)	113,975	114,477
Fund balance - July 1, 2009	<u>18,572</u>	<u>18,572</u>	<u>18,572</u>	
Fund balance - June 30, 2010	<u>\$ 18,572</u>	<u>\$ 18,070</u>	<u>\$ 132,547</u>	<u>\$ 114,477</u>

**OTHER SUPPLEMENTAL INFORMATION**

## **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.

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.

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 these 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.

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 these funds to repay the City for installation of the culverts.

Skyline Route 139 Signal, Skyline Numa Signal, and 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.

## **Nonmajor Governmental Funds (Continued)**

### ***CAPITAL PROJECTS FUND***

Prop 1B Local Streets and Road Fund – Proposition 1B revenues and expenditures are accounted for in this fund.

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2010

	<b>Special Revenue Funds</b>		
	<b>Local Law Enforcement Block Grant Fund</b>	<b>Solid Waste Fund</b>	<b>Street Mitigation Fund</b>
<b>Assets</b>			
Cash and investments	\$ 45,520	\$ -	\$ 5,449
Cash and investments with fiscal agent			
Investment in bonds			
Accounts receivable	10,218		
Interest receivable	77		8
Advances to other funds			
Prepaid expenditures			
Loans receivable			
Total assets	\$ 55,815	\$ -	\$ 5,457
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue			
Advances from other funds			
Total liabilities			
Fund Balances:			
Reserved:			
Advances			
Debt service			
Prepaid expenditures			
Unreserved:			
Designated for capital improvements			
Undesignated	55,815		5,457
Total fund balances	55,815		5,457
Total liabilities and fund balances	\$ 55,815	\$ -	\$ 5,457

**Special Revenue Funds**

<b>Police Mitigation Fund</b>	<b>Fire Mitigation Fund</b>	<b>Park Land In-lieu Fund</b>	<b>State Revolving Fund</b>	<b>State Revolving Economic Development Fund</b>
\$ 100,693	\$ 209,700	\$ 184,030	\$ 427,465	\$ 197,831
149	302	265	614	197
			247,549	133,823
			331,193	115,496
<u>\$ 100,842</u>	<u>\$ 210,002</u>	<u>\$ 184,295</u>	<u>\$ 1,006,821</u>	<u>\$ 447,347</u>
\$ 960	\$ 136	\$ -	\$ 4,966	\$ -
			331,193	115,496
<u>960</u>	<u>136</u>		<u>336,159</u>	<u>115,496</u>
			247,549	133,823
<u>99,882</u>	<u>209,866</u>	<u>184,295</u>	<u>423,113</u>	<u>198,028</u>
<u>99,882</u>	<u>209,866</u>	<u>184,295</u>	<u>670,662</u>	<u>331,851</u>
<u>\$ 100,842</u>	<u>\$ 210,002</u>	<u>\$ 184,295</u>	<u>\$ 1,006,821</u>	<u>\$ 447,347</u>

(Continued)

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2010

	<b>Special Revenue Funds</b>		
	<b>Home Revolving Fund</b>	<b>Community Redevelopment Agency Fund</b>	<b>Traffic Safety Fund</b>
<b>Assets</b>			
Cash and investments	\$ 164,146	\$ -	\$ 67,291
Cash and investments with fiscal agent			
Investment in bonds			
Accounts receivable			
Interest receivable	236		96
Advances to other funds			
Prepaid expenditures			
Loans receivable	671,958		
Total assets	\$ 836,340	\$ -	\$ 67,387
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 10	\$ -
Deferred revenue	671,958		
Advances from other funds		667,586	
Total liabilities	671,958	667,596	
Fund Balances:			
Reserved:			
Advances			
Debt service			
Prepaid expenditures			
Unreserved:			
Designated for capital improvements			
Undesignated	164,382	(667,596)	67,387
Total fund balances	164,382	(667,596)	67,387
Total liabilities and fund balances	\$ 836,340	\$ -	\$ 67,387

**Special Revenue Funds**

<b>Barry Creek Development Fund</b>	<b>Skyline Rt. 139 Signal Fund</b>	<b>Chestnut Street Culvert Fund</b>	<b>Jensen Slough Pedestrian Bridge Fund</b>	<b>Skyline Numa Signal Fund</b>
\$ 483	\$ 17,643	\$ 24,959	\$ 956	\$ 76,047
1	25	36		109
<u>\$ 484</u>	<u>\$ 17,668</u>	<u>\$ 24,995</u>	<u>\$ 956</u>	<u>\$ 76,156</u>
\$ -	\$ -	\$ -	\$ -	\$ -
484	17,451 217	24,819 176	956	75,156 1,000
<u>484</u>	<u>17,668</u>	<u>24,995</u>	<u>956</u>	<u>76,156</u>
<u>\$ 484</u>	<u>\$ 17,668</u>	<u>\$ 24,995</u>	<u>\$ 956</u>	<u>\$ 76,156</u>

(Continued)

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2010

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>	
	<u>Skyline Bicycle Lane Fund</u>	<u>Mark Roos 92B Fund</u>	<u>City Hall Debt Service Fund</u>
<b>Assets</b>			
Cash and investments	\$ 6,721	\$ 275,140	\$ 4
Cash and investments with fiscal agent		153,052	329,364
Investment in bonds		865,000	
Accounts receivable			
Interest receivable	10		
Advances to other funds			
Prepaid expenditures		768	
Loans receivable			
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,731</u>	<u>\$ 1,293,960</u>	<u>\$ 329,368</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 80	\$ 454
Deferred revenue			
Advances from other funds			
	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/>	<u>80</u>	<u>454</u>
Fund Balances:			
Reserved:			
Advances			
Debt service		1,293,112	328,914
Prepaid expenditures		768	
Unreserved:			
Designated for capital improvements	6,366		
Undesignated	365		
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>6,731</u>	<u>1,293,880</u>	<u>328,914</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 6,731</u>	<u>\$ 1,293,960</u>	<u>\$ 329,368</u>

**Capital Projects Fund**

<b><u>Prop 1B Local Streets and Road Fund</u></b>	<b><u>Totals</u></b>
\$ 167,132	\$ 1,971,210
	482,416
	865,000
	10,218
	2,125
	381,372
	768
	<u>1,118,647</u>
<u>\$ 167,132</u>	<u>\$ 4,831,756</u>
\$ 18,605	\$ 25,211
	1,118,647
	<u>667,586</u>
<u>18,605</u>	<u>1,811,444</u>
	381,372
	1,622,026
	768
	124,748
<u>148,527</u>	<u>891,398</u>
<u>148,527</u>	<u>3,020,312</u>
<u>\$ 167,132</u>	<u>\$ 4,831,756</u>

**CITY OF SUSANVILLE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2010

	<b>Special Revenue Funds</b>		
	<b>Local Law Enforcement Block Grant Fund</b>	<b>Solid Waste Fund</b>	<b>Street Mitigation Fund</b>
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Use of money and property	254	38	25
Intergovernmental revenues	100,000		
Program income			
Other revenues			20,612
Total revenues	100,254	38	20,637
<b>Expenditures:</b>			
Current:			
Public safety	97,292		
Streets			
Community development			
Capital outlay			
Debt service:			
Principal			
Interest and fiscal agent fees			
Total expenditures	97,292		
Excess of revenues over (under) expenditures	2,962	38	20,637
<b>Other Financing Sources (Uses):</b>			
Transfers in			
Transfers out		(38,509)	(20,000)
Total other financing sources (uses)		(38,509)	(20,000)
Net changes in fund balances	2,962	(38,471)	637
Fund balances (deficits) - July 1, 2009	52,853	38,471	4,820
Fund balances (deficits) - June 30, 2010	\$ 55,815	\$ -	\$ 5,457

**Special Revenue Funds**

<b>Police Mitigation Fund</b>	<b>Fire Mitigation Fund</b>	<b>Park Land In-lieu Fund</b>	<b>State Revolving Fund</b>	<b>State Revolving Economic Development Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
712	1,450	1,325	5,861	1,504
			10,815	13,130
<u>28,759</u>	<u>23,315</u>	<u>2,288</u>		
<u>29,471</u>	<u>24,765</u>	<u>3,613</u>	<u>16,676</u>	<u>14,634</u>
	6,054			
13,910	12,000		122,900	50
<u>13,910</u>	<u>18,054</u>		<u>122,900</u>	<u>50</u>
<u>15,561</u>	<u>6,711</u>	<u>3,613</u>	<u>(106,224)</u>	<u>14,584</u>
<u>15,561</u>	<u>6,711</u>	<u>3,613</u>	<u>(106,224)</u>	<u>14,584</u>
<u>84,321</u>	<u>203,155</u>	<u>180,682</u>	<u>776,886</u>	<u>317,267</u>
<u>\$ 99,882</u>	<u>\$ 209,866</u>	<u>\$ 184,295</u>	<u>\$ 670,662</u>	<u>\$ 331,851</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, 2010

	<b>Special Revenue Funds</b>		
	<b>Home Revolving Fund</b>	<b>Community Redevelopment Agency Fund</b>	<b>Traffic Safety Fund</b>
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Use of money and property	1,066		456
Intergovernmental revenues			
Program income	38,282		
Other revenues			10,796
<b>Total revenues</b>	<b>39,348</b>		<b>11,252</b>
<b>Expenditures:</b>			
Current:			
Public safety			
Streets			
Community development		890	
Capital outlay			
Debt service:			
Principal			
Interest and fiscal agent fees			
<b>Total expenditures</b>		<b>890</b>	
Excess of revenues over (under) expenditures	39,348	(890)	11,252
<b>Other Financing Sources (Uses):</b>			
Transfers in			
Transfers out			
<b>Total other financing sources (uses)</b>			
Net changes in fund balances	39,348	(890)	11,252
Fund balances (deficits) - July 1, 2009	125,034	(666,706)	56,135
Fund balances (deficits) - June 30, 2010	<u>\$ 164,382</u>	<u>\$ (667,596)</u>	<u>\$ 67,387</u>

**Special Revenue Funds**

<b>Barry Creek Development Fund</b>	<b>Skyline Rt. 139 Signal Fund</b>	<b>Chestnut Street Culvert Fund</b>	<b>Jensen Slough Pedestrian Bridge Fund</b>	<b>Skyline Numa Signal Fund</b>
\$ - 3	\$ - 125	\$ - 176	\$ -	\$ - 537
	92			463
3	217	176		1,000
3	217	176		1,000
3	217	176		1,000
481	17,451	24,819	956	75,156
<u>\$ 484</u>	<u>\$ 17,668</u>	<u>\$ 24,995</u>	<u>\$ 956</u>	<u>\$ 76,156</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, 2010

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>	
	<u>Skyline Bicycle Lane Fund</u>	<u>Mark Roos 92B Fund</u>	<u>City Hall Debt Service Fund</u>
<b>Revenues:</b>			
Taxes and assessments	\$ -	\$ 161,322	\$ -
Use of money and property	48	61	113
Intergovernmental revenues			
Program income			
Other revenues	316		
	<hr/>	<hr/>	<hr/>
Total revenues	364	161,383	113
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Current:			
Public safety			
Streets			
Community development			
Capital outlay			
Debt service:			
Principal		75,000	65,000
Interest and fiscal agent fees		73,733	99,556
	<hr/>	<hr/>	<hr/>
Total expenditures		148,733	164,556
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures	364	12,650	(164,443)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Transfers in			166,597
Transfers out			
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)			166,597
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	364	12,650	2,154
	<hr/>	<hr/>	<hr/>
Fund balances (deficits) - July 1, 2009	6,367	1,281,230	326,760
	<hr/>	<hr/>	<hr/>
Fund balances (deficits) - June 30, 2010	\$ 6,731	\$ 1,293,880	\$ 328,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Capital Projects Fund**

<b><u>Prop 1B Local Streets and Road Fund</u></b>	<b><u>Totals</u></b>
\$ -	\$ 161,322
	13,754
	100,000
	62,227
	86,641
	<u>423,944</u>
	103,346
161,403	161,403
	123,840
	25,910
	140,000
	<u>173,289</u>
<u>161,403</u>	<u>727,788</u>
<u>(161,403)</u>	<u>(303,844)</u>
	166,597
	<u>(58,509)</u>
	108,088
(161,403)	(195,756)
<u>309,930</u>	<u>3,216,068</u>
<u>\$ 148,527</u>	<u>\$ 3,020,312</u>

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**NONMAJOR GOVERNMENTAL FUNDS  
BUDGET AND ACTUAL SCHEDULES**

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 254	\$ 254
Intergovernmental revenues	100,000	100,000	
Total revenues	<u>100,000</u>	<u>100,254</u>	<u>254</u>
<b>Expenditures:</b>			
Current:			
Public safety	100,000	97,292	2,708
Total expenditures	<u>100,000</u>	<u>97,292</u>	<u>2,708</u>
Net changes in fund balances		2,962	2,962
Fund balances - July 1, 2009	<u>52,853</u>	<u>52,853</u>	
Fund balances - June 30, 2010	<u>\$ 52,853</u>	<u>\$ 55,815</u>	<u>\$ 2,962</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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 25	\$ 25
Other revenues	20,000	20,612	612
<b>Total revenues</b>	<b>20,000</b>	<b>20,637</b>	<b>637</b>
Excess of revenues over (under) expenditures	20,000	20,637	637
<b>Other Financing Sources (Uses):</b>			
Transfers out	(20,000)	(20,000)	
<b>Total other financing sources (uses)</b>	<b>(20,000)</b>	<b>(20,000)</b>	
Net changes in fund balances		637	637
Fund balances - July 1, 2009	4,820	4,820	
Fund balances - June 30, 2010	\$ 4,820	\$ 5,457	\$ 637

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 712	\$ 712
Other revenues	25,000	28,759	3,759
Total revenues	25,000	29,471	4,471
<b>Expenditures:</b>			
Capital outlay	59,500	13,910	45,590
Total expenditures	59,500	13,910	45,590
Net changes in fund balances	(34,500)	15,561	50,061
Fund balances - July 1, 2009	84,321	84,321	
Fund balances - June 30, 2010	\$ 49,821	\$ 99,882	\$ 50,061

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1,450	\$ 1,450
Other revenues	23,000	23,315	315
Total revenues	23,000	24,765	1,765
<b>Expenditures:</b>			
Current:			
Public safety	74,218	6,054	68,164
Capital outlay	13,700	12,000	1,700
Total expenditures	87,918	18,054	69,864
Net changes in fund balances	(64,918)	6,711	71,629
Fund balances - July 1, 2009	203,155	203,155	
Fund balances - June 30, 2010	\$ 138,237	\$ 209,866	\$ 71,629

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1,325	\$ 1,325
Other revenues	7,000	2,288	(4,712)
Total revenues	<u>7,000</u>	<u>3,613</u>	<u>(3,387)</u>
Net changes in fund balances	7,000	3,613	(3,387)
Fund balances - July 1, 2009	<u>180,682</u>	<u>180,682</u>	
Fund balances - June 30, 2010	<u><u>\$ 187,682</u></u>	<u><u>\$ 184,295</u></u>	<u><u>\$ (3,387)</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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 5,861	\$ 5,861
Program income	50,000	10,815	(39,185)
Total revenues	50,000	16,676	(33,324)
<b>Expenditures:</b>			
Current:			
Community development	500,000	122,900	377,100
Total expenditures	500,000	122,900	377,100
Net changes in fund balances	(450,000)	(106,224)	343,776
Fund balances - July 1, 2009	776,886	776,886	
Fund balances - June 30, 2010	\$ 326,886	\$ 670,662	\$ 343,776

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1,504	\$ 1,504
Program income	13,322	13,130	(192)
Total revenues	<u>13,322</u>	<u>14,634</u>	<u>1,312</u>
<b>Expenditures:</b>			
Current:			
Community development	<u>136,434</u>	<u>50</u>	<u>136,384</u>
Total expenditures	<u>136,434</u>	<u>50</u>	<u>136,384</u>
Net changes in fund balances	(123,112)	14,584	137,696
Fund balances - July 1, 2009	<u>317,267</u>	<u>317,267</u>	
Fund balances - June 30, 2010	<u><u>\$ 194,155</u></u>	<u><u>\$ 331,851</u></u>	<u><u>\$ 137,696</u></u>

**CITY OF SUSANVILLE**  
**HOME REVOLVING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1,066	\$ 1,066
Program income		38,282	38,282
Total revenues		39,348	39,348
<b>Expenditures:</b>			
Current:			
Community development	100,000		100,000
Total expenditures	100,000		100,000
Net changes in fund balances	(100,000)	39,348	139,348
Fund balances - July 1, 2009	125,034	125,034	
Fund balances - June 30, 2010	\$ 25,034	\$ 164,382	\$ 139,348

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
Current:			
Community development	\$ 5,746	\$ 890	\$ 4,856
Total expenditures	5,746	890	4,856
Net changes in fund balances	(5,746)	(890)	4,856
Fund balances (deficits) - July 1, 2009	(666,706)	(666,706)	
Fund balances (deficits) - June 30, 2010	\$ (672,452)	\$ (667,596)	\$ 4,856

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 456	\$ 456
Other revenues	8,000	10,796	2,796
Total revenues	8,000	11,252	3,252
<b>Expenditures:</b>			
Capital outlay	2,500		2,500
Total expenditures	2,500		2,500
Net changes in fund balances	5,500	11,252	5,752
Fund balances - July 1, 2009	56,135	56,135	
Fund balances - June 30, 2010	\$ 61,635	\$ 67,387	\$ 5,752

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 125	\$ 125
Other revenues	100	92	(8)
<b>Total revenues</b>	<u>100</u>	<u>217</u>	<u>117</u>
 Net changes in fund balances	 100	 217	 117
 Fund balances - July 1, 2009	 <u>17,451</u>	 <u>17,451</u>	 <u></u>
 Fund balances - June 30, 2010	 <u>\$ 17,551</u>	 <u>\$ 17,668</u>	 <u>\$ 117</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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 537	\$ 537
Other revenues	500	463	(37)
Total revenues	500	1,000	500
Net changes in fund balances	500	1,000	500
Fund balances - July 1, 2009	75,156	75,156	
Fund balances - June 30, 2010	\$ 75,656	\$ 76,156	\$ 500

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 48	\$ 48
Other revenues	400	316	(84)
Total revenues	400	364	(36)
Net changes in fund balances	400	364	(36)
Fund balances - July 1, 2009	6,367	6,367	
Fund balances - June 30, 2010	\$ 6,767	\$ 6,731	\$ (36)

**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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Taxes and assessments	\$ 149,832	\$ 161,322	\$ 11,490
Use of money and property		61	61
Total revenues	<u>149,832</u>	<u>161,383</u>	<u>11,551</u>
<b>Expenditures:</b>			
Debt service:			
Principal	75,000	75,000	
Interest and fiscal agent fees	<u>74,832</u>	<u>73,733</u>	<u>1,099</u>
Total expenditures	<u>149,832</u>	<u>148,733</u>	<u>1,099</u>
Net changes in fund balances		12,650	12,650
Fund balances - July 1, 2009	<u>1,281,230</u>	<u>1,281,230</u>	
Fund balances - June 30, 2010	<u><u>\$ 1,281,230</u></u>	<u><u>\$ 1,293,880</u></u>	<u><u>\$ 12,650</u></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, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 5,000	\$ 113	\$ (4,887)
Total revenues	<u>5,000</u>	<u>113</u>	<u>(4,887)</u>
<b>Expenditures:</b>			
Debt service:			
Principal	65,000	65,000	
Interest and fiscal agent fees	100,573	99,556	1,017
Total expenditures	<u>165,573</u>	<u>164,556</u>	<u>1,017</u>
Excess of revenues over (under) expenditures	<u>(160,573)</u>	<u>(164,443)</u>	<u>(3,870)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	<u>160,573</u>	<u>166,597</u>	<u>6,024</u>
Total other financing sources (uses)	<u>160,573</u>	<u>166,597</u>	<u>6,024</u>
Net changes in fund balances		2,154	2,154
Fund balances - July 1, 2009	<u>326,760</u>	<u>326,760</u>	
Fund balances - June 30, 2010	<u>\$ 326,760</u>	<u>\$ 328,914</u>	<u>\$ 2,154</u>

**CITY OF SUSANVILLE**  
**PROP 1B LOCAL STREETS AND ROAD FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
Current:			
Streets	\$ 309,930	\$ 161,403	\$ 148,527
Total expenditures	309,930	161,403	148,527
Excess of revenues over (under) expenditures	(309,930)	(161,403)	148,527
Net changes in fund balances	(309,930)	(161,403)	148,527
Fund balances - July 1, 2009	309,930	309,930	
Fund balances - June 30, 2010	\$ -	\$ 148,527	\$ 148,527

**CITY OF SUSANVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
June 30, 2010

	<b>Public Works Administration Fund</b>	<b>Risk Management Fund</b>	<b>Payroll Fund</b>	<b>Other Postemployment Benefits Fund</b>	<b>Totals</b>
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ -	\$ 650,880	\$ 150,712	\$ 46,560	\$ 848,152
Interest receivable	5	857			862
Accounts receivable	1,174				1,174
Prepaid expenses	906	3,034			3,940
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	2,085	654,771	150,712	46,560	854,128
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	2,085	654,771	150,712	46,560	854,128
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	3,205				3,205
Accrued wages			150,712		150,712
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	3,205		150,712		153,917
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,205		150,712		153,917
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>					
Unrestricted	(1,120)	654,771		46,560	700,211
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	\$ (1,120)	\$ 654,771	\$ -	\$ 46,560	\$ 700,211
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF SUSANVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2010

	<b>Public Works Administration Fund</b>	<b>Risk Management Fund</b>	<b>Payroll Fund</b>	<b>Other Postemployment Benefits Fund</b>	<b>Totals</b>
Revenues:					
Charges for services	\$ 22,218	\$ 686,993	\$ -	\$ 49,497	\$ 758,708
Total Revenues	22,218	686,993		49,497	758,708
Expenses:					
Administration	23,376	5,657		2,937	31,970
Insurance costs and claims		684,985			684,985
Total Expenses	23,376	690,642		2,937	716,955
Operating Income (Loss)	(1,158)	(3,649)		46,560	41,753
Non-Operating Revenues (Expenses):					
Interest income	5	3,649			3,654
Change in Net Assets	(1,153)			46,560	45,407
Net Assets, July 1, 2009	33	654,771			654,804
Net Assets (Deficit), June 30, 2010	\$ (1,120)	\$ 654,771	\$ -	\$ 46,560	\$ 700,211

**CITY OF SUSANVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2010

	<b>Public Works Administration Fund</b>	<b>Risk Management Fund</b>	<b>Payroll Fund</b>	<b>Other Postemployment Benefits Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers	\$ 21,044	\$ 686,993	\$ -	\$ 49,497	\$ 757,534
Payment to suppliers and users	(25,976)	(682,653)		(2,937)	(711,566)
Payment to employees			43,132		43,132
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(4,932)</b>	<b>4,340</b>	<b>43,132</b>	<b>46,560</b>	<b>89,100</b>
<b>Cash flows from Investing Activities:</b>					
Interest received	112	4,789			4,901
<b>Net Cash Provided by Investing Activities</b>	<b>112</b>	<b>4,789</b>			<b>4,901</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,820)</b>	<b>9,129</b>	<b>43,132</b>	<b>46,560</b>	<b>94,001</b>
Cash and Cash Equivalents, July 1, 2009	4,820	641,751	107,580		754,151
Cash and Cash Equivalents, June 30, 2010	\$ -	\$ 650,880	\$ 150,712	\$ 46,560	\$ 848,152
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ (1,158)	\$ (3,649)	\$ -	\$ 46,560	\$ 41,753
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
<b>(Increase) Decrease in Operating Assets:</b>					
Prepaid expenses	(611)	7,989			7,378
Accounts receivable	(1,174)				(1,174)
<b>Increase (Decrease) in Operating Liabilities:</b>					
Accounts payable	(1,989)				(1,989)
Accrued wages			43,132		43,132
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (4,932)</b>	<b>\$ 4,340</b>	<b>\$ 43,132</b>	<b>\$ 46,560</b>	<b>\$ 89,100</b>

**CITY OF SUSANVILLE**  
**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2010

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
<b>Section 125 Aflac Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ 14,682	\$ -	\$ (10,472)	\$ 4,210
Total Assets	\$ 14,682	\$ -	\$ (10,472)	\$ 4,210
<b>LIABILITIES</b>				
Deposits payable	\$ 14,682	\$ -	\$ (10,472)	\$ 4,210
Total Liabilities	\$ 14,682	\$ -	\$ (10,472)	\$ 4,210
<b>LAFCO Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ 68,376	\$ 587	\$ -	\$ 68,963
Interest receivable	291		(187)	104
Total Assets	\$ 68,667	\$ 587	\$ (187)	\$ 69,067
<b>LIABILITIES</b>				
Accounts payable	\$ 5,230	\$ 233	\$ -	\$ 5,463
Deposits payable	63,437	354	(187)	63,604
Total Liabilities	\$ 68,667	\$ 587	\$ (187)	\$ 69,067
<b>HUSA Business Improvement Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ 957	\$ -	\$ (423)	\$ 534
Accounts receivable	212	5,812		6,024
Total Assets	\$ 1,169	\$ 5,812	\$ (423)	\$ 6,558
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 225	\$ -	\$ 225
Deposits payable	1,169	5,587	(423)	6,333
Total Liabilities	\$ 1,169	\$ 5,812	\$ (423)	\$ 6,558



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**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 the City of Susanville, California, as of and for the fiscal year ended June 30, 2010 which collectively comprise the City of Susanville's basic financial statements, and have issued our report thereon dated December 3, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We 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 the management of the City in a separate letter dated November 9, 2010.

## 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 3, 2010

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## **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 Seven Fiscal Years  
Accrual Basis of Accounting

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 2,154,482	\$ 2,525,295	\$ 2,648,771	\$ 2,480,051	\$ 2,274,687	\$ 2,062,283	\$ 1,849,411
Restricted	253,461	1,600,652	1,565,208	1,651,776	1,780,484	1,547,711	1,569,288
Unrestricted	3,378,973	3,515,171	3,830,893	4,404,242	5,396,427	5,607,906	5,810,090
<b>Total governmental activities net assets</b>	<b>\$ 5,786,916</b>	<b>\$ 7,641,118</b>	<b>\$ 8,044,872</b>	<b>\$ 8,536,069</b>	<b>\$ 9,451,598</b>	<b>\$ 9,217,900</b>	<b>\$ 9,228,789</b>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	\$ 352,514	\$ 1,651,318	\$ (3,892,035)	\$ 3,673,059	\$ (2,285,127)	\$ (1,804,335)	\$ (2,877,539)
Restricted for Debt Service	2,373,866	3,328,579	3,089,827	2,971,552	2,864,661	2,864,798	2,864,195
Unrestricted	(844,764)	(3,708,004)	1,368,985	(5,823,491)	2,044,780	2,269,768	3,649,199
<b>Total business-type activities net assets</b>	<b>\$ 1,881,616</b>	<b>\$ 1,271,893</b>	<b>\$ 566,777</b>	<b>\$ 821,120</b>	<b>\$ 2,624,314</b>	<b>\$ 3,330,231</b>	<b>\$ 3,635,855</b>
<b>Primary government</b>							
Invested in capital assets, net of related debt	\$ 2,506,996	\$ 4,176,613	\$ (1,243,264)	\$ 6,153,110	\$ (10,440)	\$ 257,948	\$ (1,028,128)
Restricted	2,627,327	4,929,231	4,655,035	4,623,328	4,645,145	4,412,509	4,433,483
Unrestricted	2,534,209	(192,833)	5,199,878	(1,419,249)	7,441,207	7,877,674	9,459,289
<b>Total primary government net assets</b>	<b>\$ 7,668,532</b>	<b>\$ 8,913,011</b>	<b>\$ 8,611,649</b>	<b>\$ 9,357,189</b>	<b>\$ 12,075,912</b>	<b>\$ 12,548,131</b>	<b>\$ 12,864,644</b>

Source: City of Susanville's audited financial statements

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 Seven Fiscal Years  
Accrual Basis of Accounting

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>							
Governmental activities:							
General government	\$2,055,249	\$1,991,240	\$1,629,410	\$1,616,449	\$816,839	\$1,228,083	\$1,094,945
Public safety	3,451,988	3,407,302	3,398,809	3,537,646	3,696,206	3,479,617	3,517,162
Streets	887,797	763,635	663,794	884,532	1,427,687	935,540	963,197
Protective Inspections	213,806	190,003	203,979	212,454	244,966	235,270	210,793
Community services	473,055	415,340	328,252	504,755	325,669	288,355	255,316
Community development	255,211	185,535	867,183	336,742	462,648	416,103	149,961
Interest on long term debt	199,930	402,890	294,672	230,157	194,800	186,060	175,910
Total governmental activities expenses	7,537,036	7,355,945	7,386,099	7,322,735	7,168,815	6,769,028	6,367,284
Business-type activities:							
Rodeo	\$70,032	55,031	36,508				
Airport	81,362	116,260	113,600	145,780	166,609	189,488	171,886
Water	1,442,121	2,207,464	2,200,070	2,180,730	2,145,401	2,396,179	2,126,843
Geothermal	190,297	207,914	104,637	46,800	63,868	55,889	52,561
Natural Gas	2,814,468	3,858,071	4,855,872	4,783,357	4,941,853	4,924,613	4,557,201
Swimming Pool (closed in 2004-05)	193,679	148,842					
Day Care	130,794	140,657	140,796	133,493	118,160	144,912	120,890
Golf Course	1,036	7,701	6,400	37,749	99,865	112,179	136,267
Total business-type activities expenses	4,923,789	6,741,940	7,457,883	7,327,909	7,535,756	7,823,260	7,165,648
Total primary government expenses	\$12,460,825	\$14,097,885	\$14,843,982	\$14,650,644	\$14,704,571	\$14,592,288	\$13,532,932
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	\$362,530	\$854,062	\$1,020,336	\$743,153	\$27,937	\$132,822	\$155,256
Public safety	273,909	448,104	179,907	308,352	121,247	137,948	172,430
Streets	97,142	277,403	265,907			36,417	49,047
Protective Inspections	195,483	219,654	232,684	167,645		31,433	9,491
Community services	24,349	31,918	4,784	5,932	8,931	18,526	22,472
Community development	44,159	48,584	45,392	48,620	176,485	100,443	94,344
Operating grants and contributions	2,834,407	675,192	890,930	690,816	1,178,902	1,183,468	748,635
Capital grants and contributions		53,172	337,178	494,448	1,098,653	98,210	162,515
Total governmental activities program revenues	3,831,979	2,608,089	2,711,211	2,724,873	2,612,155	1,739,267	1,414,190
Business-type activities:							
Charges for services:							
Rodeo	61,297	50,700	29,654				
Airport	32,867	36,553	41,302	50,190	52,477	58,097	58,284
Water	1,796,393	2,118,368	2,046,516	2,064,187	2,049,605	2,424,802	2,315,996
Geothermal	250,742	223,565	71,124	73,653	69,389	69,391	69,783
Natural Gas	1,749,040	2,724,148	4,264,151	4,325,805	4,650,665	4,271,575	4,723,849
Swimming Pool	93,474	43,391					
Day Care	98,485	134,231	121,386	117,446	107,890	76,875	60,676
Golf Course							
Operating grants and contributions	25,666	174,347	202,667	283,641	439,104	10,000	
Capital grants and contributions				438,934	1,672,609	1,490,068	29,175
Total business-type activities program revenues	4,107,964	5,505,303	6,776,800	7,353,856	9,041,739	8,400,808	7,257,763
Total primary government program revenues	\$7,939,943	\$8,113,392	\$9,488,011	\$10,078,729	\$11,653,894	\$10,140,075	\$8,671,953

Net (Expense)/Revenue							
Governmental activities	(\$3,705,057)	(\$4,747,856)	(\$4,674,888)	(\$4,597,862)	(\$4,556,660)	(\$5,029,761)	(\$4,953,094)
Business-type activities	(815,825)	(1,236,637)	(681,083)	25,947	1,505,983	577,548	92,115
Total primary government net expense	(\$4,520,882)	(\$5,984,493)	(\$5,355,971)	(\$4,571,915)	(\$3,050,677)	(\$4,452,213)	(\$4,860,979)

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

Taxes							
Property taxes	\$717,840	\$746,508	\$884,863	\$906,170	\$924,914	\$913,055	\$829,452
Sales taxes	1,605,629	1,516,274	1,263,661	1,398,022	1,326,767	1,193,085	1,076,014
Transient Lodging Taxes	354,338	462,246	465,369	523,774	517,214	405,860	380,354
Franchise taxes	47,608	45,275	39,161	48,027	55,428	45,197	48,855
Business license taxes	205,664	233,690	276,044	240,592	247,732	235,283	231,796
Other taxes	163,305	326,140	330,685	36,479	246,035	70,723	188,948
Property tax in lieu of VLF, unrestricted		988,907	1,138,723	1,256,457	1,396,408	1,488,666	298,882
Property tax in lieu of sales tax, unrestricted		308,668	417,836	506,153	419,193	474,943	1,523,051
Use of Money and Property	45,068	351,453	227,236	161,206	163,501	(35,749)	29,896
Gain (loss) on sale of capital assets					(6,491)		
Miscellaneous revenues		277,911	227,752	42,099	100,101		351,735
Transfers	760,288	(239,569)	5,000	(29,920)	5,000	5,000	5,000
Total governmental activities	3,899,740	5,017,503	5,276,330	5,089,059	5,395,802	4,796,063	4,963,983
Business-type activities:							
Use of Money and Property	42,627	184,777	142,518	189,756	282,717	120,656	27,132
Gain on sale of capital assets				3,637	17,982		
Miscellaneous revenues				5,083	1,512	12,713	42,542
Transfers	(760,288)	239,569	(5,000)	29,920	(5,000)	(5,000)	(5,000)
Total business-type activities	(717,661)	424,346	137,518	228,396	297,211	128,369	64,674
Total primary government	3,182,079	5,441,849	5,413,848	5,317,455	5,693,013	4,924,432	5,028,657
Change in Net Assets							
Governmental activities	194,683	269,647	601,442	491,197	839,142	(233,698)	10,889
Business-type activities	(1,533,486)	(812,291)	(543,565)	254,343	1,803,194	705,917	156,789
Total primary government	(\$1,338,803)	(\$542,644)	\$57,877	\$745,540	\$2,642,336	\$472,219	\$167,678

Source: City of Susanville's audited financial statements

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 Seven Fiscal Years  
Modified Accrual Basis of Accounting

	2004	2005	2006	Fiscal Year 2007	2008	2009	2010
General Fund							
Reserved	\$83,392	\$102,413	\$305,858	\$370,296	\$418,932	\$434,141	\$413,323
Unreserved	711,771	844,902	971,144	1,281,067	1,608,564	1,838,236	2,038,882
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>	<u>2,272,377</u>	<u>2,452,205</u>
All Other Governmental Funds							
Reserved	574,208	420,365	688,726	399,192	382,257	508,891	2,009,166
Unreserved, reported in:							
Special revenue funds	753,032	589,990	501,016	566,069	1,108,885	811,082	995,166
Capital projects funds	503,734	281,564	13,370	275,168	289,433	309,930	148,527
Debt Service Funds	(178,461)	1,657,994	1,620,694	1,712,950	1,840,120	1,604,737	
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>	<u>\$3,234,640</u>	<u>\$3,152,859</u>

Source: City of Susanville's audited financial statements

Schedule 4  
City of Susanville  
Changes in Fund Balances - Governmental Funds  
Last Seven Fiscal Years  
Modified Accrual Basis of Accounting

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>							
Taxes and assessments	\$3,191,838	\$4,019,990	\$4,518,116	\$5,113,507	\$4,749,716	\$4,591,529	\$4,345,556
Licenses and permits	195,483	324,535	258,277	189,740	151,143	103,413	100,231
Fines and forfeitures	28,343	41,118	54,872	67,621	74,585	47,614	34,400
Use of money and property	45,068	680,604	232,778	141,181	145,591	(45,822)	26,242
Intergovernmental revenues	2,567,689	1,001,651	1,228,108	1,185,264	2,277,555	1,157,971	812,150
Program income	0	138,092	590,316	1,103,399	222,302	53,969	67,644
Charges for services	132,043	1,322,127	1,115,460	792,797	318,628	308,690	331,481
Other revenues	810,967	763,810	608,611	333,591	276,331	356,862	719,459
<b>Total revenues</b>	<b>6,971,431</b>	<b>8,291,927</b>	<b>8,606,538</b>	<b>8,927,100</b>	<b>8,215,851</b>	<b>6,574,226</b>	<b>6,437,163</b>
<b>Expenditures</b>							
General government	1,553,060	1,806,528	1,591,271	1,399,497	722,770	996,336	969,963
Public safety	3,347,798	3,211,146	3,453,212	3,486,523	3,601,675	3,379,768	3,417,876
Streets	506,158	712,216	670,762	848,692	1,397,936	912,577	948,044
Protective Inspections	212,278	188,475	203,470	212,454	244,966	234,303	209,633
Community services	443,568	324,616	273,198	441,325	265,023	219,456	193,714
Community development	255,211	414,785	863,933	1,500,658	634,274	475,789	265,687
Capital Outlay	1,085,611	593,457	717,791	119,358	104,490	184,642	25,910
Debt service:							
Principal	245,192	213,106	400,559	152,884	144,355	135,000	140,000
Interest	191,951	375,182	290,388	217,507	191,019	182,529	173,289
<b>Total expenditures</b>	<b>7,840,827</b>	<b>7,839,511</b>	<b>8,464,584</b>	<b>8,378,898</b>	<b>7,306,508</b>	<b>6,720,400</b>	<b>6,344,116</b>
Excess of revenues over (under) expenditures	(869,396)	452,416	141,954	548,202	909,343	(146,174)	93,047
<b>Other Financing Sources (Uses)</b>							
Contributions from trust funds			56,626				
Transfers in	1,030,131	830,452	736,834	377,575	555,154	883,648	492,437
Transfers out	(696,723)	(1,073,316)	(731,834)	(421,843)	(550,154)	(878,648)	(487,437)
<b>Total other financing sources (uses)</b>	<b>333,408</b>	<b>(242,864)</b>	<b>61,626</b>	<b>(44,268)</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Net changes in fund balances</b>	<b>(535,988)</b>	<b>209,552</b>	<b>203,580</b>	<b>503,934</b>	<b>914,343</b>	<b>(141,174)</b>	<b>98,047</b>
Debt service as a percentage of non-capital expenditures	6.5%	8.1%	8.9%	4.5%	4.7%	4.9%	5.0%

Source: City of Susanville's audited financial statements

Schedule 5  
 City of Susanville  
 Assessed Value and Estimated Actual Value of Taxable Property,  
 Last Seven 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
2009	\$578,912,881	\$12,420	\$30,360,571	\$12,561,467	\$596,724,405	1.0000
2010	\$557,198,947	\$12,420	\$27,185,570	\$12,312,881	\$572,084,056	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>	
	Basic Rate		Elementary School Bond	Total Direct Rate
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
2009	1.0000			1.0000
2010	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 city 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 Taxpayers  
 Current Year and Nine Years Ago

<u><b>Taxpayer</b></u>	<u><b>2010</b></u>		<u><b>2001(2)</b></u>	
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value (1)	Information Unavailable
Wal-Mart	10,971,409	1	1.84%	
Rassier-Mariani	9,929,184	2	1.66%	
Triple E Investment Co. Inc.	8,884,043	3	1.49%	
Susanville Limited Partnership	6,697,866	4	1.12%	
Foxdale Associates LTD (Walgreens)	6,111,599	5	1.02%	
Nolen Properties	4,954,121	6	0.83%	
Lassen Station LP	4,245,329	7	0.71%	
Trav-Cor & Investment Inc	4,099,645	8	0.69%	
Standiford, Larry & Reta	4,093,844	9	0.69%	
Indar Kaur	3,485,971	10	0.58%	
Total	<u>\$63,473,011</u>		<u>10.63%</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 Seven Fiscal Years

Fiscal Year Ended June 30	County Taxes Levied	AB8 City Allocation Factor	Percent Growth	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
2004	14,508,790	0.04118791	1.03366934	\$617,707	\$583,624	94.48%	\$42,765	\$626,389	101.41%
2005	15,302,568	0.04136327	1.08078017	\$684,095	\$613,665	89.70%	\$31,033	\$644,698	94.24%
2006	16,409,859	0.04168806	1.09983310	\$752,391	\$661,347	87.90%	\$25,346	\$686,693	91.27%
2007	18,125,879	0.04150919	1.08755598	\$818,267	\$707,387	86.45%	\$45,004	\$752,391	91.95%
2008	19,437,444	0.04209745	1.06588089	\$872,175	\$773,822	88.72%	\$93,749	\$867,571	99.47%
2009	20,699,884	0.04252227	1.02306917	\$900,512	\$773,350	85.88%	\$11,321	\$784,671	87.14%
2010	21,394,891	0.04143931	0.95963029	\$850,798	\$774,719	91.06%		\$774,719	91.06%

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 Seven Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities							Percentage of Property Values (1)	Per Capita (2)
	General Obligation Bonds	Capital Leases	Special Assessment Bonds (3)	Total Governmental Activities	Water Revenue Bonds	Term Loan (4)	Certificate of Participation	Capital Leases (5)	Total Business-type Activities	Total Primary Government			
2004	2,215,000	185,904	1,200,000	3,600,904	6,405,000	973,390	24,240,000	5,572	31,623,962	35,224,866	9.05%	3,871	
2005	2,155,000	87,798	1,145,000	3,387,798	9,610,000	963,000	24,240,000	4,669	34,817,669	38,205,467	9.24%	4,098	
2006	2,095,000	52,238	1,140,000	3,287,238	9,480,000	953,000	24,240,000	4,669	34,677,669	37,964,907	8.45%	4,097	
2007	2,035,000	19,549	1,080,000	3,134,549	9,345,000	943,000	24,240,000	0	34,528,000	37,662,549	7.57%	4,116	
2008	1,975,000	0	1,015,000	2,990,000	9,200,000	1,285,222	24,240,000	0	34,725,222	37,715,222	6.47%	4,149	
2009	1,910,000	0	945,000	2,855,000	9,050,000	1,306,123	24,240,000	0	34,596,123	37,451,123	6.28%	4,114	
2010	1,845,000	0	870,000	2,715,000	9,050,000	1,336,194	24,240,000	60,185	34,686,379	37,401,379	6.54%	4,159	

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.
- (4) In 2008 the Golf Course Loan was established
- (5) In 2010 the Golf Course entered into a Capital Lease to acquire new equipment.

Schedule 10  
City of Susanville  
Legal Debt Margin Information  
Last Seven Fiscal Years

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Assessed Valuation	\$389,313,111	\$413,457,554	\$449,175,750	\$497,730,365	\$582,945,868	\$596,724,405	\$572,084,056
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$97,328,278	\$103,364,389	\$112,293,938	\$124,432,591	\$145,736,467	\$149,181,101	\$143,021,014
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%
Debt Limit	\$14,599,242	\$15,504,658	\$16,844,091	\$18,664,889	\$21,860,470	\$22,377,165	\$21,453,152
Total net debt applicable to limit	\$2,215,000	\$2,155,000	\$2,095,000	\$2,035,000	\$1,975,000	\$1,910,000	\$1,845,000
Legal debt margin	\$12,384,242	\$13,349,658	\$14,749,091	\$16,629,889	\$19,885,470	\$20,467,165	\$19,608,152
Total net debt applicable to the limit as a percentage of debt limit	15.2%	13.9%	12.4%	10.9%	9.0%	8.5%	8.6%

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.

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Schedule 11  
City of Susanville  
Ratios of General Bonded Debt Outstanding  
Last Seven 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%	264
2005	2,155,000	87,798	2,242,798	0.54%	241
2006	2,095,000	52,238	2,147,238	0.48%	232
2007	2,035,000	19,549	2,054,549	0.41%	225
2008	1,975,000	0	1,975,000	0.34%	217
2009	1,910,000	0	1,910,000	0.32%	210
2010	1,845,000	0	1,845,000	0.32%	205

*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 Seven Fiscal Years

Water Revenue Bonds							
Fiscal Year	Gross Income and Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2004	\$ 1,804,093	\$ 1,088,017	\$ 716,076	\$ 115,000	\$ 373,114	1.47	
2005	2,327,816	1,338,483	989,333	134,440	503,440	1.54	
2006	2,188,482	1,313,937	874,545	140,000	553,358	1.26	
2007	2,255,916	1,333,562	922,354	145,000	547,213	1.33	
2008	2,225,392	1,280,646	944,746	156,000	540,691	1.36	
2009	2,514,097	1,531,625	982,472	161,000	532,967	1.42	
2010	2,370,463	1,269,644	1,100,819	172,000	526,020	1.58	

Natural Gas Revenue Bonds							
Fiscal Year	Gross Income and Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2004	\$ 1,749,040	\$ 1,656,334	\$ 92,706	\$ -	\$ 1,414,075	0.07	
2005	2,724,148	1,908,214	815,934	-	1,414,075	0.58	
2006	4,264,151	2,920,251	1,343,900	-	1,414,075	0.95	
2007	4,327,730	2,941,944	1,385,786	-	1,414,075	0.98	
2008	4,650,665	3,010,223	1,640,442	-	1,414,075	1.16	
2009	4,426,856	2,999,389	1,427,467	-	1,414,075	1.01	
2010	4,728,040	2,622,739	2,105,301	-	1,414,075	1.49	

*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.*

Miller /Fletcher Assessment Bonds

Special Assessment Collections	Debt Service			Coverage
	Principal	Interest		
	72,163	50,000	98,750	
572,406	55,000	94,744	3.82	
417,794	55,000	90,481	2.87	
228,473	60,000	86,025	1.56	
112,407	65,000	81,181	0.77	
138,964	70,000	75,950	0.95	
236,383	75,000	70,331	1.63	

City Hall Improvement Bond

Vehicle License Fees	Property Tax In Lieu of VLF	Debt Service		Coverage
		Principal	Interest	
		952,051	0	
120,328	988,907	60,000	106,605	6.66
174,072	1,138,723	60,000	105,015	7.96
116,605	1,256,457	60,000	103,215	8.41
83,753	1,396,408	60,000	101,265	9.18
63,206	1,488,666	65,000	99,043	9.46
54,597	1,523,051	65,000	96,573	9.76

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	Total County Population	County Personal Income	County Per Capita Personal Income	City Unemployment Rate
2001	8,733	8,676	17,409	33,883	\$605,104,000	\$17,859	7.10%
2002	8,936	8,456	17,392	34,183	\$628,276,000	\$18,380	7.50%
2003	9,216	8,670	17,886	34,955	\$666,873,000	\$19,078	7.50%
2004	9,099	9,000	18,099	34,846	\$708,056,000	\$20,320	7.40%
2005	9,323	9,001	18,324	35,455	\$736,266,000	\$20,766	7.70%
2006	9,267	9,070	18,337	35,452	\$783,732,000	\$22,107	7.60%
2007	9,151	8,987	18,138	36,375	\$824,244,000	\$23,563	7.80%
2008	9,091	8,479	17,570	35,757	\$888,241,000	\$25,375	9.10%
2009	9,104	8,298	17,402	35,550	\$923,137,000	\$26,721	12.70%
2010	8,992	8,439	17,431	35,889	n/a	n/a	13.00%

Sources:

Personal income and unemployment data - Labor Market Info - Employment Development Department  
 City and County population - State of California Department of Finance Demographic  
 Total County population includes the correctional facilities

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

Employer	2010			2001(b)			
	Employees	Rank	Percentage of Total City Employment	Employer	Employees	Rank	Percentage of Total City Employment
High Desert State Prison	1493	1	29.86%				
California Correctional Center	1230	2	24.60%				
Lassen County	455	3	9.10%				
Wal-Mart	233	4	4.66%				
Banner Lassen Medical Center	198	5	3.96%				
Diamond Mountain Casino	162	6	3.24%				
Lassen Community College	147	7	2.94%				
Susanville Indian Rancheria	140	8	2.80%				
Susanville School District	134	9	2.68%				
Lassen Union High School	121	10	2.42%				
Northeastern Rural Health	105	11	2.10%				
Safeway	101	13	2.02%				
Countryvilla Riverview Rehab	98	12	1.96%				
City of Susanville	62	14	1.24%				
Susanville Supermarket	52	15	1.04%				
	<u>4731</u>		94.62%				

**Information Unavailable**

Source:  
 Employment Development Department, Lassen County Chamber of Commerce

Notes:  
 (a) Total Labor Force for the City is 5000.  
 (b) Information unavailable for past nine years, but will be accumulated over time as it becomes available.

Schedule 15  
 City of Susanville  
 Full-time City Governmental Employees by Function/Program,  
 Last Eleven Fiscal Years

	Fiscal Year										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administration	3.1	3.4	3.4	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5
City Clerk	4.1	4.1	4.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Finance	6.5	6.5	6.5	7	7	7	6	6	6	6	5
Police	23	24	24	24	22	22	20	21	20	20	19
Fire	8.8	9.7	9.7	11	10.5	8.5	8.5	9	11	11	11
Community Development	10	9.8	9.8	5	4.5	4.5	4.5	4	4	3	3
Community Services	5.9	6.9	6.9	9	9	8	5	6	3	2	2
Public Works	16.6	18.6	18.6	19	20	17	18	18	18	18	18
Total	78	83	83	80	78	71	66	68	66	64	62

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Building Permits Issued	300	377	465	532	453	467	352	281	332	262
Building Inspections Conducted	n/a	690	1094	1452	1821	2249	1921	1152	1145	716
Police										
Physical arrests	634	578	601	485	681	479	400	565	483	532
Parking violations	0	0	0	271	819	498	401	338	256	248
Traffic violations	677	1093	472	425	650	724	832	1180	790	834
Fire										
Emergency responses	738	1098	1067	1087	1311	1309	1383	1390	1467	1552
Fires extinguished	72	84	70	73	82	96	89	94	67	81
Inspections	n/a	n/a	n/a	406	217	350	224	n/a	201	252
Public Works										
Street resurfacing (miles)	0	6.27	0	0	0	0.25	0	2.3	0	1
Potholes repaired	110	75	125	150	150	180	165	172	168	159
Community Services										
Athletic field permits issued	4	4	4	4	4	4	4	4	4	4
Water										
New connections	16	31	41	91	34	8	68	-12	22	0
Average daily consumption (thousands of gallons)	3026	3057	2954	3039	3152	2758	2116	2123	3173	1931
Peak daily consumption (thousands of gallons)	4932	5055	4394	4642	4900	4777	4809	5308	5500	5500
Natural Gas										
New connections		1480	329	323	124	69	109	73	84	71
Average daily consumption										
MMBTU's		246	328	441	457	513	499	539	472	553
Peak daily consumption										
MMBTU's		481	824	768	834	870	1044	1099	980	887

Sources:  
Various City Departments

Notes:  
City's Natural Gas Department began operating in 2002  
1 MMBTU 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	7	8	7	8	13	14
Fire										
Fire Stations	1	1	1	1	1	1	1	1	1	1
Fire engines	5	5	5	5	6	6	6	6	6	7
Public works										
Streets (miles)	53	53	53	54	54	54	54	54	54	54
Highways (miles)	0	0	0	0	0	0	0	0	0	0
Street lights	494	496	502	512	528	532	532	532	532	532
Traffic signals	0	0	0	0	0	0	0	0	0	0
Community Services										
Parks acreage	97	97	97	147	147	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	0	0	0	0	0	0
Water										
Water mains (miles)	63	63	64	64	65	65	65	65	65	65
Fire Hydrants	344	352	356	371	389	396	403	403	410	414
Storage capacity (thousands of gallons)	2000	2000	3000	4000	4000	4000	4000	4000	4000	4000
Water meters	3436	3467	3508	3599	3633	3641	3709	3788	3797	3807
Natural Gas										
Gas mains (miles)	44	56	56	56	57	57	59	59	59	60
Gas meters		1480	1809	2063	2143	2212	2281	2462	2546	2630

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 Seven Fiscal Years  
(In Millions of Gallons)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Residential	569.45	548.37	567.09	558.7	549.86	541.7	514.31
Commercial	245.6	216.2	209.1	214.91	205.6	206.75	190.50
Total	815.0	764.5	776.2	773.6	755.5	748.5	704.8
Water Sales	\$1,796,393	\$2,118,368	\$2,046,516	\$2,064,187	\$2,049,605	\$2,424,802	\$2,315,996
City Direct Rate Per Gallon	0.0022	0.0028	0.0026	0.0027	0.0027	0.0032	0.0033

Source:  
City of Susanville Finance Department

Notes:  
Total Water Revenue equals charges for services as found in schedule 2.  
Ten years of data unavailable due to software conversion.  
Data will be accumulated from 2004 forward.

Schedule 19  
 City of Susanville  
 Water Department  
 Water Rates  
 Last Seven 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
2009	\$23.65	**	\$1.16
2010	\$23.65	**	\$1.16

*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.*

*\*\* First 300 cubic feet now included in base rate.*

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

Water Customer	2010		2001	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Lassen County	\$68,166.71	2.94%		
Susanville Indian Rancheria	\$38,966.89	1.68%		
Lassen High School	\$31,554.55	1.36%		
Hidden Acres	\$21,657.00	0.94%		
Lassen County Fairgrounds	\$21,057.97	0.91%		
Diamond View School	\$16,723.72	0.72%		
Meadowview School	\$14,466.16	0.62%		
Meadowbrook Apartments	\$13,478.68	0.58%		
Citrus Manor Apartments	\$12,503.75	0.54%		
Millview Apartments	\$12,482.11	0.54%		
	\$251,057.54	10.83%		
			Information Unavailable	

Source:  
 City of Susanville Finance Department

Notes:  
 Total Water Revenue equals charges for services as found in schedule 2.  
 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 Seven Fiscal Years  
(In Therms)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Residential	749,716	974,574	932,384	881,058	942,696	837,390	\$937,912
Commercial	548,769	730,538	941,029	943,663	1,024,591	926,457	\$1,092,072
Total	1,298,485	1,705,112	1,873,413	1,824,721	1,967,287	1,763,847	2,029,984
Nat Gas Sales	\$1,749,040	\$2,724,148	\$4,264,151	\$4,325,805	\$4,650,665	\$4,271,575	\$4,723,849
City Direct Rate per Therm	\$1.35	\$1.60	\$2.28	\$2.37	\$2.36	\$2.42	\$2.33

Source:  
City of Susanville Finance Department - Utility Billing

Notes:  
Total Gas Revenue equals charges for services as found in schedule 2.  
100 cubic feet=100,000 BTUs=1 Therm  
BTU is British Thermal Unit  
Ten years of information unavailable but will be accumulated as available.

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

<u>Fiscal Year Ended June 30</u>	<u>Monthly Base Rates</u>	<u>Rate per Therm</u>	
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)
2009	\$7.00	\$2.30	(A)(B)(C)
2010	\$7.00	\$2.20	(A)(B)(C)

Source:  
 City of Susanville Finance Department

Notes:  
 City of Susanville Natural Gas Department began operation in 2002  
 (A) - The City of Susanville passed new gas rates in May of 2010 with Resolution #10-4625 removing winter and summer rates and applying one rate for customers. It have new customer sign-ups a welcome rate for one year at \$1.95 per therm.

	<u>Rates</u>
0-450 Therms	\$2.20
450 + Therms	\$2.12

(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 BTUs

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

Gas Customer	2010		2001 (b)	
	Gas Charges (a)	Percent of Total Gas Revenues	Gas Charges	Percent of Total Gas Revenues
Lassen Community College	\$301,331.48	6.38%	Information Unavailable	
Banner Lassen Hospital	\$287,521.98	6.09%		
Lassen County	\$149,732.12	3.17%		
Susanville Indian Rancheria	\$144,733.54	3.06%		
Northeastern Rural Health Clinic	\$89,945.55	1.90%		
Susanville Garden Apartments	\$67,816.11	1.44%		
Safeway	\$66,149.51	1.40%		
Lassen High School/Credence	\$64,691.95	1.37%		
McKinley School	\$56,336.27	1.19%		
Diamond View School	\$51,522.56	1.09%		
	\$1,279,781.07	27.09%		

Source:  
 City of Susanville Finance Department

Notes:  
 (a) Total Gas Revenue equals charges for services as found in schedule 2.  
 (b) Ten years of information unavailable but will be accumulated as available.

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