

**SUSANVILLE REDEVELOPMENT AGENCY**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**SUSANVILLE REDEVELOPMENT AGENCY  
BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Governing Board  
Susanville Redevelopment Agency  
Susanville, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the Susanville Redevelopment Agency (Agency), a component unit of the City of Susanville, California (City), as of and for the fiscal year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Agency. 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Agency as of June 30, 2010, and the respective changes in financial position, 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 Agency adopted the provisions of Government 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 *Government Auditing Standards*, we have also issued our report dated November 9, 2010, on our consideration of the Agency's internal control over financial reporting and on 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 not 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on pages 3 through 6 and page 18 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.

The accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in Note 5 to the financial statements, the Agency has suffered a deficit during the fiscal year and has a net assets balance (deficit) of (\$521,846) at June 30, 2010, that raises doubt about the Agency's ability to continue as a going concern. Management's plan in regards to these matters is also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Moss, Levy & Hartzheim*

MOSS, LEVY & HARTZHEIM, LLP  
Beverly Hills, California  
November 9, 2010

# Susanville Redevelopment Agency Management's Discussion & Analysis June 30, 2010

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements, including the accompanying notes, constitute the core of the Susanville Redevelopment Agency (Agency). The fiscal year of the Agency starts July 1 and ends June 30. The financial statements presented are:

- Government-wide:
  - Statement of Net Assets
  - Statement of Activities
- Governmental Funds:
  - Governmental Fund
  - Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
  - Statement of Revenues, Expenditures, and Changes in Fund Balance
  - Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.

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

### **GOVERNMENT-WIDE FUNDS**

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

The government-wide financial statements include all governmental type activities of the Agency.

#### ***Government-wide statement of net assets***

##### **Format**

This is the basic government-wide statement of all the Agency'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**

USGAAP requires that the primary government's governmental activities be reported. USGAAP requires that the government-wide statement of net assets provide a total column for the primary government. All internal balances (payables and receivables between governmental activities) are eliminated from this total column.

### ***Government-wide statement of activities***

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

### **Format**

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

Direct expenses - The first column of the government-wide statement of activities presents direct expenses associated with each of the Agency's functional activities. Examples of functions are: community development and interest on long-term debt.

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

### **Program Revenues**

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

- charges for services, fees, permits, licenses, fines
- grants, contributions, donations, etc. that are restricted to specific programs
- earnings on investments that are legally restricted for a specific program

### **General revenues**

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

## **GOVERNMENTAL FUNDS**

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

### **Major fund reporting**

USGAAP requires that each *major* fund be reported in 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. Major funds are determined using a 10 and 5 percent criteria formula.

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
- Total governmental fund revenues

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

## COMPARATIVE DATA

### FINANCIAL ANALYSIS

Net assets act as an indicator of a government’s financial position. In the case of the Agency, liabilities exceeded assets by \$514,456 as of June 30, 2009 for Governmental Activities; and \$521,846 as of June 30, 2010. Table A-1, below, presents a summary of the Agency’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**

	2009	2010
<u>Assets</u>		
Cash & investments	\$ ---	\$ ---
Interest receivable	---	---
Capital assets, not being depreciated	45,000	45,000
Capital assets, net of accumulated depreciation	107,250	100,750
Total assets	152,250	145,750
<u>Liabilities</u>		
Accounts Payable	11	10
Advances From the City of Susanville	666,695	667,586
Total liabilities	666,706	667,596
<u>Net Assets (Deficit)</u>		
Unrestricted	(514,456)	(521,846)
Total net assets(deficit)	\$ (514,456)	\$ (521,846)

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

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>
Community development	\$ 7,244	\$ 7,390
Interest on long-term debt	---	---
	<u>7,244</u>	<u>7,390</u>
Total expenditures		
	<u>7,244</u>	<u>7,390</u>
 <b>REVENUES:</b>		
<u>General Revenues:</u>		
Use of money and property	---	---
	<u>---</u>	<u>---</u>
Total general revenues		
	<u>---</u>	<u>---</u>
Changes in net assets	( 7,244)	( 7,390)
Net assets at July 1, 2008 and 2009	(507,212)	(514,456)
Ending net assets at June 30, 2009 and 2010	<u>\$ (514,456)</u>	<u>\$ (521,846)</u>
	=====	=====

**OVERALL ANALYSIS AND FINANCIAL POSITION OF THE SUSANVILLE  
REDEVELOPMENT AGENCY**

As of June 30, 2010 the Agency received a total of \$667,586 in advances from the City of Susanville to cover the startup costs associated with the Agency. The Agency intends to reimburse the advances out of the tax increments when they become available.

In fiscal year 2009-10 the Agency did not have an approved redevelopment project and consequently there were no expenditures or revenues related to a project to be recorded. The few entries recorded were for administrative expenses for \$890.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

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

**SUSANVILLE REDEVELOPMENT AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

<b>ASSETS</b>	<u>Governmental Activities</u>
Capital assets, not being depreciated	\$ 45,000
Capital assets, net of accumulated depreciation	<u>100,750</u>
Total assets	<u>145,750</u>
 <b>LIABILITIES</b>	
Accounts payable	10
Advances from the City of Susanville:	
Due in more than one year	<u>667,586</u>
Total liabilities	<u>667,596</u>
 <b>NET ASSETS (DEFICIT)</b>	
Unrestricted	<u>(521,846)</u>
Total net assets (deficit)	<u><u>\$ (521,846)</u></u>

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

**SUSANVILLE REDEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Expenses:					
Community development	\$ 7,390	\$ -	\$ -	\$ -	\$ (7,390)
Total governmental activities	<u>\$ 7,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,390)</u>
Change in Net Assets					(7,390)
Net Assets (Deficit) - Beginning					<u>(514,456)</u>
Net Assets (Deficit) - Ending					<u>\$ (521,846)</u>

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

**SUSANVILLE REDEVELOPMENT AGENCY  
GOVERNMENTAL FUND  
BALANCE SHEET  
JUNE 30, 2010**

	<u>Redevelopment Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ -
Total Assets	<u>\$ -</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 10
Total Liabilities	<u>10</u>
<b>FUND BALANCE</b>	
Unreserved, undesignated	<u>(10)</u>
Total Fund Balance (Deficit)	<u>(10)</u>
Total Liabilities and Fund Balance	<u>\$ -</u>

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

**SUSANVILLE REDEVELOPMENT AGENCY  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

FUND BALANCES - GOVERNMENTAL FUNDS \$ (10)

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:

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	\$	175,000	
Accumulated depreciation		<u>(29,250)</u>	
Net			145,750

The liability below is not due and payable in the current period and therefore, is not reported in the funds:

Advances from the City of Susanville		<u>(667,586)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (521,846)

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

**SUSANVILLE REDEVELOPMENT AGENCY  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Redevelopment Agency Fund
REVENUES	
Use of money and property	\$ -
Total Revenues	
EXPENDITURES	
Current:	
Administrative costs	890
Total Expenditures	890
Excess of revenues over (under) expenditures	(890)
OTHER FINANCING SOURCES	
Proceeds from long-term advances	891
Net change in fund balance	1
Fund balance (deficit), beginning of fiscal year	(11)
Fund balance (deficit), end of fiscal year	\$ (10)

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

**SUSANVILLE REDEVELOPMENT AGENCY  
RECONCILIATION OF THE GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The schedule below reconciles the Net Change in Fund Balance reported on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, 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 BALANCE	\$	1
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Amounts reported for Governmental Activities in the Statement of Activities are different from those reported in the Governmental Funds 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.

Depreciation expense not reported in governmental funds		(6,500)
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Long-term advance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Proceeds from long-term advances representing matured interest		(891)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(7,390)</u>
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The notes to the financial statements are an integral part of this statement.

**SUSANVILLE REDEVELOPMENT AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Description and Significant Accounting Policies**

**A. Description of the Redevelopment Agency and Redevelopment Plan**

The Susanville Redevelopment Agency (Agency) was formed under the provisions of the Community Redevelopment Law (California Health and Safety Code).

The Agency is an integral part of the City of Susanville (City) and, accordingly, the accompanying financial statements are included as a component of the basic financial statements of the City.

The basic financial statements of the Susanville Redevelopment Agency have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

**B. Basis of Presentation**

**Government-wide Statements:** The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's 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 and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

**C. Major Funds**

GASB Statement No. 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The Agency has determined that all of its funds are major funds.

The Agency reported the following major governmental fund in the accompanying financial statements:

**Redevelopment Agency Fund** – At this time, this fund is the general operating fund of the Agency.

**SUSANVILLE REDEVELOPMENT AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Description and Significant Accounting Policies (Continued)**

**D. Basis of Accounting**

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

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 Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent 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 Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Agency's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**E. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Formal budgetary integration is employed as a management control device.

**F. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. New Accounting Pronouncements**

The Agency 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.

**SUSANVILLE REDEVELOPMENT AGENCY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**Note 1 - Description and Significant Accounting Policies (Continued)**

**G. 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 Agency 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 Agency 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 Agency 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 Agency 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.

**SUSANVILLE REDEVELOPMENT AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 1 - Description and Significant Accounting Policies (Continued)**

**H. Net Assets**

**Government-wide Financial Statements**

Invested in Capital Assets, Net of Related Debt – This amount is the portion of net assets which is represented by the current net book value of the Agency’s capital assets, less the outstanding balance of any debt issued to finance those assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount consists of all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

**Fund Financial Statements**

Fund Equity – Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund equity be segregated to identify the portion of the fund equity not available for future expenditures.

**I. Capital Assets**

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

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 Agency 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

**SUSANVILLE REDEVELOPMENT AGENCY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Note 2 - Capital Assets**

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

	July 1, 2009 Balance	Additions	Deletions	June 30, 2010 Balance
Capital assets, not being depreciated:				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Total capital assets, not being depreciated	45,000			45,000
Capital assets, being depreciated:				
Building	130,000			130,000
Total capital assets, being depreciated	130,000			130,000
Less accumulated depreciation for:				
Building	(22,750)	(6,500)		(29,250)
Total accumulated depreciation, net	(22,750)	(6,500)		(29,250)
Total capital assets, net	<u>\$ 152,250</u>	<u>\$ (6,500)</u>	<u>\$ -</u>	<u>\$ 145,750</u>

Depreciation is charged to community development expense in the Statement of Activities.

**Note 3 - Long-Term Debt**

The following is a summary of long-term debt activity of the Agency for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amount due within one year
Advances from the City of Susanville	\$ 666,695	\$ 891	\$ -	\$ 667,586	\$ -
Totals	<u>\$ 666,695</u>	<u>\$ 891</u>	<u>\$ -</u>	<u>\$ 667,586</u>	<u>\$ -</u>

**Advances from the City of Susanville**

As of June 30, 2010, the Agency owes the City of Susanville \$667,586, which was used to cover start up costs associated with the Agency, including capital outlay and annual matured interest costs. The advances will be repaid with future operating revenues, but not within the next fiscal year.

**Note 4 - Stewardship, Compliance, and Accountability**

A deficit net asset of \$521,846 exists on the Statement of Net Assets and a deficit fund balance of \$10 exists in the Redevelopment Agency Fund. Both of these deficits are due to the Agency incurring costs in advance of receiving tax increment revenue.

**Note 5 - Going Concern**

The accompanying financial statements have been prepared assuming that the Agency will resume its operations when the Agency has an approved project area and plan. It is anticipated that, starting in the fiscal year ending June 30, 2011, the Agency will have a project area ready for approval. The Agency has received a grant in the amount of \$70,000 which was used to assist in getting a project area ready for approval. The Agency incurred a deficit due to expenses in excess of revenues over the past fiscal years. The net assets balance is (\$521,846) at June 30, 2010.

**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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total Revenues				
<b>Expenditures:</b>				
Current:				
Community development	5,746	5,746	890	4,856
Total Expenditures	5,746	5,746	890	4,856
Excess of revenues over (under) expenditures	(5,746)	(5,746)	(890)	4,856
<b>Other Financing Sources:</b>				
Proceeds from long-term advances			891	891
Net change in fund balance	(5,746)	(5,746)	1	5,747
<b>Fund Balance (deficit) - beginning of fiscal year</b>	(11)	(11)	(11)	
<b>Fund Balance (deficit) - end of fiscal year</b>	<u>\$ (5,757)</u>	<u>\$ (5,757)</u>	<u>\$ (10)</u>	<u>\$ 5,747</u>



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***

Members of the Governing Board  
Susanville Redevelopment Agency  
Susanville, California

We have audited the financial statements of the governmental activities and the major fund of the Susanville Redevelopment Agency (Agency) as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 9, 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 Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency in a separate letter dated November 9, 2010.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements 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. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the California State Controller. 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 the Agency's Board of Directors, management, and the California State Controller's Office Division of Accounting and Reporting, 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, California  
November 9, 2010