

SUSANVILLE REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

**SUSANVILLE REDEVELOPMENT AGENCY
BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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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, 2011, 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, 2011, and the respective changes in financial position 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, 2010, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011, 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, respectively, 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 (\$529,551) at June 30, 2011, 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
Culver City, California
December 8, 2011

Susanville Redevelopment Agency Management's Discussion & Analysis June 30, 2011

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: $\text{Assets} - \text{Liabilities} = \text{Net assets}$

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, and use of money and property.

GOVERNMENTAL FUNDS

USGAAP requires two basic statements: Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The difference between the assets and liabilities of governmental funds is reported as *fund balance*. According to GASB Statement No. 54, fund balance is divided into *non-spendable, restricted, committed, assigned or unassigned*.

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 \$521,846 as of June 30, 2010 for Governmental Activities; and \$529,551 as of June 30, 2011. Table A-1, below, presents a summary of the Agency's Statement of Net Assets for fiscal years ended June 30, 2010 and 2011.

Table A-1
Government Net Assets for June 30, 2010 and 2011
Governmental activities

	2010	2011
<u>Assets</u>		
Capital assets, not being depreciated	\$ 45,000	\$ 45,000
Capital assets, net of accumulated depreciation	100,750	94,250
Total assets	145,750	139,250
<u>Liabilities</u>		
Accounts Payable	10	11
Advances From the City of Susanville	667,586	668,790
Total liabilities	667,596	668,801
<u>Net Assets (Deficit)</u>		
Unrestricted	(521,846)	(529,551)
Total net assets(deficit)	\$ (521,846)	\$ (529,551)

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 Fiscals Year Ended June 30, 2010 and 2011
Governmental Activities

EXPENSES:	<u>2010</u>	<u>2011</u>
Community development	\$ 7,390	\$ 7,705
Total expenditures	<u>7,390</u>	<u>7,705</u>
 REVENUES:		
<u>General Revenues:</u>		
Use of money and property	---	---
Total general revenues	<u>---</u>	<u>---</u>
Changes in net assets	(7,390)	(7,705)
Net assets at July 1, 2009 and 2010	(514,456)	(521,846)
Ending net assets at June 30, 2010 and 2011	<u>\$ (521,846)</u>	<u>\$ (529,551)</u>

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

As of June 30, 2011 the Agency has received a total of \$668,790 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 tax increments when they become available.

In fiscal year 2010-11 the Agency did not have an approved redevelopment project area and consequently there were no expenditures or revenues related to a project to be recorded. The few entries recorded were for administrative expenditures of \$1,205.

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, 2011

ASSETS	<u>Governmental Activities</u>
Capital assets, not being depreciated	\$ 45,000
Capital assets, net of accumulated depreciation	<u>94,250</u>
Total assets	<u>139,250</u>
 LIABILITIES	
Accounts payable	11
Advances from the City of Susanville:	
Due in more than one year	<u>668,790</u>
Total liabilities	<u>668,801</u>
 NET ASSETS (DEFICIT)	
Unrestricted	<u>(529,551)</u>
Total net assets (deficit)	<u><u>\$ (529,551)</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, 2011**

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
Expenses:					
Community development	\$ 7,705	\$ -	\$ -	\$ -	\$ (7,705)
Total governmental activities	<u>\$ 7,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,705)</u>
Change in Net Assets					(7,705)
Net Assets (Deficit) - Beginning					<u>(521,846)</u>
Net Assets (Deficit) - Ending					<u>\$ (529,551)</u>

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

**SUSANVILLE REDEVELOPMENT AGENCY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2011**

	<u>Redevelopment Agency Fund</u>
ASSETS	
Cash and investments	\$ -
Total Assets	<u>\$ -</u>
LIABILITIES	
Accounts payable	<u>\$ 11</u>
Total Liabilities	<u>11</u>
FUND BALANCE	
Unassigned	<u>(11)</u>
Total Fund Balance (Deficit)	<u>(11)</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, 2011**

FUND BALANCES - GOVERNMENTAL FUNDS \$ (11)

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>(35,750)</u>	
Net			139,250

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>(668,790)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (529,551)

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, 2011**

	<u>Redevelopment Agency Fund</u>
REVENUES	
Use of money and property	<u>\$ -</u>
Total Revenues	<u> </u>
EXPENDITURES	
Current:	
Administrative costs	<u>1,205</u>
Total Expenditures	<u>1,205</u>
Excess of revenues over (under) expenditures	(1,205)
OTHER FINANCING SOURCES	
Proceeds from long-term advances	<u>1,204</u>
Net change in fund balance	(1)
Fund balance (deficit), beginning of fiscal year	<u>(10)</u>
Fund balance (deficit), end of fiscal year	<u><u>\$ (11)</u></u>

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, 2011**

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		<u>(1,204)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(7,705)</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, 2011**

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, 2011**

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 implemented the requirements of GASB Statements No. 54 and No. 59 during the fiscal year ended June 30, 2011.

**SUSANVILLE REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - Description and Significant Accounting Policies (Continued)

G. New Accounting Pronouncements (Continued)

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

This Statement is effective for periods beginning June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement affects the Balance Sheet – Governmental Funds for the fiscal year ended June 30, 2011 by changing the classification of the fund balances. See Note 1H for further explanation of the impact on the Agency’s financial statements.

GASB Statement No. 59 – Financial Instruments Omnibus

For the fiscal year ended June 30, 2011, the Agency implemented GASB Statement No. 59, “Financial Instruments Omnibus”. This Statement is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

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 Balances

Fund Financial Statements

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance. The unassigned fund balance classification is the only fund balance classification reported as of June 30, 2011 due to the negative fund balance amount. The Agency does not have any nonspendable, restricted, committed, or assigned fund balances at June 30, 2011.

**SUSANVILLE REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - Description and Significant Accounting Policies (Continued)

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

Note 2 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	July 1, 2010			June 30, 2011
	Balance	Additions	Deletions	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	(29,250)	(6,500)		(35,750)
Total accumulated depreciation, net	(29,250)	(6,500)		(35,750)
Total capital assets, net	\$ 145,750	\$ (6,500)	\$ -	\$ 139,250

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

**SUSANVILLE REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amount due within one year
Advances from the City of Susanville	\$ 667,586	\$ 1,204	\$ -	\$ 668,790	\$ -
Totals	<u>\$ 667,586</u>	<u>\$ 1,204</u>	<u>\$ -</u>	<u>\$ 668,790</u>	<u>\$ -</u>

Advances from the City of Susanville

As of June 30, 2011, the Agency owes the City of Susanville \$668,790 (\$287,418 to the general fund, \$247,549 to the state revolving fund, and \$133,823 to the state revolving economic development fund), 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 \$529,551 exists on the Statement of Net Assets and a deficit fund balance of \$11 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, 2012, 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 (\$529,551) at June 30, 2011. Any remaining deficit at the end of the Agency's life will be absorbed by the City's General Fund, State Revolving Fund, and State Revolving Economic Development Fund.

Note 6 - Contingencies

Recent Changes in Legislation Affecting California Redevelopment Agencies. The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

If the City, as the Agency's sponsoring community, does not elect to continue the Agency under the provisions of the Continuation Act, the Agency will be deemed dissolved effective October 1, 2011.

If the City had an approved project area, and the Agency elected to continue the Agency, the City Council must have enacted a non-binding resolution of its intent to continue the Agency no later than October 1, 2011, and it must have also enacted an ordinance agreeing to comply with the Continuation Act no later than November 1, 2011. Pursuant to the Continuation Act, if the Agency had an approved project area, the City must then make an annual payment, which may be reimbursed by the Agency.

**SUSANVILLE REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 6 – Contingencies (Continued)

The California Redevelopment Association, the League of California Cities, and two cities have sued to prevent enforcement of the Acts. On August 11, 2011, the Supreme Court of California (Supreme Court) agreed to hear the lawsuit and committed to issuing a decision by January 15, 2012. The Supreme Court also issued a stay of many elements of the Acts, including dissolution, County actions required for continuation, and the required payment, until the Supreme Court rules on the merits of the case. The deadlines imposed by the Acts with respect to affirmation of continuation are expected to be re-set by the Supreme Court at that time, depending on its decision. If the Supreme Court upholds these Acts, the realization of any costs related to the Continuation Act is subject to an action by the City Council taken subsequent to the issuance of this report. Should the City Council elect to discontinue the Agency, it would then be dissolved and its rights, obligations and responsibilities, if any, would be assigned to a successor agency. If the Supreme Court upholds these Acts, the City Council will consider the ordinance required for continuation of the Agency subsequent to the issuance of this report.

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total Revenues				
Expenditures:				
Current:				
Community development	5,748	5,748	1,205	4,543
Total Expenditures	5,748	5,748	1,205	4,543
Excess of revenues over (under) expenditures	(5,748)	(5,748)	(1,205)	4,543
Other Financing Sources:				
Proceeds from long-term advances			1,204	1,204
Net change in fund balance	(5,748)	(5,748)	(1)	5,747
Fund Balance (deficit) - beginning of fiscal year	(10)	(10)	(10)	
Fund Balance (deficit) - end of fiscal year	<u>\$ (5,758)</u>	<u>\$ (5,758)</u>	<u>\$ (11)</u>	<u>\$ 5,747</u>



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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, 2011, and have issued our report thereon dated December 8, 2011. 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 December 8, 2011.

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
Culver City, California
December 8, 2011