

**City of Yreka,
California**



Financial Statements

**For the Year Ended
June 30, 2015**

CITY OF YREKA, CALIFORNIA

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2015**

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City of Yreka

Management's Discussion and Analysis:

As management of the City of Yreka (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We provide this discussion and analysis to: 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, and 3) identify changes in the City's financial position.

2014-2015 Financial Highlights:

- In the primary government statement of net position, the total net position for the City was \$45,279,861. Of this amount, \$7,086,052 of the unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities total net position increased slightly by \$1,760,421 from \$19,142,943 in 2013-14 to \$20,903,364 in 2014-15. However the governmental activities unrestricted net position, with the inclusion of the City's pension obligations as restated in 2013-14 and in 2014-15 is negative \$1,773,127 and \$940,813. The negative balance indicates the City could not meet its actuarial debt for pension obligations and other post employment benefits in full from current available resources.
- The increase in the governmental activities net position of \$1,760,421 is primarily due to a \$832,314 improvement to the unrestricted net position and a \$1,349,757 increase in invested in capital assets, net of related debt. This was offset by a decrease of \$421,650 in restricted net position.
- Total liabilities for governmental activities decreased \$1,569,294 from \$8,623,442 in 2013-2014 to \$7,054,148 in 2014-2015.
 - Long-term liabilities decreased \$1,474,188; due to an improved position in pension obligations actuarial of \$1,356,437.
 - Current liabilities decreased \$95,106; due to decreases in vendor or trade payables.

- Governmental activities deferred inflows in 2014-15 were \$1,023,792 and deferred outflows in 2013-14 were \$300,579; for an overall change of \$1,324,371. The decrease in the pension obligation is offset by the change in the deferred inflows and outflows of resources.
- The business-type activities total net position increased by \$1,419,357 from \$22,957,140 in 2013-2014 as restated to \$24,376,497 in 2014-2015.
 - Of this increase invested in capital assets net of related debt increased \$118,182. The restricted net position represents the City's debt servicing reserve requirements. The unrestricted net position increased \$1,537,539.
 - The business activities unrestricted net position, with the inclusion of the City's pension obligations as restated in 2013-14 and in 2014-15 is \$6,489,326 and \$8,026,865 respectively. The positive balance indicates the City could fulfill its actuarial debt for pension obligations and other post employment benefits within the enterprise funds from current available resources.
- Business activities deferred inflows in 2014-15 were \$318,749 and deferred outflows in 2013-14 were \$61,018; for an overall change of \$379,767. The decrease in the pension obligation is offset by the change in the deferred inflows and outflows of resources.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Yreka's basic financial statements. The City of Yreka's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City of Yreka's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the City of Yreka's assets and liabilities, with the difference between the two reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Yreka is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement. For some items, that will only result in cash flows in future fiscal periods, an example would be the reporting for capital leases.

The government-wide financial statements distinguish functions of the City of Yreka that

are principally supported by taxes, intergovernmental revenues and grants (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City of Yreka include general government, public safety, recreation and culture, public works, planning and community development.

The business-type activities of the City of Yreka include water and wastewater operations.

The government-wide financial statements can be found on pages 3 through 4 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All City funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus near term cash flows and ending fund balances available at the end of the fiscal year.

The Balance Sheet and the Reconciliation of Total Governmental Fund Balance to the Statement of Net Position Governmental Activities Governmental Funds, page 5, guides the reader through the significant reporting differences between these two statements. In 2014-2015, the differences are attributable to the recognition of capital assets and long-term liabilities. The analysis of these two statements helps the reader to understand better the long-term impact of the City's capital expenditures and financing decisions.

The reconciliation of the Statement of Revenues, Expenditures and Changes in Funds Balance to the Statement of Activities Governmental Funds, page 7, itemizes the differences between the net change in the governmental fund balance to the change in net position of governmental activities. In 2014-2015, the differences are attributable to (1) changes in capital outlay net of depreciation, (2) changes in long-term debt net of repayments, (3) changes in other post employment benefits, (4) changes in compensated absences, (5) changes in pension obligations and (6) carrying value of sold and disposed of assets.

The major funds within governmental funds include the General Operating Fund, Special Revenue Fund, Special Grants Fund, and Streets and Roads Fund. The major governmental funds are presented in (1) the governmental fund balance sheet, (2) the

governmental fund statement of revenues, expenditures, and changes in fund balances for the governmental funds, and (3) the reconciliation of the Statement of Revenues, Expenditures and Changes in Funds Balance to the Statement of Activities Governmental Funds, found on pages 5 through 7 of this report.

The City of Yreka adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement for the governmental funds demonstrates compliance with the budget, and is located on pages 37 through 40 of this report.

Proprietary funds:

The City of Yreka maintains two different types of proprietary funds for its business-type activities. These are also referred to as Enterprise Funds, and are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Yreka uses these funds to account for its water and wastewater operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater funds, each of which is considered a major fund. The basic proprietary fund financial statements can be found on pages 8 through 10 of this report.

Fiduciary funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. A fiduciary fund represents an agency fund, which is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation. The City has no fiduciary funds.

Notes to the financial statements:

The notes provide additional information that is essential in understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 36 of this report.

Other supplemental information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that can be found on pages 37 through 42 of this report.

Financial Analysis of the City as a Whole:

Government-wide Financial Analysis:

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The City of Yreka's net position was \$20,903,364 for governmental activities and \$24,376,497 for business type activities, total \$45,279,861, at the close of fiscal year 2014-2015.

City of Yreka – Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
Total Net Position for:			
Fiscal Year 2013-2014 (1)	\$ 19,142,943	\$ 22,957,140	\$ 42,100,083
Fiscal Year 2014-2015	20,903,364	24,376,497	45,279,861
Increase or (Decrease in Net Position)	\$ 1,760,421	\$ 1,419,357	\$ 3,179,778

(1) Fiscal Year 2013-14 has been restated for GASB68 Reporting for Pensions

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment as well as infrastructure assets such as roads, bridges, water and sewer systems), less any related debt used to acquire those assets that is still outstanding. The City of Yreka uses these capital assets to provide services to citizens. Consequently, these assets are generally not available for future spending. Although the City of Yreka's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



Miner Street City Park, May 2010

The schedule below displays a year over year comparative summary of the City's governmental activities net position:

City of Yreka – Governmental Activities Net Position

City of Yreka - Net Position
Governmental Activities

	Governmental Activities		Increase/ (Decrease)	Percentage Change
	2013-2014 ⁽¹⁾	2014-2015		2013-2014 ⁽¹⁾ as the base year
Assets:				
Current assets and other assets	\$7,492,378	\$7,825,610	\$333,232	4.4%
Restricted assets	684,573	631,285	(\$53,288)	-7.8%
Non current assets	19,288,855	20,524,409	1,235,554	6.4%
<i>Total Assets</i>	<u>27,465,806</u>	<u>28,981,304</u>	<u>1,515,498</u>	<u>5.5%</u>
Deferred Outflows	300,579	-	(300,579)	-100.0%
<i>Total Deferred Outflows</i>	<u>300,579</u>	<u>-</u>	<u>(300,579)</u>	<u>-100.0%</u>
Liabilities:				
Current liabilities	707,603	612,497	(95,106)	-13.4%
Long-term liabilities	7,915,839	6,441,651	(1,474,188)	-18.6%
<i>Total Liabilities</i>	<u>8,623,442</u>	<u>7,054,148</u>	<u>(1,569,294)</u>	<u>-18.2%</u>
Deferred Inflows	-	1,023,792	1,023,792	N/A
<i>Total Deferred Inflows</i>	<u>-</u>	<u>1,023,792</u>	<u>1,023,792</u>	<u>N/A</u>
Net position:				
Invested in capital assets, net of related debt	18,707,509	20,057,266	1,349,757	7.2%
Restricted	2,208,561	1,786,911	(421,650)	-19.1%
Unrestricted	(1,773,127)	(940,813)	832,314	46.9%
<i>Total Net Position</i>	<u>\$19,142,943</u>	<u>\$20,903,364</u>	<u>\$1,760,421</u>	<u>9.2%</u>

(1) Fiscal Year 2013-14 has been restated for GASB68 Reporting for Pensions

Total assets increased by 5.5% from \$27,465,806 in 2013-14 to \$28,981,304 in 2014-15. Current assets and other assets increased 4.4%. Restricted assets decreased 7.8%, for planned projects. Non current assets increased 6.4%, or \$1,235,554, (\$2,252,736 of new capital outlay offset by depreciation expense of \$1,012,390 and sale of assets, net of depreciation, of \$4,792).

Total liabilities decreased 18.2%, from \$8,623,422 in 2013-2014 to \$7,054,148 in 2014-2015. Long-term liabilities decreased 18.6% primarily from actuarial valuation of the City's pension liability. Current liabilities decreased 13.4% primarily due to decreases in trade accounts payable.

The increase in the net position was 9.2%, where the unrestricted net position increased 46.9%, due to the decrease fluctuation in deferred inflows and outflows arising from the actuarial valuation and actual payments to the City's pension liability

The decrease in the restricted net position (the Crandall bequest) was used to acquire a building for planned outlay, theatre siding replacement and Miner Street improvement grants.

Invested in capital assets increased \$1,349,757, net of related debt. Capital assets increased \$1,235,554, and \$114,203 the reduction in long term debt obligations financing those assets from scheduled repayments.

The schedule below displays a year over year comparative summary of the City's business-type activities net position:

City of Yreka – Business Type Activities Net Position

	Business-Type Activities		Increase/ (Decrease)	Percentage Change
	2013-2014 ⁽¹⁾	2014-2015		2013-2014 ⁽¹⁾ as the base year
Assets:				
Current assets and other assets	\$8,742,194	\$10,234,413	\$1,492,219	17.1%
Restricted assets	300,000	300,000	-	0.0%
Non current assets	23,459,773	26,858,697	3,398,924	14.5%
<i>Total Assets</i>	<u>32,501,967</u>	<u>37,393,110</u>	<u>4,891,143</u>	<u>15.0%</u>
Deferred Outflows	61,018	-	(61,018)	-100.0%
<i>Total Deferred Outflows</i>	<u>61,018</u>	<u>-</u>	<u>(61,018)</u>	<u>-100.0%</u>
Liabilities:				
Current liabilities	1,036,712	927,198	(109,514)	-10.6%
Long-term liabilities	8,569,133	11,770,666	3,201,533	37.4%
<i>Total Liabilities</i>	<u>9,605,845</u>	<u>12,697,864</u>	<u>3,092,019</u>	<u>32.2%</u>
Deferred Inflows	-	318,749	318,749	N/A
<i>Total Deferred Inflows</i>	<u>-</u>	<u>318,749</u>	<u>318,749</u>	<u>N/A</u>
Net position:				
Invested in capital assets, net of related debt	16,167,814	16,049,632	(118,182)	-0.7%
Restricted	300,000	300,000	-	0.0%
Unrestricted	6,489,326	8,026,865	1,537,539	23.7%
<i>Total Net Position</i>	<u>\$22,957,140</u>	<u>\$24,376,497</u>	<u>\$1,419,357</u>	<u>6.2%</u>

(1) Fiscal Year 2013-14 has been restated for GASB68 Reporting for Pensions

Total assets increased 15.0% from \$32,501,967 in 2013-14 to \$37,393,110 in 2014-15. Cash balances increased 17.1%, restricted assets cover debt servicing reserve requirements, and non current assets remained unchanged at \$300,000. Capital assets increased \$3,398,924 or 14.5%.



City of Yreka water treatment plant, photo taken 5/12/2009

Current liabilities decreased 10.6% due to lower accounts, offset by higher construction contingencies payable on the wastewater system improvements project. Long-term liabilities increased 37.4% primarily due to construction loan draws on the wastewater improvements project, that was offset by a reduction on the pension liability.

Total net position increased 6.2%. Invested in capital assets, net of related debt decreased by 0.7% or \$188,182, of which net capital assets increased \$3,398,924, plus the \$260,993 the reduction in long term debt obligations, offset addition (construction loan draws) to long term debt of \$3,778,099 financing that capital outlay.

Unrestricted net position increased \$1,537,539.

Comparison of Government Wide General Revenues:

General revenues:	2013-2014	2014-2015	Year over Year Change
Governmental activities:			
Taxes:			
Property	\$ 1,543,300	\$ 1,544,145	\$ 845
Sales and use	1,857,446	1,968,005	110,559
Other	973,722	1,059,293	85,571
Investment earnings	21,164	20,069	(1,095)
Gain (loss) on disposal of capital assets	(141,801)	17,500	159,301
Transfers	134,845	(37,992)	(172,837)
<i>Total governmental activities</i>	<u>4,388,676</u>	<u>4,571,020</u>	<u>182,344</u>
Business-type activities:			
Investment earnings	21,269	24,616	3,347
Transfers	(134,845)	37,992	172,837
<i>Total business-type activities</i>	<u>(113,576)</u>	<u>62,608</u>	<u>176,184</u>
Total primary government	<u>\$ 4,275,100</u>	<u>\$ 4,633,628</u>	<u>\$ 358,528</u>

Total primary government revenues increased \$358,528 from \$4,275,100 in 2013-14, to \$4,633,628 in 2014-15.

Governmental activities total revenues increased \$182,344 from \$4,388,676 in 2013-14 to \$4,571,020 in 2014-15.

The loss on sale of capital assets of \$141,801 from 2013-2014 arose from sold property (307 North Street and 312 West Miner Street) that resulted in a depreciation book value loss of \$141,801.

The \$172,837 increase in transfers from the business-type activities to the governmental activities was for the water and sewer enterprise funds share of cost for capital projects (city-wide GIS mapping), offset by general governmental activities share of cost for water and sewer projects (storm drain relocation on wastewater project, development impact fees for watersystem improvements).

Comparison of Government Wide Program Revenues:

<i>Program Revenue</i>	Year over Year		
	2013-2014	2014-2015	Change
<i>Governmental activities:</i>			
General government	\$ 391,481	\$ 478,139	\$ 86,658
Planning and development	214,324	147,917	(66,407)
Parks and recreation	76,428	1,208,638	1,132,210
Public works administration	3,400	1,800	(1,600)
Public works maintenance	538	100	(438)
Police protection	238,126	364,162	126,036
Fire protection	358,168	347,153	(11,015)
Streets and sidewalks	755,474	729,530	(25,944)
Public transportation	193,065	167,376	(25,689)
<i>Total governmental activities</i>	<u>2,231,004</u>	<u>3,444,815</u>	<u>1,213,811</u>
<i>Business-type activities:</i>			
Sewer	2,391,172	2,443,269	52,097
Water	2,844,229	2,671,299	(172,930)
<i>Total business-type activities</i>	<u>5,235,401</u>	<u>5,114,568</u>	<u>(120,833)</u>
Total primary government	<u>\$ 7,466,405</u>	<u>\$ 8,559,383</u>	<u>\$ 1,092,978</u>

Total primary government revenues increased \$1,092,978.

Governmental activities program revenue increased \$1,213,811 in 2014-15.

- The \$1,132,210 increase in parks and recreation is due to River Parkways North Yreka Creek, trailhead parking, restrooms and trail development.
- Business activities program revenue decreased \$120,833 in 2014-15. Of the \$172,930 decrease, water fee revenue decrease \$175,255 due drought mandated conservation efforts.

Comparison of Government Wide Program Expenses:

<i>Program Expenses</i>	2013-2014	2014-2015	Year over Year Change
Governmental activities:			
General government	\$ 781,004	\$ 741,430	\$ (39,574)
Planning and development	517,976	488,565	(29,411)
Parks and recreation	529,616	531,315	1,699
Public works administration	107,114	29,870	(77,244)
Public works maintenance	153,201	169,732	16,531
Police protection	2,470,722	2,456,805	(13,917)
Fire protection	500,724	436,202	(64,522)
Senior nutrition and transportation	-	-	-
Streets and sidewalks	1,198,156	1,234,119	35,963
Public transportation	193,065	167,376	(25,689)
<i>Total governmental activities</i>	<u>6,451,578</u>	<u>6,255,414</u>	<u>(196,164)</u>
Business-type activities:			
Sewer	1,763,067	1,739,237	(23,830)
Water	1,758,666	2,018,582	259,916
<i>Total business-type activities</i>	<u>3,521,733</u>	<u>3,757,819</u>	<u>236,086</u>
Total primary government	<u><u>\$ 9,973,311</u></u>	<u><u>\$10,013,233</u></u>	<u><u>\$ 39,922</u></u>

Primary government expenses increased \$39,922 from \$9,973,311 in 2013-14 to \$10,013,233 in 2014-15.

Functional expenses for governmental activities decreased \$196,164 from \$6,451,578 in 2013-14 to \$6,255,414 in 2014-15.

- Public Works administration expenses decreased \$77,244 primarily due to the vacancy of the public works director position.
- Fire protection expenses decreased \$64,522, due to building (stem wall) maintenance in 2013-14 of \$52,924.

Functional expenses for business-type activities increased \$236,086 from \$3,521,733 in 2013-14 to \$3,757,819 in 2014-15. The increase is primarily due to depreciation expense increase of \$209,762 arising from the transfer from construction in progress to depreciating assets \$10,863,415 of water system improvements at the end of 2013-14.

Financial Analysis of the City's Funds:

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

The focus of the City of Yreka's governmental funds is to provide information on near-term cash inflows, cash outflows, and available ending balances and reserves for operations. Such information is useful in assessing the City of Yreka's financing requirements. In particular, fund balances serve as a useful measure of a government's net capital available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Yreka, and at the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,212,276. The following describes the fund balances designations.

Nonspendable: The nonspendable governmental fund balances for the City total \$586,717 and represents medium and long term loans to residents and businesses arising from housing and economic development grant lending programs and promissory notes issued by the City arising from the sale of City real property to others.

Restricted: The restricted governmental fund balances for the City total \$1,786,911. Of the \$714,902 General Fund balance, \$629,230 is reserved for capital outlays and represents the Crandall and Stewart specified donated funds. The Crandall account is an account where the City has expenditure control, but is restricted to expend only for special capital outlays pursuant to a will. Restricted balances in special grant funds includes program income generated from the City's residential and business lending, that is restricted by the grantor in re-use. Special revenue funds have a restricted fund balance from voter approved parcel tax assessment for fire protective services. Special revenue funds capital improvement reserves are from developer fees and are for restricted to planned improvements. Street and road restricted balances are from statewide fuel (highway users tax accounts, or HUTA), restricted sales taxes (local transportation funds), and transfers in from the General Fund that are restricted to transit, road and street construction, maintenance and improvements.

Committed: The committed governmental fund balances for the City are zero.

Assigned: The restricted fund balances for the City are \$2,509,117. The City has assigned these balances to cover capital improvements, planning and development, budget stabilization, grant contingencies and general liability reserves.

Unassigned: The City has \$3,329,531 of unassigned governmental fund balances.

Proprietary funds:

The City of Yreka's proprietary funds, also referred to as business-type activities or Enterprise Funds, provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the water and wastewater funds at the end of the year amounted to \$24,376,497, and the unrestricted net position was \$8,026,865. In the statement on Cash Flows, page 10, the net increase in cash shows an increase of \$1,827,521. The wastewater cash balance increased \$740,833. The water funds cash balance increased \$1,086,688, building reserves for future scheduled capital outlay projects. The City currently remains on track with its revenue increases, operating costs controls, and required capital outlay as identified from the rate analysis study.

Agency funds:

Agency funds consist of fiduciary funds that are used to account for assets held in a trustee or agent capacity for others. The City has no agency funds.



Street Sweeping, October 2014

General Fund Budgetary Highlights:

Below is a table comparing the differences between the original budget and the final amended budget for revenue and expenses in the General Fund, Special Grant Fund, Special Revenue and Streets and Roads Fund. More line detail is available on pages 32 through 35 of this report.

Schedule of Revenues and Expenditures – Budget to Actual 2014-2015

General Fund	Original	Final	Actual
Revenue	\$ 4,578,195	\$ 4,744,907	\$5,370,154
Expense	5,464,620	5,614,333	4,632,169
Excess (deficiency) of revenue over (under) expenses	(886,425)	(869,426)	737,985
Other Financing Sources and (Uses)	(293,481)	(263,631)	(256,570)
Net Change in Fund Balance	\$ (1,179,906)	\$ (1,133,057)	\$ 481,415
Special Grants	Original	Final	Actual
Revenue	\$ 3,106,230	\$ 3,150,006	\$1,592,899
Expense	3,282,785	3,348,931	1,682,282
Excess (deficiency) of revenue over (under) expenses	(176,555)	(198,925)	(89,383)
Other Financing Sources and (Uses)	178,355	178,355	171,293
Net Change in Fund Balance	\$ 1,800	\$ (20,570)	\$ 81,910
Special Revenue	Original	Final	Actual
Revenue	\$ 463,750	\$ 567,330	\$ 567,526
Expense	310,883	393,887	393,880
Excess (deficiency) of revenue over (under) expenses	152,867	173,443	173,646
Other Financing Sources and (Uses)	-	(79,993)	(79,992)
Net Change in Fund Balance	\$ 152,867	\$ 93,450	\$ 93,654
Streets and Roads	Original	Final	Actual
Revenue	\$ 457,000	\$ 515,237	\$ 523,248
Expense	1,171,142	994,941	941,762
Excess (deficiency) of revenue over (under) expenses	(714,142)	(479,704)	(418,514)
Other Financing Sources and (Uses)	157,126	127,276	127,277
Net Change in Fund Balance	\$ (557,016)	\$ (352,428)	\$ (291,237)

General Operating Fund:

- Total revenues were \$4,578,195 in the original budget, \$4,744,907 in the final budget and \$5,370,154 for actuals. The revenue increase of \$166,712 in the final budget is due to an increase in license and permit revenues and other revenue. Actual revenue of \$5,370,154 was \$625,247 favorable to the final budget reflecting increases in taxes (sales, property and transient occupancy taxes).
- Total expenses were \$5,464,620 in the original budget, \$5,614,333 in the final budget and \$4,632,169 for actuals. The final budget expense increased by \$149,713 from the original budget from widespread increases that were offset by revenues, e.g. building services, OES mutual aid response for fire and police, and negotiated labor settlement agreements. Actual expenses of \$4,632,169 were \$982,164 favorable to the final

budget, of which \$822,573 was due to a delay in capital outlay for the police building remodel.

- Other financing Sources and (Uses) were (\$293,481) in the original budget, (\$263,631) in the final budget and (\$256,570) for actuals.
- The change in the general fund balance was (\$1,179,906) in the original budget, (\$1,133,057) in the final budget and \$481,415 for actuals. The \$1,614,472 increase from the final budget to actuals reflected a \$982,164, expenditure decrease, primarily due to the decrease in capital outlay and a \$625,247 increase in operating revenue primarily from \$404,265 sales and transient occupancy taxes collectively. Actual transfers out were \$7,061 favorable to final budget.

Special Grant Fund:

- Grant revenue was \$3,106,230 in the original budget, \$3,150,006 in the final budget and actual revenue was \$1,592,899. Grant expense was \$3,282,785 in the original budget, \$3,348,931 in the final budget and actual expense was \$1,682,282. The original budget showed revenue and expense for all grants projects that might have been completed in the fiscal year 2014-15. The decrease in actual project revenue and expense reflects delays in both construction work in process and implementation (STIP Foothill repaving, River Parkways - Oberlin Trail project and DWR Flood Corridor project).
- Other financing sources \$178,355 in the original budget, \$178,355 in the final budget and \$171,293 for actuals.

Special Revenue Fund:

- Revenues were \$463,750 in the original budget, \$567,330 in the final budget and \$567,526 for actuals. The increases were due to increased development impact fees collected from increase in building activity.
- Expenses were \$310,883 in the original budget, \$393,887 in the final budget and \$393,880 for actuals. Capital outlay increased \$44,178, fiscal year crossing expense relating to the acquisition of a new fire apparatus, not included in the original budget.
- Other Financing Sources and (Uses) were \$0 in the original budget, (\$79,993) in the final budget and (\$79,992). A transfer from the sewer fund to development impact fund for \$241,789 was made to offset an interfund obligation. A transfer of \$321,782 from the development impact fund to the water fund was made for the development impact fund's share of growth relating to the USDA 2010 water system improvements project.

Streets and Roads Fund:

- Revenues were \$457,000 in the original budget, \$515,237 in the final budget and \$523,248 for actuals. Actual revenue in the road and streets funds is primarily from state gas tax allocations.
- Expenses were \$1,171,142 in the original budget, \$994,941 in the final budget and \$941,762 for actuals.

- Other financing sources were \$157,126 in the original budget, \$127,276 in the final budget and \$127,277 for actuals. Operating transfers in were increased to cover expenses not eligible for gas tax funding.

Capital Assets and Debt Administration

Changes in Capital Assets

	Balance				Balance
	June 30, 2014	Additions	Retirements	Transfers	June 30, 2015
Governmental Activities:					
<i>Capital assets not being depreciated;</i>					
Land	\$ 1,909,498	\$ -	\$ -	\$ -	\$ 1,909,498
Construction in Progress	2,398,896	1,709,317	-	(652,579)	3,455,634
<i>Capital assets being depreciated;</i>					
Building and Structures	4,323,414	71,066	-	-	4,394,480
Machinery and Equipment	3,881,709	422,715	(359,376)	652,579	4,597,627
Infrastructure	30,558,938	49,638	-	-	30,608,576
Governmental Activities Capital Assets	43,072,455	2,252,736	(359,376)	-	44,965,815
Less Accumulated Depreciation	23,783,600	1,012,390	(354,584)	-	24,441,406
Governmental Activities Capital Assets, net	19,288,855	1,240,346	(4,792)	-	20,524,409
Business-type Activities:					
<i>Capital assets not being depreciated;</i>					
Land	374,428	-	-	-	374,428
Construction in Progress	2,082,223	4,011,835	-	-	6,094,058
<i>Capital assets being depreciated;</i>					
Utility Plant	20,928,736	71,194	-	-	20,999,930
Building and Structures	10,921,980	-	-	-	10,921,980
Machinery and Equipment	7,387,698	201,441	(23,548)	-	7,565,591
Total Business Activities Capital Assets	41,695,065	4,284,470	(23,548)	-	45,955,987
Less Accumulated Depreciation	18,235,292	885,546	(23,548)	-	19,097,290
Business-type Capital Assets, net	23,459,773	3,398,924	-	-	26,858,697
Total Capital Assets, net	\$ 42,748,628	\$ 4,639,270	\$ (4,792)	\$ -	\$ 47,383,106

The City of Yreka's investment in capital assets for its governmental and business type activities as of June 30, 2015 amounts to \$47,383,106 (net of accumulated depreciation). Non-depreciable capital assets are land, land right of ways, used primarily for streets and construction that is in progress. Depreciable assets include buildings and structures, equipment and vehicles. Capital assets for infrastructure include streets and sidewalks, curbs and gutters, drainage systems, bridges, and lighting systems.

The City has completed numerous master plan studies and taken inventory of its assets. In these studies, engineers have identified several capital improvement projects needed within the next five to ten years for the City's infrastructure assets of streets, storm drainage, water and sewer utilities. To that end, the City remains focused in its efforts to deal with ways to fund infrastructure improvements.

Capital grants, though more competitive, remain the primary source of funding for capital outlay to the City's aging infrastructure. The City's streets and roads are in need of routine maintenance and rehabilitation. At present, there is not an adequate revenue stream for repairs, other than competitive grants.

The City continues to improve the safety and reliability of its water and wastewater systems. The City has undertaken major improvements projects to upgrade these systems through grants and borrowing against future revenues. Planned utility rate increases from 2008 to 2012 sought to adequately fund these utilities and have made these loans possible due to the City's ability to demonstrate to its creditors that the City can debt service these obligations. The City expects to re-evaluate its rate structure again in 2015-16.

Major capital asset events during the year are listed as follows.

Governmental Activities

- Projects under construction or CIP increased \$1,709,317, while completed CIP projects totaled \$652,579 for a balance of \$3,455,634 in 2014-15. Those construction projects include street paving, storm drainage (flood corridor) system, and park greenway improvements. Other projects include design plans for the new police building, slated for remodeling in 2015-16. Transfers from CIP are from fabrication completion and delivery of fire apparatus (engine) and mobile shop van.
- The City's sold, scrapped and disposed of equipment; street sweeper, fire apparatus (engine) and police safety vehicle in 2014-15, for \$359,376, or \$4,792 net of accumulated depreciation.
- The City invested in its community theatre \$71,066 for new exterior siding.
- The City replaced aged equipment for \$422,715 that included a new police interceptors SUV, street sweeper, 10-yard dump truck, light weight truck for the fire department and street surveillance cameras.
- The City is also systematically replacing sodium streetlights with energy efficient LED lamps, for outlay of in 2014-15 of \$49,638.

Business Type Activities

- Projects under construction, or CIP, increased \$4,011,835 for \$3,837,858 in wastewater system improvements and \$173,977 for water well and water pump station design.
- Purchases of field service equipment totaled \$201,441 and included light weight trucks, a proportional benefit share of the 10-yard dump truck and the street sweeper.
- Purchase of radio read meters and meter heads totaled \$71,194. The City is in a multi-year meter change out program to replace older meters and install radio read meter heads on all of the City's water meters.

Changes in Long Term Liabilities, Long Term Debt and Compensated Absences:

Changes in Long Term Liabilities and Compensated Absences

	June 30, 2014	Additions	Reductions	June 30, 2015	Current Portion
Governmental Activities:					
Loans Payable - Banks and Others	\$ 581,346	\$ -	\$ 114,203	\$ 467,143	\$ 116,229
Loans Payable - Governmental Agencies	1,984,238	-	67,983	1,916,255	71,649
Governmental Activities Debt	2,565,584	-	182,186	2,383,398	187,878
Compensated Absences	205,284	200,488	192,450	213,322	180,000
Total Governmental Activities	2,770,868	200,488	374,636	2,596,720	367,878
Business-type Activities:					
Loans Payable - Governmental Agencies	609,631	-	60,993	548,638	62,579
Certificates of participation - USDA Rural Development	6,682,328	3,778,099	200,000	10,260,427	174,515
Business-type Activities Debt	7,291,959	3,778,099	260,993	10,809,065	237,094
Compensated Absences	40,824	58,518	60,550	38,792	30,000
Total Business Activities	7,332,783	3,836,617	321,543	10,847,857	267,094
Total Outstanding Long Term Debt	\$ 10,103,651	\$ 4,037,105	\$ 696,179	\$ 13,444,577	\$ 634,972



North Street Water Main replacement, August 29, 2011

At the end of the 2014-2015, total long term liabilities were \$13,444,577 and the current portion was \$634,972. The City of Yreka's long term debt additions increased \$3,778,099 for construction loan draws relating to wastewater improvements. Debt reductions were due to normal debt servicing payment. The combined value of net compensated absences increased \$6,006.

Detailed information on lenders, rates and maturities for long-term debt can be found on pages 24 through 26 of this report.

Next Year's Budgets and Rates:

Budget Highlights for 2014-2015:

Below are highlights for fiscal year 2015-16 from the City's biannual adopted budget. The adopted was budget approved by the City Council on August 21, 2014, is located on the City's website <http://ci.yreka.ca.us/city/administration/finance/budgets>.

City of Yreka
2015-16 Adopted Budget

	Budgeted Revenue	Budgeted Expense	Excess of Revenue over Expense
Total General Fund	\$ 4,961,195	\$ 5,041,083	\$ (79,888)
Total Special Rev. Fund	464,750	310,953	\$153,797
Total Streets and Roads	683,106	919,746	(\$236,640)
Special Grant Fund	2,273,093	2,267,393	\$5,700
Total Governmental Activity Fund	8,382,144	8,539,175	(157,031)
Sewer Fund	2,367,000	1,916,460	450,540
Water Fund	2,758,500	2,281,602	476,898
Total Business Type Funds	5,125,500	4,198,062	927,438
All Funds Combined	\$ 13,507,644	\$ 12,737,237	\$ 770,407

For Governmental Activities, the City projects an overall(\$157,031) decrease in fund balances during fiscal year 2015-16. The excess of revenue over expense is a negative (\$79,888) in the General Fund, and negative (\$236,640) in Streets and Roads funds. These decreases are offset by increases of \$153,797 in the Special Revenue funds and \$5,700 in Special Grant Funds.

For Business Activities, the City anticipates a \$927,438 increase to fund balances.

General Fund Revenue Projections:

General Fund - Fiscal Year Main Stream Revenue Comparison

	Actual 12-13	Actual 13-14	Actual 14-15	Adopted Budget 15-16
Property Tax (secured & unsec. roll)	\$ 977,429	\$ 990,262	\$ 990,727	\$ 931,500
Property Tax arising from MVLF shift (1)	541,547	553,038	553,418	540,000
Transient Lodging	643,366	712,115	811,260	625,000
Sales Tax (2)	1,761,695	1,857,447	1,968,005	1,800,000
Franchises	266,868	261,607	244,820	265,000
Licenses and Permits	145,979	203,164	210,147	157,550
Fines and Forfeitures	8,183	3,819	1,925	6,500
Use of Money and Property	48,593	28,049	50,442	18,300
Intergovernmental	138,407	148,045	179,436	126,000
User Fees and Charges	46,660	72,391	72,582	66,345
Administrative Cost Recovery (3)	318,311	291,194	288,195	325,000
Other Revenues	290,150	144,835	287,392	70,000
Subtotal General Fund Revenue	\$ 5,187,188	\$ 5,265,966	\$ 5,658,349	\$ 4,931,195

(1) Prop tax arising from the MVLF shift.

(2) Includes the tax shift impact of the Triple Flip in Lieu Sales Tax, whereas the State is withholding of 0.25% Sales Tax, that is offset by the Property Tax ERAF shift to in-lieu Sales Tax that is payable to the City as in-lieu Sales Tax and is ending 2015-16.

(3) Administrative Cost Recovery is netted against the departmental administrative and general governmental expense on in the

Enterprise Fund Revenue:

In January 2014, the City was authorized for construction and authority to issue, \$5 million in USDA Rural Development certificates of participation for remediation and improvements at the City's wastewater treatment plant and various wastewater collection system improvements. The City commenced construction on this multi-year project Spring 2014 and expects to complete these improvements by 2015-2016.

Expenditure Control:

The City is working to minimize expenditures while continuing to maintain the historic levels of service that the citizens of Yreka have come to expect and rely upon. In 2015-2016, the City budgeted for 49 full time employees.

Horizon Issues of concern to the City for 2015-2016:

1. The City faces a critical need to generate additional funding for street, storm drain, curbs, sidewalk, gutters and streetlight maintenance. The City is faced with rapid deterioration of its roadways, without a sufficient funding stream to maintain and improve those assets.
2. The City faces challenges in funding current and retired employee benefits for pension and healthcare. In 2014-15, the City reported on its government wide financial statement the actuarial liability of its pension plans. This is in addition to the other post employee benefits for healthcare. The City is on a pay as you go funding for its other post employment benefit plans.
3. The City continues to exercise expenditure controls, as well as the evaluation of staffing levels and vacancies for restructuring opportunities, however maintaining service levels with lower staff and financial resources continues to remain challenging. The City continues to improve its operational processes adding in new technologies where appropriate.
4. The City continues to seek funding grant funding for infrastructure, particularly roads, drainage, and maintenance of improved and expanded parks and greenways.



City-owned metal dragon sculpture, north of Yreka visible from Interstate 5, known as "Priscilla", photo dated 12/10/2008.

Requests for Information:

This financial report is designed to provide to all interested readers a general overview of the City of Yreka's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, can directed to the City's Finance Director, 701 Fourth Street, Yreka, CA 96097, website www.ci.yreka.ca.us.



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Yreka, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Yreka, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Yreka, California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, budgetary comparison information, and cost-sharing multiple employer defined benefit pension plan information on pages I-XX and 37-42 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yreka, California's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the City of Yreka, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Yreka, California's internal control over financial reporting and compliance.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
December 29, 2015



BASIC FINANCIAL STATEMENTS

City of Yreka
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 5,504,623	\$ 9,729,947	\$ 15,234,570
Receivables (net of allowances, where applicable)			
Trade accounts	-	499,886	499,886
Loans	586,717	-	586,717
Intergovernmental	1,091,806	4,580	1,096,386
Accounts	155,965	-	155,965
Taxes	482,631	-	482,631
Interest	3,868	-	3,868
Total current assets	<u>7,825,610</u>	<u>10,234,413</u>	<u>18,060,023</u>
Restricted assets:			
Cash and investments	<u>631,285</u>	<u>300,000</u>	<u>931,285</u>
Capital assets:			
Non-depreciable	5,365,132	6,468,486	11,833,618
Depreciable, net	<u>15,159,277</u>	<u>20,390,211</u>	<u>35,549,488</u>
Total capital assets	<u>20,524,409</u>	<u>26,858,697</u>	<u>47,383,106</u>
Total assets	<u>28,981,304</u>	<u>37,393,110</u>	<u>66,374,414</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	96,862	533,158	630,020
Construction retention payable	-	126,946	126,946
Payroll payable	140,324	-	140,324
Grant advances	7,433	-	7,433
Current portion of long-term debt	187,878	237,094	424,972
Current portion of compensated absences	<u>180,000</u>	<u>30,000</u>	<u>210,000</u>
Total current liabilities	<u>612,497</u>	<u>927,198</u>	<u>1,539,695</u>
Long-term liabilities:			
Long-term debt, net of current portion	2,195,520	10,571,971	12,767,491
Compensated absences	33,322	8,792	42,114
Net Pension Liability	3,930,391	1,050,802	4,981,193
OPEB Liability	<u>282,418</u>	<u>139,101</u>	<u>421,519</u>
Total long-term liabilities	<u>6,441,651</u>	<u>11,770,666</u>	<u>18,212,317</u>
Total liabilities	<u>7,054,148</u>	<u>12,697,864</u>	<u>19,752,012</u>
<u>DEFERRED INFLOWS</u>			
Deferred inflows			
Pension related deferred inflows	<u>1,023,792</u>	<u>318,749</u>	<u>1,342,541</u>
Total deferred inflows	<u>1,023,792</u>	<u>318,749</u>	<u>1,342,541</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	20,057,266	16,049,632	36,106,898
Restricted, expendable	1,786,911	300,000	2,086,911
Unrestricted	<u>(940,813)</u>	<u>8,026,865</u>	<u>7,086,052</u>
Total net position	<u>\$ 20,903,364</u>	<u>\$ 24,376,497</u>	<u>\$ 45,279,861</u>

The accompanying notes are an integral part of these financial statements.

City of Yreka
Statement of Activities
Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 741,430	\$ 478,139	\$ -	\$ -	\$ (263,291)	\$ -	\$ (263,291)
Planning and development	488,565	138,021	9,896	-	(340,648)	-	(340,648)
Parks and recreation	531,315	41,316	-	1,167,322	677,323	-	677,323
Public works administration	29,870	1,800	-	-	(28,070)	-	(28,070)
Public works maintenance	169,732	100	-	-	(169,632)	-	(169,632)
Police protection	2,456,805	145,652	218,510	-	(2,092,643)	-	(2,092,643)
Fire protection	436,202	332,702	14,451	-	(89,049)	-	(89,049)
Streets and sidewalks	1,234,119	34,906	320,657	373,967	(504,589)	-	(504,589)
Public transportation	167,376	-	167,376	-	-	-	-
Total governmental activities	<u>6,255,414</u>	<u>1,172,636</u>	<u>730,890</u>	<u>1,541,289</u>	<u>(2,810,599)</u>	<u>-</u>	<u>(2,810,599)</u>
Business-type activities:							
Sewer	1,739,237	2,433,879	-	9,390	-	704,032	704,032
Water	2,018,582	2,668,287	-	3,012	-	652,717	652,717
Total business-type activities	<u>3,757,819</u>	<u>5,102,166</u>	<u>-</u>	<u>12,402</u>	<u>-</u>	<u>1,356,749</u>	<u>1,356,749</u>
Total primary government	<u>\$ 10,013,233</u>	<u>\$ 6,274,802</u>	<u>\$ 730,890</u>	<u>\$ 1,553,691</u>	<u>(2,810,599)</u>	<u>1,356,749</u>	<u>(1,453,850)</u>
General revenues:							
Taxes:							
Property							1,544,145
Sales and use							-
Other (including motor vehicle license fees)							1,968,005
Investment earnings							1,059,293
Gain (loss) on disposal of capital assets							20,069
Transfers							24,616
Total general revenues and transfers							17,500
							(37,992)
							37,992
							-
							4,633,628
Change in net position							1,760,421
Net position, beginning as previously reported							24,129,192
Prior period adjustment							(4,986,249)
Net position, as restated							19,142,943
Net position, ending							\$ 20,903,364
							\$ 24,376,497
							\$ 45,279,861

The accompanying notes are an integral part of these financial statements.

City of Yreka
Balance Sheet
and
Reconciliation of Total Governmental Fund Balance to the Statement of Position - Governmental Activities
Governmental Funds
June 30, 2015

	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,080,007	\$ 298,942	\$ 389,704	\$ 367,255	\$ 6,135,908
Receivables (net of allowance for doubtful accounts, where applicable):					
Loans, net of loan loss allowances	124,418	462,299	-	-	586,717
Intergovernmental	118,355	916,215	-	57,236	1,091,806
Accounts	56,858	275	38,050	60,782	155,965
Taxes	459,859	-	-	22,772	482,631
Interest	2,954	210	467	237	3,868
Due from other funds	803,389	-	-	-	803,389
Total assets	\$ 6,645,840	\$ 1,677,941	\$ 428,221	\$ 508,282	\$ 9,260,284
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 70,747	\$ 10,439	\$ -	\$ 15,676	\$ 96,862
Payroll payable	140,324	-	-	-	140,324
Grant advances	-	7,433	-	-	7,433
Due to other funds	-	736,646	-	66,743	803,389
Total liabilities	211,071	754,518	-	82,419	1,048,008
Fund balances:					
Nonspendable:					
Noncurrent loans receivables	124,418	462,299	-	-	586,717
Total nonspendable	124,418	462,299	-	-	586,717
Restricted:					
Fire protection, voter tax assessment measure	-	-	130,604	-	130,604
Capital Improvements, impact fee reserves	-	-	243,270	-	243,270
Revolving loan funds	-	272,272	-	-	272,272
Streets and sidewalks	-	-	-	425,863	425,863
Donor specified for community services and activities	27,849	-	-	-	27,849
Donor specified for volunteer fire department	57,823	-	-	-	57,823
Capital outlays, Crandall Trust Funds	629,230	-	-	-	629,230
Total restricted	714,902	272,272	373,874	425,863	1,786,911
Assigned:					
Capital improvements	1,509,443	161,948	-	-	1,671,391
Planning and development	210,936	26,904	-	-	237,840
Budget stabilization	100,000	-	-	-	100,000
Grant contingencies, and general liability reserves	499,886	-	-	-	499,886
Total assigned	2,320,265	188,852	-	-	2,509,117
Unassigned:					
	3,275,184	-	54,347	-	3,329,531
Total fund balance	6,434,769	923,423	428,221	425,863	8,212,276
Total liabilities and fund balance	\$ 6,645,840	\$ 1,677,941	\$ 428,221	\$ 508,282	\$ 9,260,284

Total governmental fund balance, as above \$ 8,212,276

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	20,524,409
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(2,383,398)
Pension liabilities are not due and payable in the current period and therefore are not reported on the balance sheet	(3,930,391)
Compensated absences are not due and payable in the current period and therefore are not reported on the balance sheet	(213,322)
OPEB liabilities are not due and payable in the current period and therefore are not reported on the balance sheet	(282,418)
Deferred inflows are not due and payable in the current period and therefore are not reported on the balance sheet	(1,023,792)

Net position of governmental activities \$ 20,903,364

The accompanying notes are an integral part of these financial statements.

City of Yreka
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For The Year Ended June 30, 2015

	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,544,145	\$ -	\$ -	\$ -	\$ 1,544,145
Sales and use taxes	1,968,005	-	-	-	1,968,005
Transient occupancy taxes	811,260	-	-	-	811,260
Assessment	-	-	247,039	-	247,039
Franchise and fees	244,820	-	-	-	244,820
Licenses and permits	210,147	-	87,602	-	297,749
Intergovernmental revenues	179,436	1,585,065	-	485,722	2,250,223
Charges for services	72,582	-	231,330	-	303,912
Fines, forfeitures and penalties	1,925	-	-	30,846	32,771
Use of money and property	50,442	7,834	1,555	5,127	64,958
Other	287,392	-	-	1,553	288,945
Total revenues	<u>5,370,154</u>	<u>1,592,899</u>	<u>567,526</u>	<u>523,248</u>	<u>8,053,827</u>
EXPENDITURES					
Current:					
City council, manager, and clerk	222,294	-	-	-	222,294
General government	325,765	-	13,488	-	339,253
Planning and development	478,706	10,354	-	-	489,060
Parks and recreation	416,210	-	-	-	416,210
Public works administration	25,976	10,064	-	10,442	46,482
Public works vehicle maintenance	169,100	-	-	-	169,100
Police protection	2,381,924	43,776	-	-	2,425,700
Fire protection	328,767	-	37,698	-	366,465
Senior nutrition and transportation	-	-	-	-	-
Streets, street lighting, traffic and storm drains	-	5,907	-	450,994	456,901
Public transportation	-	-	-	167,376	167,376
Capital outlay	283,427	1,612,181	44,178	312,950	2,252,736
Debt service:					
Principal	-	-	182,186	-	182,186
Interest	-	-	116,330	-	116,330
Total expenditures	<u>4,632,169</u>	<u>1,682,282</u>	<u>393,880</u>	<u>941,762</u>	<u>7,650,093</u>
Excess of revenues over (under) expenditures	<u>737,985</u>	<u>(89,383)</u>	<u>173,646</u>	<u>(418,514)</u>	<u>403,734</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	171,293	241,789	210,902	623,984
Operating transfers out	(256,570)	-	(321,781)	(83,625)	(661,976)
Total other financing sources (uses)	<u>(256,570)</u>	<u>171,293</u>	<u>(79,992)</u>	<u>127,277</u>	<u>(37,992)</u>
Excess of revenues and other sources over (under) expenditures and other uses	481,415	81,910	93,654	(291,237)	365,742
FUND BALANCE					
Beginning of year	5,953,354	841,513	334,567	717,100	7,846,534
End of the year	<u>\$ 6,434,769</u>	<u>\$ 923,423</u>	<u>\$ 428,221</u>	<u>\$ 425,863</u>	<u>\$ 8,212,276</u>

The accompanying notes are an integral part of these financial statements.

City of Yreka
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance to the Statement of Activities
 Governmental Funds
 For The Year Ended June 30, 2015

Change in fund balance, governmental funds	\$ 365,742
Amounts reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$2,252,736), exceeds the depreciation expense (\$1,012,390) in the current period.	1,240,346
Government funds report repayment of long-term debt as an expenditure, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	182,186
Governmental funds do not report the increase of OPEB liabilities as an expenditure, but it is reported in the Statement of Activities	(47,089)
Governmental funds do not report the increase of compensated absences as an expenditure, but it is reported in the Statement of Activities	(8,038)
Governmental funds do not report the decrease of unfunded pension obligations as an expenditure, but it is reported in the Statement of Activities	32,066
Governmental funds report proceeds from the sale of capital assets as revenues. However, in the Statement of Activities, these proceeds are offset by the carrying value of those assets.	(4,792)
Change in net position of governmental activities	\$ 1,760,421

City of Yreka
Statement of Net Position
Proprietary Funds
June 30, 2015

	Sewer Fund	Enterprise Water Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 2,335,526	\$ 7,394,421	\$ 9,729,947
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	244,237	255,649	499,886
Intergovernmental	1,568	3,012	4,580
Due from other funds	-	-	-
Total current assets	<u>2,581,331</u>	<u>7,653,082</u>	<u>10,234,413</u>
Restricted assets:			
Cash and investments	<u>100,000</u>	<u>200,000</u>	<u>300,000</u>
Capital assets:			
Non-depreciable	6,106,991	361,495	6,468,486
Depreciable, net	7,316,237	13,073,974	20,390,211
Total capital assets, net	<u>13,423,228</u>	<u>13,435,469</u>	<u>26,858,697</u>
Total assets	<u>16,104,559</u>	<u>21,288,551</u>	<u>37,393,110</u>
LIABILITIES			
Current liabilities:			
Accounts payable	394,151	139,007	533,158
Construction retention payable	126,946	-	126,946
Current portion of long-term debt	118,094	119,000	237,094
Current portion of compensated absences	11,100	18,900	30,000
Total deferred inflows	<u>650,291</u>	<u>276,907</u>	<u>927,198</u>
Long-term liabilities:			
Long-term debt, net of current portion	4,220,971	6,351,000	10,571,971
Compensated absences, net of current portion	3,340	5,452	8,792
Pension Liability	420,321	630,481	1,050,802
OPEB Liability	63,228	75,873	139,101
Total liabilities	<u>4,707,860</u>	<u>7,062,806</u>	<u>11,770,666</u>
Total liabilities	<u>5,358,151</u>	<u>7,339,713</u>	<u>12,697,864</u>
DEFERRED INFLOWS			
Deferred Inflows			
Pension related deferred inflows	127,500	191,249	318,749
Total deferred inflows	<u>127,500</u>	<u>191,249</u>	<u>318,749</u>
NET POSITION			
Invested in capital assets, net of related debt	9,084,163	6,965,469	16,049,632
Restricted, for debt service, expendable	100,000	200,000	300,000
Unrestricted	<u>1,434,745</u>	<u>6,592,120</u>	<u>8,026,865</u>
Total net position	<u>\$10,618,908</u>	<u>\$13,757,589</u>	<u>\$24,376,497</u>

The accompanying notes are an integral part of these financial statements.

City of Yreka
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
June 30, 2015

	Sewer Fund	Enterprise Water Fund	Total
<u>OPERATING REVENUES</u>			
User fees and charges	\$ 2,433,879	\$ 2,668,145	\$ 5,102,024
Other	-	142	142
Total operating revenues	<u>2,433,879</u>	<u>2,668,287</u>	<u>5,102,166</u>
<u>OPERATING EXPENSES</u>			
Cost of power and water	221,118	262,211	483,329
Cost of treatment	622,840	498,364	1,121,204
Cost of water distribution and sewer collections	162,865	328,462	491,327
Cost of administration and billing	247,179	292,334	539,513
Depreciation and amortization	394,562	490,983	885,545
Total operating expenses	<u>1,648,564</u>	<u>1,872,354</u>	<u>3,520,918</u>
Operating income	<u>785,315</u>	<u>795,933</u>	<u>1,581,248</u>
<u>OTHER REVENUES (EXPENSES)</u>			
Intergovernmental revenues	9,390	3,012	12,402
Interest earned	6,256	18,360	24,616
Interest expense	(90,673)	(146,228)	(236,901)
Total other revenues (expenses)	<u>(75,027)</u>	<u>(124,856)</u>	<u>(199,883)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	70,000	321,781	391,781
Operating transfers out	(297,789)	(56,000)	(353,789)
Total other financing sources (uses)	<u>(227,789)</u>	<u>265,781</u>	<u>37,992</u>
Change in net position	<u>482,499</u>	<u>936,858</u>	<u>1,419,357</u>
<u>NET POSITION</u>			
Beginning of year, as previously reported	10,686,311	13,645,584	24,331,895
Prior period adjustment	(549,902)	(824,853)	(1,374,755)
Beginning of year, as restated	<u>10,136,409</u>	<u>12,820,731</u>	<u>22,957,140</u>
End of the year	<u>\$10,618,908</u>	<u>\$13,757,589</u>	<u>\$24,376,497</u>

The accompanying notes are an integral part of these financial statements.

City of Yreka
Statement of Cash Flows
Proprietary Funds
June 30, 2015

	Sewer Fund	Enterprise Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,453,320	\$ 2,738,544	\$ 5,191,864
Payments to suppliers	(975,159)	(738,178)	(1,713,337)
Payments to or on behalf of employees	(379,224)	(588,132)	(967,356)
Net cash provided by operating activities	<u>1,098,937</u>	<u>1,412,234</u>	<u>2,511,171</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental revenues	7,822	0	7,822
Interfund transfers and payments	22,395	265,781	288,176
Net cash (used) by non-capital financing activities	<u>30,217</u>	<u>265,781</u>	<u>295,998</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(3,937,011)	(347,459)	(4,284,470)
Proceeds from debt financing	3,778,099	-	3,778,099
Principal payments on debt	(144,993)	(116,000)	(260,993)
Interest payments on debt	(90,673)	(146,228)	(236,901)
Net cash (used) by investing activities	<u>(394,578)</u>	<u>(609,687)</u>	<u>(1,004,265)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	6,257	18,360	24,617
Net increase (decrease) in cash	740,833	1,086,688	1,827,521
CASH			
Beginning of the year	<u>1,694,693</u>	<u>6,507,733</u>	<u>8,202,426</u>
End of the year	<u>\$ 2,435,526</u>	<u>\$ 7,594,421</u>	<u>\$ 10,029,947</u>
Cash as Presented on the Statement of Net Position as:			
Current assets	\$ 2,335,526	\$ 7,394,421	\$ 9,729,947
Restricted assets	100,000	200,000	300,000
	<u>\$ 2,435,526</u>	<u>\$ 7,594,421</u>	<u>\$ 10,029,947</u>
Reconciliation of operating income to cash provided by operating activities:			
Operating income	\$ 785,315	\$ 795,933	\$ 1,581,248
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	394,562	490,983	885,545
(Increase) in trade accounts receivable	19,441	70,257	89,698
Increase (decrease) in accounts payable	(176,020)	40,057	(135,963)
Increase in construction retention	65,676	-	65,676
(Decrease) in compensated absences	(1,759)	(273)	(2,032)
(Decrease) in pension liability	(153,988)	(230,983)	(384,971)
Increase in OPEB liability	13,803	18,400	32,203
Increase in deferred inflows	151,907	227,860	379,767
Net cash provided by operating activities	<u>\$ 1,098,937</u>	<u>\$ 1,412,234</u>	<u>\$ 2,511,171</u>

The accompanying notes are an integral part of these financial statements.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Yreka, California (hereafter “the City”) operates under a City Council – City Manager form of government and provides the following services: public safety, streets and roads, water and sewer, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant polices.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

The financial statements of the City include all of the financial activities of the City. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City does not have any component units.

B. Basis of Presentation

Government-wide Financial Statements:

The statement of net assets and statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are reported separately from business-type activities (such as water and sewer funds).

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City’s business-type activities and for each function 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 charges paid by recipients of goods and services offered by the program, and 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 are presented instead as general revenues.

When both restricted and unrestricted net assets are available, generally restricted resources are depleted first before the unrestricted resources are used.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category type; and

Total assets, liabilities, revenues, or expenditures/expenses for the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described below:

Major Governmental Funds:

General Fund – The general fund is the City’s primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Special Grants Fund – This fund is used to account for various federal and state grants which must be spent for infrastructure capital outlays, such as streets and parks, and economic and community development.

Special Revenues Fund – This fund is used to account for revenues and expenditures of the fire assessments, landfill assessments and development fees.

Streets and Roads Fund – This fund is used to account for revenues received from the State of California which must be spent for street maintenance or repairs.

Major Proprietary Funds:

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Sewer Fund – This fund is used to account for the transportation and treatment of waste water within the City of Yreka. User charges to customer accounts for substantially all of the operating revenue of this fund.

The Water Fund – This fund is used to account for the treatment and distribution of water within the City of Yreka. User charges to customer accounts based upon water consumption account for substantially all of the operating revenue in this fund.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

In the government-wide statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate.

All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present resources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the year.

All proprietary (enterprise) funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as a net asset.

Fiduciary (agency) funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting:

In the government-wide statements, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting, as described above.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Assets or Fund Equity

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the City considers as cash equivalents all highly liquid investments with a maturity at the date of purchase of three months or less. The City reports its investments at the fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Investments:

The City participates in the California Local Agency Investment Fund ("LAIF"). LAIF is an external investment pool through which local governments may pool investments. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without the loss of interest. The fair value of the City's portion of LAIF is the same as its value of the pool shares. The regulatory oversight of LAIF rests with the Local Agency Investment Board.

Receivables:

In the fund financial statements, material receivables in governmental funds are the same as those in the government-wide statements, since they are both measurable and available. Interest earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible accounts receivable are based on historical trends, periodic aging of accounts receivable, and management's detailed analysis of the composition of accounts receivable.

Property Taxes:

The County of Siskiyou assesses, bills, and collects property taxes for the City. Assessed values are determined annually by the Siskiyou County Assessor as of January 1, and become a lien on such property January 1. Taxes are due November 1 and February 1 (secured), and July 1 (unsecured) and are delinquent if not paid by December 10 and April 10 (secured), and August 31 (unsecured). The County is permitted by the State Constitution (Article XIII A) to levy taxes at 1% of the full market value of the property (at the time of purchase) and can change a property's assessed valuation by reappraisal due to new construction, change in ownership, or by a change in the fair market value not to exceed a 2% increase each year. Property taxes collected by the County on behalf of the City but not remitted to the City by June 30 are accrued in revenue and included in other accounts receivable.

Interfund Receivables and Payables:

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These may include amounts relating to goods and services type transactions, and interfund loans.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets:

Certain resources received by a bequest are classified as restricted assets on the balance sheet because their use is limited by the trust document for capital outlays. Also, there are cash deposits that are restricted for debt servicing as outlined in the certificates of participation debt agreements within the proprietary funds.

Loans Receivable:

Loans receivable consist of loans to individuals for housing rehabilitation and to businesses for construction and business loans. The City records loan loss allowances for any portion of the loan uncollectable.

Capital Assets:

The accounting treatment for property, plant, equipment and infrastructure assets (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, property, plant, equipment with a cost of \$15,000 or more and infrastructure assets with a cost of \$50,000 or more are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except donated capital assets are recorded at their estimated fair market value at the date of donation. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and building improvements	50 years
Land improvements	20 to 30 years
Equipment	3 to 20 years
Infrastructure	15 to 50 years
Water and sewer mains	50 years
Vehicles	5 to 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences:

Vacation pay and compensated time off is vested to the employees as it accrues and is payable upon separation of service. Sick leave does not vest to the employees and is paid only when sick leave is taken. Therefore, only vacation pay and compensated time off have been accrued in the accompanying financial statements.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Grant Advances:

Grant advances represent monies received that have not yet been expended by the City and are not earned (as revenue) until properly expended.

Long Term Liabilities:

In the government-wide financial statements and proprietary fund financial statements, long-term debt, compensated absences and other long-term obligations, including other post-employment benefit liabilities are reported as liabilities in the statements of net assets.

In the governmental funds financial statements, activity related to long-term obligations are recognized during the current period. Debt proceeds are presented as financing sources and repayment of debt is presented as an expenditure.

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and displayed as follows:

Invested in capital assets, net of related debt, which consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets, which consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Unrestricted net assets, which consists of all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the fund financial statements, proprietary fund equity is classified the same as in the government-wide financial statements. Governmental fund equity is classified as fund balance as displayed as follows:

Nonspendable fund balance, which consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact. Not in a spendable form means the asset causing the City to report fund balances in this classification are not expected to be converted to cash, and would include things like inventory, prepayments, or long-term receivables such as loan receivables.

Restricted fund balance, which consists of fund balance with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed fund balance, which consists of amounts constrained to specific purposes as a result of formal action by the City Council, the City's highest level of decision-making authority. Committed resources cannot be used for any other purpose unless the Council takes the same action to remove the constraint.

Assigned fund balance, which consists of amounts constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balance can be made by the Council or an official to whom the Council delegates such authority.

Unassigned fund balance, which consists of residual amounts in the general fund that do not meet any of the above categories. It is also where negative fund balance in any other governmental fund is reported.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by character (current, debt service or capital outlay) for governmental funds, and by operating or non-operating classifications for proprietary funds.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

F. Estimates

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Budgets

The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget represents a process through which policy decisions are made, implemented and controlled.

The bi-annual budget is adopted by the City Council every other year. The City Manager is authorized to make transfers of excess appropriations within a department; however, any revisions that alter the total expenditures of any fund require City Council action. Expenditures may not legally exceed appropriations at the department level. Expending funds for which there is no legal appropriation is prohibited.

Budgetary data is presented in the required supplementary information section of the financial statements for the general fund and special revenue funds.

H. Implementation of New Pronouncement

GASB has issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services.

This pronouncement has been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2015, cash and investments were reported in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities:	\$ 5,504,623	\$ 631,285	\$ 6,135,908
Business Type activities:	9,729,947	300,000	10,029,947
Total cash and investments	<u>\$ 15,234,570</u>	<u>\$ 931,285</u>	<u>\$ 16,165,855</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 2 CASH AND INVESTMENTS (continued)

In the governmental activities statement of net assets, \$631,285 of cash is reserved for capital outlays per the trust documents that governs the bequests of these funds to the City. In the business activities statement of net assets \$300,000 is reserved for debt servicing as outlined in the certificate of participation debt agreement.

The City of Yreka maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

Deposits:

At June 30, 2015, the carrying amount of the City's deposits was \$1,071,219 and the bank balance was \$1,363,370. The difference represents outstanding checks.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure a City's deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments:

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Obligations (bills, notes, and bonds)
- U.S. Government Agency Securities and Instrumentalities' of Government Sponsored Corporations
- Banker's Acceptances
- Commercial paper
- Repurchase Agreements
- Time Deposits and Certificates of deposit
- Negotiable Certificates of deposit
- Local Agency Investment Fund (State Pool)

Investments Authorized by Debt Agreements:

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 2 CASH AND INVESTMENTS (continued)

Investments 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 Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. Copies of the report can be obtained from the State Treasurer's Office; LAIF; P.O. Box 942809; Sacramento, California 94209-0001. The fair value of the position in the investment pool is materially equivalent to the value of the pool shares. LAIF is an unrated external investment pool.

Credit Risk:

The City's investment policy limits investments in medium term notes (MTN's) to those rated "A" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2015, the City had no medium term notes. At June 30, 2015, the City's Federal Agency investments were rated AAA by S&P.

All securities were investment grade and were legal under State and City law. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed.

As of June 30, 2015, the City's investments in external investment pools were with LAIF.

Custodial Credit Risk:

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2015, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk:

The City's investment policy states the City operates its investment pool with many state and self-imposed constraints. It does not buy stocks and it does not speculate. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The City will diversify its investments by security type, institutions and maturity/call dates. The City's investment policy states that no more than 50% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. The only exception to these maturity limits shall be the investment of U.S. Treasury securities and authorized pools. Unless matched to a specific cash flow, the City shall not directly invest in securities maturing more than five years from the date of purchase.

The City is considered to be exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. As of June 30, 2015, the City has not invested more than 5% of its portfolio in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 2 CASH AND INVESTMENTS (continued)

Interest Rate Risk:

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

	6 Months or Less	6 Months to 1 Year	1 to 3 Years	More than 5 Years	Total	Fair Value
Local Agency Investment Fund	\$ 15,094,636	\$ -	\$ -	\$ -	\$ 15,094,636	\$ 15,094,636
Total	\$ 15,094,636	\$ -	\$ -	\$ -	\$ 15,094,636	\$ 15,094,636
Bank demand deposits					1,363,370	
Outstanding Checks					(292,151)	
Total cash and investments					\$ 16,165,855	
Comprised of:						
Cash and Investments					15,234,570	
Restricted Cash and Investments					931,285	
Total cash and investments					\$ 16,165,855	

NOTE 3 LOANS RECEIVABLE

The City had the following loans receivable as of June 30, 2015:

Housing rehabilitation loans receivable	\$ 514,479
Loan loss reserve for housing loans	(93,684)
Net Housing loans receivable	420,795
Economic development business loans	147,504
Loan loss reserve for business loans	(106,000)
Net Economic development business loans	41,504
Loans arising from the sale of real property	124,418
Total loans receivable	\$ 586,717

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 4 DUE TO / DUE FROM OTHER FUNDS AND OPERATING TRANSFERS IN/OUT

The following is a summary of the interfund receivables and payables at June 30, 2015:

	Due to other funds						Total
	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Water Fund	Sewer Fund	
Due from other funds							
General Fund	\$ -	\$ 736,646	\$ -	\$ 66,743	\$ -	\$ -	\$ 803,389
Total	<u>\$ -</u>	<u>\$ 736,646</u>	<u>\$ -</u>	<u>\$ 66,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 803,389</u>

The above amounts are to cover negative cash balances, approved interfund borrowings, expenditure transfers and payroll accruals in the respective funds' pooled cash accounts, and will be repaid by transferring monies from other cash accounts or from future revenues.

The following is a summary of operating transfers in/out:

		<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:			
General Fund:			
	For the General Fund's portion of expenses incurred by the Streets and Roads (\$210,902) and Special Grants Fund (\$45,668).	\$ -	\$ 256,570
Special Grants Fund:	For the General Fund's portion of expenses (\$45,668), the Streets and Road Fund's portion of expenses (\$13,625), the Sewer Fund's portion of expenses (\$56,000), and the Water Fund's portion of expenses (\$56,000) incurred by the Special Grants Fund.	171,293	-
Special Revenue Fund:	For the Sewer Fund's portion of expenses incurred by the Special Revenue Fund (\$241,789), and for the Special Revenue Fund's share of expenses incurred by the Water Fund (\$321,781).	241,789	321,781
Streets and Roads Fund:	For the General Fund's portion of expenses (\$210,902) incurred by the Streets and Roads Fund and the Streets and Roads Fund's portion of expenses incurred by the Special Grants Fund (\$13,625).	210,902	83,625
		<u>623,984</u>	<u>661,976</u>
Proprietary Funds:			
Sewer Fund:	For the Sewer Fund's portion of expenses incurred by the Special Revenue Fund and for the Sewer Fund's portion of expenses incurred by the Special Grants Fund (\$56,000).	70,000	297,789
Water Fund:	For the Special Revenue's portion of expenses incurred by the Water Fund's (\$56,000), and for the Water Fund's portion of expenses incurred by the Special Grants Fund (\$56,000)	321,781	56,000
		<u>391,781</u>	<u>353,789</u>
Total Transfers In/Out		<u>\$ 1,015,765</u>	<u>\$ 1,015,765</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	June 30, 2014	Additions	Retirements	Transfers	June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,909,498	\$ -	\$ -	\$ -	\$ 1,909,498
Construction in progress	<u>2,398,896</u>	<u>1,709,317</u>	-	<u>(652,579)</u>	<u>3,455,634</u>
Total capital assets, not being depreciated:	<u>4,308,394</u>	<u>1,709,317</u>	-	<u>(652,579)</u>	<u>5,365,132</u>
Capital assets, being depreciated:					
Buildings	4,323,414	71,066	-	-	4,394,480
Machinery and equipment	3,881,709	422,715	(359,376)	652,579	4,597,627
Infrastructure	<u>30,558,938</u>	<u>49,638</u>	-	-	<u>30,608,576</u>
Total capital assets, being depreciated	<u>38,764,061</u>	<u>543,419</u>	<u>(359,376)</u>	<u>652,579</u>	<u>39,600,683</u>
Less accumulated depreciation for:					
Buildings	2,628,089	100,914	-	-	2,729,003
Machinery and equipment	2,755,206	150,828	(354,584)	(81,562)	2,469,888
Infrastructure	<u>18,400,305</u>	<u>760,648</u>	-	<u>81,562</u>	<u>19,242,515</u>
Total accumulated depreciation	<u>23,783,600</u>	<u>1,012,390</u>	<u>(354,584)</u>	-	<u>24,441,406</u>
Total capital assets, being depreciated, net	<u>14,980,461</u>	<u>(468,971)</u>	<u>(4,792)</u>	<u>652,579</u>	<u>15,159,277</u>
Subtotal, governmental activities	<u>19,288,855</u>	<u>1,240,346</u>	<u>(4,792)</u>	-	<u>20,524,409</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	374,428	-	-	-	374,428
Construction in progress	<u>2,082,223</u>	<u>4,011,835</u>	-	-	<u>6,094,058</u>
Total capital assets, not being depreciated	<u>2,456,651</u>	<u>4,011,835</u>	-	-	<u>6,468,486</u>
Capital assets, being depreciated:					
Utility plant	20,928,736	71,194	-	-	20,999,930
Buildings	10,921,980	-	-	-	10,921,980
Machinery and equipment	<u>7,387,698</u>	<u>201,441</u>	<u>(23,548)</u>	-	<u>7,565,591</u>
Total capital assets, being depreciated	<u>39,238,414</u>	<u>272,635</u>	<u>(23,548)</u>	-	<u>39,487,501</u>
Less accumulated depreciation for:					
Utility plant	11,000,486	320,088	-	-	11,320,574
Buildings	3,724,952	308,036	-	-	4,032,988
Machinery and equipment	<u>3,509,854</u>	<u>257,422</u>	<u>(23,548)</u>	-	<u>3,743,728</u>
Total accumulated depreciation	<u>18,235,292</u>	<u>885,546</u>	<u>(23,548)</u>	-	<u>19,097,290</u>
Total capital assets, being depreciated, net	<u>21,003,122</u>	<u>(612,911)</u>	-	-	<u>20,390,211</u>
Subtotal, business-type activities	<u>23,459,773</u>	<u>3,398,924</u>	-	-	<u>26,858,697</u>
Total, government-wide	<u>\$42,748,628</u>	<u>\$4,639,270</u>	<u>\$ (4,792)</u>	<u>\$ -</u>	<u>\$47,383,106</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 5 CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		Business-type activities:	
General government	\$ 28,037		
Planning and development	-		
Parks and recreation	116,452	Sewer distribution	\$ 184,958
Police protection	39,975	Sewer treatment	209,604
Fire protection	60,442	Water distribution	241,472
Streets and sidewalks	767,484	Water treatment	249,512
Total depreciation expense		Total depreciation expense	
- governmental activities	\$1,012,390	- business type activities	\$ 885,546

NOTE 6 LONG TERM DEBT

The following is a summary of long-term liabilities activity during the year ended June 30, 2015:

	June 30, 2014	Additions	Reductions	June 30, 2015	Current Portion
Governmental activities					
Long term debt					
Landfill Sale	\$ 1,984,238	\$ -	\$ 67,983	\$ 1,916,255	\$ 71,649
Fire Equipment	581,346	-	114,203	467,143	116,229
Total long-term debt	2,565,584	-	182,186	2,383,398	187,878
Compensated absences	205,284	200,488	192,450	213,322	180,000
Governmental activities long-term liabilities	2,770,868	200,488	374,636	2,596,720	367,878
Business-type activities					
Long term debt					
Certificates of Participation-sewer	96,328	3,778,099	84,000	3,790,427	55,515
State Water Resources	609,631	-	60,993	548,638	62,579
Certificates of Participation-water	6,586,000	-	116,000	6,470,000	119,000
Total long-term debt	7,291,959	3,778,099	260,993	10,809,065	237,094
Compensated absences	40,824	58,518	60,550	38,792	30,000
Subtotal business-type activities long term liabilities	7,332,783	3,836,617	321,543	10,847,857	267,094
Total, government-wide	\$ 10,103,651	\$4,037,105	\$ 696,179	\$ 13,444,577	\$ 634,972

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the Special Revenue fund. Payments on the bonds and notes payable that pertain to the City's business-type activities are made by the Water and Sewer Funds.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 6 LONG TERM DEBT (continued)

Debt service requirements for principal and interest for governmental activities bonds and notes payable for future years is as follows:

Interest rate	Landfill Sale		Fire Equipment	
	5.39%		1.76%	
	Principal	Interest	Principal	Interest
<u>Year Ended June 30, ;</u>				
2016	\$ 71,649	\$ 103,351	\$ 116,229	\$ 7,287
2017	75,514	99,486	118,291	5,225
2018	79,586	95,414	120,390	3,126
2019	83,879	91,121	112,233	990
2020	88,403	86,597	-	-
2021-2025	518,887	356,112	-	-
2026-2030	674,745	200,255	-	-
2031-2033	323,592	26,408	-	-
Total	<u>\$1,916,255</u>	<u>\$1,058,744</u>	<u>\$ 467,143</u>	<u>\$ 16,628</u>

	Total	
	Principal	Interest
<u>Year Ended June 30, ;</u>		
2016	\$ 187,878	\$ 110,638
2017	193,805	104,711
2018	199,976	98,540
2019	196,112	92,111
2020	88,403	86,597
2021-2025	518,887	356,112
2026-2030	674,745	200,255
2031-2033	323,592	26,408
Total	<u>\$ 2,383,398</u>	<u>\$ 1,075,372</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 6 LONG TERM DEBT (continued)

Debt service requirements for principal and interest for Business-type activities bonds and notes payable for future years is as follows:

Interest rate	USDA Cert of Part - Sewer		State Water Resources	
	2.75%		2.60%	
	Principal	Interest	Principal	Interest
<u>Year Ended June 30, ;</u>				
2016	\$ 55,515	\$ 103,474	\$ 62,579	\$ 14,265
2017	57,057	101,926	64,206	12,638
2018	58,599	100,336	65,876	10,968
2019	60,912	98,692	67,588	9,255
2020	62,454	96,996	69,346	7,498
2021-2025	337,715	457,957	219,043	11,488
2026-2030	387,061	408,214	-	-
2031-2035	443,347	351,187	-	-
2035-2040	508,115	285,880	-	-
2041-2045	582,134	211,031	-	-
2046-2050	666,178	125,316	-	-
2051-2054	571,340	30,757	-	-
Total	<u>\$3,790,427</u>	<u>\$2,371,766</u>	<u>\$ 548,638</u>	<u>\$ 66,112</u>

Interest rate	USDA Cert of Part - Water		Total	
	2.25%			
	Principal	Interest	Principal	Interest
<u>Year Ended June 30, ;</u>				
2016	\$ 119,000	\$ 144,236	\$ 237,094	\$ 261,975
2017	121,000	141,536	242,263	256,100
2018	124,000	138,780	248,475	250,084
2019	127,000	135,956	255,500	243,903
2020	130,000	133,065	261,800	237,559
2021-2025	695,000	619,594	1,251,758	1,089,039
2026-2030	774,000	537,075	1,161,061	945,289
2031-2035	866,000	444,893	1,309,347	796,080
2035-2040	967,000	341,899	1,475,115	627,779
2041-2045	1,081,000	226,811	1,663,134	437,842
2046-2050	1,209,000	98,156	1,875,178	223,472
2051-2054	257,000	2,891	828,340	33,648
Total	<u>\$6,470,000</u>	<u>\$2,964,892</u>	<u>\$10,809,065</u>	<u>\$ 5,402,770</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 7 PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Local Government’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Funding Policy –The passage of California State Assembly Bill 340 created the Public Employees’ Pension Reform Act (PEPRA). PEPRA implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of a new member as per PEPRA. Employees enrolled in the Plan prior to January 1, 2013, are now referred to as Classic Plan members. Under PEPRA formula 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 contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates 2014-15	7.000%	6.250%
Required employer contribution rates 2014-15	11.032%	6.250%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 50	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	2.00%	2.0% to 2.7%
Required employee contribution rates 2014-15	9.000%	11.500%
Required employer contribution rates 2014-15	20.083%	11.500%

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 7 PENSION PLANS (continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 176,900	\$ 189,164
Contributions - employee (paid by employer) ⁽¹⁾	11,644	-

(1) In 2014-15 all employee contributions paid by the employee were eliminated

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 3,002,292
Safety	1,978,901
Total Net Pension Liability	\$ 4,981,193

The Local Government’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Local Government’s proportion of the net pension liability was based on a projection of the Local Government’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Local Government’s proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Classic	Miscellaneous PEPR
Proportion - June 30, 2014	0.04824%	0.00001%
	Safety Classic	Safety PEPR
Proportion - June 30, 2014	0.03180%	0.00000%

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 7 PENSION PLANS (continued)

For the year ended June 30, 2015, the Local Government recognized pension expense of \$328,794. At June 30, 2015, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 366,064	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion	110,552	5,641
Difference between employer's actual contributions and employer's proportionate share of contributions	5,278	212,390
Net differences between projected and actual earnings on plan investments	-	1,606,404
Total	\$ 481,894	\$ 1,824,435
Net deferred inflows		\$ 1,342,541

\$366,064 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	30-Jun
2016	\$ 438,101
2017	445,597
2018	460,775
2019	-
2020	-
Thereafter	-

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 7 PENSION PLANS (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined for Miscellaneous Classic and PEPRA, and Safety Classic and PEPRA plans using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	30-Jun-13	30-Jun-13
Measurement Date	30-Jun-14	30-Jun-14
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	20	20

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 7 PENSION PLANS (continued)

CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 7 PENSION PLANS (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Local Government’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Classic Plans</u>	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 5,348,415	\$ 3,405,412
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 3,001,876	\$ 1,978,889
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 1,054,471	\$ 803,496
<u>PEPRA Plans</u>	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 740	\$ 20
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 416	\$ 12
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 146	\$ 5

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

E. Payable to the Pension Plan

At June 30, 2015, the Local Government reported a payable of \$18,788 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 8 – OTHER EMPLOYMENT AND POST-EMPLOYMENT BENEFITS (OPEB)

Plan description- The Plan is a single-employer defined benefit OPEB plan. The City of Yreka provides medical coverage to employees through its participation in the California Public Employees Retirement System (CalPERS) medical program. The City administers a Section 125 Cafeteria Plan by which active employees may fund participation in the CalPERS medical program. Retirees are provided continuing medical coverage through the same program. Retirees may elect to continue to participate in the program, and the City contributes the CalPERS defined minimum contribution for retirees.

The eligibility requirements are:

- Must retire within 120 days of separation and receive a retirement allowance from CalPERS.
- Must be enrolled in a CalPERS health plan at retirement, or enroll in a plan within 60 days of retirement or at any annual open enrollment period; and
- Must meet any other requirements of CalPERS for participation in a health plan.

Funding Policy- The minimum contribution requirements for the City are set in the Public Employees' Medical and Hospital Care Act. The balance of the premiums are paid by the employee or retiree through deductions from Cafeteria Plan allowance, salary, or retirement allowances. In fiscal year 2015, the City contributed \$17,518 to the plan for retirees.

Annual OPEB Cost and Net OPEB Obligation- The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

Annual Required Contribution (ARC)	\$	98,622
Interest on Net OPEB Obligation		13,642
Adjustment to ARC		<u>(15,454)</u>
Annual OPEB Cost		96,810
Contributions made in fiscal year 2015		<u>(17,518)</u>
Increase in net OPEB obligation		79,292
Net OPEB obligation, beginning of year		<u>342,227</u>
Net OPEB obligation, end of year		<u><u>\$ 421,519</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 72,048	8,797	12.21%	\$ 63,251
2011	77,252	11,502	14.89%	129,001
2012	82,626	12,510	15.14%	199,117
2013	85,922	15,895	18.50%	269,144
2014	91,283	18,200	19.94%	342,227
2015	96,810	17,518	18.10%	421,519

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 8 – OTHER EMPLOYMENT AND POST-EMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress- As part of the June 30, 2013 report, the most recent actuarial valuation date; the actuarial accrued liability on pay as you go basis on June 30, 2015 was \$1,099,065. The covered payroll (annual payroll of active employees covered by the plan) on June 30, 2015 was \$2,523,464 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 43.55%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (only on year presented in this year of implementation).

Methods and Assumptions- Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the Entry Age Normal Cost, Level Percent of Pay actuarial method was used. The actuarial assumptions included a 4.00 percent investment rate of return (discount rate). Unfunded accrued actuarial liabilities are amortized to produce payments which are a level percentage of payroll over a 30-year period.

The actuarial valuation used the following annual health care cost trend rate assumptions;

Actual Trend		Projected Trend	
Year	Rate	Year	Rate
2010	3.20%	2015	2.40%
2011	3.40%	2016	4.50%
2012	3.00%	2017	4.50%
2013	3.70%	2018	4.50%
2014	2.50%	2019 & later	4.50%

At present, the City is on a pay as you go funding model and the table below reflects the funding progress;

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) / c]
6/30/2010	\$ -	\$ 729,259	\$ 729,259	\$ -	\$2,696,496	27.04%
6/30/2013	-	954,494	954,494	-	2,367,102	40.32%
6/30/2014	-	1,026,274	1,026,274	-	2,444,033	41.99%
6/30/2015	-	1,099,065	1,099,065	-	2,523,464	43.55%

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 9 DEFICIT FUND BALANCE

At June 30, 2015 there were no deficit fund balances.

NOTE 10 RESTRICTED NET ASSETS

Restricted net assets are net assets whose use are subject to constraints that are either; (1) externally imposed by creditors (such as debt covenants), grantors, or laws or regulations of governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net assets at June 30, 2015 for governmental activities were restricted for capital outlays. Restricted net assets at June 30, 2015 for proprietary fund activities were restricted for capital outlays and debt servicing.

NOTE 11 FUND BALANCES

In the fund financial statements, governmental fund equity is classified as fund balance as follows:

Nonspendable fund balance - The City has long-term loans receivables, and those amounts, net of reserves are reported as nonspendable fund balances.

Restricted fund balances- The City's restricted fund balance consists of developer impact capital improvements, revolving loan funds, transportation improvement funds, amounts donated from trusts to the City and are legally restricted to capital outlay, and voter approved specified tax assessment revenues measures for fire protection.

Committed fund balances- The City had no committed fund balance at June 30, 2015.

Assigned fund balances – The City's assigned fund balance consists of amounts assigned for capital improvements, planning and development, grant contingencies, general liability reserves, and donor specified projects.

Unassigned fund balances- are the residual fund balance that is neither committed nor assigned.

NOTE 12 OVER-EXPENDITURE OF BUDGET

There were no over-expenditures of budget.

NOTE 13 RISK MANAGEMENT

The City participates in the following public entity risk pools:

The Small Cities Organized Risk Effort (S.C.O.R.E.) covers general liability claims in an amount up to \$500,000. The City has a deductible or uninsured liability of up to \$25,000 per claim. Once the City's deductible is met S.C.O.R.E. becomes responsible for payment of all claims up to the limit.

The Small Cities Organized Risk Effort covers workers' compensation claims up to the statutory limit. The City has no deductible for these claims.

The California Joint Risk Management Authority covers general liability claims that exceed S.C.O.R.E. coverage up to a maximum of \$5,000,000. The premium for this coverage is included with the annual payments made to S.C.O.R.E.

Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2015

NOTE 13 RISK MANAGEMENT (continued)

There have been no significant reductions of coverage or insurance settlements that exceed insurance coverage for the past three years.

S.C.O.R.E. is governed by a board consisting of representatives from member municipalities. The board controls the operations of the risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

NOTE 14 CONTINGENCIES

The City participates in several Federal and State assisted grant programs that are subject to audit by the Grantors. Although the ultimate outcome of such audits cannot be determined at this time, the City believes that such audits will not have a material adverse effect on the City.

The following is a summary of the City's commitments at June 30, 2015:

City of Yreka Construction Commitments, as of June 30, 2015

Contractor	Project	Original Contract Amount	Change orders to Date	Total Contract Amount	Incurred to date	Remaining
T & S Construction, Sacramento, CA	USDA Funded Wastewater Improvements	\$ 2,365,337	\$ 309,952	\$ 2,675,289	\$ 2,538,918	\$ 136,371
Total. Construction commitments		<u>\$ 2,365,337</u>	<u>\$ 309,952</u>	<u>\$ 2,675,289</u>	<u>\$ 2,538,918</u>	<u>\$ 136,371</u>

The City is involved in litigation arising from the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters, will not have a material effect on the City's financial condition or results of operations.

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLES/PRIOR PERIOD ADJUSTMENTS

As discussed in Note 1, the Agency implemented GASB Statement No. 68 effective July 1, 2014. GASB 68, among other provisions, amended prior guidance with respect to the reporting of pensions. GASB 68 establishes standards for measuring and recognizing, assets, liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Agency's net pension asset (liability) was not previously recorded on the Statement of Net Position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. The effect of the change in implementation of GASB No. 68 is reported as a reduction in beginning net position on the Statement of Activities, as follows:

Statement of Revenues, Expenses and Changes in Net Position, Proprietary Funds		
Sewer Fund		\$(549,902)
Water Fund		\$(824,823)
Statement of Activities		
Governmental Activities		\$(4,986,249)
Business Type Activities		\$(1,374,755)

REQUIRED SUPPLEMENTARY INFORMATION

City of Yreka
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 1,496,500	\$ 1,496,500	\$ 1,544,145	\$ 47,645
Sales and use taxes	1,750,000	1,750,000	1,968,005	218,005
Transient occupancy taxes	625,000	625,000	811,260	186,260
Franchise and other licenses	260,000	260,000	244,820	(15,180)
Licenses and permits	155,550	185,110	210,147	25,037
Intergovernmental revenues	126,000	126,000	179,436	53,436
Charges for services	66,345	66,345	72,582	6,237
Fines, forfeitures and penalties	6,500	6,500	1,925	(4,575)
Use of money and property	22,300	22,300	50,442	28,142
Other	70,000	207,152	287,392	80,240
Total revenues	<u>4,578,195</u>	<u>4,744,907</u>	<u>5,370,154</u>	<u>625,247</u>
EXPENDITURES				
Current:				
City council, manager, and clerk	211,497	228,698	222,294	6,404
General government	326,738	355,136	325,765	29,371
Planning and development	457,563	485,693	478,706	6,987
Parks and recreation	411,964	427,306	416,210	11,096
Public works administration	91,929	92,851	25,976	66,875
Public works fleet maintenance	195,177	197,584	169,100	28,484
Police protection	2,378,243	2,383,622	2,381,924	1,698
Fire protection	310,509	337,443	328,767	8,676
Capital outlay	1,081,000	1,106,000	283,427	822,573
Total expenditures	<u>5,464,620</u>	<u>5,614,333</u>	<u>4,632,169</u>	<u>982,164</u>
Excess of revenues over (under) expenditures	<u>(886,425)</u>	<u>(869,426)</u>	<u>737,985</u>	<u>1,607,411</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(293,481)	(263,631)	(256,570)	7,061
Total other financing sources (uses)	<u>(293,481)</u>	<u>(263,631)</u>	<u>(256,570)</u>	<u>7,061</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (1,179,906)</u>	<u>\$ (1,133,057)</u>	<u>\$ 481,415</u>	<u>\$ 1,614,472</u>

City of Yreka
 Budgetary Comparison Schedule
 Special Grant Fund
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ 3,099,430	\$ 3,143,206	\$ 1,585,065	\$ (1,558,141)
Use of money and property	6,800	6,800	7,834	1,034
Total revenues	<u>3,106,230</u>	<u>3,150,006</u>	<u>1,592,899</u>	<u>(1,557,107)</u>
EXPENDITURES				
Current:				
Planning and development	5,000	20,000	10,354	9,646
Public works administration	2,730	10,100	10,064	36
Police protection	-	43,776	43,776	-
Public works maintenance	25,000	25,000	5,907	19,093
Public works storm drainage	2,600	2,600	-	2,600
Capital outlay	3,247,455	3,247,455	1,612,181	1,635,274
Total expenditures	<u>3,282,785</u>	<u>3,348,931</u>	<u>1,682,282</u>	<u>1,666,649</u>
Excess of revenues over (under) expenditures	<u>(176,555)</u>	<u>(198,925)</u>	<u>(89,383)</u>	<u>109,542</u>
OTHER FINANCING (USES)				
Operating transfers in	178,355	178,355	171,293	(7,062)
Total other financing sources (uses)	<u>178,355</u>	<u>178,355</u>	<u>171,293</u>	<u>(7,062)</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ 1,800</u>	<u>\$ (20,570)</u>	<u>\$ 81,910</u>	<u>\$ 102,480</u>

City of Yreka
 Budgetary Comparison Schedule
 Special Revenue Fund
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Assessment	\$ 230,000	\$ 247,000	\$ 247,039	\$ 39
Licenses and permits	16,000	87,780	87,602	(178)
Charges for service	217,000	231,300	231,330	30
Use of money and property	750	1,250	1,555	305
Total revenues	<u>463,750</u>	<u>567,330</u>	<u>567,526</u>	<u>196</u>
<u>EXPENDITURES</u>				
Current:				
General Government	12,367	13,493	13,488	5
Fire protection	-	37,700	37,698	2
Capital outlay	-	44,178	44,178	-
Debt service:				
Principal	182,186	182,186	182,186	-
Interest	116,330	116,330	116,330	-
Total expenditures	<u>310,883</u>	<u>393,887</u>	<u>393,880</u>	<u>7</u>
Excess of revenues over (under) expenditures	<u>152,867</u>	<u>173,443</u>	<u>173,646</u>	<u>203</u>
<u>OTHER FINANCING (USES)</u>				
Proceeds from lease	-	-	-	-
Operating transfers in	-	241,789	241,789	-
Operating transfers out	-	(321,782)	(321,781)	1
Total other financing sources (uses)	<u>-</u>	<u>(79,993)</u>	<u>(79,992)</u>	<u>1</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ 152,867</u>	<u>\$ 93,450</u>	<u>\$ 93,654</u>	<u>\$ 204</u>

City of Yreka
 Budgetary Comparison Schedule
 Streets and Roads Fund
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ 432,000	\$ 484,576	\$ 485,722	\$ 1,146
Fines and forfeitures	25,000	25,000	30,846	5,846
Use of money and property	-	4,461	5,127	666
Other revenue	-	1,200	1,553	353
Total revenues	<u>457,000</u>	<u>515,237</u>	<u>523,248</u>	<u>8,011</u>
EXPENDITURES				
Current:				
Public works administration	45,266	10,456	10,442	14
Streets and storm drainage				
Street maintenance	199,325	135,760	131,220	4,540
Street sweeping	73,553	54,968	44,657	10,311
Street lights and lighting	118,772	129,084	126,602	2,482
Streets weed control	10,183	13,698	13,688	10
Public parking lot maintenance	1,020	1,411	1,411	-
Traffic safety signs, signals and lines	81,178	69,621	57,784	11,837
Storm drainage	126,845	97,567	75,632	21,935
Public transportation	200,000	167,376	167,376	-
Capital outlay	315,000	315,000	312,950	2,050
Total expenditures	<u>1,171,142</u>	<u>994,941</u>	<u>941,762</u>	<u>53,179</u>
Excess of revenues over (under) expenditures	<u>(714,142)</u>	<u>(479,704)</u>	<u>(418,514)</u>	<u>61,190</u>
OTHER FINANCING (USES)				
Operating transfers in	240,751	210,901	210,902	1
Operating transfers out	(83,625)	(83,625)	(83,625)	-
Total other financing sources (uses)	<u>157,126</u>	<u>127,276</u>	<u>127,277</u>	<u>1</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ (557,016)</u>	<u>\$ (352,428)</u>	<u>\$ (291,237)</u>	<u>\$ 61,191</u>

City of Yreka, California
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 As of June 30, 2015
 Last 10 Years ¹

**SCHEDULE OF THE LOCAL GOVERNMENT'S
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Safety Plan	6/30/14 ¹
Plan's proportion of the net pension liability	0.03180%
Plan's proportionate share of the net pension liability	\$1,978,889
Plan's covered-employee payroll	\$860,036
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	230.09%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	81.42%
Plan's proportionate share of aggregate employer contributions ²	\$245,485
PEPRA Safety Plan	6/30/14 ¹
Plan's proportion of the net pension liability	0.00000%
Plan's proportionate share of the net pension liability	\$12
Plan's covered-employee payroll	\$43,053
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	3.00%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	80.95%
Plan's proportionate share of aggregate employer contributions ²	\$1
Miscellaneous Plan	6/30/14 ¹
Plan's proportion of the net pension liability	0.04824%
Plan's proportionate share of the net pension liability	\$3,001,876
Plan's covered-employee payroll	\$1,702,490
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	176.32%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	83.03%
Plan's proportionate share of aggregate employer contributions ²	\$397,137
PEPRA Miscellaneous Plan	6/30/14 ¹
Plan's proportion of the net pension liability	0.00001%
Plan's proportionate share of the net pension liability	\$416
Plan's covered-employee payroll	\$32,329
Plan's proportionate share of the net pension liability as percentage of its covered-employee payroll	1.29%
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	83.01%
Plan's proportionate share of aggregate employer contributions ²	\$55

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the tables above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

City of Yreka, California
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 As of June 30, 2015
 Last 10 Years ¹

SCHEDULE OF CONTRIBUTIONS

	Fiscal Year 2013-14 ¹
Safety Plan	
Actuarially determined contribution	182,105
Contributions in relation to the actuarially determined contribution	(182,105)
Contribution deficiency (excess)	\$ -
Covered employee payroll ²	\$ 860,036
Contributions as a percentage of covered-employee payroll	21.17%
PEPRA Safety Plan	
Actuarially determined contribution	\$ 5,154
Contributions in relation to the actuarially determined contribution	(5,154)
Contribution deficiency (excess)	\$ -
Covered employee payroll ²	\$ 43,053
Contributions as a percentage of covered-employee payroll	11.97%
Miscellaneous Plan	
Actuarially determined contribution	\$ 172,274
Contributions in relation to the actuarially determined contribution	(172,274)
Contribution deficiency (excess)	\$ -
Covered employee payroll ²	\$ 1,702,490
Contributions as a percentage of covered-employee payroll	10.12%
PEPRA Miscellaneous Plan	
Actuarially determined contribution	\$ 2,064
Contributions in relation to the actuarially determined contribution	(2,064)
Contribution deficiency (excess)	\$ -
Covered employee payroll ²	\$ 32,329
Contributions as a percentage of covered-employee payroll	6.38%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Payroll from prior year was assumed to increase by 3.00 percent payroll growth assumptions.

Notes to Schedule

Change in Benefit Terms: None

Change in Assumptions: None

SINGLE AUDIT REPORTS AND SCHEDULES

City of Yreka
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2015

Program Title	Federal CFDA #	Grant #	Award Amount	Federal Expenditures
Department of Homeland Security				
Distaster Grants - Public Assistance	97.035	Cal OES 093-86944	3,012	3,012
Total Department of Homeland Security			<u>3,012</u>	<u>3,012</u>
Department of the Interior				
Partners in Fish and Wildlife	15.631	F11AC01280	7,520	-
Total Department of the Interior			<u>7,520</u>	<u>-</u>
Department of Agriculture				
Waste and Water Disposal Systems for Rural Communities E - Direct Loan	10.760	92-04	5,000,000	3,767,858
Total Department of Agriculture			<u>5,000,000</u>	<u>3,767,858</u>
Department of Transportation				
Passed through California Department of Transportation				
Highway Planning and Construction (HBRR Fairlane)	20.205	5020(016)	44,442	6,667
Highway Planning and Construction (HBRR BPMP)	20.205	5020(018)	22,133	5,683
Total Department of Transportation			<u>66,575</u>	<u>12,350</u>
Total expenditure of federal awards			<u>\$5,077,107</u>	<u>\$3,783,220</u>

Notes:

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting, which is the same basis used in preparing the basic financial statements.



**INDEPENDENT AUDITORS' 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***

To the City Council
City of Yreka, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Yreka, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Yreka, California's basic financial statements, and have issued our report thereon dated December 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Yreka, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Yreka, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yreka, California's internal control.

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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
December 29, 2015





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Yreka, California

Report on Compliance for Each Major Federal Program

We have audited the City of Yreka, California's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Yreka, California's major federal programs for the year ended June 30, 2015. The City of Yreka, California's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Yreka, California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Yreka, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Yreka's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Yreka, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City of Yreka, California, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Yreka, California's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Yreka, California's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
December 29, 2015



City of Yreka, California
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2015

Summary of Auditors' Results

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the City of Yreka, California.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of City of Yreka which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By OMB Circular A-133.
5. The Independent Auditors' Report on compliance expressed an unqualified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was Waste and Water Disposal Systems for Rural Communities, CFDA #10.760.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. City of Yreka, California was determined to be a low-risk auditee.

Findings-Financial Statement Audit

None

Findings and Questioned Costs-Major Federal Award Programs Audit

None

Summary of Prior Audit Findings

None