

**City of Yreka,  
California**



**Financial Statements**

**For the Year Ended  
June 30, 2014**

**CITY OF YREKA, CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

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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, 2014. 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.

### **2013-2014 Financial Highlights:**

- In the combined statement of net position, the total net position for the City exceeded its liabilities at the close of the fiscal year by \$48,461,087. Of this amount, \$11,077,203 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 \$168,102 from \$23,961,090 in 2012-13 to \$24,129,192 in 2013-14.
- The increase in the net position is primarily due to a \$393,971 increase to the unrestricted net position and a \$789,380 increase in invested in capital assets, net of related debt. This was offset by a decrease of \$1,015,249 in restricted net position. Restricted net position (the Crandall bequest) was used to acquire a building for a new police station and cash for the building remodel.
- The governmental funds invested in capital assets increased \$789,380. Net capital assets increased \$883,898 (\$2,175,482 of new capital outlay offset by depreciation expense of \$933,832 and sale of assets, net of depreciation, of \$357,752). Offsetting those assets was the net increase in debt obligations of \$94,518 (long term portion \$96,590 less the current portion \$2,072) associated with financing those assets.
- Total liabilities increased \$155,000 from \$3,181,614 in 2012-2013 to \$3,336,614 in 2013-2014.
  - Long-term liabilities increased \$93,893; increase to other post-employment benefit or OPEB liabilities \$55,003, increase to compensated

absences \$10,284 and a net increase debt financing \$28,606 (increase of \$96,590 in debt financing associate with those assets, decrease in debt financing not associated with any assets \$67,984).

- Current liabilities increased \$61,107; due to increases in vendor or trade payables \$47,756, payroll payable \$9,363, grant advances \$4,908, and current portion of long term debt \$1,407 (increase in debt financing not associated with any assets \$3,479 less the decrease of \$2,072 debt financing associate with those assets). Those increases were offset by a decrease in the current portion of compensated absences payable of \$2,327.
- The business-type activities total net position increased by \$1,600,092 from \$22,731,803 in 2012-2013 to \$24,331,895 in 2013-2014. Of this increase invested in capital assets net of related debt increased \$2,087,650. Correspondingly non current assets increased \$1,204,530. The restricted net position represents the City's debt servicing reserve requirements. The unrestricted net position decreased \$487,558, primarily due to a timing difference between construction payments and construction loan draws at the end of the fiscal year.

## **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 2013-2014, 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 2013-2014, 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 and (5) proceeds from lease purchase agreement.

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 32 through 35 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 31 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 32 through 35 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 assets exceeded liabilities by \$24,129,192 for governmental activities and \$24,331,895 for business type activities, \$48,461,087 in total, at the close of 2013-2014.

### City of Yreka – Changes in Net Position

Total Net Position for:	Governmental Activities	Business-Type Activities	Total
Fiscal Year 2012-2013	\$ 23,961,090	\$ 22,731,803	\$ 46,692,893
Fiscal Year 2013-2014	24,129,192	24,331,895	48,461,087
Increase or (Decrease in Net Position)	\$ 168,102	\$ 1,600,092	\$ 1,768,194

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
	2012-2013	2013-2014		
Assets:				<b>2012-2013 as the base year</b>
Current assets and other assets	\$6,824,986	\$7,492,378	\$667,392	9.8%
Restricted assets	1,912,761	684,573	(\$1,228,188)	-64.2%
Non current assets	18,404,957	19,288,855	883,898	4.8%
<i>Total Assets</i>	27,142,704	27,465,806	323,102	1.2%
Liabilities:				
Current liabilities	646,496	707,603	61,107	9.5%
Long-term liabilities	2,535,118	2,629,011	93,893	3.7%
<i>Total Liabilities</i>	3,181,614	3,336,614	155,000	4.9%
Net position:				
Invested in capital assets, net of related debt	17,918,129	18,707,509	789,380	4.4%
Restricted	3,223,810	2,208,561	(1,015,249)	-31.5%
Unrestricted	2,819,151	3,213,122	393,971	14.0%
<i>Total Net Position</i>	\$23,961,090	\$24,129,192	\$168,102	0.7%

Total assets decreased by 1.2% from \$27,142,704 in 2012-13 to \$27,465,806 in 2013-14. Current assets and other assets increased 9.8%. Restricted assets decreased 64.2%, as they were used to acquire a building for a new police station and the building remodel. Non current assets increased 4.8%, or \$883,898 (\$2,175,482 of new capital outlay offset by depreciation expense of \$933,832 and sale of assets, net of depreciation, of \$357,752).

Total liabilities increased 4.9%, from \$3,181,614 in 2012-2013 to \$3,336,614 in 2013-2014. Long-term liabilities increased slightly by 3.7% primarily from prepayment of existing debt and financing of new debt for different fire apparatus (engines). Current liabilities decreased 9.5% primarily due to increases in trade, construction retention and payroll accounts payable.

The increase in the net position was 0.7%, where the unrestricted net position increased 14.0%. The decrease in the restricted net position (the Crandall bequest) was used to acquire a building for a new police station and cash for the building remodel. Invested in capital assets was \$789,380, net of related debt. Capital assets increased 883,898. Offsetting those assets was the net increase in debt obligations of \$94,518 (long term portion \$96,590 less the current portion \$2,072) associated with financing those assets.

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

City of Yreka - Net Position  
Business-Type Activities

	Business-Type Activities		Increase/ (Decrease)	Percentage Change
	2012-2013	2013-2014		2012-2013 as the base year
<b>Assets:</b>				
Current assets and other assets	\$8,596,415	\$8,742,194	\$145,779	1.7%
Restricted assets	300,000	300,000	-	0.0%
Non current assets	22,255,243	23,459,773	1,204,530	5.4%
<i>Total Assets</i>	31,151,658	32,501,967	1,350,309	4.3%
<b>Liabilities:</b>				
Current liabilities	342,406	1,036,712	694,306	202.8%
Long-term liabilities	8,077,449	7,133,360	(944,089)	-11.7%
<i>Total Liabilities</i>	8,419,855	8,170,072	(249,783)	-3.0%
<b>Net position:</b>				
Invested in capital assets, net of related debt	14,080,164	16,167,814	2,087,650	14.8%
Restricted	300,000	300,000	-	0.0%
Unrestricted	8,351,639	7,864,081	(487,558)	-5.8%
<i>Total Net Position</i>	\$22,731,803	\$24,331,895	\$1,600,092	7.0%

Total assets increased 4.3% from \$31,151,658 in 2012-13 to \$32,501,967 in 2013-14. Cash balances increased 1.7%, restricted assets cover debt servicing reserve requirements, and non current assets increased 5.4% due to capital outlay to the wastewater system.

Current liabilities decreased 202.8% due to higher accounts and construction contingencies payable on the wastewater system improvements project. Long-term liabilities decreased 11.7% primarily due to scheduled debt servicing.

Correspondingly, total net position increased 7.0%, and invested in capital assets, net of related debt increased by 14.8%.



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

## Comparison of Government Wide General Revenues:

<b>General revenues:</b>	2012-2013	2013-2014	Year over Year Change
Governmental activities:			
Taxes:			
Property	\$ 977,429	\$ 990,262	\$ 12,833
Sales and use	1,761,695	1,857,446	95,751
Other	1,459,065	1,526,760	67,695
Investment earnings	43,301	21,164	(22,137)
Gain (loss) on disposal of capital assets	-	(141,801)	(141,801)
Transfers	231,892	134,845	(97,047)
<i>Total governmental activities</i>	<u>4,473,382</u>	<u>4,388,676</u>	<u>(84,706)</u>
Business-type activities:			
Investment earnings	23,316	21,269	(2,047)
Gain on disposal of capital assets	2,020	-	(2,020)
Transfers	(231,892)	(134,845)	97,047
<i>Total business-type activities</i>	<u>(206,556)</u>	<u>(113,576)</u>	<u>92,980</u>
<b>Total primary government</b>	<u>\$ 4,266,826</u>	<u>\$ 4,275,100</u>	<u>\$ 8,274</u>

Total primary government revenues increased \$8,274 from \$4,266,826 in 2012-13, to \$4,275,100 in 2013-14.

However, in 2013-14, governmental activities total revenues decreased \$84,706 from \$4,173,382 in 2012-13 to \$4,388,676 in 2013-14.

Property taxes related revenues increased \$12,833 and sales tax revenue increased by \$95,751. Other tax revenues increased \$67,695, of which \$68,749 is transit occupancy taxes, \$4,207 vehicle license fees, offset by \$5,261 decrease in franchise taxes. These increases were offset by the loss on sale of capital assets of \$141,801 in 2013-2014. The City sold property located at 307 North Street and 312 West Miner Street. The \$97,047 decrease in transfers from the business-type activities to the governmental activities was for the water and sewer enterprise funds share of cost for City-wide GIS mapping, and the business-type activities share of construction costs for main replacement while surface repaving Oregon Street.

Investment in both the governmental activities and business type activities decreased due to lower interest rates and cash balances.

## Comparison of Government Wide Program Revenues:

<i>Program Revenue</i>	Year over Year		
	2012-2013	2013-2014	Change
<b>Governmental activities:</b>			
General government	\$ 457,406	\$ 391,481	\$ (65,925)
Planning and development	316,809	214,324	(102,485)
Parks and recreation	108,579	76,428	(32,151)
Public works administration	7,012	3,400	(3,612)
Public works maintenance	20	538	518
Police protection	223,885	238,126	14,241
Fire protection	358,183	358,168	(15)
Senior nutrition and transportation	-	-	-
Streets and sidewalks	333,024	755,474	422,450
Public transportation	207,082	193,065	(14,017)
<i>Total governmental activities</i>	<u>2,012,000</u>	<u>2,231,004</u>	<u>219,004</u>
<b>Business-type activities:</b>			
Sewer	2,387,031	2,391,172	4,141
Water	4,223,833	2,844,229	(1,379,604)
Sanitary Landfill	-	-	-
<i>Total business-type activities</i>	<u>6,610,864</u>	<u>5,235,401</u>	<u>(1,375,463)</u>
<b>Total primary government</b>	<u>\$ 8,622,864</u>	<u>\$ 7,466,405</u>	<u>\$ (1,156,459)</u>

Government wide program revenues decreased \$1,375,463.

Governmental activities program revenue increased \$219,004 in 2013-14.

- The \$102,485 decrease in planning was due to several grants ending in 2012-13, for a Brownfields and Tourism Improvement District Study.
- The \$422,450 increase in street and sidewalk revenue is due to grant funded portion of capital outlay projects completed in 2013-14 for Oregon Street State Transportation Improvement Project.



Street Sweeping, October 2014

Business activities program revenue decreased \$1,375,463 in 2013-14, primarily due to the grant funded component of the USDA water improvement project that was completed in 2012-13.

## Comparison of Government Wide Program Expenses:

<i>Program Expenses</i>	Year over Year		
	2012-2013	2013-2014	Change
<b>Governmental activities:</b>			
General government	\$ 658,095	\$ 781,004	\$ 122,909
Planning and development	745,195	517,976	(227,219)
Parks and recreation	549,039	529,616	(19,423)
Public works administration	70,937	107,114	36,177
Public works maintenance	98,914	153,201	54,287
Police protection	2,448,813	2,470,722	21,909
Fire protection	505,936	500,724	(5,212)
Senior nutrition and transportation	-	-	-
Streets and sidewalks	1,093,360	1,198,156	104,796
Public transportation	207,082	193,065	(14,017)
<i>Total governmental activities</i>	<u>6,377,371</u>	<u>6,451,578</u>	<u>74,207</u>
<b>Business-type activities:</b>			
Sewer	1,823,114	1,763,067	(60,047)
Water	1,861,242	1,758,666	(102,576)
Sanitary Landfill	-	-	-
<i>Total business-type activities</i>	<u>3,684,356</u>	<u>3,521,733</u>	<u>(162,623)</u>
<b>Total primary government</b>	<u>\$ 10,061,727</u>	<u>\$ 9,973,311</u>	<u>\$ (88,416)</u>

Government wide functional expenses decreased \$88,416 from \$10,061,727 in 2012-13 to \$9,973,311 in 2013-14.

Functional expenses for governmental activities increased \$74,207 from \$6,377,371 in 2012-13 to \$6,451,578 in 2013-14.

- General governmental expenses increased \$122,909. The expenses covered widespread changes, including a one-time payment to the County on a claim court fee revenues, and administrative and legal expenses relating to casino negotiations.
- The \$227,219 decrease in planning expenses was due to several grants ending in 2012-13, (Brownfields and Tourism Improvement Study).
- The \$104,796 increase in street and sidewalks, is due to the Oregon Street rehabilitation. Oregon Street project expense in 2012-13 were primarily funded from the business type activities to replace underground utilities, whereas the paving project component in 2013-14 was grant funded by a State Transportation Improvement Project grant.

Functional expenses for business-type activities decreased \$162,623 from \$3,684,356 in 2012-13 to \$3,521,733 in 2013-14, primarily in the cost of water distribution primarily from cost savings measures implemented, converting to radio read meters and savings in public works administration expenses.

## **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 \$8,518,702. The following describes the fund balances designations.

***Nonspendable:*** The nonspendable governmental fund balances for the City total \$476,325 and represents medium and long term loans to residents and businesses arising from housing and economic development grant lending programs.

***Restricted:*** The restricted governmental fund balances for the City total \$2,208,561. The General Fund balance reserved for capital outlays of \$907,765 that represents \$823,940 in the Crandall and Stewart accounts and \$83,825 of project 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 of \$254,128 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. The special revenue funds have a restricted fund balance of \$329,568 of which \$95,243 is a voter approved parcel tax assessment for fire protective services, and \$234,325 is reserved for planned improvements arising from developer fees. Street and road restricted balances of \$717,100 are as result of 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 \$2,597,832. The City has assigned these balances to cover capital improvements, planning and development, budget stabilization, grant contingencies and general liability reserves.

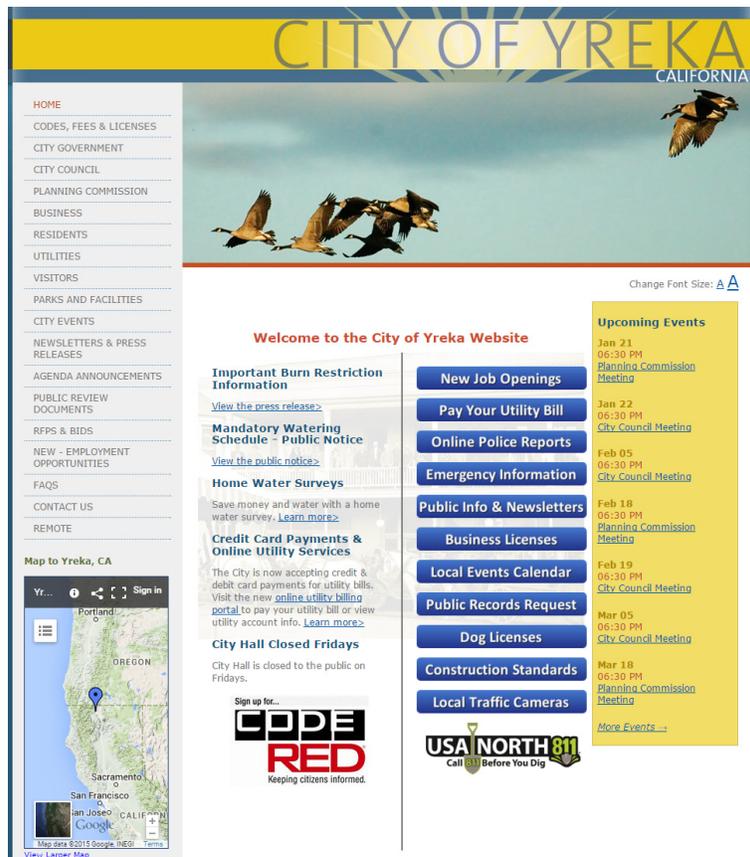
***Unassigned:*** The City has \$2,563,816 of unassigned governmental fund balances.

**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 \$24,331,895, and the unrestricted net position was \$7,864,081. In the statement on Cash Flows, page 10, the net increase in cash shows an increase of \$121,153. The wastewater cash balance decreased \$1,034,101 due to capital outlay of \$1,756,694. There was a fiscal year period lag on June 30, 2014, in 2013-14 for contractor payments and in 2014-15 for construction loan draws. The water funds cash balance increased \$1,155,254, 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.



City of Yreka Website Home Page, December, 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 2013-2014**

<b>General Fund</b>	<b>Original</b>	<b>Final</b>	<b>Actual</b>
Revenue	\$ 4,425,075	\$ 4,562,810	\$4,974,772
Expense	4,336,609	5,513,525	5,363,740
Excess (deficiency) of revenue over (under) expenses	88,466	(950,715)	(388,968)
Other Financing Sources and (Uses)	(518,048)	(398,048)	(396,521)
Net Change in Fund Balance	\$ (429,582)	\$ (1,348,763)	\$ (785,489)
<b>Special Grants</b>	<b>Original</b>	<b>Final</b>	<b>Actual</b>
Revenue	\$ 2,308,795	\$ 2,463,891	\$ 555,673
Expense	2,511,470	2,686,666	713,403
Excess (deficiency) of revenue over (under) expenses	(202,675)	(222,775)	(157,730)
Other Financing Sources and (Uses)	208,625	240,125	238,979
Net Change in Fund Balance	\$ 5,950	\$ 17,350	\$ 81,249
<b>Special Revenue</b>	<b>Original</b>	<b>Final</b>	<b>Actual</b>
Revenue	\$ 462,750	\$ 507,050	\$ 544,987
Expense	324,046	1,293,293	1,287,917
Excess (deficiency) of revenue over (under) expenses	138,704	(786,243)	(742,930)
Other Financing Sources and (Uses)	-	645,043	644,741
Net Change in Fund Balance	\$ 138,704	\$ (141,200)	\$ (98,189)
<b>Streets and Roads</b>	<b>Original</b>	<b>Final</b>	<b>Actual</b>
Revenue	\$ 404,500	\$ 510,085	\$ 551,203
Expense	1,176,018	883,345	824,237
Excess (deficiency) of revenue over (under) expenses	(771,518)	(373,260)	(273,034)
Other Financing Sources and (Uses)	429,423	453,423	452,640
Net Change in Fund Balance	\$ (342,095)	\$ 80,163	\$ 179,606

**General Operating Fund:**

- Total revenues were \$4,425,075 in the original budget, \$4,562,810 in the final budget and \$4,974,772 for actuals. The revenue increase of \$353,735 in the final budget is due to an increase in tax revenues. Actual revenue of \$4,974,772 was \$411,962 favorable to the final budget reflecting increases in taxes (sales, property, franchise and transient occupancy taxes).
- Total expenses were \$4,336,609 in the original budget, \$5,513,525 in the final budget and \$5,363,740 for actuals. The final budget expense increased by \$1,176,916 from the original budget, primarily due to increase in capital outlay \$820,875 for the police building acquisition and public safety operating costs for fire and police. Actual expenses of \$149,785 were slightly favorable to the final budget.

- Other financing Sources and (Uses) were (\$518,048) in the original budget, (\$398,048) in the final budget and (\$396,521) for actuals. The increase in financing sources came from the proceeds from the sale of assets \$215,951. The increase in financing uses of (\$96,000) from the original budget were to cover project expenditures in the special grant funds and the special revenue funds.
- The change in the general fund balance was (\$429,582) in the original budget, (\$1,348,763) in the final budget and (\$785,489) for actuals, primarily due to the increase in capital outlay, safety expenditures and transfers out to the Special Grants Funds for capital grant projects.

**Special Grant Fund:**

- Grant revenue was \$2,308,795 in the original budget, \$2,463,891 in the final budget and actual revenue was \$555,673. Grant expense was \$2,511,470 in the original budget, \$2,686,666 in the final budget and actual expense was \$713,403. The original budget showed revenue and expense for all grants projects that might have been completed in the fiscal year 2013-14. The decrease in actual project revenue and expense reflects delays in both construction work in process and implementation.
- Planned construction of \$1,180,000 on the river parkway grant project at the north end of town near along the Yreka Creek did not begin until July 2014, and was budgeted for fiscal year 2013-14. In addition design costs of \$530,000 on the Flood Corridor of Yreka Creek was delayed until 2014-15 and 2015-16.
- Other financing sources \$208,625 in the original budget, \$240,125 in the final budget and \$238,979 for actuals. Operating transfers were increased \$31,500 in the final budget to cover non grant funded expenditures.

**Special Revenue Fund:**

- Revenues were \$462,750 in the original budget, \$507,050 in the final budget and \$544,987 for actuals. The increases were due to increased development impact fees collected from increase in building activity.
- Expenses were \$324,046 in the original budget, \$1,293,293 in the final budget and \$1,287,917 for actuals. Capital outlay increased \$589,043, due to the acquisition of a new fire apparatus, not included in the original budget. Debt servicing principal increased \$559,504 in the final budget to prepay existing debt for fire apparatus, prior to financing the new lease purchase debt.
- Other Financing Sources and (Uses) were \$0 in the original budget, \$645,043 in the final budget and \$644,741, due to lease financing proceeds on the new fire apparatus \$589,043 and transfer from the general fund to development impact fund for \$56,000 to offset an interfund obligation.

**Streets and Roads Fund:**

- Revenues were \$404,500 in the original budget, \$510,085 in the final budget and \$551,203 for actuals. Actual revenue in the road and streets funds is primarily from state gas tax allocations.

- Expenses were \$1,176,018 in the original budget, \$883,345 in the final budget and \$824,237 for actuals. The decrease was due to the delay in the delivery of ordered equipment, street sweeper and 10-yard dump truck.
- Other financing sources were \$429,423 in the original budget, \$453,423 in the final budget and \$452,640 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, 2013	Additions	Retirements	Transfers	June 30, 2014
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated;</i>					
Land	\$ 1,909,498	\$ -	\$ -	\$ -	\$ 1,909,498
Construction in Progress	1,024,843	2,003,818	-	(629,765)	2,398,896
<i>Capital assets being depreciated;</i>					
Building and Structures	4,787,391	-	(463,977)	-	4,323,414
Machinery and Equipment	3,751,251	130,458	-	629,765	4,511,474
Infrastructure	29,887,967	41,206	-	-	29,929,173
<b>Governmental Activities Capital Assets</b>	<b>41,360,950</b>	<b>2,175,482</b>	<b>(463,977)</b>	<b>-</b>	<b>43,072,455</b>
Less Accumulated Depreciation	22,955,993	933,832	(106,225)	-	23,783,600
<b>Governmental Activities Capital Assets, net</b>	<b>18,404,957</b>	<b>1,241,650</b>	<b>(357,752)</b>	<b>-</b>	<b>19,288,855</b>
<b>Business-type Activities:</b>					
<i>Capital assets not being depreciated;</i>					
Land	253,172	-	-	121,256	374,428
Construction in Progress	11,380,766	1,564,872	-	(10,863,415)	2,082,223
<i>Capital assets being depreciated;</i>					
Utility Plant	16,605,862	68,921	-	4,253,953	20,928,736
Building and Structures	7,159,848	-	-	3,762,132	10,921,980
Machinery and Equipment	4,453,148	208,476	-	2,726,074	7,387,698
<b>Total Business Activities Capital Assets</b>	<b>39,852,796</b>	<b>1,842,269</b>	<b>-</b>	<b>-</b>	<b>41,695,065</b>
Less Accumulated Depreciation	17,597,553	637,739	-	-	18,235,292
<b>Business-type Capital Assets, net</b>	<b>22,255,243</b>	<b>1,204,530</b>	<b>-</b>	<b>-</b>	<b>23,459,773</b>
<b>Total Capital Assets, net</b>	<b>\$40,660,200</b>	<b>\$ 2,446,180</b>	<b>\$ (357,752)</b>	<b>\$ -</b>	<b>\$42,748,628</b>

The City of Yreka's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$42,748,628 (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 in 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 2014-15.

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

#### Governmental Activities

- Projects under construction or CIP increased \$2,003,818, while completed CIP projects totaled \$629,765 for a balance of \$2,398,896 in 2013-14. Those construction projects include street paving, storm drainage (flood corridor) system, and park greenway improvements. Other projects include acquisition of the new police building, slated for remodeling in 2014-15, and fabrication of the fire apparatus (engine).
- The City's sold two properties (312 W Miner Street and 307 North Street) in 2013-14, for \$357,752 net of accumulated depreciation for asset retirements.
- The City replaced aged equipment for \$130,458 that included a new police interceptor SUV, park mower, and a bucket or boom truck. The City is also systematically replacing sodium streetlights with energy efficient LED lamps, for outlay of in 2013-14 of \$41,206.

#### Business Type Activities

- Projects under construction, or CIP, increased \$1,564,872 for wastewater system and the City transferred from CIP to Capital Assets being depreciated \$10,863,415, reflective of the USDA Fall Creek Water Improvement Project, a multi-year loan and grant program. That construction project included major improvements to the City's water pumping, treatment and storage facilities.
- Purchases of field service equipment totaled \$208,476 and included underground camera equipment and software to assess the condition of the City's utilities, tractor for wastewater effluent field management and partial cost allocation of the City's bucket or boom truck.
- Purchase of radio read meters and heads totaled \$68,921. 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, 2013	Additions	Reductions	June 30, 2014	Current Portion
<b>Governmental Activities:</b>					
Loans Payable - Banks and Others	\$ 486,828	\$ 589,043	\$ 494,525	\$ 581,346	\$ 114,203
Loans Payable - Governmental Agencies	2,048,743	-	64,505	1,984,238	67,983
Governmental Activities Debt	2,535,571	589,043	559,030	2,565,584	182,186
Compensated Absences	197,327	202,862	194,905	205,284	195,000
Total Governmental Activities	2,732,898	791,905	753,935	2,770,868	377,186
<b>Business-type Activities:</b>					
Loans Payable - Governmental Agencies	669,079	-	59,448	609,631	60,993
Certificates of participation - USDA Rural Development	7,506,000	96,328	920,000	6,682,328	212,328
Business-type Activities Debt	8,175,079	96,328	979,448	7,291,959	273,321
Compensated Absences	28,476	45,272	32,924	40,824	33,000
Total Business Activities	8,203,555	141,600	1,012,372	7,332,783	306,321
Total Outstanding Long Term Debt	\$ 10,936,453	\$ 933,505	\$ 1,766,307	\$ 10,103,651	\$ 683,507



North Street Water Main replacement, August 29, 2011

At the end of the 2013-2014, total long term liabilities were \$10,103,651 and the current portion was \$683,507. The City of Yreka's long term debt net position decreased by \$832,802 for principal repayments, early repayments of existing debt, new lower interest rate borrowings. The value of net compensated absences increased \$20,305 or 9%.

Detailed information on lenders, rates and maturities for long-term debt can be found on pages 23 through 25 of this report.

Next Year's Budgets and Rates:

**Budget Highlights for 2014-2015:**

Below are highlights from the City's 2014-15 and 2015-16 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  
2014-15 Adopted Budget

	Budgeted Revenue	Budgeted Expense	Excess of Revenue over Expense
Total General Fund	\$ 4,903,195	\$ 6,083,101	\$ (1,179,906)
Total Special Rev. Fund	463,750	310,883	\$152,867
Total Streets and Roads	697,751	1,254,767	(\$557,016)
Special Grant Fund	3,284,585	3,282,785	\$1,800
<b>Total Governmental Activity Fund</b>	<b>9,349,281</b>	<b>10,931,536</b>	<b>(1,582,255)</b>
Sewer Fund	2,437,000	2,238,953	198,047
Water Fund	2,757,500	2,566,652	190,848
<b>Total Business Type Funds</b>	<b>5,194,500</b>	<b>4,805,605</b>	<b>388,895</b>
<b>All Funds Combined</b>	<b>\$ 14,543,781</b>	<b>\$ 15,737,141</b>	<b>\$ (1,193,360)</b>

For Governmental Activities, the City projects an overall \$1,582,255 decrease in fund balances during fiscal year 2014-15. The anticipated excess of revenue over expense is a negative (\$1,179,906) in the General Fund, and a negative (\$557,016) in Streets and Roads funds. These decreases are offset by increases of \$152,867 in the Special Revenue funds and \$1,800 in Special Grant Funds.

In 2014-15 General Fund ongoing operating expenses are projected to exceed operating revenues by \$36,887, while capital outlay expenses of \$1,143,019 are projected to exceed capital revenues and are budgeted from general fund capital reserves.

In 2014-2015, the City plans to spend \$3,282,785 for capital grant funded projects. The level of capital improvements and community operating grants would not be possible if it were not for the successful and continued efforts of City staff to obtain and administer these grants; leveraging public dollars with grants.

Street and Road Fund operating expenses exceed operating revenues. The excess of expenses over revenues for \$557,016 are budgeted from Street and Road Fund reserves.

For Business Activities, the City anticipates a \$388,895 increase to fund balances.

General Fund Revenue Projections:

**General Fund - Fiscal Year Main Stream Revenue Comparison**

	Actual 11-12	Actual 12-13	Actual 13-14	Adopted Budget 14-15
Property Tax (secured & unsec. roll)	\$ 925,162	\$ 977,429	\$ 990,262	\$ 956,500
Transient Lodging	626,334	643,366	712,115	625,000
Sales Tax (1)	1,766,735	1,761,695	1,857,447	1,750,000
Franchises	252,400	266,868	261,607	260,000
Licenses and Permits	174,557	145,979	203,164	155,550
Fines and Forfeitures	9,650	8,183	3,819	6,500
Use of Money and Property	123,845	48,593	28,049	22,300
Intergovernmental (2)	708,256	679,954	701,083	666,000
User Fees and Charges	63,176	46,660	72,391	66,345
Administrative Cost Recovery (3)	316,414	318,311	291,194	325,000
Other Revenues	532,275	290,150	144,835	70,000
Transfers In	-	-	-	-
<b>Subtotal General Fund Revenue</b>	<b>\$ 5,498,804</b>	<b>\$ 5,187,188</b>	<b>\$ 5,265,966</b>	<b>\$ 4,903,195</b>

(1) 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.

(2) Includes in lieu prop tax for MVLF shift.

(3) Administrative Cost Recovery is netted against the departmental administrative and general governmental expense on in the Financial Statements, but represented as a revenue for budgeting purposes.

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 Spring 2014 and expects to complete these improvements by 2014-2015.

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 2014-2015, the City budgeted for 49 full time employees.

Horizon Issues of concern to the City for 2014-2015:

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. Based on the actual results in 2013-14, the City expects growth in taxes (property, sales, franchise and transit occupancy taxes), in the 2014-15 actuals, well in excess of the 2014-15 adopted budget.
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 will be challenging.
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](http://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, 2014, 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, 2014, 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 and budgetary comparison information on pages I-XX and 32-35 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 January 23, 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  
An Accountancy Corporation  
Mt. Shasta, California  
January 23, 2015



## **BASIC FINANCIAL STATEMENTS**

City of Yreka  
Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 6,175,245	\$ 7,902,426	\$14,077,671
Receivables (net of allowances, where applicable)			
Trade accounts	-	589,584	589,584
Loans	615,068	-	615,068
Intergovernmental	357,785	-	357,785
Accounts	78,224	-	78,224
Taxes	512,739	-	512,739
Interest	3,501	-	3,501
Internal balances	(250,184)	250,184	-
Total current assets	<u>7,492,378</u>	<u>8,742,194</u>	<u>16,234,572</u>
Restricted assets:			
Cash and investments	<u>684,573</u>	<u>300,000</u>	<u>984,573</u>
Capital assets:			
Non-depreciable	4,308,394	2,456,651	6,765,045
Depreciable, net	<u>14,980,461</u>	<u>21,003,122</u>	<u>35,983,583</u>
Total capital assets	<u>19,288,855</u>	<u>23,459,773</u>	<u>42,748,628</u>
Total assets	<u>27,465,806</u>	<u>32,501,967</u>	<u>59,967,773</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	207,401	669,121	876,522
Construction retention payable	-	61,270	61,270
Payroll payable	108,588	-	108,588
Grant advances	14,428	-	14,428
Current portion of long-term debt	182,186	273,321	455,507
Current portion of compensated absences	<u>195,000</u>	<u>33,000</u>	<u>228,000</u>
Total current liabilities	<u>707,603</u>	<u>1,036,712</u>	<u>1,744,315</u>
Long-term liabilities:			
Long-term debt, net of current portion	2,383,398	7,018,638	9,402,036
Compensated absences	10,284	7,824	18,108
OPEB Liability	<u>235,329</u>	<u>106,898</u>	<u>342,227</u>
Total long-term liabilities	<u>2,629,011</u>	<u>7,133,360</u>	<u>9,762,371</u>
Total liabilities	<u>3,336,614</u>	<u>8,170,072</u>	<u>11,506,686</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	18,707,509	16,167,814	34,875,323
Restricted, expendable	2,208,561	300,000	2,508,561
Unrestricted	<u>3,213,122</u>	<u>7,864,081</u>	<u>11,077,203</u>
Total net position	<u>\$ 24,129,192</u>	<u>\$ 24,331,895</u>	<u>\$48,461,087</u>

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

City of Yreka  
Statement of Activities  
Year Ended June 30, 2014

	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 781,004	\$ 386,481	\$ 5,000	\$ -	\$ (389,523)	\$ -	\$ (389,523)
Planning and development	517,976	124,680	89,644	-	(303,652)	-	(303,652)
Parks and recreation	529,616	37,831	-	38,597	(453,188)	-	(453,188)
Public works administration	107,114	3,400	-	-	(103,714)	-	(103,714)
Public works maintenance	153,201	538	-	-	(152,663)	-	(152,663)
Police protection	2,470,722	63,618	174,508	-	(2,232,596)	-	(2,232,596)
Fire protection	500,724	341,892	16,276	-	(142,556)	-	(142,556)
Streets and sidewalks	1,198,156	40,664	317,474	397,336	(442,682)	-	(442,682)
Public transportation	193,065		193,065	-	-	-	-
Total governmental activities	<u>6,451,578</u>	<u>999,104</u>	<u>795,967</u>	<u>435,933</u>	<u>(4,220,574)</u>	<u>-</u>	<u>(4,220,574)</u>
Business-type activities:							
Sewer	1,763,067	2,391,172	-	-	-	628,105	628,105
Water	1,758,666	2,843,542	-	687	-	1,085,563	1,085,563
Total business-type activities	<u>3,521,733</u>	<u>5,234,714</u>	<u>-</u>	<u>687</u>	<u>-</u>	<u>1,713,668</u>	<u>1,713,668</u>
Total primary government	<u>\$ 9,973,311</u>	<u>\$ 6,233,818</u>	<u>\$ 795,967</u>	<u>\$ 436,620</u>	<u>(4,220,574)</u>	<u>1,713,668</u>	<u>(2,506,906)</u>
General revenues:							
Taxes:							
Property							
					990,262	-	990,262
Sales and use							
					1,857,446	-	1,857,446
Other (including motor vehicle license fees)							
					1,526,760	-	1,526,760
Investment earnings							
					21,164	21,269	42,433
Gain (loss) on disposal of capital assets							
					(141,801)	-	(141,801)
Transfers							
					134,845	(134,845)	-
Total general revenues and transfers							
					<u>4,388,676</u>	<u>(113,576)</u>	<u>4,275,100</u>
Change in net position					168,102	1,600,092	1,768,194
Net position, beginning					<u>23,961,090</u>	<u>22,731,803</u>	<u>46,692,893</u>
Net position, ending					<u>\$ 24,129,192</u>	<u>\$ 24,331,895</u>	<u>\$ 48,461,087</u>

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, 2014

	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 5,366,433	\$ 289,908	\$ 560,153	\$ 643,324	\$ 6,859,818
Receivables (net of allowance for doubtful accounts, where applicable):					
Loans, net of loan loss allowances	138,743	476,325	-	-	615,068
Intergovernmental	103,547	196,793	-	57,445	357,785
Accounts	31,448	(2,400)	40,930	8,246	78,224
Taxes	487,301	-	-	25,438	512,739
Interest	2,757	162	297	285	3,501
Due from other funds	89,188	-	-	-	89,188
Total assets	<u>\$ 6,219,417</u>	<u>\$ 960,788</u>	<u>\$ 601,380</u>	<u>\$ 734,738</u>	<u>\$ 8,516,323</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 150,480	\$ 39,283	\$ -	\$ 17,638	\$ 207,401
Payroll payable	108,588	-	-	-	108,588
Grant advances	6,995	7,433	-	-	14,428
Due to other funds	-	72,559	266,813	-	339,372
Total liabilities	<u>266,063</u>	<u>119,275</u>	<u>266,813</u>	<u>17,638</u>	<u>669,789</u>
Fund balances:					
Nonspendable:					
Noncurrent loans receivables	-	476,325	-	-	476,325
Total nonspendable	<u>-</u>	<u>476,325</u>	<u>-</u>	<u>-</u>	<u>476,325</u>
Restricted:					
Fire protection, voter tax assessment measure	-	-	95,243	-	95,243
Capital Improvements, impact fee reserves	-	-	234,325	-	234,325
Revolving loan funds	-	254,128	-	-	254,128
Streets and sidewalks	-	-	-	717,100	717,100
Donor specified for community services and activities	27,384	-	-	-	27,384
Donor specified for volunteer fire department	56,441	-	-	-	56,441
Capital outlays, Crandall Trust Funds	823,940	-	-	-	823,940
Total restricted	<u>907,765</u>	<u>254,128</u>	<u>329,568</u>	<u>717,100</u>	<u>2,208,561</u>
Assigned:					
Capital improvements	1,567,801	77,518	-	-	1,645,319
Planning and development	205,815	33,542	-	-	239,357
Budget stabilization	100,000	-	-	-	100,000
Grant contingencies, and general liability reserves	613,156	-	-	-	613,156
Total assigned	<u>2,486,772</u>	<u>111,060</u>	<u>-</u>	<u>-</u>	<u>2,597,832</u>
Unassigned:					
Total fund balance	<u>2,558,817</u>	<u>-</u>	<u>4,999</u>	<u>-</u>	<u>2,563,816</u>
Total fund balance	<u>5,953,354</u>	<u>841,513</u>	<u>334,567</u>	<u>717,100</u>	<u>7,846,534</u>
Total liabilities and fund balance	<u>\$ 6,219,417</u>	<u>\$ 960,788</u>	<u>\$ 601,380</u>	<u>\$ 734,738</u>	<u>\$ 8,516,323</u>
Total governmental fund balance, as above					\$ 7,846,534
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					19,288,855
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds					(2,565,584)
Compensated absences are not due and payable in the current period and therefore are not reported on the balance sheet					(205,284)
OPEB liabilities are not due and payable in the current period and therefore are not reported on the balance sheet					<u>(235,329)</u>
Net position of governmental activities					<u>\$ 24,129,192</u>

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, 2014

	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 990,262	\$ -	\$ -	\$ -	\$ 990,262
Sales and use taxes	1,857,446	-	-	-	1,857,446
Transient occupancy taxes	712,115	-	-	-	712,115
Assessment	-	-	236,571	-	236,571
Franchise and fees	261,607	-	-	-	261,607
Licenses and permits	203,164	-	85,421	-	288,585
Intergovernmental revenues	803,607	548,049	-	508,764	1,860,420
Charges for services	72,391	-	221,270	-	293,661
Fines, forfeitures and penalties	3,819	-	-	34,132	37,951
Use of money and property	28,049	7,624	1,725	7,773	45,171
Other	42,312	-	-	534	42,846
Total revenues	<u>4,974,772</u>	<u>555,673</u>	<u>544,987</u>	<u>551,203</u>	<u>6,626,635</u>
<b>EXPENDITURES</b>					
Current:					
City council, manager, and clerk	233,619	-	-	-	233,619
General government	341,024	-	13,260	-	354,284
Planning and development	430,130	85,913	-	-	516,043
Parks and recreation	419,982	-	-	-	419,982
Public works administration	51,778	11,092	-	45,119	107,989
Public works maintenance	150,354	2,572	-	-	152,926
Police protection	2,402,151	30,096	-	-	2,432,247
Fire protection	424,193	-	740	-	424,933
Streets and sidewalks	-	-	-	493,853	493,853
Public transportation	-	-	-	193,065	193,065
Capital outlay	910,509	583,730	589,043	92,200	2,175,482
Debt service:					
Principal	-	-	559,030	-	559,030
Interest	-	-	125,844	-	125,844
Total expenditures	<u>5,363,740</u>	<u>713,403</u>	<u>1,287,917</u>	<u>824,237</u>	<u>8,189,297</u>
Excess of revenues over (under) expenditures	<u>(388,968)</u>	<u>(157,730)</u>	<u>(742,930)</u>	<u>(273,034)</u>	<u>(1,562,662)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	215,951	-	-	-	215,951
Proceeds from lease	-	-	589,043	-	589,043
Operating transfers in	-	238,979	55,698	462,106	756,783
Operating transfers out	(612,472)	-	-	(9,466)	(621,938)
Total other financing sources (uses)	<u>(396,521)</u>	<u>238,979</u>	<u>644,741</u>	<u>452,640</u>	<u>939,839</u>
Excess of revenues and other sources over (under) expenditures and other uses	(785,489)	81,249	(98,189)	179,606	(622,823)
<b>FUND BALANCE</b>					
Beginning of year	6,738,843	760,264	432,756	537,494	8,469,357
End of the year	<u>\$ 5,953,354</u>	<u>\$ 841,513</u>	<u>\$ 334,567</u>	<u>\$ 717,100</u>	<u>\$ 7,846,534</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, 2014

Change in fund balance, governmental funds	\$ (622,823)
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 (\$2,175,482), exceeds the depreciation expense (\$933,832) in the current period.	1,241,650
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.	559,030
Governmental funds do not report the increase of OPEB liabilities as an expenditure, but it is reported in the Statement of Activities	(55,003)
Governmental funds do not report the increase of compensated absences as an expenditure, but it is reported in the Statement of Activities	(7,957)
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.	(357,752)
The lease purchase agreement for fire apparatus generated proceeds of \$589,043 on the Statement of Revenues, Expenditures and Changes in Fund Balance, but is an increase in long-term liabilities in the Statement of Net Assets.	(589,043)
Change in net position of governmental activities	\$ 168,102

City of Yreka  
Statement of Net Position  
Proprietary Funds  
June 30, 2014

	Enterprise		Total
	Sewer Fund	Water Fund	
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,594,693	\$ 6,307,733	\$ 7,902,426
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	263,678	325,906	589,584
Due from other funds	250,184	-	250,184
Total current assets	<u>2,108,555</u>	<u>6,633,639</u>	<u>8,742,194</u>
Restricted assets:			
Cash and investments	<u>100,000</u>	<u>200,000</u>	<u>300,000</u>
Capital assets:			
Non-depreciable	2,269,134	187,517	2,456,651
Depreciable, net	<u>7,611,646</u>	<u>13,391,476</u>	<u>21,003,122</u>
Total capital assets, net	<u>9,880,780</u>	<u>13,578,993</u>	<u>23,459,773</u>
Total assets	<u>12,089,335</u>	<u>20,412,632</u>	<u>32,501,967</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	570,171	98,950	669,121
Construction retention payable	61,270	-	61,270
Current portion of long-term debt	157,321	116,000	273,321
Current portion of compensated absences	16,199	16,801	33,000
Total current liabilities	<u>804,961</u>	<u>231,751</u>	<u>1,036,712</u>
Long-term liabilities:			
Long-term debt, net of current portion	548,638	6,470,000	7,018,638
Compensated absences, net of current portion	-	7,824	7,824
OPEB Liability	49,425	57,473	106,898
	<u>598,063</u>	<u>6,535,297</u>	<u>7,133,360</u>
Total liabilities	<u>1,403,024</u>	<u>6,767,048</u>	<u>8,170,072</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	9,174,821	6,992,993	16,167,814
Restricted, for debt service, expendable	100,000	200,000	300,000
Unrestricted	<u>1,411,490</u>	<u>6,452,591</u>	<u>7,864,081</u>
Total net position	<u>\$10,686,311</u>	<u>\$13,645,584</u>	<u>\$24,331,895</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, 2014

	Sewer Fund	Enterprise Water Fund	Total
<u>OPERATING REVENUES</u>			
User fees and charges	\$ 2,390,873	\$ 2,839,282	\$ 5,230,155
Other	299	4,260	4,559
Total operating revenues	<u>2,391,172</u>	<u>2,843,542</u>	<u>5,234,714</u>
<u>OPERATING EXPENSES</u>			
Cost of power and water	214,796	271,123	485,919
Cost of treatment	664,941	465,334	1,130,275
Cost of water distribution and sewer collections	206,786	285,359	492,145
Cost of administration and billing	288,515	306,808	595,323
Depreciation and amortization	356,518	281,221	637,739
Total operating expenses	<u>1,731,556</u>	<u>1,609,845</u>	<u>3,341,401</u>
Operating income	<u>659,616</u>	<u>1,233,697</u>	<u>1,893,313</u>
<u>OTHER REVENUES (EXPENSES)</u>			
Intergovernmental revenues	-	687	687
Interest earned	6,283	14,986	21,269
Interest expense	(31,511)	(148,821)	(180,332)
Total other revenues (expenses)	<u>(25,228)</u>	<u>(133,148)</u>	<u>(158,376)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers out	(65,400)	(69,445)	(134,845)
Total other financing sources (uses)	<u>(65,400)</u>	<u>(69,445)</u>	<u>(134,845)</u>
Change in net position	568,988	1,031,104	1,600,092
<u>NET POSITION</u>			
Beginning of year	<u>10,117,323</u>	<u>12,614,480</u>	<u>22,731,803</u>
End of the year	<u>\$10,686,311</u>	<u>\$13,645,584</u>	<u>\$24,331,895</u>

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

City of Yreka  
Statement of Cash Flows  
Proprietary Funds  
June 30, 2014

	Sewer Fund	Enterprise Water Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,357,159	\$ 2,827,141	\$ 5,184,300
Payments to suppliers	(268,585)	(711,541)	(980,126)
Payments to or on behalf of employees	(505,233)	(584,966)	(1,090,199)
Net cash provided by operating activities	<u>1,583,341</u>	<u>1,530,634</u>	<u>3,113,975</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental revenues	-	26,475	26,475
Interfund transfers and payments	(65,400)	(69,445)	(134,845)
Net cash (used) by non-capital financing activities	<u>(65,400)</u>	<u>(42,970)</u>	<u>(108,370)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(1,756,694)	(85,575)	(1,842,269)
Proceeds from debt financing	96,328	-	96,328
Principal payments on debt	(866,448)	(113,000)	(979,448)
Interest payments on debt	(31,511)	(148,821)	(180,332)
Net cash (used) by investing activities	<u>(2,558,325)</u>	<u>(347,396)</u>	<u>(2,905,721)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income received	6,283	14,986	21,269
Net increase (decrease) in cash	(1,034,101)	1,155,254	121,153
<b>CASH</b>			
Beginning of the year	<u>2,728,794</u>	<u>5,352,479</u>	<u>8,081,273</u>
End of the year	<u>\$ 1,694,693</u>	<u>\$ 6,507,733</u>	<u>\$ 8,202,426</u>
Cash as Presented on the Statement of Net Position as:			
Current assets	\$ 1,594,693	\$ 6,307,733	\$ 7,902,426
Restricted assets	100,000	200,000	300,000
	<u>\$ 1,694,693</u>	<u>\$ 6,507,733</u>	<u>\$ 8,202,426</u>
Reconciliation of operating income to cash provided by operating activities:			
Operating income	\$ 659,616	\$ 1,233,697	\$ 1,893,313
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	356,518	281,221	637,739
(Increase) in trade accounts receivable	(34,013)	(16,401)	(50,414)
Increase in accounts payable	523,514	18,125	541,639
Increase in construction retention	61,270	-	61,270
Increase in compensated absences	7,383	4,965	12,348
Increase in OPEB liability	9,053	9,027	18,080
Net cash provided by operating activities	<u>\$ 1,583,341</u>	<u>\$ 1,530,634</u>	<u>\$ 3,113,975</u>

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

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**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 policies.

The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The enterprise/proprietary fund types apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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, 2014**

**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, 2014**

**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, 2014**

**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.

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.

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

*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.

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 budget is adopted by the City Council each 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.

**NOTE 2 CASH AND INVESTMENTS**

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities:	\$ 6,175,245	\$ 684,573	\$ 6,859,818
Business Type activities:	7,902,426	300,000	8,202,426
Total cash and investments	<u>\$ 14,077,671</u>	<u>\$ 984,573</u>	<u>\$ 15,062,244</u>

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 2 CASH AND INVESTMENTS (continued)**

In the governmental activities statement of net assets, \$684,573 of cash is reserved for capital outlays per the trust document that governs the bequest 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, 2014, the carrying amount of the City's deposits was \$103,730 and the bank balance was \$658,839. 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, 2014**

**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, 2014, the City had no medium term notes. At June 30, 2014, 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, 2014, 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, 2014, 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, 2014, 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, 2014**

**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.

	<u>6 Months or Less</u>	<u>6 Months to 1 Year</u>	<u>1 to 3 Years</u>	<u>More than 5 Years</u>	<u>Total</u>	<u>Fair Value</u>
Local Agency Investment Fund	\$ 14,958,513	\$ -	\$ -	\$ -	\$ 14,958,513	\$ 14,958,513
Total	<u>\$ 14,958,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 14,958,513	<u>\$ 14,958,513</u>
Bank demand deposits					658,839	
Outstanding Checks					(555,109)	
Total cash and investments					<u>\$ 15,062,243</u>	
Comprised of:						
Cash and Investments					14,077,671	
Restricted Cash and Investments					984,573	
Total cash and investments					<u>\$ 15,062,244</u>	

**NOTE 3 LOANS RECEIVABLE**

The City had the following loans receivable as of June 30, 2014:

Housing rehabilitation loans receivable	\$ 524,772
Loan loss reserve for housing loans	<u>(93,684)</u>
Net Housing loans receivable	<u>431,088</u>
Economic development business loans	151,237
Loan loss reserve for business loans	<u>(106,000)</u>
Net Economic development business loans	<u>45,237</u>
Loans arising from the sale of real property	<u>138,743</u>
Total loans receivable	<u>\$ 615,068</u>

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**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, 2014:

	<b>Due to other funds</b>						Total
	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Water Fund	Sewer Fund	
<b>Due from other funds</b>							
General Fund	\$ -	\$ 72,559	\$ 16,629	\$ -	\$ -	\$ -	\$ 89,188
Sewer Fund	-	-	250,184	-	-	-	250,184
Total	<u>\$ -</u>	<u>\$ 72,559</u>	<u>\$ 266,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,372</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>
<b>Governmental Funds:</b>			
General Fund:	For the General Fund's portion of expenses incurred by the Special Revenue Fund (\$55,698), Streets and Roads (\$462,106), and Special Grants Fund (\$94,668).	\$ -	\$ 612,472
Special Revenue Fund:	For the General Fund's portion of expenses (\$55,698) incurred by the Special Revenue Fund.	55,698	-
Special Grants Fund:	For the General Fund's portion of expenses (\$94,668), the Streets and Roads portion of expenses (\$9,466), the Sewer Funds portion of expenses (\$65,400), and the Water Funds portion of portion of expenses (\$69,445).	238,979	-
Streets and Roads Fund:	For the General Fund's portion of expenses (\$462,106) incurred by the Streets and Roads Fund and the Streets and Roads Fund's portion of expenses incurred by the Special Grants Fund (\$9,466).	462,106	9,466
		<u>756,783</u>	<u>621,938</u>
<b>Proprietary Funds:</b>			
Sewer Fund:	For the Sewer Funds portion of expenses incurred by the Special Grants Fund (\$65,400)	-	65,400
Water Fund:	For the Water Funds portion of expenses incurred by the Special Grants Fund (\$69,445)	-	69,445
		<u>-</u>	<u>134,845</u>
Total Transfers In/Out		<u>\$ 756,783</u>	<u>\$ 756,783</u>

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	June 30, 2013	Additions	Retirements	Transfers	June 30, 2014
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,909,498	\$ -	\$ -	\$ -	\$ 1,909,498
Construction in progress	1,024,843	2,003,818	-	(629,765)	2,398,896
Total capital assets, not being depreciated:	<u>2,934,341</u>	<u>2,003,818</u>	<u>-</u>	<u>(629,765)</u>	<u>4,308,394</u>
Capital assets, being depreciated:					
Buildings	4,787,391	-	(463,977)	-	4,323,414
Machinery and equipment	3,751,251	130,458	-	-	3,881,709
Infrastructure	29,887,967	41,206	-	629,765	30,558,938
Total capital assets, being depreciated	<u>38,426,609</u>	<u>171,664</u>	<u>(463,977)</u>	<u>629,765</u>	<u>38,764,061</u>
Less accumulated depreciation for:					
Buildings	2,631,466	102,848	(106,225)	-	2,628,089
Machinery and equipment	2,619,296	135,910	-	-	2,755,206
Infrastructure	17,705,231	695,074	-	-	18,400,305
Total accumulated depreciation	<u>22,955,993</u>	<u>933,832</u>	<u>(106,225)</u>	<u>-</u>	<u>23,783,600</u>
Total capital assets, being depreciated, net	<u>15,470,616</u>	<u>(762,168)</u>	<u>(357,752)</u>	<u>629,765</u>	<u>14,980,461</u>
Subtotal, governmental activities	<u>18,404,957</u>	<u>1,241,650</u>	<u>(357,752)</u>	<u>-</u>	<u>19,288,855</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	253,172	-	-	121,256	374,428
Construction in progress	11,380,766	1,564,872	-	(10,863,415)	2,082,223
Total capital assets, not being depreciated	<u>11,633,938</u>	<u>1,564,872</u>	<u>-</u>	<u>(10,742,159)</u>	<u>2,456,651</u>
Capital assets, being depreciated:					
Utility plant	16,605,862	68,921	-	4,253,953	20,928,736
Buildings	7,159,848	-	-	3,762,132	10,921,980
Machinery and equipment	4,453,148	208,476	-	2,726,074	7,387,698
Total capital assets, being depreciated	<u>28,218,858</u>	<u>277,397</u>	<u>-</u>	<u>10,742,159</u>	<u>39,238,414</u>
Less accumulated depreciation for:					
Utility plant	10,695,571	304,915	-	-	11,000,486
Buildings	3,510,281	214,671	-	-	3,724,952
Machinery and equipment	3,391,701	118,153	-	-	3,509,854
Total accumulated depreciation	<u>17,597,553</u>	<u>637,739</u>	<u>-</u>	<u>-</u>	<u>18,235,292</u>
Total capital assets, being depreciated, net	<u>10,621,305</u>	<u>(360,342)</u>	<u>-</u>	<u>10,742,159</u>	<u>21,003,122</u>
Subtotal, business-type activities	<u>22,255,243</u>	<u>1,204,530</u>	<u>-</u>	<u>-</u>	<u>23,459,773</u>
Total, government-wide	<u>\$40,660,200</u>	<u>\$2,446,180</u>	<u>\$ (357,752)</u>	<u>\$ -</u>	<u>\$42,748,628</u>

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**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	1,933		
Parks and recreation	108,841	Sewer distribution	\$ 149,291
Police protection	32,330	Sewer treatment	207,227
Fire protection	60,443	Water distribution	130,628
Streets and sidewalks	<u>702,248</u>	Water treatment	<u>150,593</u>
Total depreciation expense		Total depreciation expense	
- governmental activities	<u>\$ 933,832</u>	- business type activities	<u>\$ 637,739</u>

**NOTE 6 LONG TERM DEBT**

The following is a summary of long-term liabilities activity during the year ended June 30, 2014:

	June 30, 2013	Additions	Reductions	June 30, 2014	Current Portion
<b>Governmental activities</b>					
Long term debt					
Landfill Sale	\$ 2,048,743	\$ -	\$ 64,505	\$ 1,984,238	\$ 67,983
Fire Equipment	486,828	589,043	494,525	581,346	114,203
Total long-term debt	<u>2,535,571</u>	<u>589,043</u>	<u>559,030</u>	<u>2,565,584</u>	<u>182,186</u>
Compensated absences	<u>197,327</u>	<u>202,862</u>	<u>194,905</u>	<u>205,284</u>	<u>195,000</u>
Governmental activities long-term liabilities	<u>2,732,898</u>	<u>791,905</u>	<u>753,935</u>	<u>2,770,868</u>	<u>377,186</u>
<b>Business-type activities</b>					
Long term debt					
Certificates of Participation-sewer	807,000	96,328	807,000	96,328	96,328
State Water Resources	669,079	-	59,448	609,631	60,993
Certificates of Participation-water	6,699,000	-	113,000	6,586,000	116,000
Total long-term debt	<u>8,175,079</u>	<u>96,328</u>	<u>979,448</u>	<u>7,291,959</u>	<u>273,321</u>
Compensated absences	<u>28,476</u>	<u>45,272</u>	<u>32,924</u>	<u>40,824</u>	<u>33,000</u>
Subtotal business-type activities long term liabilities	<u>8,203,555</u>	<u>141,600</u>	<u>1,012,372</u>	<u>7,332,783</u>	<u>306,321</u>
Total, government-wide	<u>\$ 10,936,453</u>	<u>\$ 933,505</u>	<u>\$ 1,766,307</u>	<u>\$ 10,103,651</u>	<u>\$ 683,507</u>

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, 2014**

**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
Year Ended June 30, ;				
2015	\$ 67,983	\$ 107,017	\$ 114,203	\$ 9,313
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
2020-2024	492,334	382,666	-	-
2025-2029	640,216	234,784	-	-
2030-2033	473,077	51,923	-	-
<b>Total</b>	<b>\$1,984,238</b>	<b>\$1,165,762</b>	<b>\$ 581,346</b>	<b>\$ 25,941</b>

Year Ended June 30, ;	Total	
	Principal	Interest
2015	\$ 182,186	\$ 116,330
2016	187,878	110,638
2017	193,805	104,711
2018	199,976	98,540
2019	196,112	92,111
2020-2024	492,334	382,666
2025-2029	640,216	234,784
2030-2033	473,077	51,923
<b>Total</b>	<b>\$2,565,584</b>	<b>\$ 1,191,703</b>

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**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>				
2015	\$ 96,328	\$ 2,649	\$ 60,993	\$ 15,850
2016	-	-	62,579	14,265
2017	-	-	64,206	12,638
2018	-	-	65,876	10,968
2019	-	-	67,588	9,255
2020-2024	-	-	288,389	18,986
<b>Total</b>	<b>\$ 96,328</b>	<b>\$ 2,649</b>	<b>\$ 609,631</b>	<b>\$ 81,962</b>

Interest rate	USDA Cert of Part - Water		Total	
	2.25%			
	Principal	Interest	Principal	Interest
<u>Year Ended June 30, ;</u>				
2015	\$ 116,000	\$ 146,880	\$ 273,321	\$ 165,379
2016	119,000	144,236	181,579	158,501
2017	121,000	141,536	185,206	154,174
2018	124,000	138,780	189,876	149,748
2019	127,000	135,956	194,588	145,211
2020-2024	680,000	635,062	968,389	654,048
2025-2029	757,000	554,299	757,000	554,299
2030-2034	847,000	464,164	847,000	464,164
2035-2039	946,000	363,420	946,000	363,420
2040-2044	1,057,000	250,864	1,057,000	250,864
2045-2049	1,182,000	125,055	1,182,000	125,055
2050-2053	510,000	11,520	510,000	11,520
<b>Total</b>	<b>\$6,586,000</b>	<b>\$3,111,772</b>	<b>\$7,291,959</b>	<b>\$ 3,196,383</b>

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 7 PENSION PLAN**

Plan Description – The City’s defined benefit pension plan, City of Yreka Pension Plan (“the Plan”) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State Statutes within the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolutions. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Fiscal Services Division, PO Box 942703, Sacramento, CA 94229-2703 (1.888.CALPERS).

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.

As of June 30, 2014		Percent of Annual Covered Salary	
<u>Plan</u>	<u>Benefit Formula</u>	<u>Employee Rate</u>	<u>Employer Rate</u>
Classic	Miscellaneous 2% at Age 55	7.000% (a)	10.282%
Classic	Safety 2% at Age 50	9.000% (a)	19.900%
PEPRA (b)	Miscellaneous 2% at Age 62	6.250%	6.250%
PEPRA (b)	Safety 2.7% at Age 57	11.500%	11.500%

(a) As a result of 2013-2014 negotiations, employee contributions are paid by the employee.

(b) Effective January 1, 2013 by PEPRA.

Classic Members Annual Pension Cost – For the year ended June 30, 2014 the City’s annual Classic Plan pension cost was \$557,625, and the employee paid share was \$199,300, for a combined City contributed amount of \$358,325. The required contribution for the year ended June 30, 2014 was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20%, and: (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Plan’s assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year smoothed market method. The Plan’s unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012 was 13 years for safety and 19 years for miscellaneous.

PEPRA Members Annual Pension Cost – For the year ended June 30, 2014 the City’s annual PEPRA plan pension cost was \$7,218, and the employees’ paid share, net of the OASDI allowance, was \$7,138, for a combined contributed amount of \$14,356. The required contribution for the year ended June 30, 2014 was determined as part of the August 31, 2012 actuarial cost analysis using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. PEPRA will require all new members to contribute at least fifty

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 7 PENSION PLAN (continued)**

percent of the total annual normal cost of their pension benefit as determined by the actuary, and aims to have all current members of CalPERS pay at least 50% of the total annual normal cost within the next five years. The actuarial assumptions reflect those in place for the June 30, 2011 actuarial valuations for the classic plans.

Three Year Trend Information:

	2013	2012	2011
Annual Pension Cost (APC) Paid by City	\$ 358,325	\$ 541,867	\$ 559,267
Annual Pension Cost (APC) Paid by Employee	199,300	525	-
Total Annual Pension Cost	<u>\$ 557,625</u>	<u>\$ 542,392</u>	<u>\$ 559,267</u>
Percentage APC contributed	100%	100%	100%
Net Pension Obligation	\$ -	\$ -	\$ -

During the year ended June 30, 2003, CalPERS grouped all small employers (defined as those with less than 100 members in the Plan) into a risk pool. The following information for the years ended June 30, 2012 and 2011 (the latest available) are for the City's share of the risk pool.

The following represents public safety Classic Plan members employees:

<u>Schedule of funding progress:</u>	June 30, 2012	June 30, 2011
Entry Age Normal Accrual Liability	\$ 9,054,065	\$ 8,764,345
Share of Pool's Market Value of Assets (MVA)	\$ 6,764,137	\$ 6,908,697
Unfunded (overfunded) MVA Basis	\$ 2,289,928	\$ 1,855,648
Plan's Share of Funding Ratio (MVA Basis)	74.7%	78.8%
Plan's Actuarial Value of Assets (AVA)	\$ 8,113,496	\$ 7,717,068
Unfunded liability (AVA)	\$ 940,569 89.6%	\$ 1,047,277 88.1%

The following represents miscellaneous Classic Plan member employees:

<u>Schedule of funding progress:</u>	June 30, 2012	June 30, 2011
Entry Age Normal Accrual Liability	\$ 15,298,876	\$ 15,057,515
Share of Pool's Market Value of Assets (MVA)	\$ 11,807,196	\$ 12,321,498
Unfunded (overfunded) MVA Basis	\$ 3,491,680	\$ 2,736,017
Plan's Share of Funding Ratio (MVA Basis)	77.2%	81.8%
Plan's Actuarial Value of Assets (AVA)	\$ 13,950,914	\$ 13,764,989
Unfunded liability (AVA)	\$ 1,347,962 91.2%	\$ 1,292,526 91.4%

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**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 2014, the City contributed \$18,200 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)	\$	92,285
Interest on Net OPEB Obligation		10,766
Adjustment to ARC		(11,768)
Annual OPEB Cost		91,283
Contributions made in fiscal year 2014		(18,200)
Increase in net OPEB obligation		73,083
Net OPEB obligation, beginning of year		269,144
Net OPEB obligation, end of year	\$	342,227

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**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, 2014 was \$1,026,274. The covered payroll (annual payroll of active employees covered by the plan) on June 30, 2014 was \$2,444,033 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 41.99%.

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, 2014 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	4.50%
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%

**City of Yreka, California**  
**Notes to Basic Financial Statement**  
**June 30, 2014**

**NOTE 9 DEFICIT FUND BALANCE**

At June 30, 2014 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, 2014 for governmental activities were restricted for capital outlays. Restricted net assets at June 30, 2014 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, 2014.

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, 2014**

**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, 2014:

**City of Yreka Construction Commitments, as of June 30, 2014**

Contractor	Project	Total Contract Amount	Incurred to date	Remaining
Marrone Construction Inc., Mt Shasta, CA	North Yreka Creek Trail Improvement	\$ 927,051	\$ -	\$ 927,051
T & S Construction, Sacramento, CA	USDA Funded Wastewater Improvements	2,365,337	468,183	1,897,154
RTA Construction, Redding, CA	USDA Funded Wastewater Improvements	2,174,710	757,209	\$ 1,417,501
Total. Construction commitments		<u>\$ 5,467,098</u>	<u>\$ 1,225,392</u>	<u>\$ 4,241,706</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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Yreka  
 Budgetary Comparison Schedule  
 General Fund  
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<b>REVENUES</b>				
Property taxes	\$ 940,500	\$ 940,500	\$ 990,262	\$ 49,762
Sales and use taxes	1,700,000	1,700,000	1,857,446	157,446
Transient occupancy taxes	600,000	600,000	712,115	112,115
Franchise and other licenses	250,000	250,000	261,607	11,607
Licenses and permits	160,050	161,550	203,164	41,614
Intergovernmental revenues	676,000	790,549	803,607	13,058
Charges for services	46,025	54,525	72,391	17,866
Fines, forfeitures and penalties	6,500	6,500	3,819	(2,681)
Use of money and property	25,000	25,000	28,049	3,049
Other	21,000	34,186	42,312	8,126
Total revenues	<u>4,425,075</u>	<u>4,562,810</u>	<u>4,974,772</u>	<u>411,962</u>
<b>EXPENDITURES</b>				
Current:				
City council, manager, and clerk	211,320	233,770	233,619	151
General government	313,592	341,258	341,024	234
Planning and development	452,514	468,206	430,130	38,076
Parks and recreation	392,327	420,415	419,982	433
Public works administration	65,178	56,468	51,778	4,690
Public works fleet maintenance	137,736	172,344	150,354	21,990
Police protection	2,325,129	2,446,538	2,402,151	44,387
Fire protection	343,313	458,151	424,193	33,958
Capital outlay	95,500	916,375	910,509	5,866
Total expenditures	<u>4,336,609</u>	<u>5,513,525</u>	<u>5,363,740</u>	<u>149,785</u>
Excess of revenues over (under) expenditures	<u>88,466</u>	<u>(950,715)</u>	<u>(388,968)</u>	<u>561,747</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	216,000	215,951	(49)
Operating transfers out	(518,048)	(614,048)	(612,472)	1,576
Total other financing sources (uses)	<u>(518,048)</u>	<u>(398,048)</u>	<u>(396,521)</u>	<u>1,527</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (429,582)</u>	<u>\$ (1,348,763)</u>	<u>\$ (785,489)</u>	<u>\$ 563,274</u>

City of Yreka  
 Budgetary Comparison Schedule  
 Special Grant Fund  
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Intergovernmental revenues	\$ 2,302,845	\$ 2,457,941	\$ 548,049	\$ (1,909,892)
Use of money and property	5,950	5,950	7,624	1,674
Total revenues	<u>2,308,795</u>	<u>2,463,891</u>	<u>555,673</u>	<u>(1,908,218)</u>
<u>EXPENDITURES</u>				
Current:				
Planning and development	78,750	86,750	85,913	837
Public administration	-	12,100	11,092	1,008
Police protection	-	30,096	30,096	-
Public Works Maintenance	7,520	32,520	2,572	29,948
Capital outlay	2,425,200	2,525,200	583,730	1,941,470
Total expenditures	<u>2,511,470</u>	<u>2,686,666</u>	<u>713,403</u>	<u>1,973,263</u>
Excess of revenues over (under) expenditures	<u>(202,675)</u>	<u>(222,775)</u>	<u>(157,730)</u>	<u>65,045</u>
<u>OTHER FINANCING (USES)</u>				
Operating transfers in	208,625	240,125	238,979	(1,146)
Total other financing sources (uses)	<u>208,625</u>	<u>240,125</u>	<u>238,979</u>	<u>(1,146)</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ 5,950</u>	<u>\$ 17,350</u>	<u>\$ 81,249</u>	<u>\$ 63,899</u>

City of Yreka  
 Budgetary Comparison Schedule  
 Special Revenue Fund  
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Assessment	\$ 230,000	\$ 230,000	\$ 236,571	\$ 6,571
Licenses and permits	16,000	60,300	85,421	25,121
Charges for service	216,000	216,000	221,270	5,270
Use of money and property	750	750	1,725	975
Total revenues	<u>462,750</u>	<u>507,050</u>	<u>544,987</u>	<u>37,937</u>
<u>EXPENDITURES</u>				
Current:				
General Government	13,242	13,722	13,260	462
Fire protection	-	1,000	740	260
Capital outlay	-	589,043	589,043	-
Debt service:				
Principal	180,779	559,504	559,030	474
Interest	130,025	130,024	125,844	4,180
Total expenditures	<u>324,046</u>	<u>1,293,293</u>	<u>1,287,917</u>	<u>5,376</u>
Excess of revenues over (under) expenditures	<u>138,704</u>	<u>(786,243)</u>	<u>(742,930)</u>	<u>43,313</u>
<u>OTHER FINANCING (USES)</u>				
Proceeds from lease	-	589,043	589,043	-
Operating transfers in	-	56,000	55,698	(302)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>645,043</u>	<u>644,741</u>	<u>(302)</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ 138,704</u>	<u>\$ (141,200)</u>	<u>\$ (98,189)</u>	<u>\$ 43,011</u>

City of Yreka  
 Budgetary Comparison Schedule  
 Streets and Roads Fund  
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<b>REVENUES</b>				
Intergovernmental revenues	\$ 397,000	\$ 482,585	\$ 508,764	\$ 26,179
Fines and forfeitures	-	20,000	34,132	14,132
Use of money and property	7,500	7,500	7,773	273
Other revenue	-	-	534	534
Total revenues	<u>404,500</u>	<u>510,085</u>	<u>551,203</u>	<u>41,118</u>
<b>EXPENDITURES</b>				
Current:				
Public works administration	40,149	45,199	45,119	80
Streets and storm drainage	655,869	552,081	493,853	58,228
Public transportation	165,000	193,065	193,065	-
Capital outlay	315,000	93,000	92,200	800
Total expenditures	<u>1,176,018</u>	<u>883,345</u>	<u>824,237</u>	<u>59,108</u>
Excess of revenues over (under) expenditures	<u>(771,518)</u>	<u>(373,260)</u>	<u>(273,034)</u>	<u>100,226</u>
<b>OTHER FINANCING (USES)</b>				
Operating transfers in	438,048	463,048	462,106	(942)
Operating transfers out	(8,625)	(9,625)	(9,466)	159
Total other financing sources (uses)	<u>429,423</u>	<u>453,423</u>	<u>452,640</u>	<u>(783)</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ (342,095)</u>	<u>\$ 80,163</u>	<u>\$ 179,606</u>	<u>\$ 99,443</u>

SINGLE AUDIT REPORTS AND SCHEDULES

**City of Yreka**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2014**

Program Title	Federal CFDA #	Grant #	Award Amount	Federal Expenditures
<b>Department of Housing and Urban Development</b>				
Passed through California Department of Housing and Community Development				
Community Development Block Grant/State's Programs	14.228	08-EDEF-5874		
Community Development Block Grant/Technical Assistance Program	14.227		\$ 35,000	\$ 21,035
Total Department of Housing and Urban Development			<u>35,000</u>	<u>21,035</u>
<b>Department of the Interior</b>				
Partners in Fish and Wildlife	15.631	F11AC01280	7,520	87
Total Department of the Interior			<u>7,520</u>	<u>87</u>
<b>Department of Agriculture</b>				
Waste and Water Disposal Systems for Rural Communities (ARRA)				
B - Project Grant	10.781	SF271-1924	3,249,000	687
Waste and Water Disposal Systems for Rural Communities				
E - Direct Loan	10.760	92-04	5,000,000	866,704
Watershed Restoration and Enhancement Agreement Authority				
B- Cooperative Agreements	10.693	PA11050500-083		
Total Department of Agriculture			<u>8,249,000</u>	<u>867,391</u>
<b>Environmental Protection Agency Office of Solid Waste and Emergency Response</b>				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements				
	66.818	BF-00T30101-1	400,000	60,985
Total Environmental Protection Agency Office of Solid Waste and Emergency Response			<u>400,000</u>	<u>60,985</u>
<b>Department of Transportation</b>				
Passed through California Department of Transportation				
Highway Planning and Construction (HBRR Fairlane)	20.205	5020(016)	44,442	1,355
Highway Planning and Construction (HBRR BPMP)	20.205	5020(018)	22,133	1,644
Total Department of Transportation			<u>66,575</u>	<u>2,999</u>
Total expenditure of federal awards			<u>\$8,758,095</u>	<u>\$ 952,497</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, 2014, 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 January 23, 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  
January 23, 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, 2014. 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, 2014.

## 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  
January 23, 2015



**City of Yreka, California**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended June 30, 2014**

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