

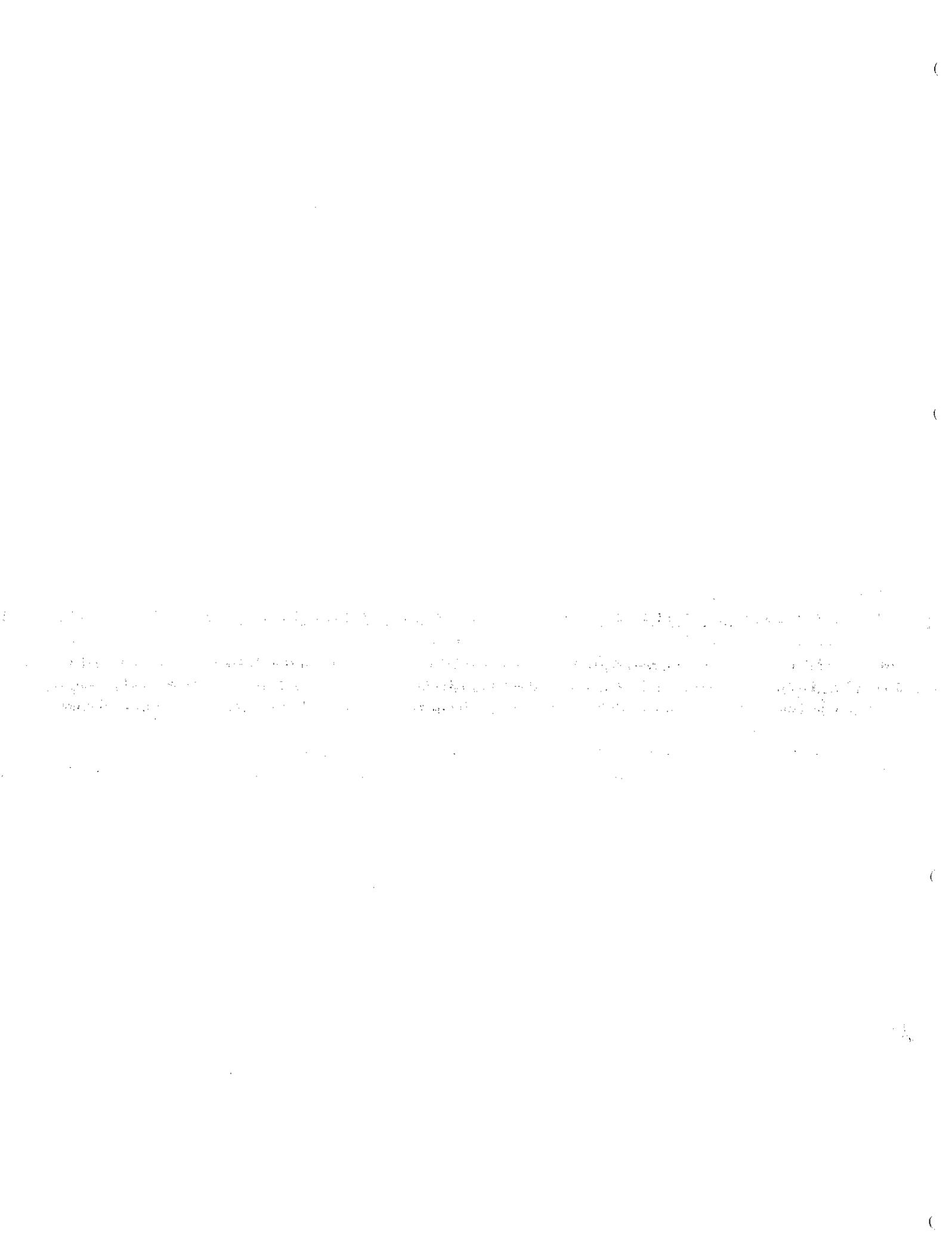
CITY OF YREKA, CALIFORNIA

FINANCIAL STATEMENTS

Fiscal Year Ended

June 30, 1998

With Accountants' Report



CITY OF YREKA, CALIFORNIA

Year ended June 30, 1998

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CITY OF YREKA

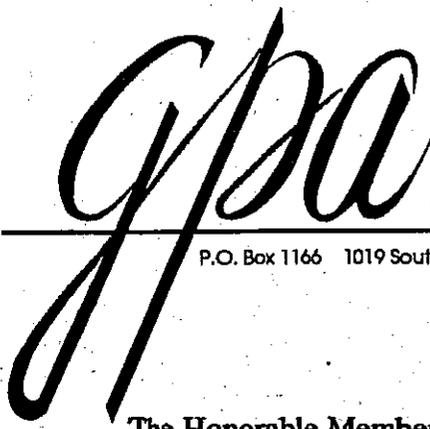
Directory of City Officials
June 30, 1998

CITY COUNCIL

Grace Bennett	Mayor
Dusty Veale	Mayor Pro-Tem
Ed Harris	Council Member
Dale Roberts	Council Member
James N. Griffin	Council Member

ADMINISTRATIVE OFFICERS

Dale Shaddox	City Manager
Michelle Dressler	Finance Director
Michael S. Pavlik	City Treasurer
Don Callahan	Chief of Police
Joe Suter	Volunteer Fire Chief
Bob Bly	City Engineer
Larry Bacon	City Attorney



Gary P. Allen, CPA

P.O. Box 1166 1019 South Main Street Yreka, CA 96097

(916) 842-1226 FAX (916) 842-4989

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of City Council
City of Yreka, California

We have audited the general purpose financial statements of the City of Yreka, California, as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City of Yreka, California, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted the audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

As discussed in Note 4, the City has not maintained adequate records relating to the fixed assets of the proprietary fund types and the general fixed asset group of accounts. Accordingly, we were unable to satisfy ourselves as to the fixed assets balances amounting to \$5,104,335 and \$34,861,938 for the proprietary fund types and account group, respectively. Additionally, depreciation of fixed assets has not been recorded as an expense for all assets of the proprietary fund types as required by generally accepted accounting principles. The effect of not recording depreciation in those proprietary funds has not been determined.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit adequate fixed asset records, and for the effect of not recording depreciation on all fixed assets in the proprietary funds, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Yreka, California, as of June 30, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.



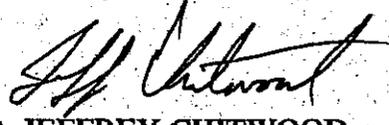
The Honorable Members of City Council
City of Yreka, California
Page 2

In accordance with Governmental Auditing Standards, we have also issued a report dated December 18, 1998 on our consideration of City of Yreka's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying 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 not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the items discussed in the third paragraph, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



GARY P. ALLEN
CERTIFIED PUBLIC ACCOUNTANT



R. JEFFREY CHITWOOD
CERTIFIED PUBLIC ACCOUNTANT

December 18, 1998

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CITY OF YREKA, CALIFORNIA

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1998

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Funds
ASSETS			
Cash and investments (Note 2)	\$1,753,594	\$608,104	\$121,423
Receivables:			
Accounts receivable		15,231	
Taxes	172,249		
Miscellaneous	3,142		
Note receivable - YMCA	33,661		
Due from other funds (Note 3)	8,038		
Accrued interest	40,868		
Deposits			
Fixed assets, net of accumulated depreciation in Proprietary fund (Note 4)			
Amount to be provided for long-term debt			
Total assets	\$2,011,552	\$623,335	\$121,423
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$21,573	\$9,069	
Payroll payable	81,140	5,064	
Deferred payroll	112,043	21,454	
Accrued interest payable			
Deposits	320		
Current portion of long-term debt (Not Due to other funds (Note 3)		8,038	
Long-term debt (Note 5)			
General long term debt			
Held for trust purposes			
Held for assessment district			
Total liabilities	215,076	43,625	-

See accompanying notes to combined financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total Memorandum only
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	
\$2,534,764	\$411,372			\$5,429,257
62,246				77,477
				172,249
				3,142
				33,661
				8,038
				40,868
2,188,173		\$34,861,938		37,050,111
			\$310,611	310,611
<u>\$4,785,183</u>	<u>\$411,372</u>	<u>\$34,861,938</u>	<u>\$310,611</u>	<u>\$43,125,414</u>
\$8,230				\$38,872
9,068				95,272
12,181				145,678
21,974				21,974
				320
156,760				156,760
				8,038
2,010,571				2,010,571
			\$310,611	310,611
	\$63,249			63,249
	77,152			77,152
<u>2,218,784</u>	<u>140,401</u>	<u>-</u>	<u>310,611</u>	<u>2,928,497</u>

CITY OF YREKA, CALIFORNIA

Combined Balance Sheet - All Fund Types and Account Groups, Continued June 30, 1998

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Fund equity:			
Investment in general fixed assets			
Retained earnings			
Fund balances:			
Reserved for:			
Trust corpus			
Road related projects	\$30,570		
Capital projects			\$121,423
Unreserved			
Designated for:			
Retirement program	94,116		
Self insurance	216,230		
Employee health plan	14,365		
Specific projects:			
Grant participation	81,199		
Equipment purchases	143,042		
Building improvement	246,883		
Contingencies	158,703		
Undesignated	811,368	\$579,710	
Total fund equity	<u>1,796,476</u>	<u>579,710</u>	<u>121,423</u>
Total liabilities and fund equity	<u>\$2,011,552</u>	<u>\$623,335</u>	<u>\$121,423</u>

See accompanying notes to combined financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-term Debt	
Enterprise Funds	Trust and Agency Funds			
\$2,566,399		\$34,861,938		\$34,861,938 2,566,399
	\$250,000			250,000 30,570 121,423
				94,116 216,230 14,365 20,971 81,199 143,042 246,883 158,703 1,391,078
<u>2,566,399</u>	<u>270,971</u>	<u>34,861,938</u>	<u>-</u>	<u>40,196,917</u>
<u>\$4,785,183</u>	<u>\$411,372</u>	<u>\$34,861,938</u>	<u>\$310,611</u>	<u>\$43,125,414</u>



CITY OF YREKA, CALIFORNIA

Combined Statement of Cash Flows

All Proprietary Fund Types

Year ended June 30, 1998

	Proprietary Fund Types	Fiduciary Fund Types	Memorandum Only TOTAL
	Enterprise Funds	YMCA Building Fund	
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income (loss)	\$160,231	\$4,381	\$164,612
Adjustments to reconcile net income to net cash used by operating activities:			
Depreciation	158,502		158,502
(Increase) in accounts receivable	42,494		42,494
(Decrease) in accounts payable	(13,193)		(13,193)
Increase (Decrease) in deferred payroll	3,426		3,426
Increase (Decrease) in payroll payable	1,410		1,410
Increase (Decrease) in accrued interest payable	(1,517)		(1,517)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	351,353	4,381	355,734
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(37,003)	-	(37,003)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt reduction	(156,759)	-	(156,759)
NET INCREASE (DECREASE) IN CASH	157,591	4,381	161,972
CASH AND CASH EQUIVALENTS, JUNE 30, 1997	2,377,173	266,590	2,643,763
CASH AND CASH EQUIVALENTS, JUNE 30, 1998	\$2,534,764	\$270,971	\$2,805,735
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest earned	\$194,250	\$16,381	\$210,631
Interest paid - current	46,867		46,867
Interest paid - deferred	33,849		33,849

Disclosure of accounting policy:

For purposes of the statement of cash flow the city includes US Treasury Bills (at cost) \$1,585,250; this amount is consistent from year to year.

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

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements
June 30, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the City of Yreka, California, all of which conform to generally accepted accounting principles as applicable to governmental units:

A. Principles of Combination

The financial statements of the City of Yreka include the financial activities of the City. Various governmental agencies provide services within the City of Yreka, however, they do not meet any of the selection criterion for inclusion in the City's reporting entity. Consequently, financial information for these agencies is not included in the accompanying financial statements.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements of this report into three generic fund types and one account group as follows:

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

Governmental Funds

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types).

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) 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.

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

Account Groups

General Fixed Asset Account Group

This group of accounts is established to maintain control and cost information for all fixed assets of the City which are not accounted for in the proprietary funds.

General Long-term Debt Account Group

This group of accounts is established to account for all long-term debt of the City, except those accounted for in the proprietary and special assessment fund types.

C. Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues considered susceptible to accrual includes: property taxes, certain Federal and State grants, investment earnings, utility and waste collection. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled utility service receivables are recorded at year end.

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

D. Taxes Receivable

The County of Siskiyou assesses, bills and collects property taxes for the City. The County property tax is levied each November 1 on the assessed valuation of property located in the County as of the preceding lien date. Taxes are receivable in two equal installments which become delinquent the first working day after December 10 and April 10. City property tax revenues are recognized when levied to the extent that they result in current receivables.

E. Budgetary Data

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, as revised, are presented in the financial statements for the general fund and special revenue funds.

F. Cash and Investments

The City follows the practice of pooling cash resources, consisting of cash and investments, from all funds for the purpose of increasing income through investment activities. Interest earned on pooled cash resources is allocated among funds based on the individual funds computed average interest rate of all investments.

CITY OF YREKA, CALIFORNIA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types Year ended June 30, 1998

	Governmental Fund Types			Total (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Projects Funds	
REVENUES:				
Property and other taxes	\$2,341,519			\$2,341,519
License and permits	81,167			81,167
Intergovernmental revenue	324,471	\$328,511		652,982
Charges for services	491,181			491,181
Fines and forfeitures	9,698			9,698
Use of money and property In Kind	203,075	24,556		227,631
		26,819		26,819
Other revenue	614,748	50,256		665,004
Total revenues	4,065,859	430,142	-	4,496,001
EXPENDITURES:				
City council	16,232			16,232
City administrator	238,644			238,644
Public safety	988,596	60,362		1,048,958
Animal regulation	33,048			33,048
Planning	41,501			41,501
Public works	1,258,080	117,786		1,375,866
Parks and recreation	274,825			274,825
General government	1,199,367			1,199,367
Community promotion	346,778			346,778
Senior nutrition		185,194		185,194
Capital projects		322	\$1	323
Drug awareness education		10,324		10,324
Total expenditures	4,397,071	373,988	1	4,771,060
Excess (deficiency) of revenue over(under) expenditures	(331,212)	56,154	(1)	(275,059)
Other financing sources(uses):				
Operating transfers in	216,321	34,216	6,700	257,237
Operating transfers (out)	(219,169)			(219,169)
Total other financing sources (uses)	(2,848)	34,216	6,700	38,068
Excess of revenues and other sources over expenditures and other uses	(334,060)	90,370	6,699	(236,991)
Fund balances, June 30, 1997	2,130,536	489,340	114,724	2,734,600
Fund balances, June 30, 1998	\$1,796,476	\$579,710	\$121,423	\$2,497,609

See accompanying notes to combined financial statements.

CITY OF YREKA, CALIFORNIA

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual -
General and Special Revenue Fund Types - Budget Basis
Year ended June 30, 1998

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Property and other taxes	\$2,375,756	\$2,341,519	\$34,237			
License and permits	79,800	81,167	(1,367)			
Intergovernmental revenue	318,126	324,471	(6,345)	\$354,702	\$328,511	\$26,191
Charges for services	384,800	491,181	(106,381)			
Fines and forfeitures	18,000	9,698	8,302			
Use of money and property In Kind	234,812	203,075	31,737	24,000	24,556	(556)
				26,819	26,819	
Other revenue	472,070	614,748	(142,678)	41,700	50,256	(8,556)
Total revenues	3,883,364	4,065,859	(182,495)	447,221	430,142	17,079
EXPENDITURES:						
City council	25,800	16,232	9,568			
City administrator	218,682	238,644	(19,962)			
Public safety	1,025,043	988,596	36,447	72,056	60,362	11,694
Animal regulation	40,163	33,048	7,115			
Planning	39,814	41,501	(1,687)			
Public works	1,071,808	1,258,080	(186,272)	159,000	117,786	41,214
Parks and recreation	290,410	274,825	15,585			
General government	1,187,667	1,199,367	(11,700)			
Community promotion	402,550	346,778	55,772			
Senior nutrition				167,108	185,194	(18,086)
Capital projects					322	(322)
Drug awareness education				13,000	10,324	2,676
Total expenditures	4,301,937	4,397,071	(95,134)	411,164	373,988	37,176
Excess (deficiency) of revenues over(under) expenditures	(418,573)	(331,212)	(87,361)	36,057	56,154	(20,097)
Other financial sources(uses):						
Operating transfers in	216,321	216,321		33,900	34,216	-
Operating transfers (out)	(219,169)	(219,169)				
Total other financing sources (uses)	(2,848)	(2,848)	-	33,900	34,216	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(\$421,421)</u>	<u>(334,060)</u>	<u>(\$87,361)</u>	<u>\$69,957</u>	<u>90,370</u>	<u>(\$20,097)</u>
Fund balances, June 30, 1997		<u>2,130,536</u>			<u>489,340</u>	
Fund balances, June 30, 1998		<u>\$1,796,476</u>			<u>\$579,710</u>	

See accompanying notes to combined financial statements.

CITY OF YREKA, CALIFORNIA

Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Types & Similar Trust Funds Year ended June 30, 1998

	Proprietary	Fiduciary	Memorandum Only
	Fund Types	Fund Types	
	Enterprise	YMCA	TOTAL
	Funds	Building Fund	
Operating revenues:			
User fees and charges	\$751,468		\$751,468
Investment income		\$16,381	16,381
Total operating revenues	751,468	16,381	767,849
Operating expenses:			
Cost of power and water	175,010		175,010
Maintenance, operations and administration	375,886	12,000	387,886
Depreciation	158,502		158,502
Total operating expenses	709,398	12,000	721,398
Operating income (loss)	42,070	4,381	46,451
Other revenues (expenses)/Gains (losses):			
Interest income	194,250		194,250
Interest expense	(45,368)		(45,368)
Total other revenues	148,882	-	148,882
Income (loss) before operating transfers	190,952	4,381	195,333
Other financing sources (uses):			
Operating transfers out	(30,721)		(30,721)
Net income (loss)	160,231	4,381	164,612
Retained earnings, June 30, 1997	2,406,168	266,590	2,672,758
Retained earnings, June 30, 1998	\$2,566,399	\$270,971	\$2,837,370

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

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

G. Fixed Assets

Fixed assets purchased by governmental and proprietary fund type operations are recorded at cost or estimated cost when the original cost is not available. Donated fixed assets are recorded at estimated fair market value at the time of receipt.

Governmental fund type fixed assets are recorded as expenditures when purchased and are capitalized in the General Fixed Assets Account Group when applicable. Contributed fixed assets are recorded at fair market value at the time received. No depreciation is provided on general fixed assets (see also Note 4).

Infrastructure fixed assets, consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and street lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. The purpose of stewardship for capital expenditures is satisfied without recording these assets. No depreciation is provided on general fixed assets (see also Note 4).

Proprietary fund type fixed assets are capitalized and otherwise accounted for within the fund itself. When assets are retired or sold, the costs of the assets and the related accumulated depreciation are eliminated from the accounts and any resultant gain or loss is credited to income or charged to expense, respectively. Depreciation is being provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility Plants	35 years
Buildings	35 years
Improvements Other than Buildings	10 - 20 years
Equipment, Furnishings and Vehicles	5 - 10 years



CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

H. Accrued Vacation and Sick Pay

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken.

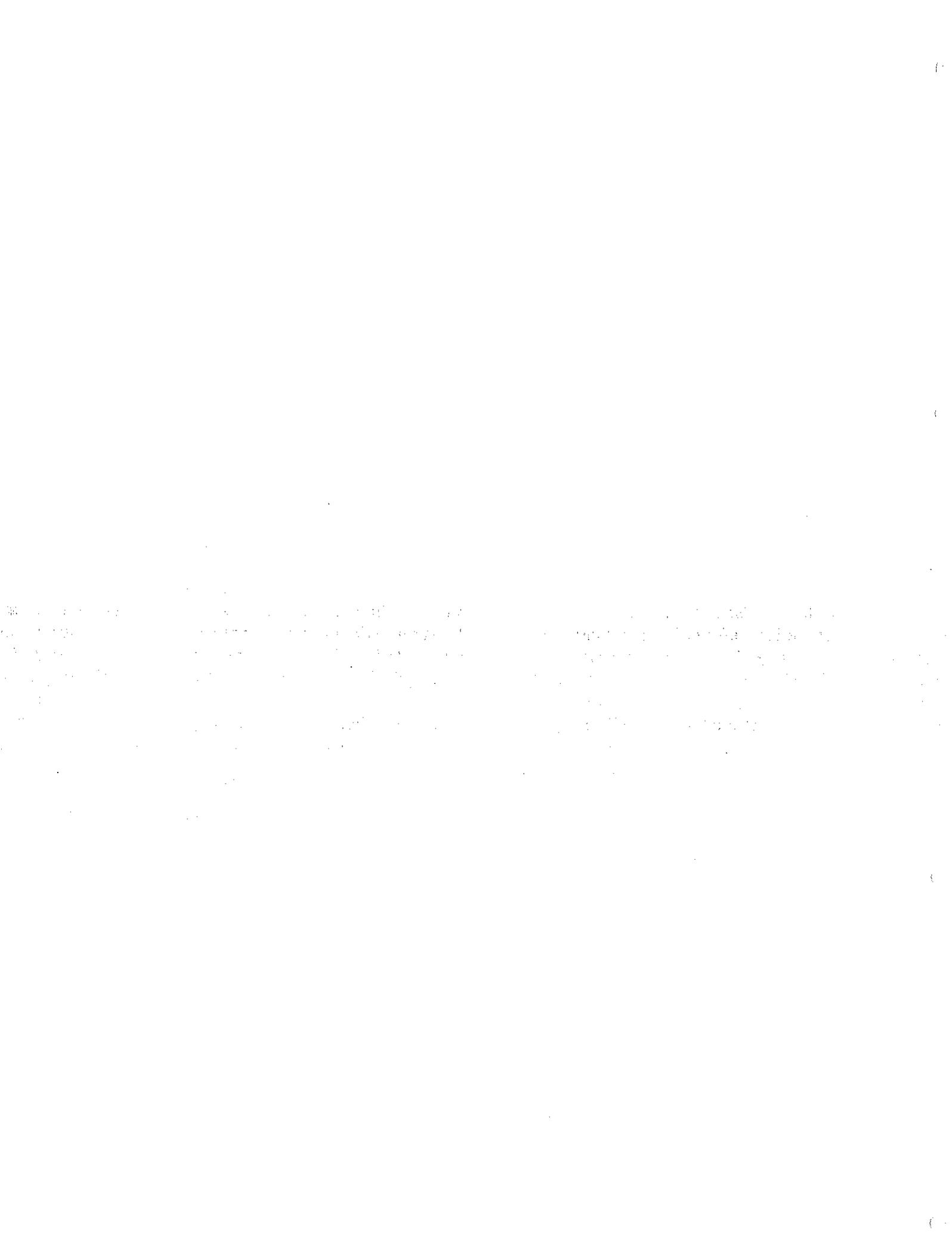
Vacation pay and other earned but unpaid wages have been accrued in the accompanying financial statements.

I. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles nor are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregate of these data.

J. Fund Equity

Reservations of fund balances indicate those portions of fund equity which are not available for appropriation or expenditure which have been restricted to a specific use. Unreserved - designated fund balances indicate that portion of fund equity for which the City Council has tentative plans for financial resource utilization in a future period.



CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(2) **CASH AND INVESTMENTS**

The City maintains a cash and investment pool for all City funds. Investments are stated at cost which approximates market value. Interest earned and received is allocated to funds based on their average cash balances.

	Cash and Investments(Carrying Value)	Market Value of Investments
Petty Cash	\$ 435	
Cash in checking	156,083	
Cash in savings	7,434	
Cash in Certificate of Deposit	<u>263,537</u>	
Total Cash	<u>427,489</u>	
Investment in state		
Treasurer's local agency Investment fund	3,112,897	\$3,112,897
US treasury bonds (At cost)	1,385,250	2,135,438
Investment in FRB		
Treasury Direct	<u>503,621</u>	<u>517,031</u>
Total Investments	<u>5,001,768</u>	<u>5,765,366</u>
Total cash and investments	<u>\$5,429,257</u>	

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(2) CASH AND INVESTMENTS (continued)

Investments:

Investments made by the city are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk within the following three categories:

- Category 1 Insured or registered, or securities held by the city or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the City's name.

	Category			Carrying Value	Fair Value
	1	2	3		
U.S. Government Securities	\$1,888,871	-0-	-0-	\$1,888,871	\$2,652,469
	<u>\$1,888,871</u>	<u>-0-</u>	<u>-0-</u>	<u>1,888,871</u>	<u>2,652,469</u>
Investment in CA State Treasurer's Local Agency Investment Fund				<u>3,112,897</u>	<u>3,112,897</u>
Total Investments				<u>\$5,001,768</u>	<u>\$5,765,366</u>

(3) INTERFUND ASSETS AND LIABILITIES

A summary of interfund assets and liabilities at June 30, 1998 are as follows:

<u>Advances from/to other funds</u>	<u>Assets</u>	<u>Liabilities</u>
General fund	\$8,038	
Special Revenue Funds:		
Senior nutrition fund		\$8,038
Total	<u>\$8,038</u>	<u>\$8,038</u>

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(4) **FIXED ASSETS**

A summary of changes in general fixed assets is as follows:

	<u>Balance 06/30/97</u>	<u>Additions</u>	<u>Balance 06/30/98</u>
Fixed asset balance, June 30, 1983	\$31,447,142		\$31,447,142
Building/Improvements	809,704		809,704
Land	64,347		64,347
Improvements other than buildings	103,737		103,737
Equipment	2,181,058	\$252,099	2,433,157
Equipment - Senior Nutrition	3,851		3,851
	<u>\$34,609,839</u>	<u>\$252,099</u>	<u>\$34,861,938</u>

A summary of proprietary fund type fixed assets at June 30, 1998 is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Balance at June 30, 1997	\$4,095,556	\$971,776	\$5,067,332
Additions:			
Plant improvements	2,631		2,631
New services	3,430		3,430
System improvements & Equipment	7,554	23,388	30,942
	<u>4,109,171</u>	<u>995,164</u>	<u>5,104,335</u>
Less accumulated depreciation	<u>(2,373,985)</u>	<u>(542,177)</u>	<u>(2,916,162)</u>
Fixed assets, net	<u>\$1,735,186</u>	<u>\$452,987</u>	<u>\$2,188,173</u>



CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

The City did not maintain a comprehensive historical cost record relative to the general fixed asset group of accounts or the fixed assets of the proprietary fund types prior to 1983. The City is in the process of obtaining and recording estimated historical values for its fixed assets and applicable depreciation. This information is to be recorded and maintained on a computerized fixed asset management system.

(5) **LONG-TERM DEBT**

The following is a summary of changes in general long-term obligations for the year ended June 30, 1998:

	Balance July 1, 1997	New Issues	Principal Repayments	Balance June 30, 1998
Dresser Dozer	\$85,370		\$42,685	\$42,685
Komatsu Scraper	38,664		19,332	19,332
John Deere	21,445		8,123	13,322
Ford Pick Up	28,962		9,068	19,894
Ford Pick Ups	35,727		9,839	25,888
LaFrance Fire Truck	-	\$215,549	26,059	189,490
	<u>\$210,168</u>	<u>\$215,549</u>	<u>\$115,106</u>	<u>\$310,611</u>



CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

Long-term debt at June 30, 1998 consists of the following:

	<u>Enterprise Fund</u>	<u>General Long-term Debt Account Group</u>
Note payable to California Dept. of Water Resources, unsecured, bearing interest at 2.5%. Principal payment due in annual installments ranging from 2.1% and accelerating to 4.95% in the 30th year (2010)	\$1,754,789	
Deferred interest payable to California Dept. of Water Resources, per applicable provisions of the above note, accumulated for initial 10 years of note, with no interest, payments due in annual installments of \$33,849.	406,185	
Note payable to Scott Valley Bank, secured with Dresser Dozer, which bears interest at 5%, principal payments of \$19,332 due annually, interest payments due semi-annually thru 1998.		\$42,685
Note payable to Scott Valley Bank, secured with Komatsu Scraper, which bears interest at 5%, interest and principal payments due semi-annually thru 1999.		19,332
Note payable to John Deer Credit, secured with Hessel Tractor, which bears interest at 7.25%, interest and principal payments due semi-annually thru 1999.		13,322
Note payable to Timberline Bank, secured with Ford Pickups, which bears interest at 5.5%, interest and principal payments due semi-annually thru 2000.	6,356	19,894

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

	<u>Enterprise Fund</u>	<u>General Long-term Debt Account Group</u>
Note payable to Timberline Bank, secured with Ford Pickups, which bears interest at 5.5%, interest and principal payments due semi-annually thru 2000.		\$25,888
Note payable to Tri Counties Bank, secured with LaFrance Fire Truck, which bears interest at 5.79%. Principal and interest is due on June 30, 1999.		189,490
	<u>2,167,330</u>	<u>310,611</u>
Less: portion classified as current	<u>(156,760)</u>	<u>-</u>
Total long-term obligations	<u><u>\$2,010,570</u></u>	<u><u>\$310,611</u></u>

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

The aggregate maturities on long-term debt over the succeeding years are summarized as follows:

Year Ended June 30	Enterprise Fund	General Long-term Debt Account Group
1999	\$160,476	\$278,927
2000	164,521	25,977
2001	165,873	5,707
2002	168,939	-
2003	173,085	-
Thereafter	1,334,436	-
	<u>\$2,167,330</u>	<u>\$310,611</u>

(6) NOTE RECEIVABLE

The city has a note receivable with the Yreka Family YMCA. The original amount of the loan is \$60,000. The loan is to be paid back with the YMCA endowment fund's investment revenue. Annual payments of \$10,000 including interest and principal will be made until the note is paid in full. Interest is to be based on the City of Yreka's monthly yield from the LAIF investment account which was 5.7% at June 30, 1998.

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(7) **SELF INSURANCE**

The City is self-insuring its employees dental care benefits. The plan pays up to a maximum of \$1,000 per person each calendar year on listed services and supplies. The amount held in reserve for this self-insured dental plan is \$14,365. This amount has been determined to be adequate based on prior years expenditures and city contributions. Actual dental plan expenditures for prior years and current were \$17,145 in 1990; \$19,183 in 1991; \$17,145 in 1992; \$17,225 in 1993 and \$19,549 in 1994, \$20,372 in 1995, \$24,113 in 1996, \$20,668 in 1997 and \$20,831 in 1998.

(8) **PENSION PLAN**

(A) **Plan Description:** The City of Yreka contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The Contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For fiscal year 1995/96, the City of Yreka's annual pension cost was \$65,037 and the City of Yreka actually contributed \$65,037. The required contribution for fiscal year 1997/98 was determined as part of the June 30, 1996 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 4.5% to 14.95% for miscellaneous members (from 5.02% to 12.34% for safety members), and (c) 4.5% cost-of-living adjustment. Both (a) and (b) include an inflation component of 4.5%.



CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(8) PENSION PLAN (continued)

The actuarial value of City of Yreka's plan assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. City of Yreka's unfunded actuarial accrued excess assets is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 1996 was 4 years.

Required Supplementary Information

Three Year Trend Information for Miscellaneous Plan of the City of Yreka:

Funded Status of Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/94	\$ 3,640,629	\$ 3,845,746	\$ (205,117)	105.6%	\$ 1,177,640	(17.418%)
6/30/95	3,774,477	4,138,523	(364,046)	109.6%	1,286,741	(28.292%)
6/30/96	4,370,558	4,759,886	(389,328)	108.9%	1,272,293	(30.600%)

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(9) SPECIAL ASSESSMENT DEBT WITH GOVERNMENT COMMITMENT

The following is a summary of the Campbell Tract Improvement District Bonds which are paid from proceeds collected by the County Tax Collector. Each parcel in the improvement district has a pro-rata share of the liability recorded as a lien on the parcel. The City has no liability, contingent or otherwise, for these bonds and they are shown in the financial statement notes for informational purposes only.

	1982 Campbell Tract Improvement Dist-Bonds
Original issue	\$ 343,300
Rate of interest	5.00%
Balance July 1, 1997	149,000
Payments during year	<u>22,000</u>
Balance June 30, 1998	127,000
Future debt service requirements are as follows:	
Year ended	
1999	\$ 23,000
2000	24,000
2001	25,000
2002	27,000
2003	28,000
Thereafter	<u>-0-</u>
	\$ 127,000

(10) DEFICIT FUND BALANCES

The following is a summary of funds that had deficit fund balances at June 30, 1998.

	Amount
Special Revenue Funds:	
Traffic Safety	(\$8,039)
Total	(\$8,039)

City management plans to eliminate the deficit fund balance with an interfund transfer.

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(11) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

The following is a summary of the excess (deficit) of expenditures over appropriations in individual funds for the year ended June 30, 1998.

<u>Fund</u>		
General Fund		(\$95,134)
Special Revenue Funds:		
D.A.R.E.	\$2,676	
Gas Tax Funds	19,266	
Improvement	-	
Local Transportation	21,948	
Special Grants	2,785	
Police Asset Forfeiture	-	
Senior Fund	(18,064)	
Traffic Safety	<u>8,565</u>	
Total Special Revenue Funds		37,176
Capital Projects Funds:		
Fire Dept. Historical Bldg.	(1)	
Closure Post/Closure Landfill	-	
Yreka Creek Greenway	<u>-</u>	
Total Capital Projects Funds		(1)

The following table shows the results of the experiment. The first column shows the number of trials, the second column shows the number of correct responses, and the third column shows the percentage of correct responses. The data shows that the number of correct responses increases as the number of trials increases, and that the percentage of correct responses remains relatively constant around 75%.

Number of Trials	Number of Correct Responses	Percentage of Correct Responses
10	7	70%
20	15	75%
30	22	73%
40	30	75%
50	37	74%
60	45	75%
70	52	74%
80	60	75%
90	67	74%
100	75	75%

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(11) **EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS**
(Continued)

Enterprise Funds:	
Water	\$251,287
Sewer	<u>102,265</u>
Total Enterprise Funds	\$353,552
Fiduciary Funds:	
Non-Expendable Trust Fund:	
YMCA Building Funds	<u>-</u>
Total Fiduciary Funds	<u>-</u>
TOTAL	<u><u>\$295,593</u></u>

CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(12) YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The City of Yreka has Completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting City operations. The City has identified the following systems requiring year 2000 remediation:

Financial reporting, water and sewer billing/collection, payroll and employee benefit systems. The City is currently remediating its financial reporting, water and sewer billing/collection, payroll and employee benefit systems. Validation and testing of these systems are scheduled to be completed before the end of fiscal year end 1999.

911 Police and fire emergency reporting system. The City has completed all testing and validation on its portion of the 911 police and fire reporting system. The 911 police and fire reporting system has data interchanges with several other non-city systems, some of which have not been fully tested and validated.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is or will be Year 2000 ready, that the city remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be year 2000 ready.

(13) COMMITMENTS, CONTINGENT LIABILITIES AND LITIGATION

A. The City participates in a number of Federal and State assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 1998, have yet to be conducted.

Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.



CITY OF YREKA, CALIFORNIA
Notes to Financial Statements (Continued)

(13) **COMMITMENTS, CONTINGENT LIABILITIES AND LITIGATION(continued)**

- B. Certain general obligation bonds which are issued exclusively as general obligations debt for the benefit of a governmental enterprise, but which, as a matter of discretionary financial policy, are actually serviced by earnings of an enterprise, are presented as an obligation of this enterprise rather than in general long-term debt. The City would be responsible for the debt only in the event that funds were not available in the enterprise. If this occurred, an interfund receivable would be created and remain until the enterprise fund was able to repay the City.

- C. There are minor lawsuits pending against the City, the outcome of which, in the opinion of staff, would not have a material effect on the financial statements of the City taken as a whole. In the opinion of management and the City Attorney, the City has adequate legal defenses relating to these suits.

CITY OF YREKA, CALIFORNIA

GENERAL FUND

The General Fund is used for all of the general revenues of the City not specifically levied or collected for in other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

CITY OF YREKA, CALIFORNIA
 Comparative Balance Sheets - General Fund
 June 30, 1998 and 1997

	Total	
	1998	1997
ASSETS		
Cash and Investments (Note 2)	\$1,753,594	\$1,991,994
Receivables:		
Accounts Receivable		
Taxes	172,249	348,907
Miscellaneous	3,142	17,505
Note Receivable - YMCA	33,661	43,199
Accrued interest	40,868	33,796
Due from other funds (Note 3)	8,038	8,782
	<u> </u>	<u> </u>
Total assets	<u>\$2,011,552</u>	<u>\$2,444,183</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$21,573	\$117,665
Payroll Payable	81,140	77,774
Deferred payroll	112,043	116,348
Deposits	320	1,860
	<u> </u>	<u> </u>
Total liabilities	<u>215,076</u>	<u>313,647</u>
Fund Equity:		
Fund Balances (Deficits):		
Reserved for:		
Road related projects	30,570	30,570
Unreserved		
Designated for:		
Retirement program	94,116	94,116
Self insurance	216,230	216,230
Employee health plan	14,365	14,365
Grant participation	81,199	81,199
Equipment purchases	143,042	251,430
Building improvement	246,883	361,817
Contingencies	158,703	200,000
Undesignated	811,368	880,809
	<u> </u>	<u> </u>
Total fund equity	<u>1,796,476</u>	<u>2,130,536</u>
	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$2,011,552</u>	<u>\$2,444,183</u>

See accompanying notes to combined financial statements.



CITY OF YREKA, CALIFORNIA

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance - General Fund Year Ended June 30, 1998 and 1997

	Total	
	1998	1997
REVENUES:		
Property taxes and other taxes	\$2,341,519	\$2,733,772
License and permits	81,167	79,844
Intergovernmental revenue	324,471	311,041
Charges for services	491,181	394,141
Fines and forfeitures	9,698	17,394
Use of money and property	203,075	205,116
Other revenues	614,748	519,540
Total revenue	4,065,859	4,260,848
EXPENDITURES:		
Current		
City council	16,232	53,296
City administrator	238,644	159,583
Public Safety	988,596	943,408
Animal regulations	33,048	49,475
Planning	41,501	22,839
Public works	1,258,080	948,303
Parks and recreation	274,825	333,087
General government	1,199,367	1,154,835
Community promotion	346,778	242,949
Total expenditures	4,397,071	3,907,775
Excess (deficiency) of revenue over (under) expenditures	(331,212)	353,073
Other financing sources (uses):		
Operating transfers in	216,321	148,524
Operating transfers (out)	(219,169)	(48,826)
Total other financing sources (uses)	(2,848)	99,698
Excess of revenues and other sources over expenditures and other uses	(334,060)	452,771
Fund balances, beginning of year	2,130,536	1,677,765
Fund balances, end of year	\$1,796,476	\$2,130,536

See accompanying notes to combined financial statements.

CITY OF YREKA, CALIFORNIA
SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for proceeds derived from specific revenue sources that are legally restricted to expenditures for specified purposes.

D.A.R.E.

Established to account for receipt and disbursement of Drug Awareness Education funds. Financing is provided by the state and private donations. These funds are restricted to the D.A.R.E. program.

Gas Tax Fund

Established to account for the construction and maintenance of the street system of the City. Financing is provided by the State and is restricted to street expenditures.

Improvement Funds

Established to account for receipt and disbursement of funds used for street lighting and sidewalks.

Local Transportation Fund

Established to account for the construction and maintenance of the street system of the City. Financing is provided by the State and is restricted to street expenditures.

Special Grants

Established to account for receipt and disbursement of grant funds. Financing is provided by the federal and state government.

Police Asset Forfeiture

Established to account for receipt and disbursement of funds obtained through police department and seizure.

Senior Program

Established to account for receipt and disbursement of funds for the City of Yreka Senior Nutrition Program. Financing is provided by the federal government. These funds are restricted to the Senior Program.

Traffic Safety

Established to account for receipt and disbursement of traffic fines. Financing is provided through the court system and is restricted as to expenditure.

CITY OF YREKA, CALIFORNIA

Combining Balance Sheet - All Special Revenue Funds

June 30, 1998

	<u>DARE</u>	<u>GAS TAX FUNDS</u>	<u>IMPROVEMENT FUNDS</u>	<u>LOCAL TRANSPORTATION</u>
ASSETS:				
Cash and Investments (Note 2)	\$2,549	\$379,923	\$45,441	\$139,582
Receivables:				
Accounts Receivable				
Non expendable equipment inventory				
Total assets	<u>\$2,549</u>	<u>\$379,923</u>	<u>\$45,441</u>	<u>\$139,582</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$567			\$14
Payroll payable		\$2,734		
Deferred payroll		16,433		
Due to general fund				
Total liabilities	<u>567</u>	<u>19,167</u>		<u>14</u>
Fund equity:				
Undesignated	1,982	360,756	\$45,441	139,568
Total fund equity	<u>1,982</u>	<u>360,756</u>	<u>45,441</u>	<u>139,568</u>
Total liabilities and fund equity	<u>\$2,549</u>	<u>\$379,923</u>	<u>\$45,441</u>	<u>\$139,582</u>

See accompanying notes to combined financial statements.

<u>SPECIAL GRANTS</u>	<u>POLICE ASSET FORFEITURE</u>	<u>SENIOR PROGRAM</u>	<u>TRAFFIC SAFETY</u>	<u>TOTAL</u>
\$37,775	\$2,834			\$608,104
		\$15,231		15,231
<u>\$37,775</u>	<u>\$2,834</u>	<u>\$15,231</u>	<u>-</u>	<u>\$623,335</u>
\$607		\$7,193	\$688	\$9,069
			2,330	5,064
			5,021	21,454
		8,038		8,038
<u>607</u>	<u>-</u>	<u>15,231</u>	<u>8,039</u>	<u>43,625</u>
<u>37,168</u>	<u>\$2,834</u>	<u>-</u>	<u>(8,039)</u>	<u>579,710</u>
<u>37,168</u>	<u>2,834</u>	<u>-</u>	<u>(8,039)</u>	<u>579,710</u>
<u>\$37,775</u>	<u>\$2,834</u>	<u>\$15,231</u>	<u>-</u>	<u>\$623,335</u>

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - All Special Revenues Funds Year ended June 30, 1998

	DARE	GAS TAX FUNDS	IMPROVEMENT FUNDS	LOCAL TRANSPORTATION
REVENUES:				
Intergovernmental revenue		\$151,396		\$26,895
Use of money and property In Kind		18,468		6,088
Other revenue	\$10,328		\$4,346	
Total revenues	10,328	169,864	4,346	32,983
EXPENDITURES:				
Capital outlay				
Drug awareness education	10,324			
Public safety				
Public works		112,734		5,052
Senior nutrition				
Total expenditures	10,324	112,734	-	5,052
Excess (deficiency) of revenues Over (under) expenditures	4	57,130	4,346	27,931
Other financing sources (uses):				
Operating transfers in				316
Operating transfers (out)				
Total other financing sources (uses)	-	-	-	316
Excess of revenues and other sources over expenditures and other uses	4	57,130	4,346	28,247
Fund balances, June 30, 1997	1,978	303,626	41,095	111,321
Fund balances, June 30, 1998	<u>\$1,982</u>	<u>\$360,756</u>	<u>\$45,441</u>	<u>\$139,568</u>

See accompanying notes to combined financial statements.

<u>SPECIAL GRANTS</u>	<u>POLICE ASSET FORFEITURE</u>	<u>SENIOR PROGRAM</u>	<u>TRAFFIC SAFETY</u>	<u>TOTAL</u>
\$8,990		\$120,924	\$20,306	\$328,511
				24,556
		26,819		26,819
	\$308	35,274		50,256
<u>8,990</u>	<u>308</u>	<u>183,017</u>	<u>20,306</u>	<u>430,142</u>
322				322
				10,324
8,311			52,051	60,362
				117,786
22		185,172		185,194
<u>8,655</u>	<u>-</u>	<u>185,172</u>	<u>52,051</u>	<u>373,988</u>
335	308	(2,155)	(31,745)	56,154
		2,155	31,745	34,216
<u>-</u>	<u>-</u>	<u>2,155</u>	<u>31,745</u>	<u>34,216</u>
335	308	-	-	90,370
36,833	\$2,526	-	(8,039)	489,340
<u>\$37,168</u>	<u>\$2,834</u>	<u>-</u>	<u>(\$8,039)</u>	<u>\$579,710</u>

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual -
 Special Revenue Fund Types - Budget Basis - Continued
 Year Ended June 30, 1998

	D.A.R.E.		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Intergovernmental revenue			
Use of money and property In Kind			
Other revenue	\$5,700	\$10,328	\$4,628
Total revenues	5,700	10,328	4,628
EXPENDITURES:			
Current:			
Capital outlay			
Drug awareness education	13,000	10,324	2,676
Public safety			
Public works			
Senior nutrition			
Total expenditures	13,000	10,324	2,676
Excess (deficiency) of revenues over (under) expenditures	(7,300)	4	7,304
Other financing sources(uses):			
Operating transfers in			
Operating transfers (out)			
Total other financing sources(uses)	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(\$7,300)	4	\$7,304
Fund balances, June 30, 1997		1,978	
Fund balances, June 30, 1998		\$1,982	

See accompanying notes to combined financial statements.

GAS TAX FUNDS			IMPROVEMENT FUNDS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$148,421	\$151,396	\$2,975			
14,000	18,468	4,468			
			\$500	\$4,346	\$3,846
162,421	169,864	7,443	500	4,346	3,846
132,000	112,734	19,266			
132,000	112,734	19,266	-	-	-
30,421	57,130	26,709	500	4,346	3,846
-	-	-	-	-	-
\$30,421	57,130	\$26,709	\$500	4,346	\$3,846
	303,626			41,095	
	\$360,756			\$45,441	

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual -
Special Revenue Fund Types - Budget Basis
Year Ended June 30, 1998

	LOCAL TRANSPORTATION		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental revenue	\$70,798	\$26,895	(\$43,903)
Use of money and property	10,000	6,088	(3,912)
Other revenue			
Total revenues	80,798	32,983	(47,815)
EXPENDITURES:			
Current:			
Capital outlay			
Drug awareness education			
Public safety			
Public works	27,000	5,052	21,948
Senior nutrition			
Total expenditures	27,000	5,052	21,948
Excess (deficiency) of revenue over (under) expenditures	53,798	27,931	(25,867)
Other financing sources(uses):			
Operating transfers in		316	316
Operating transfers (out)			
Total other financing sources(uses)	-	316	316
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$53,798	28,247	(\$25,551)
Fund balances, June 30, 1997		111,321	
Fund balances, June 30, 1998		\$139,568	

See accompanying notes to combined financial statements.

SPECIAL GRANTS			POLICE ASSET FORFEITURE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$14,483	\$8,990	(\$5,493)		\$308	\$308
14,483	8,990	(5,493)	-	308	308
	322	(322)			
11,440	8,311	3,129			
	22	(22)			
11,440	8,655	2,785	-	-	-
3,043	335	(2,708)	-	308	308
-	-	-	-	-	-
<u>\$3,043</u>	335	<u>(\$2,708)</u>	<u>-</u>	308	<u>\$308</u>
	36,833			\$2,526	
	<u>\$37,168</u>			<u>\$2,834</u>	

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual -
Special Revenue Fund Types - Budget Basis - Continued
Year Ended June 30, 1998

	SENIOR PROGRAM		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Intergovernmental revenue	\$108,000	\$120,924	\$12,924
Use of money and property In Kind	26,819	26,819	
Other revenue	35,500	35,274	(226)
Total revenues	170,319	183,017	12,698
EXPENDITURES:			
Current:			
Capital outlay			
Drug awareness education			
Public safety			
Public works			
Senior nutrition	167,108	185,172	(18,064)
Total expenditures	167,108	185,172	(18,064)
Excess (deficiency) of revenues over (under) expenditures	3,211	(2,155)	(5,366)
Other financing sources(uses):			
Operating transfers in	2,155	2,155	-
Operating transfers (out)			
Total other financing sources(uses)	2,155	2,155	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$5,366	-	(\$5,366)
Fund balances, June 30, 1997		-	
Fund balances, June 30, 1998		-	

See accompanying notes to combined financial statements.

TRAFFIC SAFETY			TOTAL 1998		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$13,000	\$20,306	\$7,306	\$354,702	\$328,511	(\$26,191)
			24,000	24,556	556
			26,819	26,819	
			41,700	50,256	8,556
<u>13,000</u>	<u>20,306</u>	<u>7,306</u>	<u>447,221</u>	<u>430,142</u>	<u>(17,079)</u>
				322	(322)
			13,000	10,324	2,676
60,616	52,051	8,565	72,056	60,362	11,694
			159,000	117,786	41,214
			167,108	185,194	(18,086)
<u>60,616</u>	<u>52,051</u>	<u>8,565</u>	<u>411,164</u>	<u>373,988</u>	<u>37,176</u>
(47,616)	(31,745)	15,871	36,057	56,154	20,097
31,745	31,745	-	33,900	34,216	316
<u>31,745</u>	<u>31,745</u>	<u>-</u>	<u>33,900</u>	<u>34,216</u>	<u>316</u>
<u>(\$15,871)</u>	-	<u>\$15,871</u>	<u>\$69,957</u>	90,370	<u>\$20,413</u>
	(8,039)			489,340	
	<u>(\$8,039)</u>			<u>\$579,710</u>	

CITY OF YREKA, CALIFORNIA

CAPITAL PROJECTS FUND

Capital Projects Fund are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds.

Fire Department Historical Buildings - Accounts for the planned construction of a historical building to house and display antique fire equipment.

Closure/Post-Closure Landfill - Accounts for the planning and eventual closure costs of the city dumps.

Yreka Creek Greenway - Accounts for the improvements and greenways on Yreka Creek.



CITY OF YREKA

Combining Balance Sheet - All Capital Project Funds

June 30, 1998

	<u>Fire Dept. Historical Buildings</u>	<u>Closure Post/Closure Landfill</u>	<u>Yreka Creek Greenway</u>	<u>TOTAL</u>
ASSETS				
Cash and investments	<u>\$61,930</u>	<u>\$55,250</u>	<u>\$4,243</u>	<u>\$121,423</u>
Total assets	<u>\$61,930</u>	<u>\$55,250</u>	<u>\$4,243</u>	<u>\$121,423</u>
LIABILITIES AND FUND EQUITY				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Reserved	<u>\$61,930</u>	<u>\$55,250</u>	<u>\$4,243</u>	<u>\$121,423</u>
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u>\$61,930</u>	<u>\$55,250</u>	<u>\$4,243</u>	<u>\$121,423</u>

See accompanying notes to combined financial statements.

CITY OF YREKA

Combining Statement of Revenues, Expenses and Changes in Fund Balance - All Capital Project Funds Year Ended June 30, 1998

	Fire Dept. Historical Buildings	Closure Post/Closure Landfill	Yreka Creek Greenway	TOTAL
REVENUES:				
State grants				
Total revenues	-	-	-	-
EXPENDITURES:				
Capital projects	\$1			\$1
Total expenditures	1	-	-	1
Excess (deficiency) of revenues Over (under) expenditures	(1)	-	-	(1)
Other financing sources (uses)				
Operating transfers in		\$6,700		\$6,700
Total other financing sources(uses)	-	6,700	-	6,700
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1)	6,700	-	6,699
Fund Balance, June 30, 1997	61,931	48,550	\$4,243	114,724
Fund Balance, June 30, 1998	\$61,930	\$55,250	\$4,243	\$121,423

See accompanying notes to combined financial statements.

CITY OF YREKA

Capital Project Funds

Combining Statement of Revenues, Expenses and
Changes in Fund Balance - All Capital Project Funds

Budget and Actual

Year Ended June 30, 1998

	<u>Fire Department Historical Buildings</u>			<u>Closure Post/Closure Landfill</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES						
State grants						
Total revenues	-	-	-	-	-	-
EXPENDITURES						
Capital projects	-	\$1	(\$1)			
Total expenditures	-	1	(1)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	(1)	1	-	-	-
Other financing sources (uses):						
Operating transfers in	5,000	-	(5,000)	6,700	6,700	-
Total other financing sources (uses)	5,000	-	(5,000)	6,700	6,700	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$5,000</u>	(1)	<u>(\$4,999)</u>	<u>\$6,700</u>	6,700	<u>-</u>
Fund Balance, June 30, 1997		61,931			48,550	
Fund Balance, June 30, 1998		<u>\$61,930</u>			<u>\$55,250</u>	

See accompanying notes to combined financial statements.

Yreka Creek Greenway			TOTALS		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
-	-	-	-	-	-
-	-	-	-	1	(\$1)
-	-	-	-	1	(1)
-	-	-	-	(1)	1
-	-	-	11,700	\$6,700	(5,000)
-	-	-	11,700	6,700	(5,000)
-	-	-	<u>\$11,700</u>	6,699	<u>(\$4,999)</u>
	\$4,243			114,724	
	<u>\$4,243</u>			<u>\$121,423</u>	

CITY OF YREKA, CALIFORNIA

ENTERPRISE FUNDS

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

Water Utility Fund

Accounts for the operation of the water utility, a self-supporting activity which renders a service on a user charge basis to residents and businesses.

Sewer Utility Fund

Accounts for the operation of the sewer utility, a self-supporting activity which renders service on a user charge basis to residents and businesses.



CITY OF YREKA, CALIFORNIA
Combining Balance Sheet - All Enterprise Funds
June 30, 1998

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
ASSETS			
Cash and investments (Note 2)	\$2,180,689	\$354,075	\$2,534,764
Accounts receivable	39,731	22,515	62,246
Fixed assets (Note 4)	4,109,171	995,164	5,104,335
Less: accumulated depreciation	(2,373,985)	(542,177)	(2,916,162)
Fixed assets, net	<u>1,735,186</u>	<u>452,987</u>	<u>2,188,173</u>
 Total assets	 <u><u>\$3,955,606</u></u>	 <u><u>\$829,577</u></u>	 <u><u>\$4,785,183</u></u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	\$6,165	\$2,065	\$8,230
Payroll payable	6,286	2,782	9,068
Deferred payroll	9,928	2,253	12,181
Accrued Interest Payable	21,974		21,974
Current portion of long-term debt (Note 5)	<u>156,760</u>		<u>156,760</u>
Total current liabilities	<u>201,113</u>	<u>7,100</u>	<u>208,213</u>
Long term liabilities:			
Long-term debt, net of current portion (Note 5)	<u>2,010,571</u>	<u>-</u>	<u>2,010,571</u>
Total liabilities	<u>2,211,684</u>	<u>7,100</u>	<u>2,218,784</u>
Fund equity:			
Retained earnings	<u>1,743,922</u>	<u>822,477</u>	<u>2,566,399</u>
Total fund equity	<u>1,743,922</u>	<u>822,477</u>	<u>2,566,399</u>
Total liabilities and fund equity	<u><u>\$3,955,606</u></u>	<u><u>\$829,577</u></u>	<u><u>\$4,785,183</u></u>

See accompanying notes to combined financial statements.

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenses and
Changes in Retained Earnings - All Enterprise Funds
Year Ended June 30, 1998

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u> <u>June 30, 1998</u>
Operating revenues:			
User fees and charges	<u>\$524,220</u>	<u>\$227,248</u>	<u>\$751,468</u>
Total operating revenues	<u>524,220</u>	<u>227,248</u>	<u>751,468</u>
Operating expenses:			
Cost of power and water	129,236	45,774	175,010
Maintenance, operations and administration	226,713	149,173	375,886
Depreciation	<u>127,888</u>	<u>30,614</u>	<u>158,502</u>
Total operating expenses	<u>483,837</u>	<u>225,561</u>	<u>709,398</u>
Operating income (loss)	<u>40,383</u>	<u>1,687</u>	<u>42,070</u>
Other revenues (expenses):			
Interest income	194,250		194,250
Interest expense	<u>(45,368)</u>		<u>(45,368)</u>
Total other revenues (expenses)	<u>148,882</u>	<u>-</u>	<u>148,882</u>
Income (loss) before operating transfers	189,265	1,687	190,952
Operating financing uses:			
Operating transfers in (out)	<u>(98,726)</u>	<u>68,005</u>	<u>(30,721)</u>
Net income (loss)	90,539	69,692	160,231
Retained earnings, June 30, 1997	1,653,383	752,785	2,406,168
Retained earnings, June 30, 1998	<u><u>\$1,743,922</u></u>	<u><u>\$822,477</u></u>	<u><u>\$2,566,399</u></u>

See accompanying notes to combined financial statements.

CITY OF YREKA, CALIFORNIA

Combining Statement of Cash Flows

All Enterprise Funds

Year Ended June 30, 1998

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u> <u>June 30, 1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operations:			
Net income (loss)	\$90,539	\$69,692	\$160,231
Adjustments to reconcile net income to net cash used by operating activities			
Depreciation	127,888	30,614	158,502
(Increase) decrease in accounts receivable	35,107	7,387	42,494
Increase (decrease) in accounts payable	(13,297)	104	(13,193)
Increase (decrease) in deferred payroll	3,572	(146)	3,426
Increase (decrease) in payroll payable	1,038	372	1,410
Increase (decrease) in accrued interest payable	(1,517)		(1,517)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>243,330</u>	<u>108,023</u>	<u>351,353</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(13,615)	(23,388)	(37,003)
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt reduction	(156,759)	-	(156,759)
NET INCREASE (DECREASE) IN CASH	<u>72,956</u>	<u>84,635</u>	<u>157,591</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 1997	<u>2,107,733</u>	<u>269,440</u>	<u>2,377,173</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 1998	<u><u>\$2,180,689</u></u>	<u><u>\$354,075</u></u>	<u><u>\$2,534,764</u></u>
Supplemental disclosures of cash flow information			
Interest earned	\$194,250	-	\$194,250
Interest paid	46,867	-	46,867

Disclosure of accounting policy:

For purposes of the statement of cash flow the city includes US Treasury Bills (at cost) \$1,385,250; this amount is consistent from year to year.

CITY OF YREKA, CALIFORNIA

FIDUCIARY FUNDS

Fiduciary Funds account for assets held by the City as a trustee, custodian, or agent for individuals, governmental entities and non-public organizations.

Nonexpendable Trust Fund

Established to account for monies set aside for the YMCA.

Agency Fund

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

Funds Under \$12,000

Established to account for various funds held by the City for others. Individual accounts are maintained.

Campbell Tract Redemption Fund

Established to account for collection and disbursement of assessment monies.

Shasta Belle Redemption Fund

Established to account for collection and disbursement of assessment monies.

Gifts & Donations

Established to account for collection and disbursement of donated monies.

Endowments

Established to account for collection and disbursement of endowment monies.

CITY OF YREKA, CALIFORNIA
FIDUCIARY FUND TYPES
Combining Balance Sheet - All Agency Funds
June 30, 1998

	NON- EXPENDABLE TRUST FUND	AGENCY FUNDS		
	YMCA BUILDING FUND	FUNDS UNDER \$12,000	CAMPBELL TRACT REDEMPTION FUND	SHASTA BELLE REDEMPTION FUND
ASSETS				
Cash and investments	\$270,971	\$49,955	\$77,152	
Total assets	\$270,971	\$49,955	\$77,152	-
LIABILITIES				
Held for trust purposes		\$49,955		
Held for assessment district			\$77,152	
Total liabilities	-	49,955	77,152	-
FUND BALANCE				
Reserved for trust corpus	\$250,000			
Unreserved-Designated for specific projects	20,971			
Total fund balance	270,971	-	-	-
Total liabilities and fund balance	\$270,971	\$49,955	\$77,152	-

See accompanying notes to combined financial statements.

AGENCY FUNDS

<u>GIFT DONATIONS</u>	<u>ENDOWMENTS</u>	<u>TOTAL</u>
<u>\$8,333</u>	<u>\$4,961</u>	<u>\$411,372</u>
<u>\$8,333</u>	<u>\$4,961</u>	<u>\$411,372</u>
<u>\$8,333</u>	<u>\$4,961</u>	<u>\$63,249 77,152</u>
<u>8,333</u>	<u>4,961</u>	<u>140,401</u>
		250,000
		<u>20,971</u>
<u>-</u>	<u>-</u>	<u>270,971</u>
<u>\$8,333</u>	<u>\$4,961</u>	<u>\$411,372</u>

CITY OF YREKA, CALIFORNIA

Combining Statement of Changes in Assets and Liabilities - Agency Funds June 30, 1998

	<u>Balance July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1998</u>
ASSETS				
Cash	<u>\$128,898</u>	<u>\$124,437</u>	<u>\$112,934</u>	<u>\$140,401</u>
Total assets	<u><u>\$128,898</u></u>	<u><u>\$124,437</u></u>	<u><u>\$112,934</u></u>	<u><u>\$140,401</u></u>
LIABILITIES				
Due to General Fund				
Held for trust purposes	<u>\$52,851</u>	<u>\$89,183</u>	<u>\$78,785</u>	<u>\$63,249</u>
Held for assessment district	<u>76,047</u>	<u>35,254</u>	<u>34,149</u>	<u>77,152</u>
Total liabilities	<u><u>\$128,898</u></u>	<u><u>\$124,437</u></u>	<u><u>\$112,934</u></u>	<u><u>\$140,401</u></u>

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



CITY OF YREKA, CALIFORNIA

Statement of Changes in Assets and Liabilities - Agency Funds

June 30, 1998

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
FUNDS UNDER \$12,000				
Assets				
Cash	\$39,507	\$88,624	\$78,176	\$49,955
Total	<u>\$39,507</u>	<u>\$88,624</u>	<u>\$78,176</u>	<u>\$49,955</u>
Liabilities				
Due to General Fund Held for trust purposes	\$39,507	\$88,624	\$78,176	\$49,955
Total	<u>\$39,507</u>	<u>\$88,624</u>	<u>\$78,176</u>	<u>\$49,955</u>
CAMPBELL TRACT REDEMPTION FUND				
Assets				
Cash	\$75,251	\$30,801	\$28,900	\$77,152
Total	<u>\$75,251</u>	<u>\$30,801</u>	<u>\$28,900</u>	<u>\$77,152</u>
Liabilities				
Held for assessment district	\$75,251	\$30,801	\$28,900	\$77,152
Total	<u>\$75,251</u>	<u>\$30,801</u>	<u>\$28,900</u>	<u>\$77,152</u>
SHASTA BELLE REDEMPTION FUND				
Assets				
Cash	\$796	\$4,453	\$5,249	-
Total	<u>\$796</u>	<u>\$4,453</u>	<u>\$5,249</u>	<u>-</u>
Liabilities				
Due to General Fund Held for assessment district	\$796	\$4,453	5,249	-
Total	<u>\$796</u>	<u>\$4,453</u>	<u>\$5,249</u>	<u>-</u>

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

CITY OF YREKA, CALIFORNIA

Statement of Changes in Assets and Liabilities - Agency Fund

(Continued)

June 30, 1998

	<u>Balance July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1998</u>
GIFT DONATIONS				
Assets				
Cash	<u>\$8,383</u>	<u>\$559</u>	<u>\$609</u>	<u>\$8,333</u>
Total	<u>\$8,383</u>	<u>\$559</u>	<u>\$609</u>	<u>\$8,333</u>
Liabilities				
Held for trust purposes	<u>\$8,383</u>	<u>\$559</u>	<u>\$609</u>	<u>\$8,333</u>
Total	<u>\$8,383</u>	<u>\$559</u>	<u>\$609</u>	<u>\$8,333</u>
ENDOWMENTS				
Assets				
Cash	<u>\$4,961</u>			<u>\$4,961</u>
Total	<u>\$4,961</u>	<u>-</u>	<u>-</u>	<u>\$4,961</u>
Liabilities				
Held for trust purposes	<u>\$4,961</u>			<u>\$4,961</u>
Total	<u>\$4,961</u>	<u>-</u>	<u>-</u>	<u>\$4,961</u>

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



CITY OF YREKA, CALIFORNIA

Non-Expendable Trust Fund

Statement of Revenues, Expenses and Changes in Fund Balance

June 30, 1998

	<u>YMCA</u> <u>Building Fund</u>
Operating revenues:	
Investment income	<u>\$16,381</u>
Total operating revenues	16,381
Operating expenses:	
Repayment Paid to City	<u>12,000</u>
Total operating expenses	12,000
Net income (loss)	<u>4,381</u>
Fund balance June 30, 1997	266,590
Fund balance June 30, 1998	<u><u>\$270,971</u></u>

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

CITY OF YREKA, CALIFORNIA

Non-Expendable Trust Fund

Statement of Cash Flows

Year ended June 30, 1998

	<u>YMCA</u> <u>Building Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$4,381
Adjustments to reconcile net income to net cash used by operating activities	<u>-</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 <u>4,381</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	 <u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	 <u>-</u>
 NET INCREASE (DECREASE) IN CASH	 <u>4,381</u>
 CASH AND CASH EQUIVALENTS, JUNE 30, 1997	 <u>266,590</u>
 CASH AND CASH EQUIVALENTS, JUNE 30, 1998	 <u><u>\$270,971</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid	-
Interest earned	\$16,381

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

CITY OF YREKA, CALIFORNIA

ACCOUNT GROUPS

General Fixed Assets

The General Fixed Assets accounts are used to record and account for property and equipment not recorded in Enterprise Funds.

General Long-Term Debt

The General Long Term Debt accounts are used to record and account for all unmatured long-term debt of the City except that accounted for in the proprietary and special assessment funds.

CITY OF YREKA
ACCOUNT GROUPS
Statement of General Fixed Assets
For the year ended June 30, 1998

	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1998</u>
Fixed assets capitalized on June 30, 1983 net of retirements	\$31,447,142			\$31,447,142
Building/Improvements	809,704			809,704
Land	64,347			64,347
Improvements other than Buildings	103,737			103,737
Equipment	2,181,058	\$252,099		2,433,157
Equipment - Senior Nutrition	3,851			3,851
TOTAL	<u>\$34,609,839</u>	<u>\$252,099</u>	<u>-</u>	<u>\$34,861,938</u>

See accompanying notes to combined financial statements.

CITY OF YREKA**ACCOUNT GROUP****Statement of changes in General Long-Term Debt**

For the year ended June 30, 1998

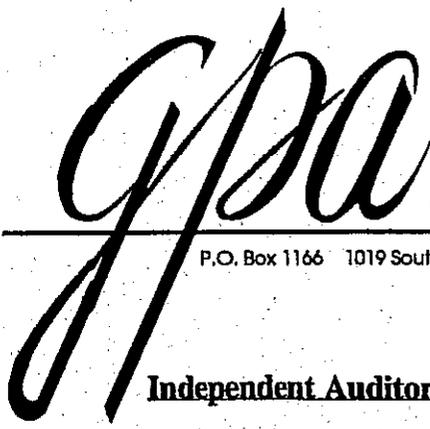
	<u>Balance</u> <u>July 1, 1997</u>	<u>New Issues</u>	<u>Principal</u> <u>Repayments</u>	<u>Balance</u> <u>June 30, 1998</u>
Notes Payable:				
Dresser Dozer	\$85,370		\$42,685	\$42,685
Komatsu Scraper	38,664		19,332	19,332
John Deere	21,445		8,123	13,322
Ford Pick Up	28,962		9,068	19,894
Ford Pick Ups	35,727		9,839	25,888
LaFrance Fire Engine	-	\$215,549	26,059	189,490
Total	<u>\$210,168</u>	<u>\$215,549</u>	<u>\$115,106</u>	<u>\$310,611</u>

See accompanying notes to combined financial statements.

SUPPLEMENTARY INFORMATION

CITY OF YREKA, CALIFORNIA
Schedule of Expenditures of Federal Rewards
For the Year Ended June 30, 1998

FEDERAL AGENCY	Federal CFDA Number	Program Amount	Cash/Accrued or (Deferred) Revenue at July 1, 1997	Receipts or Revenue Recognized	Disbursements Expenditures	Cash/Accrued or (Deferred) Revenue at June 30, 1998
United States Dept. of Agriculture						
Pass Through Agency PSA II Local Area Agency on Aging	10570	\$72,532	-	\$72,532	\$72,532	-
Nutrition Program for the Elderly						
Title III Older Americans Act of 1965	93635	33,161	-	33,161	33,161	-
Total Federal Assistance			-	\$105,693	\$105,693	-



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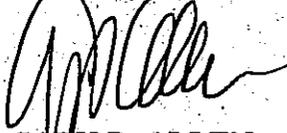
Independent Auditor's Report on the Schedule of Expenditures of Federal Awards

To the Honorable Members of City Council
City of Yreka, California

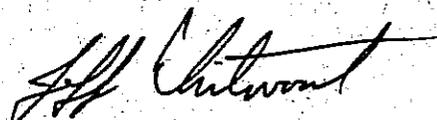
We have audited the general purpose financial statements of the City of Yreka, California, as of and for the year ended June 30, 1998, and have issued our report thereon dated December 18, 1998. These general purpose financial statements are the responsibility of the City of Yreka, California, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted the audit in accordance with generally accepted auditing standards, 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the City of Yreka, California, taken as a whole. The accompanying 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, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



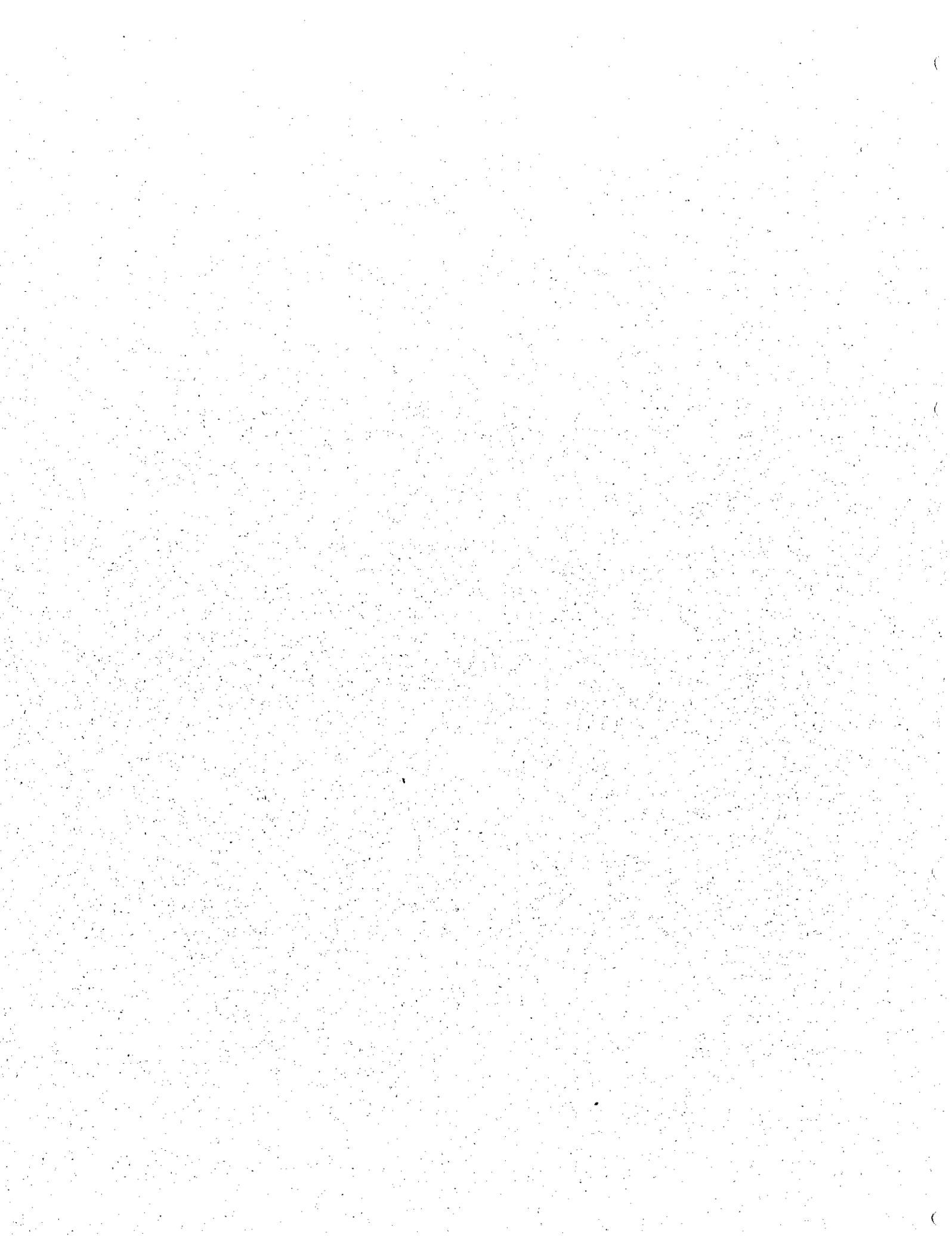
GARY P. ALLEN
CERTIFIED PUBLIC ACCOUNTANT

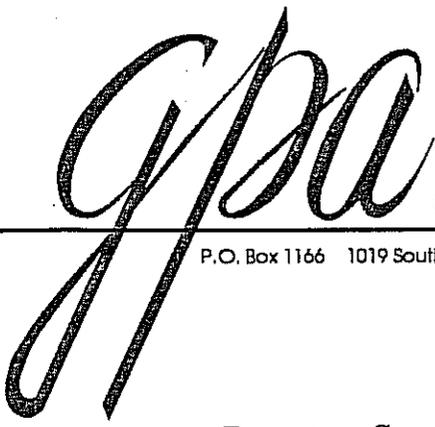


R. JEFFREY CHITWOOD
CERTIFIED PUBLIC ACCOUNTANT

December 18, 1998







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**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

To the Honorable Members of City Council
City of Yreka, California

We have audited the financial statements of city of Yreka as of and for the year ended June 30, 1998, and have issued our report thereon dated December 18, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

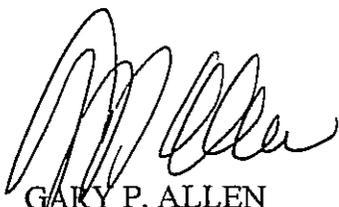
Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Yreka's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.





This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



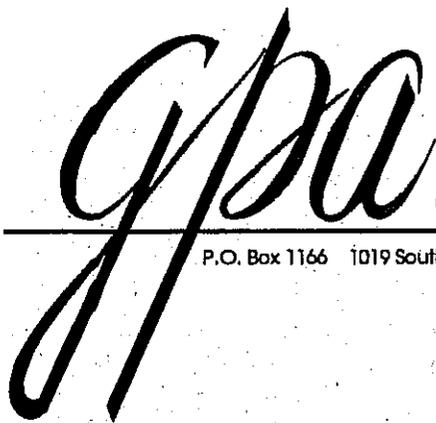
GARY P. ALLEN
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R. JEFFREY CHITWOOD
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December 18, 1998





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City Council
City of Yreka
Yreka, CA 96097

Honorable Members of the City Council:

As a result of our examination of the financial statements of the City of Yreka as of June 30, 1998 and the year then ended, we have prepared a series of recommendations and comments regarding the accounting policies and procedures of the City. Since our examination was not designed to include a detailed review of all systems and procedures, these comments should not be considered as being all inclusive of the areas where improvements might be achieved or in which problems exist.

1. ACCOUNTING RECORDS

A. FINDING-

The City does not maintain a schedule of fixed assets for the general fixed assets account group or property, plant & equipment for the enterprise fund.

RECOMMENDATION-

That the City established a system of accounting for general fixed assets and property, plant and equipment in its accounting records.

CITY RESPONSE-

The City plans to purchase a fixed asset computer program to improve accounting for fixed assets.

B. FINDING-

The City is operating the solid waste facility with the intention that the facility cover its own cost of operation. We therefore believe that the solid waste facility should be accounted for as an enterprise fund. The revenues and expenditures for the solid waste facility are being recorded in the general fund.

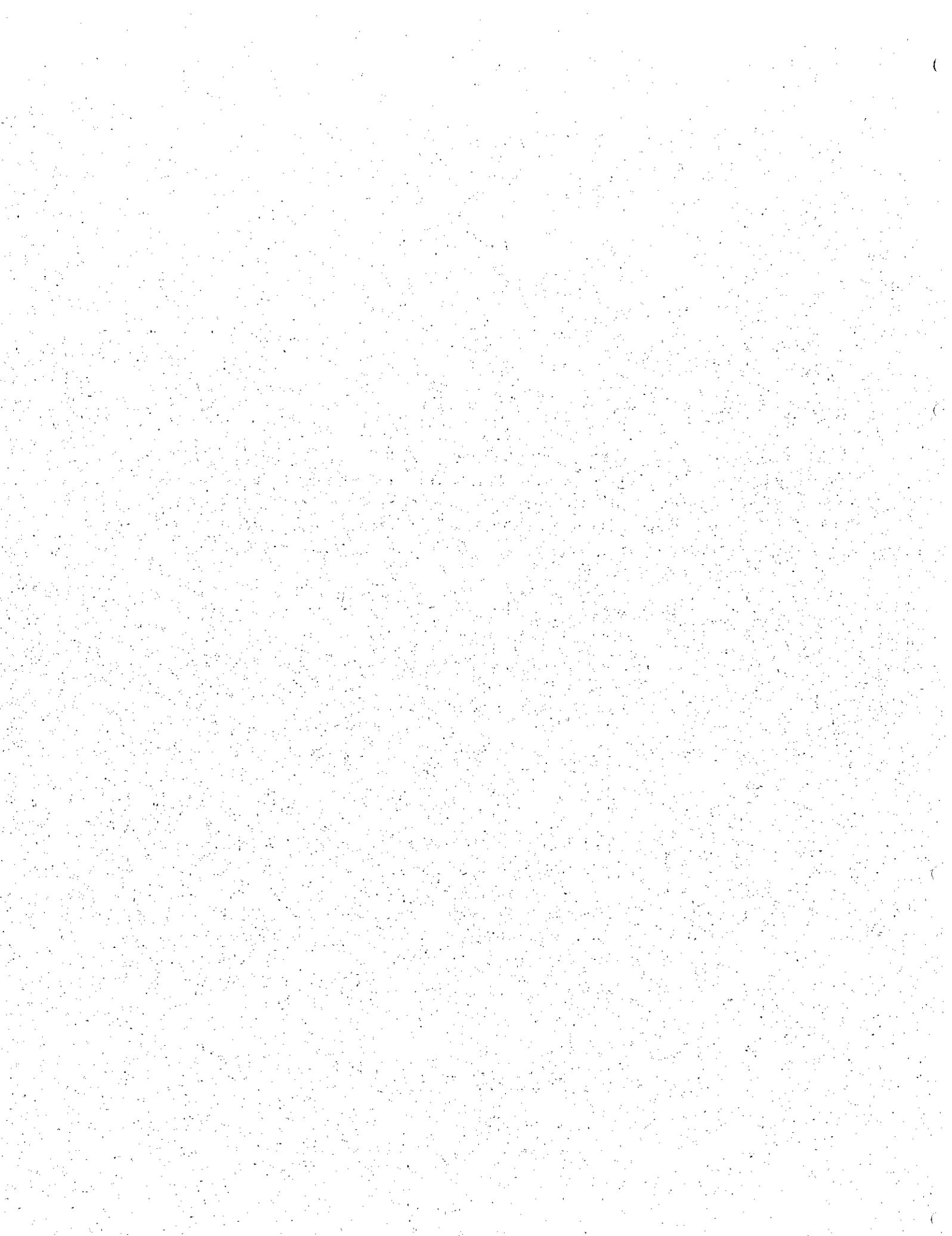
RECOMMENDATION-

That the City establish a fund within its accounting records to account for solid waste financial transactions separately.

CITY RESPONSE -

The City will establish a separate enterprise fund after the new accounting and computer system is placed into operation.



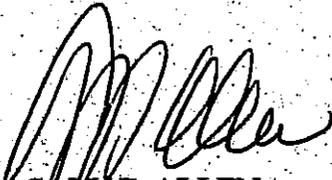


2.AUTHORIZATION OF TRANSACTIONS

A. FINDING- The City Finance Director has complete access to the general ledger system and is also authorized to sign City checks.

RECOMMENDATION- That the City Finance Director not be authorized to sign City bank checks.

CITY RESPONSE- To be corrected when a new assistant to City Manager is hired.



**GARY P. ALLEN
CERTIFIED PUBLIC ACCOUNTANT**



**R. JEFFREY CHITWOOD
CERTIFIED PUBLIC ACCOUNTANT**

December 18, 1998

