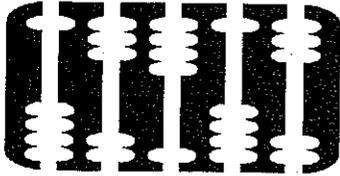


CITY OF YREKA, CALIFORNIA

**Financial Statements
Fiscal Year Ended
June 30, 2002
With Accountants' Report**



JEFFREY CHITWOOD
Certified Public Accountant

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INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying general purpose financial statements of the City of Yreka, California, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Yreka, California management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

Except as discussed in the following paragraph, I conducted the audit in accordance with generally accepted 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 I plan and perform the audit to obtain a 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. I believe that my audit provides a reasonable basis for my opinion.

As explained in Note 4 to the financial statements, the historical records relating to property, plant, and equipment were not sufficient to verify the historical cost of individual assets in the proprietary fund types and general fixed asset account group. Accordingly, I was unable to satisfy myself as to the fixed asset balance of \$ 6,303,511 and \$36,332,619 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 the proprietary funds has not been determined.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to audit adequate fixed asset records, and for the effect of not recording depreciation on 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, 2002 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City of Yreka
Independent Auditor's Report (continued)

In accordance with Governmental Auditing Standards, I have also issued a report dated November 26, 2002 on my consideration of City of Yreka's internal control structure over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

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 the combining and individual fund financial statements and schedules as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Yreka, California. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, except for the item noted in the third paragraph, is fairly presented in all material respect in relation to the general purpose financial statements taken as a whole.



Jeffrey Chitwood
Certified Public Accountant
November 26, 2002

CITY OF YREKA, CALIFORNIA

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Funds
ASSETS			
Cash and investments (note 2)	\$3,464,120	\$972,567	\$256,191
Receivables:			
Accounts receivable	8,470		
Intergovernmental	3,890	81,964	
Taxes	284,771		
Accrued interest	29,228	7,254	
Due from other funds(note 3)		62,616	
Notes receivable		373,662	
Fixed assets, net of accumulated depreciation in Proprietary Fund(note 4)			
Amount to be provided for long-term debt			
Total Assets	\$3,790,479	\$1,498,063	\$256,191
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$88,027	\$27,725	
Payroll payable	49,427	6,338	
Compensated absences	144,648	27,000	
Due to other funds (note 3)			
Accrued interest payable			
Current portion of long-term debt (note 5)			
Long-term debt (note 5)			
General long-term debt (note 5)			
Held for trust purposes			
Held for assessment district			
Total Liabilities	282,102	61,063	-

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

June 30, 2002

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CITY OF YREKA, CALIFORNIA

June 30, 2002

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CITY OF YREKA, CALIFORNIA

Directory of City Officials
June 30, 2002

CITY COUNCIL

Eric Harms	Mayor
Rory McNeil	Mayor Pro-Tem
Tom Amaral	Council Member
James Griffin	Council Member
Karl Greiner	Council Member

ADMINISTRATIVE OFFICERS

Brian Meek	City Manager
Michelle Conner	Finance Director
Michael S. Pavlik	City Treasurer
Don Callahan	Chief of Police
Joe Suter	Volunteer Fire Chief
Steven Neill	Director of Public Works
Larry Bacon	City Attorney
Elizabeth Casson	City Clerk
Pam Hayden	Planning Director
Mark Schmitt	Building Official

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		
Enterprise Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	TOTAL (Memorandum only)
\$4,598,494	\$458,575			\$9,749,947
207,679				216,149
				85,854
				284,771
				36,482
				62,616
				373,662
6,303,511		\$36,332,619		42,636,130
			\$872,337	872,337
<u>\$11,109,684</u>	<u>\$458,575</u>	<u>\$36,332,619</u>	<u>\$872,337</u>	<u>\$54,317,948</u>
\$56,726				\$172,478
7,199				62,964
21,992				193,640
62,616				62,616
29,378				29,378
203,130				203,130
2,419,303				2,419,303
			\$872,337	872,337
	\$86,554			86,554
	84,398			84,398
<u>2,800,344</u>	<u>170,952</u>	<u>-</u>	<u>872,337</u>	<u>4,186,798</u>

CITY OF YREKA, CALIFORNIA

Combined Balance Sheet - All Fund Types and Account Groups, Continued
 June 30, 2002

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Funds
Fund Equity:			
Investment in general fixed assets			
Retained earnings			
Fund Balances:			
Reserved for:			
Trust corpus			
Capital projects			\$256,191
Landfill reserve	\$114,963		
Unreserved Designated For:			
Self insurance	216,230		
Specific projects:			
Grant participation	81,199		
Building improvement	64,622		
Undesignated	3,031,363	\$1,437,000	
Total Fund Equity	<u>3,508,377</u>	<u>1,437,000</u>	<u>256,191</u>
Total Liabilities and Fund Equity	<u><u>\$3,790,479</u></u>	<u><u>\$1,498,063</u></u>	<u><u>\$256,191</u></u>

See accompanying notes to financial statements.

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>TOTAL (Memorandum Only)</u>
<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
\$8,309,340		\$36,332,619		\$36,332,619
				8,309,340
	\$250,000			250,000
				256,191
				114,963
				216,230
				81,199
	37,623			102,245
				4,468,363
<u>8,309,340</u>	<u>287,623</u>	<u>36,332,619</u>	<u>-</u>	<u>50,131,150</u>
<u>\$11,109,684</u>	<u>\$458,575</u>	<u>\$36,332,619</u>	<u>\$872,337</u>	<u>\$54,317,948</u>

CITY OF YREKA, CALIFORNIA

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
Year ended June 30, 2002

	Governmental Fund Types			TOTAL (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Projects Funds	
REVENUES				
Property and other taxes	\$3,175,530			\$3,175,530
License and permits	72,599			72,599
Intergovernmental revenue	421,943	\$889,108		1,311,051
Charges for services	618,628			618,628
Fines and forfeitures	71,393			71,393
Use of money and property In kind	211,613	55,497		267,110
Other revenue	220,090	63,501	\$6,700	290,291
Total Revenues	<u>4,791,796</u>	<u>1,059,338</u>	<u>6,700</u>	<u>5,857,834</u>
EXPENDITURES				
City council	19,418			19,418
City administrator	204,289			204,289
Public safety	1,611,719	99,694		1,711,413
Animal regulation	50,078			50,078
Planning	155,137			155,137
Public works	867,008	483,450		1,350,458
Parks and recreation	246,978			246,978
General government	1,315,854		6,859	1,322,713
Community promotion	209,309			209,309
Community development		105,311		105,311
Senior nutrition		242,507		242,507
Drug awareness education		7,661		7,661
Total Expenditures	<u>4,679,790</u>	<u>938,623</u>	<u>6,859</u>	<u>5,625,272</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures Before Other Financing Sources and (Uses)	<u>112,006</u>	<u>120,715</u>	<u>(159)</u>	<u>232,562</u>
Other Financing Sources (Uses):				
Unrealized gains/losses on investments(note 2)	29,360			29,360
Operating transfers in	4,243	62,464	125,845	192,552
Operating transfers (out)	(208,894)		(4,243)	(213,137)
Total Other Financing Sources (Uses)	<u>(175,291)</u>	<u>62,464</u>	<u>121,602</u>	<u>8,775</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures After Other Financing Sources and (Uses)	<u>(63,285)</u>	<u>183,179</u>	<u>121,443</u>	<u>241,337</u>
Fund Balances, June 30, 2001	<u>3,571,662</u>	<u>1,253,821</u>	<u>134,748</u>	<u>4,960,231</u>
Fund Balances, June 30, 2002	<u>\$3,508,377</u>	<u>\$1,437,000</u>	<u>\$256,191</u>	<u>\$5,201,568</u>

See accompanying notes to the 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, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property and other taxes	\$3,094,585	\$3,175,530	\$80,945			
License and permits	50,200	72,599	22,399			
Intergovernmental revenue	399,287	421,943	22,656	\$2,888,537	\$889,108	(\$1,999,429)
Charges for services	569,575	618,628	49,053			
Fines and forfeitures	67,000	71,393	4,393			
Use of money and property	210,000	211,613	1,613	47,700	55,497	7,797
In kind				51,232	51,232	
Other revenue	237,495	220,090	(17,405)	35,831	63,501	27,670
Total Revenues	4,628,142	4,791,796	163,654	3,023,300	1,059,338	(1,963,962)
EXPENDITURES						
City Council	21,978	19,418	2,560			
City administrator	195,642	204,289	(8,647)			
Public safety	1,563,769	1,611,719	(47,950)	90,600	99,694	(9,094)
Animal regulation	53,300	50,078	3,222			
Planning	194,494	155,137	39,357			
Public works	1,042,721	867,008	175,713	2,536,096	483,450	2,052,646
Parks and recreation	254,505	246,978	7,527			
General government	1,387,770	1,315,854	71,916			
Community promotion	248,781	209,309	39,472			
Community development				372,000	105,311	266,689
Senior nutrition				195,054	242,507	(47,453)
Drug awareness education				12,000	7,661	4,339
Total Expenditures	4,962,960	4,679,790	283,170	3,205,750	938,623	2,267,127
Excess (deficiency) of revenues over(under) expenditures	(334,818)	112,006	446,824	(182,450)	120,715	303,165
Other financial sources(uses):						
Unrealized gains/losses on investments		29,360	29,360			
Operating transfers in	4,243	4,243		62,464	62,464	
Operating transfers (out)	(208,894)	(208,894)				
Total Other Financial Sources(Uses)	(204,651)	(175,291)	29,360	62,464	62,464	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(\$539,469)</u>	<u>(63,285)</u>	<u>\$476,184</u>	<u>(\$119,986)</u>	<u>183,179</u>	<u>\$303,165</u>
Fund Balances, June 30, 2001		<u>3,571,662</u>			<u>1,253,821</u>	
Fund Balances, June 30, 2002		<u>\$3,508,377</u>			<u>\$1,437,000</u>	

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings - Proprietary Fund Types and
 Similar Trust Funds
 Year ended June 30, 2002

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	
	<u>Enterprise Funds</u>	<u>YMCA Building Fund</u>	<u>TOTAL (memorandum Only)</u>
Operating Revenues			
User fees and charges	\$1,932,971		\$1,932,971
Total Operating Revenues	<u>1,932,971</u>	<u>-</u>	<u>1,932,971</u>
Operating Expenses			
Cost of power and water	222,984		222,984
Maintenance, operations and administration	836,280		836,280
Depreciation	232,222		232,222
Total Operating Expenses	<u>1,291,486</u>	<u>-</u>	<u>1,291,486</u>
Operating Income (Loss)	<u>641,485</u>	<u>-</u>	<u>641,485</u>
Other Revenues (Expense)/Gains (Losses)			
Grant revenue	2,321,279		2,321,279
Interest income	194,250	\$16,127	210,377
Unrealized gains/losses on investments	(21,656)		(21,656)
Interest Expense	(51,105)		(51,105)
Payment to YMCA		(8,605)	(8,605)
Total Other Revenues	<u>2,442,768</u>	<u>7,522</u>	<u>2,450,290</u>
Net Income (Loss)	3,084,253	7,522	3,091,775
Retained Earnings, June 30, 2001	4,686,212	280,101	4,966,313
Prior Period Adjustment (note 12)	538,875		538,875
Retained Earnings, June 30, 2002	<u>\$8,309,340</u>	<u>\$287,623</u>	<u>\$8,596,963</u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA
 Combined Statement of Cash Flows
 Proprietary Fund Types and Similar Trust Funds
 Year Ended June 30, 2002

	Proprietary Fund Types <u>Enterprise Funds</u>	Fiduciary Fund Types <u>YMCA Building Fund</u>	TOTAL (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Flows From Operations:			
Net income (loss)	\$3,084,253	\$7,522	\$3,091,775
Adjustments To Reconcile Net Income To Net Cash Used By Operating Activities			
Depreciation	232,222		232,222
(Increase) decrease in accounts receivable	1,180		1,180
Increase (decrease) in accounts payable	34,334		34,334
Increase (decrease) in compensated absences	(867)		(867)
Increase (decrease) in payroll payable	1,040		1,040
Increase (decrease) in accrued interest payable	7,271		7,271
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,359,433</u>	<u>7,522</u>	<u>3,366,955</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Equipment purchases	(102,718)		(102,718)
Plant and System Improvements	(3,333,953)		(3,333,953)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,436,671)</u>	<u>-</u>	<u>(3,436,671)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in due to general fund	(262,044)		(262,044)
Increase in due to special grant fund	62,616		62,616
Proceeds from new loans	932,000		932,000
Principal payments on debt	(203,051)		(203,051)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>529,521</u>	<u>-</u>	<u>529,521</u>
NET INCREASE (DECREASE) IN CASH	<u>452,283</u>	<u>7,522</u>	<u>459,805</u>
CASH and CASH EQUIVALENTS, JUNE 30, 2001	4,146,211	280,101	4,426,312
CASH and CASH EQUIVALENTS, JUNE 30, 2002	<u>\$4,598,494</u>	<u>\$287,623</u>	<u>\$4,886,117</u>
 Supplemental Disclosures of Cash Flow Information			
Interest Income Received	\$194,250	\$8,605	\$202,855
Interest Expense Paid	\$49,441	\$16,127	\$65,568

Disclosure of Accounting Policy:

For purposes of the statement of cash flows the city includes US Treasury Bills
 (at fair market value) \$1,902,469.

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yreka, California is legally incorporated under California municipal law, and is governed by a five member City Council. The City provides public safety (police and fire), streets and roads, water and sewer services, economic development, community development and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principals applicable to state and local governments. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant of the City's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units in the reporting entity by applying the criteria set forth in generally accepted accounting principals. 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 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: Fund Accounting

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 sent and the means by which spending activities are controlled. The following funds and account groups are used by the City:

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

GOVERNMENTAL FUND TYPES

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 FUND TYPES

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the city council 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 where the city council 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.

FIDUCIARY FUND TYPES

Trust Funds - Trust Funds are used to account for assets held by the city as trustee that are set aside for specific purposes. Nonexpendable trust funds account for financial activity in essentially the same manner as enterprise funds.

Agency Funds - Agency funds are used to account for assets held by the City as a custodian, or agent for individuals, governmental entities and non-public organizations. Agency funds are custodial in nature and do not involve measurement of results of operations.

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

ACCOUNT GROUPS

General Fixed Assets - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations and for control purposes. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. No depreciation is recorded on general fixed assets.

General Long-Term Debt - The General Long-Term Debt account group is used 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/Measurement Focus

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 and nonexpendable trust funds are accounted for using the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. Under this basis of accounting and measurement focus, the city applies all GASB pronouncements and FASB statement and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

CITY OF YREKA, CALIFORNIA

Notes to the Financial Statements

June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(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.

During fiscal year 2001-2002, the City adopted GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and For Investment Pools." Under GASB 31 investments are generally stated at fair value, rather than amortized cost, and the increase or decrease in fair value of investments is included as a component of income. A prior period adjustment has been made to the enterprise fund in order to reflect the adoption of GASB 31.

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(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 recorded. 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

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.

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

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. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

K. 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.

L. Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF YREKA, CALIFORNIA

Notes to the Financial Statements

June 30, 2002

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool for all City funds. Investments are stated at fair value in accordance with GASB 31. Interest earned and received is allocated to funds based on their average cash balances.

	<u>Cash and Investments (carrying value)</u>	<u>Fair Value of Investments</u>
Petty cash	\$435	
Cash in bank - checking	57,124	
Cash in bank - savings	16,127	
Cash in bank - certificates of deposit	271,495	
Cash in State Treasurer's Local Agency Investment Fund	<u>6,404,156</u>	
 Total Cash	 <u>6,749,337</u>	
 U.S. Government and Federal Bonds in Smith Barney account	 1,098,141	\$1,098,141
U.S. Treasury Bonds	<u>1,902,469</u>	<u>1,902,469</u>
 Total Investments	 <u>3,000,610</u>	 <u>\$3,000,610</u>
 Total Cash and Investments Per Financial Statement	 <u>\$9,749,947</u>	

At year end, the carrying amount of the City's bank deposits was \$344,746 and the bank balance was \$574,645. 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 the Financial Statements

June 30, 2002

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 counter party trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counter party, 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	\$1,902,469			\$1,902,469	\$1,902,469
U.S. Government and Federal Agency Bonds (in Smith Barney account)	1,098,141			1,098,141	1,098,141
Total Investments	\$3,000,610	-	-	\$3,000,610	\$3,000,610

Implementation of Governmental Accounting Standards Board Statement No. 31. "Accounting and Financial Reporting for Certain Investments and for External Investment Pools"

A prior period adjustment has been made to the financial statements as of June 30, 2002 in order to bring the financial statements into compliance with GASB 31. Under GASB 31, investments are generally stated at fair value, rather than amortized cost, and the increase or decrease in fair value of investments is included as a component of income.

3. INTERFUND ASSETS AND LIABILITIES

The following is a summary of interfund assets and liabilities as of June 30, 2002.

	Due From Asset	Due To Liability
Fund:		
Special Revenue Funds:		
Special Grants	\$62,616	
Enterprise Funds:		
Sewer Fund		\$62,616
Totals	\$62,616	\$62,616

The interfund assets and liabilities will be closed out in the next fiscal year with interfund transfers.

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

4. CHANGES IN FIXED ASSETS

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

	Balance June 30, 2001	Additions	Deletions	Balance June 30, 2002
Fixed asset balance, June 30, 1983	\$31,447,142			\$31,447,142
Building/Improvements	817,796	\$6,859		824,655
Land	64,347			64,347
Improvements other than buildings	110,148			110,148
Equipment	3,568,121	314,355		3,882,476
Equipment - Senior Nutrition	3,851			3,851
	<u>\$36,011,405</u>	<u>\$321,214</u>	<u>-</u>	<u>\$36,332,619</u>

A summary of changes in proprietary fund type fixed assets at June 30, 2002 is as follows:

	Water	Sewer	Combined Total
Balance at June 30, 2001	\$4,312,672	\$2,277,888	\$6,590,560
Equipment Purchases	102,718		102,718
Plant and System Improvements		3,333,953	3,333,953
	<u>4,415,390</u>	<u>5,611,841</u>	<u>10,027,231</u>
Less accumulated depreciation	<u>(2,908,670)</u>	<u>(815,050)</u>	<u>(3,723,720)</u>
Fixed assets, net at June 30, 2002	<u>\$1,506,720</u>	<u>\$4,796,791</u>	<u>\$6,303,511</u>

CITY OF YREKA, CALIFORNIA

Notes to the Financial Statements

June 30, 2002

4. CHANGES IN FIXED ASSETS (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.

5. LONG-TERM DEBT

The following is a summary of changes in general long-term obligations for the year ended June 30, 2002:

	<u>Balance June 30, 2001</u>	<u>New Issues</u>	<u>Principal Payments</u>	<u>Balance June 30, 2002</u>
LaFrance Fire Truck	\$135,788		\$20,038	\$115,750
Street Sweeper	97,857		21,906	75,951
Ford Pickup F150	17,677		3,440	14,237
FL70 Freightliner	106,188		15,633	90,555
627G Caterpillar Scraper	549,972		85,285	464,687
FL70 Freightliner Water Truc	74,665		15,723	58,942
Ford Pickup	32,917		7,083	25,834
Fire Dept. Rescue Truck		\$26,381		26,381
Totals	<u>\$1,015,064</u>	<u>\$26,381</u>	<u>\$169,108</u>	<u>\$872,337</u>

The following is a summary of changes in Enterprise Fund long-term obligations for the year ended June 30, 2002:

	<u>Balance June 30, 2001</u>	<u>New Issues</u>	<u>Principal Payments</u>	<u>Balance June 30, 2002</u>
WATER FUND				
Water System	\$1,372,321		\$137,812	\$1,234,509
Deferred Interest	304,639		33,849	270,790
Ford Pickup	17,165		3,935	13,230
SEWER FUND				
Brown Bear Tractor	199,358		27,454	171,904
Plant Upgrade		\$932,000		932,000
Totals	<u>\$1,893,483</u>	<u>\$932,000</u>	<u>\$203,050</u>	<u>\$2,622,433</u>

CITY OF YREKA, CALIFORNIA

Notes to the Financial Statements

June 30, 2002

5. LONG-TERM DEBT (continued)

Long-term debt at June 30, 2002 consists of the following:

	Enterprise Fund	General Long-term Debt Account Group
	<hr/>	<hr/>
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).	\$1,234,509	
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.	270,790	
Note payable to Scott Valley bank, secured with Brown Bear tractor, which bears interest at 6.89%. Interest and principal is due annually thru 2007.	171,904	
Note payable to Scott Valley Bank, secured with Ford Pickup, which bears interest at 5.9%, Interest and principal payments due annually thru 2004.	13,230	
Note payable to California State Water Resources Control Board, bearing interest at 2.6%. Principal and interest payment due annually thru 2022.	932,000	
Note payable to Tri Counties Bank, secured with LaFrance Fire Truck, which bears interest at 5.79%. Principal and interest due annually thru 2013.		\$115,750
Note payable to Scott Valley Bank, secured with Crosswind J Sweeper, which bears interest at 6.16%. Interest and principal due annually thru 2005.		75,951
Note payable to Scott Valley Bank, secured with Ford Pickup, which bears interest at 6.89%, Interest and principal payments due annually thru 2005.		14,237
Note payable to Scott Valley Bank, secured with Freightliner Truck, which bears interest at 6.89%, Interest and principal payments due annually thru 2007.		90,555

CITY OF YREKA, CALIFORNIA

Notes to the Financial Statements

June 30, 2002

5. LONG-TERM DEBT (continued)

	<u>Enterprise</u>	<u>General Long-term Debt Account Group</u>
Note payable to Scott Valley Bank, secured with Caterpillar Scraper, which bears interest at 6.16%, Interest and principal payments due annually thru 2007.		464,687
Note payable to Scott Valley Bank, secured with Freightliner Truck, which bears interest at 6.16%, Interest and principal payments due annually thru 2005.		58,942
Note payable to Scott Valley Bank, secured with Ford Pickup, which bears interest at 6.89%, Interest and principal payments due annually thru 2005.		25,834
Note payable to Scott Valley Bank, secured with Fire Dept. Rescue Truck, which bears interest at 5.12%, Interest and principal payments due annually thru 2006.		26,381
	<u>2,622,433</u>	<u>872,337</u>
Less: portion classified as current	<u>(203,130)</u>	<u>-</u>
Total long-term obligations	<u>\$2,419,303</u>	<u>\$872,337</u>

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

<u>Year Ended June 30</u>	<u>Enterprise Fund</u>	<u>General Long-term Debt Account Group</u>
2003	\$203,130	\$139,433
2004	248,832	147,853
2005	260,683	157,237
2006	262,872	138,186
2007	269,937	118,108
2008	277,228	117,305
2009	248,927	12,432
2010	257,028	13,151
2011	54,271	13,913
2012	55,682	14,719
2013	57,130	
2014	58,615	
2015	60,139	
2016	61,703	
2017	63,307	
2018	64,953	
2019	66,642	
2020	51,354	
Totals	<u>\$2,622,433</u>	<u>\$872,337</u>

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

6. 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 2000/2001, the City of Yreka's annual pension cost was \$129,960 and the City of Yreka actually contributed \$129,960. The required contribution for fiscal year 2000/2001 was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.2% for miscellaneous members (from 4.272% to 11.587% for safety members), and (C) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%.

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.

Required Supplementary Information

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
06-30-1999	5,886,337	8,002,387	(2,116,050)	135.9%	1,451,113	-145.823%
06-30-2000	6,485,797	8,709,520	(2,223,723)	134.3%	1,615,067	-137.686%
06-30-2001	7,426,131	8,895,029	(1,468,898)	119.8%	1,747,318	-84.066%

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

6. PENSION PLAN (continued)

Required Supplementary Information(continued)

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

Funded Status of Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
06-30-1999	3,301,788	4,182,583	(880,795)	126.70%	556,941	-158.149%
06-30-2000	3,796,645	4,838,674	(1,042,029)	127.40%	583,434	-178.603%
06-30-2001	4,183,089	5,020,065	(836,976)	120.00%	712,199	-117.520%

7. 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 District Bonds
Original issue	\$343,300
Rate of interest	5.00%
Balance July 1, 2001	\$55,000
Payments during year	<u>27,000</u>
Balance June 30, 2002	<u><u>\$28,000</u></u>

Future debt service requirements are as follows:

<u>Year Ended June 30</u>	
2003	\$28,000
Thereafter	<u>-</u>
Total	<u><u>\$28,000</u></u>

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

8. DEFICIT FUND BALANCES

The D.A.R.E. Special Revenue Fund had a deficit fund balance of (\$99) at June 30, 2002. City management plans to eliminate the deficit fund balance with a fund transfer from the General Fund.

9. 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, 2002.

<u>Fund</u>		
General Fund		\$283,170
Special Revenue Funds:		
D.A.R.E.	\$4,339	
Gas Tax Funds	234,033	
Improvement	(2,175)	
Local Transportation	7,728	
Special Grants	2,063,580	
Police Asset Forfeiture	-	
Senior Fund	(47,453)	
Traffic Safety	<u>7,075</u>	
Total Special Revenue		2,267,127
Capital Projects Funds:		
Fire Dept. Historical Bldg.	193,141	
Closure Post/Closure Landfill	-	
Yreka Creek Greenway	<u>-</u>	
Total Capital Projects		193,141
Enterprise Funds:		
Water	168,609	
Sewer	<u>288,743</u>	
Total Enterprise		457,352
Fiduciary Funds		
YMCA Building Funds	<u>-</u>	
Total Fiduciary Funds		<u>-</u>
 TOTAL		 <u><u>\$3,200,790</u></u>

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

10. INSURANCE

- A.** General Liability & Worker's Comp. - The city is insured for general liability and worker's comp. through membership in the Small Cities Organized Risk Effort (S.C.O.R.E) and the California Joint Powers Risk Management Authority. Both of these organizations are insurance pools. The city is responsible to pay annual insurance premiums and to serve as a member of the board for S.C.O.R.E. The city council has appointed the city manager to serve on this board.
- B.** Self Insured Dental Plan - The city provides dental insurance coverage for city employees through a self insurance plan. The plan is managed by a contract administrator. The cost of the plan for the year ended June 30, 2002 was \$46,971.

11. SOLID WASTE LANDFILL CLOSURE/POST CLOSURE CARE COSTS

The City has established a restricted trust account to cover the costs associated with the eventual closure of the solid waste landfill operated by the City. This restricted trust account was established per the requirements of the California Integrated Waste Management Board. The trust fund balance is increased each year based on the estimated liability incurred to date and the landfill capacity used to date.

Landfill/Post closure care costs include the costs to construct a final cover and to monitor the landfill site after closure.

Information relating to the closure post closure care costs:

Liability for closure/post closure care as of June 30, 2002	\$82,050
Trust account balance as of June 30, 2002	\$82,050
Estimated total current cost remaining to be recognized	\$4,653,650
Percentage of landfill capacity used to date	8%
Estimated remaining landfill life	66 years
Increase in trust account balance and expenditure for the year ended June 30, 2002	\$13,400

There is the potential that these estimates will change due to changes in inflation/deflation, technology, or applicable laws and regulations.

CITY OF YREKA, CALIFORNIA
Notes to the Financial Statements
June 30, 2002

12. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made to prior year fund balances to correct the following.

- A. Enterprise Fund: A \$538,875 prior period adjustment was made in order to value the Water Fund's investments in accordance with GASB 31. Under GASB 31 investments are stated at their fair value rather than cost.

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, 2002 have not yet been 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 statement.

- 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 fund, are presented as an obligation of the enterprise fund 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 fund. If this occurred, an interfund receivable would be created and remain until the enterprise fund was able to repay the City.

14. SUBSEQUENT EVENTS

Subsequent to the financial statement date of June 30, 2002, the following events occurred that may have a material effect on the financial statements.

- A. On August 7, 2002 the city issued \$918,350 of certificates of participation in order to finance the Eastside Sewer Project. The certificates bear interest at 4.5% with principal and interest due March 1 and September 1 of each year.

COMBINING FINANCIAL STATEMENTS

1

CITY OF YREKA, CALIFORNIA

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for 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 of California and private donations.

Gas Tax Fund

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

Improvement Funds

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

Special Grants

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

Police Asset Forfeiture

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

Traffic Safety & Congestion

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

CITY OF YREKA, CALIFORNIA

Combining Balance Sheet - Special Revenue Funds

June 30, 2002

	<u>DARE</u>	<u>GAS TAX FUNDS</u>	<u>IMPROVEMENT FUNDS</u>	<u>LOCAL TRANSPORTATION</u>
ASSETS				
Cash and investments		\$445,446	\$22,558	\$422,774
Accounts Receivable:				
Intergovernmental				
Accrued interest receivable		3,118		2,811
Notes receivable				
Due from enterprise fund				
Total Assets	<u>-</u>	<u>\$448,564</u>	<u>\$22,558</u>	<u>\$425,585</u>
LIABILITIES and FUND EQUITY				
Liabilities:				
Accounts payable	\$99	\$4,648		\$907
Payroll payable		1,197		
Compensated absences		22,203		
Total Liabilities	<u>99</u>	<u>28,048</u>	<u>-</u>	<u>907</u>
Fund Equity:				
Undesignated	<u>(99)</u>	<u>420,516</u>	<u>\$22,558</u>	<u>\$424,678</u>
Total Fund Equity	<u>(99)</u>	<u>420,516</u>	<u>22,558</u>	<u>424,678</u>
Total Liabilities and Fund Equity	<u>-</u>	<u>\$448,564</u>	<u>\$22,558</u>	<u>\$425,585</u>

See accompanying notes to the financial statements.

<u>SPECIAL GRANTS</u>	<u>POLICE ASSET FORFEITURE</u>	<u>SENIOR PROGRAM</u>	<u>TRAFFIC SAFETY & CONGESTION</u>	<u>TOTAL</u>
\$60,588	\$4,506		\$16,695	\$972,567
69,847		\$3,990	8,127	81,964
1,325				7,254
373,662				373,662
62,616				62,616
<u>\$568,038</u>	<u>\$4,506</u>	<u>\$3,990</u>	<u>\$24,822</u>	<u>\$1,498,063</u>
\$21,659			\$412	\$27,725
		\$3,990	1,151	6,338
			4,797	27,000
<u>21,659</u>	<u>-</u>	<u>3,990</u>	<u>6,360</u>	<u>61,063</u>
546,379	\$4,506		18,462	1,437,000
546,379	4,506	-	18,462	1,437,000
<u>\$568,038</u>	<u>\$4,506</u>	<u>\$3,990</u>	<u>\$24,822</u>	<u>\$1,498,063</u>

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - All Special Revenue Funds
Year Ended June 30, 2002

	<u>DARE</u>	<u>GAS TAX FUNDS</u>	<u>IMPROVEMENT FUNDS</u>	<u>LOCAL TRANSPORTATION</u>
REVENUES				
Intergovernmental revenue		\$134,356		\$74,403
Use of money and property In kind		23,427		17,731
Other revenue	\$1,052		\$1,460	
Total Revenues	<u>1,052</u>	<u>157,783</u>	<u>1,460</u>	<u>92,134</u>
EXPENDITURES				
Community development				
Drug awareness education	7,661			
Public safety				
Public works		203,867	32,175	23,272
Senior nutrition				
Total Expenditures	<u>7,661</u>	<u>203,867</u>	<u>32,175</u>	<u>23,272</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,609)	(46,084)	(30,715)	68,862
Other Financing Sources (Uses):				
Operating transfers in	6,510		5,452	206
Operating transfers (out)				
Total Other Financing Sources (Uses)	<u>6,510</u>	<u>-</u>	<u>5,452</u>	<u>206</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(99)	(46,084)	(25,263)	69,068
Fund Balances - June 30, 2001	-	466,600	47,821	355,610
Fund Balances - June 30, 2002	<u>(\$99)</u>	<u>\$420,516</u>	<u>\$22,558</u>	<u>\$424,678</u>

See accompanying notes to the financial statements.

<u>SPECIAL GRANTS</u>	<u>POLICE ASSET FORFEITURE</u>	<u>SENIOR PROGRAM</u>	<u>TRAFFIC SAFETY & CONGESTION</u>	<u>TOTAL</u>
\$490,249		\$125,293	\$64,807	\$889,108
14,339				55,497
		51,232		51,232
<u>16,987</u>	<u>\$574</u>	<u>43,428</u>		<u>63,501</u>
<u>521,575</u>	<u>574</u>	<u>219,953</u>	<u>64,807</u>	<u>1,059,338</u>
105,311				105,311
				7,661
39,048			60,646	99,694
<u>175,061</u>			<u>49,075</u>	<u>483,450</u>
		<u>242,507</u>		<u>242,507</u>
319,420	-	242,507	109,721	938,623
202,155	574	(22,554)	(44,914)	120,715
5,500		22,554	22,242	62,464
<u>5,500</u>	<u>-</u>	<u>22,554</u>	<u>22,242</u>	<u>62,464</u>
207,655	574	-	(22,672)	183,179
<u>338,724</u>	<u>3,932</u>	<u>-</u>	<u>41,134</u>	<u>1,253,821</u>
<u>\$546,379</u>	<u>\$4,506</u>	<u>-</u>	<u>\$18,462</u>	<u>\$1,437,000</u>

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures &
 Changes in Fund Balance - Budget and Actual -
 All Special Revenue Funds
 Year Ended June 30, 2002

	D.A.R.E.		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
REVENUES			
Intergovernmental revenue			
Use of money and property In kind			
Other revenue	-	\$1,052	\$1,052
Total Revenues	<u>-</u>	<u>1,052</u>	<u>1,052</u>
EXPENDITURES			
Community development			
Drug awareness education	12,000	7,661	4,339
Public safety			
Public works			
Senior nutrition			
Total Expenditures	<u>12,000</u>	<u>7,661</u>	<u>4,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,000)</u>	<u>(6,609)</u>	<u>5,391</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>6,510</u>	<u>6,510</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>6,510</u>	<u>6,510</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	<u>(\$5,490)</u>	<u>(99)</u>	<u>\$5,391</u>
Fund Balances - June 30, 2001		<u>-</u>	
Fund Balances - June 30, 2002		<u>(\$99)</u>	

See accompanying notes to the financial statements.

GAS TAX FUNDS			IMPROVEMENT FUNDS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$151,727	\$134,356	(\$17,371)			
27,000	23,427	(3,573)			
			\$1,000	\$1,460	\$460
<u>178,727</u>	<u>157,783</u>	<u>(20,944)</u>	<u>1,000</u>	<u>1,460</u>	<u>460</u>
437,900	203,867	234,033	30,000	32,175	(2,175)
437,900	203,867	234,033	30,000	32,175	(2,175)
<u>(259,173)</u>	<u>(46,084)</u>	<u>213,089</u>	<u>(29,000)</u>	<u>(30,715)</u>	<u>(1,715)</u>
			5,452	5,452	-
-	-	-	5,452	5,452	-
<u>(\$259,173)</u>	<u>(46,084)</u>	<u>\$213,089</u>	<u>(\$23,548)</u>	<u>(25,263)</u>	<u>(\$1,715)</u>
	<u>466,600</u>			<u>47,821</u>	
	<u>\$420,516</u>			<u>\$22,558</u>	

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures
 Changes in Fund Balance - Budget and Actual -
 All Special Revenue Funds - Continued
 Year Ended June 30, 2002

	<u>LOCAL TRANSPORTATION</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Intergovernmental revenue	\$54,000	\$74,403	\$20,403
Use of money and property In kind	16,000	17,731	1,731
Other revenue			
	<u>70,000</u>	<u>92,134</u>	<u>22,134</u>
Total Revenues			
EXPENDITURES			
Community development			
Drug awareness education			
Public safety			
Public works	31,000	23,272	7,728
Senior nutrition			
	<u>31,000</u>	<u>23,272</u>	<u>7,728</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>39,000</u>	<u>68,862</u>	<u>29,862</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>206</u>	<u>206</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>206</u>	<u>206</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	<u>\$39,206</u>	69,068	<u>\$29,862</u>
Fund Balances - June 30, 2001		<u>355,610</u>	
Fund Balances - June 30, 2002		<u>\$424,678</u>	

See accompanying notes to the financial statement

SPECIAL GRANTS			POLICE ASSET FORFEITURE		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$2,488,000	\$490,249	(\$1,997,751)			
4,700	14,339	9,639			
-	16,987	16,987	\$500	\$574	\$74
2,492,700	521,575	(1,971,125)	500	574	74
372,000	105,311	266,689			
23,000	39,048	(16,048)			
1,988,000	175,061	1,812,939			
2,383,000	319,420	2,063,580	-	-	-
109,700	202,155	92,455	500	574	74
5,500	5,500	-			
5,500	5,500	-	-	-	-
\$115,200	207,655	\$92,455	\$500	574	\$74
	338,724			3,932	
	\$546,379			\$4,506	

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures
 Changes in Fund Balance - Budget and Actual -
 All Special Revenue Funds - Continued
 Year Ended June 30, 2002

	<u>SENIOR PROGRAM</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Intergovernmental revenue	\$116,210	\$125,293	\$9,083
Use of money and property In kind	51,232	51,232	-
Other revenue	34,331	43,428	9,097
Total Revenues	<u>201,773</u>	<u>219,953</u>	<u>18,180</u>
EXPENDITURES			
Community development Drug awareness education Public safety Public works Senior nutrition	195,054	242,507	(47,453)
Total Expenditures	195,054	242,507	(47,453)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,719</u>	<u>(22,554)</u>	<u>(29,273)</u>
Other Financing Sources (Uses): Operating transfers in	22,554	22,554	-
Total Other Financing Sources (Uses)	<u>22,554</u>	<u>22,554</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	<u>\$29,273</u>	-	<u>(\$29,273)</u>
Fund Balances - June 30, 2001		-	
Fund Balances - June 30, 2002		<u>-</u>	

See accompanying notes to the financial statement

TRAFFIC SAFETY & CONGESTION			TOTAL 2002		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$78,600	\$64,807	(\$13,793)	\$2,888,537	\$889,108	(\$1,999,429)
			47,700	55,497	7,797
			51,232	51,232	-
			35,831	63,501	27,670
<u>78,600</u>	<u>64,807</u>	<u>(13,793)</u>	<u>3,023,300</u>	<u>1,059,338</u>	<u>(1,963,962)</u>
			372,000	105,311	266,689
			12,000	7,661	4,339
67,600	60,646	6,954	90,600	99,694	(9,094)
49,196	49,075	121	2,536,096	483,450	2,052,646
			195,054	242,507	(47,453)
<u>116,796</u>	<u>109,721</u>	<u>7,075</u>	<u>3,205,750</u>	<u>938,623</u>	<u>2,267,127</u>
<u>(38,196)</u>	<u>(44,914)</u>	<u>(6,718)</u>	<u>(182,450)</u>	<u>120,715</u>	<u>303,165</u>
<u>22,242</u>	<u>22,242</u>	<u>-</u>	<u>62,464</u>	<u>62,464</u>	<u>-</u>
<u>22,242</u>	<u>22,242</u>	<u>-</u>	<u>62,464</u>	<u>62,464</u>	<u>-</u>
<u>(\$15,954)</u>	<u>(22,672)</u>	<u>(\$6,718)</u>	<u>(\$119,986)</u>	183,179	<u>\$303,165</u>
	<u>41,134</u>			<u>1,253,821</u>	
	<u>\$18,462</u>			<u>\$1,437,000</u>	

CITY OF YREKA, CALIFORNIA

CAPITAL PROJECTS FUND

Capital Projects Funds 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 Landfill.

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

CITY OF YREKA, CALIFORNIA

Combining Balance Sheet - All Capital Project Funds

June 30, 2002

	<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>\$174,141</u>	<u>\$82,050</u>	<u>-</u>	<u>\$256,191</u>
Total Assets	<u>\$174,141</u>	<u>\$82,050</u>	<u>-</u>	<u>\$256,191</u>
LIABILITIES and FUND EQUITY				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity: Reserved	<u>\$174,141</u>	<u>\$82,050</u>	<u>-</u>	<u>\$256,191</u>
Total Liabilities, Fund Equity and, Other Credits	<u>\$174,141</u>	<u>\$82,050</u>	<u>-</u>	<u>\$256,191</u>

See accompanying notes the the financial statements.

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance - All Capital Project Funds
 Year Ended June 30, 2002

	Fire Dept. Historical Buildings	Closure Post/Closure Landfill	Yreka Creek Greenway	TOTAL
REVENUES				
Miscellaneous Revenues	<u> </u>	<u>\$6,700</u>	<u> </u>	<u>\$6,700</u>
Total Revenues	<u> -</u>	<u> 6,700</u>	<u> -</u>	<u> 6,700</u>
EXPENDITURES				
Capital projects	<u>\$6,859</u>	<u> </u>	<u> </u>	<u> 6,859</u>
Total Expenditures	<u> 6,859</u>	<u> -</u>	<u> -</u>	<u> 6,859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Operating Transfers	<u> (6,859)</u>	<u> 6,700</u>	<u> </u>	<u> (159)</u>
Operating Transfers In(Out)	<u> 125,845</u>	<u> -</u>	<u> (\$4,243)</u>	<u> 121,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures After Operating Transfers	<u> 118,986</u>	<u> 6,700</u>	<u> (4,243)</u>	<u> 121,443</u>
Fund Balance, June 30, 2001	<u> 55,155</u>	<u> 75,350</u>	<u> 4,243</u>	<u> 134,748</u>
Fund Balance, June 30, 2002	<u><u>\$174,141</u></u>	<u><u>\$82,050</u></u>	<u><u> -</u></u>	<u><u>\$256,191</u></u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance - All Capital Project Funds
 Year Ended June 30, 2002

	Fire Department Historical Buildings			Closure Post/Closure Landfill		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			-			
Miscellaneous Revenues	\$19,000		(\$19,000)	\$6,700	\$6,700	-
Total Revenues	19,000	-	(19,000)	6,700	6,700	-
EXPENDITURES						
Capital projects	200,000	\$6,859	193,141			
Total Expenditures	200,000	6,859	193,141	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Operating Transfers	(181,000)	(6,859)	174,141	6,700	6,700	-
Operating Transfers In (Out)	125,845	125,845	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures After Operating Transfers	(\$55,155)	118,986	\$174,141	\$6,700	6,700	-
Fund Balance, June 30, 2001		55,155			75,350	
Fund Balance, June 30, 2002		\$174,141			\$82,050	

See accompanying notes to the financial statements.

Yreka Creek Greenway			TOTALS		
Budget	Yreka Creek Greenway	Variance Favorable (Unfavorable)	Budget	TOTAL	Variance Favorable (Unfavorable)
			\$25,700	\$6,700	(\$19,000)
-	-	-	25,700	6,700	(19,000)
			200,000	6,859	193,141
-	-	-	200,000	6,859	193,141
-	-	-	(174,300)	(159)	174,141
(\$4,243)	(\$4,243)	-	121,602	121,602	-
(\$4,243)	(4,243)	-	(\$52,698)	121,443	\$174,141
	4,243			134,748	
	-			\$256,191	

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

ENTERPRISE FUNDS

Enterprise funds account for operations that are: 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, 2002

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$3,757,122	\$841,372	\$4,598,494
Accounts receivable	130,014	77,665	207,679
Property, Plant and, Equipment	4,415,390	5,611,841	10,027,231
Less: Accumulated depreciation	<u>(2,908,670)</u>	<u>(815,050)</u>	<u>(3,723,720)</u>
Net Property, Plant and, Equipment	<u>1,506,720</u>	<u>4,796,791</u>	<u>6,303,511</u>
Total Assets	<u>\$5,393,856</u>	<u>\$5,715,828</u>	<u>\$11,109,684</u>
LIABILITIES and RETAINED EARNINGS			
Current Liabilities:			
Accounts payable	\$16,440	\$40,286	\$56,726
Payroll payable	5,519	1,680	7,199
Compensated absences	17,970	4,022	21,992
Accrued interest payable	15,799	13,579	29,378
Due to special grants fund		62,616	62,616
Current portion of long-term debt	<u>174,854</u>	<u>28,276</u>	<u>203,130</u>
Total Current Liabilities	230,582	150,459	381,041
Long-Term Liabilities:			
Long-term debt, net of current	<u>1,343,675</u>	<u>1,075,628</u>	<u>2,419,303</u>
Total Liabilities	<u>1,574,257</u>	<u>1,226,087</u>	<u>2,800,344</u>
Retained Earnings	<u>3,819,599</u>	<u>4,489,741</u>	<u>8,309,340</u>
Total Liabilities and Retained Earnings	<u>\$5,393,856</u>	<u>\$5,715,828</u>	<u>\$11,109,684</u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIACombining Statement of Revenues, Expenses and
Changes in Retained Earnings
For the year ended June 30, 2002

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
Operating revenues:			
User fees and charges	\$1,167,176	\$765,795	\$1,932,971
Operating expenses:			
Cost of power and water	171,272	51,712	222,984
Maintenance, operations and, administration	560,214	276,066	836,280
Depreciation	135,180	97,042	232,222
Total operating expenses	<u>866,666</u>	<u>424,820</u>	<u>1,291,486</u>
Operating income (loss)	<u>300,510</u>	<u>340,975</u>	<u>641,485</u>
Other revenues (expenses):			
Grant revenue		2,321,279	2,321,279
Interest income	194,250		194,250
Unrealized gains/losses on investments	(21,656)		(21,656)
Interest expense	<u>(33,276)</u>	<u>(17,829)</u>	<u>(51,105)</u>
Total other revenues (expenses)	<u>139,318</u>	<u>2,303,450</u>	<u>2,442,768</u>
Net income (loss) before operating transfers in (out)	439,828	2,644,425	3,084,253
Operating transfers in (out)	<u>(37,701)</u>	<u>37,701</u>	<u>-</u>
Net Income (Loss)	<u>402,127</u>	<u>2,682,126</u>	<u>3,084,253</u>
Retained earnings, June 30, 2001	<u>2,878,597</u>	<u>1,807,615</u>	<u>4,686,212</u>
Prior period adjustment (note 12)	538,875	-	538,875
Retained earnings, June 30, 2002	<u>\$3,819,599</u>	<u>\$4,489,741</u>	<u>\$8,309,340</u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
For the year ended June 30, 2002

	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from Operations:			
Net income (loss)	\$402,127	\$2,682,126	\$3,084,253
Adjustments to reconcile net income to net cash used by operating activities			
Depreciation	135,180	97,042	232,222
(Increase) decrease in accounts receivable	3,101	(1,921)	1,180
Increase (decrease) in accounts payable	8,742	25,592	34,334
Increase (decrease) compensated absences	(8)	(859)	(867)
Increase (decrease) in payroll payable	970	70	1,040
Increase (decrease) in accrued interest payable	(2,058)	9,329	7,271
	<u>548,054</u>	<u>2,811,379</u>	<u>3,359,433</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Equipment purchases	(102,718)		(102,718)
Plant and system improvements		(3,333,953)	(3,333,953)
	<u>(102,718)</u>	<u>(3,333,953)</u>	<u>(3,436,671)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in due to general fund		(262,044)	(262,044)
Increase in due to special grants		62,616	62,616
Proceeds from new loans		932,000	932,000
Principal payments on debt	(175,596)	(27,455)	(203,051)
	<u>(175,596)</u>	<u>705,117</u>	<u>529,521</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH	269,740	182,543	452,283
CASH AND CASH EQUIVALENTS - JUNE 30, 2001	<u>3,487,382</u>	<u>658,829</u>	<u>4,146,211</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2002	<u>\$3,757,122</u>	<u>\$841,372</u>	<u>\$4,598,494</u>

Supplemental disclosure of cash flow information:

Interest revenue received	\$194,250	-	\$194,250
Interest expense paid	\$40,941	\$8,500	\$49,441

Disclosure of accounting policy:

For purposes of the statement of cash flow the city includes US Treasury Bills
(at fair market value) \$1,902,469.

See accompanying note the the financial statements.

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:

YMCA Building Fund

Established to account for monies set aside for the YMCA building fund.

AGENCY FUNDS:

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 and Donations

Established to account for collection and disbursement of donated monies.

Endowments.

Established to account for the collection and disbursement of endowment monies.

CITY OF YREKA
FIDUCIARY FUND TYPES
Combining Balance Sheet - All Agency Funds
June 30, 2002

	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	\$287,623	\$20,026	\$80,846	\$3,552
Total assets	<u>\$287,623</u>	<u>\$20,026</u>	<u>\$80,846</u>	<u>\$3,552</u>
LIABILITIES, FUND EQUITY and, OTHER CREDITS				
Liabilities:				
Held for trust purposes		\$20,026		
Held for assessment district			\$80,846	\$3,552
Total liabilities	<u>-</u>	<u>20,026</u>	<u>80,846</u>	<u>3,552</u>
Equity and other credits:				
Fund balance reserved for trust corpus	\$250,000			
Fund balance-unreserved -designated for specific projects	37,623			
Total Equity and Other Credits	<u>287,623</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Equity and, Other Credit	<u>\$287,623</u>	<u>\$20,026</u>	<u>\$80,846</u>	<u>\$3,552</u>

See accompanying notes to the financial statements.

AGENCY FUNDS

<u>SENIOR</u>	<u>GIFT DONATIONS</u>	<u>ENDOWMENTS</u>	<u>TOTALS</u>
\$52,979	\$13,549		\$458,575
<u>\$52,979</u>	<u>\$13,549</u>	<u>-</u>	<u>\$458,575</u>
\$52,979	\$13,549		\$86,554 84,398
<u>52,979</u>	<u>13,549</u>	<u>-</u>	<u>170,952</u>
			250,000
			<u>37,623</u>
-	-	-	287,623
<u>\$52,979</u>	<u>\$13,549</u>	<u>-</u>	<u>\$458,575</u>

CITY OF YREKA, CALIFORNIA
 Combining Statement of Changes in
 Assets and Liabilities - Agency Funds
 For the year ended June 30, 2002

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
ASSETS				
Cash	<u>\$169,040</u>	<u>\$131,269</u>	<u>\$129,357</u>	<u>\$170,952</u>
Total Assets	<u>\$169,040</u>	<u>\$131,269</u>	<u>\$129,357</u>	<u>\$170,952</u>
LIABILITIES				
Held for trust purposes	\$81,745	\$99,167	\$94,358	\$86,554
Held for assessment district	<u>87,295</u>	<u>32,102</u>	<u>34,999</u>	<u>84,398</u>
Total Liabilities	<u>\$169,040</u>	<u>\$131,269</u>	<u>\$129,357</u>	<u>\$170,952</u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

Statement of Changes in Assets and Liabilities - Agency Funds

For the year ended June 30, 2002

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
FUNDS UNDER \$12,000				
Assets:				
Cash	\$18,396	\$90,329	\$88,699	\$20,026
Totals	<u>\$18,396</u>	<u>\$90,329</u>	<u>\$88,699</u>	<u>\$20,026</u>
Liabilities:				
Held for trust purposes	\$18,396	\$90,329	\$88,699	\$20,026
Totals	<u>\$18,396</u>	<u>\$90,329</u>	<u>\$88,699</u>	<u>\$20,026</u>
CAMPBELL TRACT REDEMPTION FUND				
Assets:				
Cash	\$84,270	\$26,326	\$29,750	\$80,846
Totals	<u>\$84,270</u>	<u>\$26,326</u>	<u>\$29,750</u>	<u>\$80,846</u>
Liabilities:				
Held for assessment district	\$84,270	\$26,326	\$29,750	\$80,846
Totals	<u>\$84,270</u>	<u>\$26,326</u>	<u>\$29,750</u>	<u>\$80,846</u>
SHASTA BELLE REDEMPTION FUND				
Assets:				
Cash	\$3,025	\$5,776	\$5,249	\$3,552
Totals	<u>\$3,025</u>	<u>\$5,776</u>	<u>\$5,249</u>	<u>\$3,552</u>
Liabilities:				
Held for assessment district	\$3,025	\$5,776	\$5,249	\$3,552
Totals	<u>\$3,025</u>	<u>\$5,776</u>	<u>\$5,249</u>	<u>\$3,552</u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

Statement of Changes in Assets and Liabilities - Agency Funds

For the year ended June 30, 2002

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
SENIOR FUND				
Assets:				
Cash	<u>\$49,799</u>	<u>\$3,878</u>	<u>\$698</u>	<u>\$52,979</u>
Totals	<u><u>\$49,799</u></u>	<u><u>\$3,878</u></u>	<u><u>\$698</u></u>	<u><u>\$52,979</u></u>
Liabilities:				
Held for trust purposes	<u>\$49,799</u>	<u>\$3,878</u>	<u>\$698</u>	<u>\$52,979</u>
Totals	<u><u>\$49,799</u></u>	<u><u>\$3,878</u></u>	<u><u>\$698</u></u>	<u><u>\$52,979</u></u>
GIFT DONATIONS				
Assets:				
Cash	<u>\$8,589</u>	<u>\$4,960</u>	<u>-</u>	<u>\$13,549</u>
Totals	<u><u>\$8,589</u></u>	<u><u>\$4,960</u></u>	<u>-</u>	<u><u>\$13,549</u></u>
Liabilities:				
Held for trust purposes	<u>\$8,589</u>	<u>\$4,960</u>	<u>-</u>	<u>\$13,549</u>
Totals	<u><u>\$8,589</u></u>	<u><u>\$4,960</u></u>	<u>-</u>	<u><u>\$13,549</u></u>
ENDOWMENTS				
Assets:				
Cash	<u>\$4,961</u>	<u>-</u>	<u>\$4,961</u>	<u>-</u>
Totals	<u><u>\$4,961</u></u>	<u>-</u>	<u><u>\$4,961</u></u>	<u><u>-</u></u>
Liabilities:				
Held for trust purposes	<u>\$4,961</u>	<u>-</u>	<u>\$4,961</u>	<u>-</u>
Totals	<u><u>\$4,961</u></u>	<u>-</u>	<u><u>\$4,961</u></u>	<u><u>-</u></u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

Non-Expendable Trust Fund

Statement of Revenues, Expenses and Changes in Fund Balance

For the year ended June 30, 2002

	<u>YMCA</u> <u>Building Fund</u>
Operating revenues	<u>-</u>
Operating expenses	<u>-</u>
Operating Income	<u>-</u>
Other revenues (expenses):	
Investment income	\$16,127
Interest payment to YMCA	<u>(8,605)</u>
Total Other Revenues (Expenses)	<u>7,522</u>
Net Income (loss)	7,522
Fund Balance June 30, 2001	<u>280,101</u>
Fund Balance June 30, 2002	<u><u>\$287,623</u></u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA

Non-Expendable Trust Fund

Statement of Cash Flows

For the year ended June 30, 2002

	<u>YMCA Building Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income (loss)	\$7,522
Adjustments to reconcile net income to net cash used by operating activities	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>7,522</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH	<u>7,522</u>
CASH and CASH EQUIVALENTS, JUNE 30, 2001	280,101
CASH and CASH EQUIVALENTS, JUNE 30, 2002	<u><u>\$287,623</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid	\$8,605
Interest earned	\$16,127

See accompanying notes to the financial statements.

SUPPLEMENTAL INFORMATION

CITY OF YREKASchedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

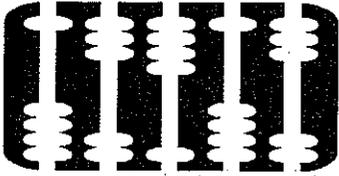
<u>Federal Grantor/Pass-through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass Through Program from PSAII Local Area Agency on Aging		4001	
Nutrition Program for the Elderly	10-570		\$44,986
Title III Older Americans Act of 1965	93-635		23,039
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	10-675		282,473
Pass Through Program From State Water Resources Control Board:		2240	
Community Development Block Grant	14-228		155,000
U.S. Forest Service:			
Blue Goose Community Support	10-670		14,399
U.S. Department of Commerce:			
Eastside Sewer Project	04-781		451,000
Total Expenditures of Federal Awards			<u>\$970,897</u>

See accompanying notes to the financial statements.

CITY OF YREKA, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Yreka and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



JEFFREY CHITWOOD
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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

I have audited the financial statements of City of Yreka, California as of and for the year ended June 30, 2002, and have issued my report thereon dated November 26, 2002. Except as reported in note 4, I conducted my audit in accordance with generally accepted 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.

Compliance

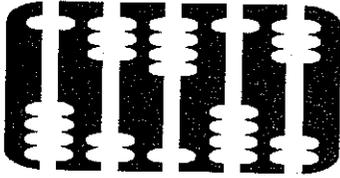
As part of obtaining reasonable assurance about whether City of Yreka's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered City of Yreka's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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 general purpose 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jeffrey Chitwood
Certified Public Accountant
November 26, 2002



JEFFREY CHITWOOD
Certified Public Accountant

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

I have audited the compliance of City of Yreka, California, with the types of compliance requirements described in the U.S. Office of Management and Budget OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. City of Yreka, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Yreka, California's management. My responsibility is to express an opinion on City of Yreka, California's compliance based on my audit.

I conducted my audit in accordance with generally accepted 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 I 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 City of Yreka, California's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on City of Yreka, California's compliance with those requirements.

In my opinion, City of Yreka, California, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of City of Yreka, California, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered City of Yreka, California's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Jeffrey Chitwood
Certified Public Accountant

November 26, 2002

CITY OF YREKA, CALIFORNIA
Schedule of Findings and Questioned Costs
for the Year Ended June 30, 2002

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the general purpose financial statements of the City of Yreka, California.
2. There were no reportable conditions disclosed during the audit of the general purpose financial statements
3. No instances of noncompliance material to the general purpose financial statements of the City of Yreka, California were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for City of Yreka expresses an unqualified opinion on all major federal programs.
5. The programs tested as major programs are Community Development Block Grant and, Economic Development Block Grant.
6. The Community Development Block Grant and Economic Development Block Grant programs were considered Type A programs.
7. The Nutrition Program for the Elderly and Title III Older American Act of 1965 were Type B programs.
8. City of Yreka, California was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

I noted no findings during the financial statement audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT BLOCK GRANT

I noted no findings during the audit of the Major Federal Award Programs.

QUESTIONED COSTS

None.

