

2011-2012 Audited Financial Statements



Management Discussion and Analysis

CITY OF YREKA, CALIFORNIA

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2012**

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City of Yreka

Management's Discussion and Analysis:

As management of the City of Yreka (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Yreka for the fiscal year ended June 30, 2012. We provide this discussion and analysis to: 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, and 3) identify changes in the City's financial position.

2011-2012 Financial Highlights:

- In the combined statement of net assets, total net assets for the City of Yreka exceeded its liabilities at the close of the most recent fiscal year by \$43,660,816. Of this amount, \$9,819,397 of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Readers familiar with annual reports can think of unrestricted net assets as the City's total equity position.
- Governmental activities total net assets increased by \$843,071 from \$22,805,894 in 2010-2011 to \$23,648,965 in 2011-12.
- The increase in net assets is primarily due to a \$658,994 increase to unrestricted net assets. Unrestricted net assets grew as the City received \$495,487 of one-time insurance premium dividends or refunds from the Small Cities Organized Risk Effort (SCORE), a joint powers authority of cities where the City of Yreka is a member. Correspondingly current assets and other assets increase \$313,647, from \$6,187,376 in 2010-2011 to \$6,501,023 in 2011-2012.
- The governmental funds net assets invested in capital projects increased \$158,270, primarily due to the repayment of long term debt that is associated with financing those assets in the amount of \$123,246. The net increase in capital assets was \$35,024 (capital outlay of \$942,786, less depreciation of \$899,234 and disposal of assets of \$8,528).
- Total liabilities decreased \$500,390 from \$3,890,667 in 2010-2011 to \$3,390,277 in 2011-2012. Of that decrease, long-term liabilities declined \$338,459 of which \$123,246 was related to debt financing capital assets and \$215,213 was related to

other long term debt. Current liabilities decreased \$161,931 primarily due to a decline in vendor or trade payables of \$289,251, construction retention of \$43,663, and payroll related accounts payable of \$25,094. Deferred revenue declined \$7,604. These decreases were offset by increases in the current portion of both compensated absences payable \$195,667 and long term debt \$8,014.

- The business-type activities total net assets increased by \$2,932,855 from \$17,078,996 in 2010-2011 to \$20,011,851 in 2011-2012. Readers can review pages 7-9 of the Financial Statement to understand how planned utility rate increases and grant proceeds resulted in the increase to both current assets of \$2,926,892 and unrestricted net assets of \$2,461,097, while investment in capital outlay net of related debt increased only \$371,758.

2011-12 Capital Projects Highlights:

- The City expended \$6,818,266 in construction funds for improvements to its water systems as part of the \$11,185,000 Fall Creek Water System project.
- The City completed \$906,891 of paving, traffic signs, and sidewalk improvements. The Bruce Street overlay project stretched from Main Street to the end of Bruce. The Safe Routes to School project improved sidewalks, crosswalks, and traffic speed alert signs around the City's schools.
- The City completed \$330,357 of bridge improvement and creek restoration projects in Greenhorn Park. Funding for the project was provided by Ducks Unlimited, Tom Hesseldenz & Associates, Federal Emergency Management Agency (FEMA), the U.S. Fish & Wildlife Service and the Shasta Regional Community Foundation. The project was done in three phases. The first was the repair of the foundations that the two upper Greenhorn bridges sit on. The second phase was the removal and replacement of a pedestrian bridge across Greenhorn Creek. The final phase, and most important, was the widening of the creek's floodplain and planting of native vegetation within the floodplain in order to reduce flood hazards.



Greenhorn Park Pedestrian Bridge, February 2012

2011-12 Economic Development Highlights:

- The City of Yreka is offering two grant programs for businesses, groups, and individuals in our Historic Downtown on Miner Street. These grants are funded entirely by a donation to the City from the Phyllis Stewart Trust for the “beautification of Miner Street.” The first program the City is a facade improvement grant. It will be for businesses and building owners that are located east of the Police Department on Miner Street. The grant will reimburse a percentage of costs to applicants who make preapproved visual improvements to their buildings. The second grant program is for “community projects.” These projects can be organized by private individuals and groups looking to make improvements to public spaces on Miner Street. Direct grants can be provided to the individual or group organizing the project. The City hopes these grants will not only help beautify Miner Street, but also provide much needed assistance to businesses, individuals and groups looking to invest in the quality and character of our historic downtown.



Miner Street, February 2012

- The City, and its subrecipient partner, Siskiyou County Economic Development Council, are continuing work on a \$400,000 Environmental Protection Agency Grant for Hazardous and Petroleum Waste grant to identify and perform contaminate testing on old lumber mill sites and other industrial or petroleum-related locations. By identifying the level of contamination on these sites, if any, the results can be used to apply for future clean-up grants.
- The City, through a competitive grant award, has been able to work with the Jefferson Economic Development Institute, its subrecipient partner, to provide \$300,000 of small business development training, coaching and counseling.

Overview of the Financial Statements:

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

Government-wide Financial Statements:

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

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

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

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

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

The government-wide financial statements can be found on pages 2 through 3 of this report.

Fund Financial Statements:

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

Governmental funds:

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

The Balance Sheet and the Reconciliation of Total Governmental Fund Balance to the Statement of Net Assets Governmental Activities Governmental Funds, page 4, guides the reader through the significant reporting differences between these two statements. In 2011-2012, the differences are attributable to the recognition of capital assets and long-term liabilities. The analysis of these two statements, helps the reader to understand better the long-term impact of the City's capital expenditures and financing decisions.

The reconciliation of the Statement of Revenues, Expenditures and Changes in Funds Balance to the Statement of Activities Governmental Funds, page 6, itemizes the differences between the net change in the governmental fund balance to the change in net assets of governmental activities. In 2011-2012, the differences are attributable to (1) changes in capital outlay net of depreciation, (2) changes in long-term debt net of repayments, (3) changes in other post employment benefits, and (4) changes in compensated absences.

The major funds within governmental funds include the General Operating Fund, Special Revenue Fund, Special Grants Fund, and Streets and Roads Fund. The major governmental funds are presented in (1) the governmental fund balance sheet, (2) the governmental fund statement of revenues, expenditures, and changes in fund balances for the governmental funds, and (3) the reconciliation of the Statement of Revenues, Expenditures and Changes in Funds Balance to the Statement of Activities Governmental Funds, found on pages 4 through 6 of this report.

The City of Yreka adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement for the governmental funds demonstrates compliance with the budget, and is located on pages 31 through 34 of this report.

Proprietary funds.

The City of Yreka maintains two different types of proprietary funds for its business-type activities. These are also referred to as Enterprise Funds, and are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Yreka uses these funds to account for its water and wastewater operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater funds, each of which is considered a major fund. The basic proprietary fund financial statements can be found on pages 7 through 9 of this report.

Fiduciary funds:

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

Notes to the financial statements:

The notes provide additional information that is essential in understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 30 of this report.

Other supplemental information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that can be found on pages 31 through 34 of this report.

Financial Analysis of the City as a Whole:

Government-wide Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The City of Yreka’s assets exceeded liabilities by \$23,648,965 for governmental activities and \$20,011,851 for business type activities, or \$43,660,816 in total, at the close of 2011-2012.

City of Yreka – Changes in Net Assets

	Governmental Activities	Business- Type Activities	Total
Total Net Assets for:			
Fiscal Year 2010-2011	\$22,805,894	\$17,078,996	\$39,884,890
Fiscal Year 2011-2012	23,648,965	20,011,851	43,660,816
Increase or (Decrease in Net Assets)	\$843,071	\$2,932,855	\$3,775,926

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

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

City of Yreka – Governmental Activities Net Assets

City of Yreka - Net Assets Governmental Activities

	Governmental Activities		Percentage Change
	2010-2011	2011-2012	2010-2011 as the base year
Assets:			
Current assets and other assets	\$6,187,376	\$6,501,023	5.1%
Restricted assets	1,969,721	1,963,731	-0.3%
Non current assets	18,539,464	18,574,488	0.2%
<i>Total Assets</i>	26,696,561	27,039,242	1.3%
Liabilities:			
Current liabilities	858,933	697,002	-18.9%
Long-term liabilities	3,031,734	2,693,275	-11.2%
<i>Total Liabilities</i>	3,890,667	3,390,277	-12.9%
Net assets:			
Invested in capital assets, net of related debt	17,801,262	17,959,532	0.9%
Restricted	3,180,243	3,206,050	0.8%
Unrestricted	1,824,389	2,483,383	36.1%
<i>Total Net Assets</i>	\$22,805,894	\$23,648,965	3.7%

Total assets increased by 1.3% from \$26,696,561 in 2010-11 to \$27,039,242 in 2011-12. Of that increase current assets and other assets increased 5.1%.

Total liabilities decreased 12.9%, from \$3,890,667 in 2010-2011 to \$3,390,277 in 2011-2012. Of that decrease long-term liabilities declined 11.2% due to repayment of long term debt. Current liabilities decreased 18.9% primarily due to a decrease in trade, construction retention and payroll accounts payable. Deferred revenue also decreased. Those decreases were offset by increases in the current portion of both compensated absences payable and long term debt.

The increase in net assets of 3.7% is primarily due to a 36.1% increase to unrestricted net assets. The increase is primarily due to \$495,487 of one-time insurance premium dividends or refunds from the SCORE. Correspondingly current assets and other assets increased 5.1% from \$6,187,376 in 2010-2011 to \$6,501,023 in 2011-2012.

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

City of Yreka – Business Type Activities Net Assets

City of Yreka - Net Assets Business-Type Activities

	Business-Type Activities		Percentage Change
	2010-2011	2011-2012	2010-2011 as the base year
Assets:			
Current assets and other assets	\$5,542,860	\$8,469,752	52.8%
Restricted assets	100,000	200,000	100.0%
Non current assets	14,429,362	20,832,857	44.4%
<i>Total Assets</i>	<u>20,072,222</u>	<u>29,502,609</u>	47.0%
Liabilities:			
Current liabilities	668,980	1,258,877	88.2%
Long-term liabilities	2,324,246	8,231,881	254.2%
<i>Total Liabilities</i>	<u>2,993,226</u>	<u>9,490,758</u>	217.1%
Net assets:			
Invested in capital assets, net of related debt	12,104,079	12,475,837	3.1%
Restricted	100,000	200,000	100.0%
Unrestricted	4,874,917	7,336,014	50.5%
<i>Total Net Assets</i>	<u>\$17,078,996</u>	<u>\$20,011,851</u>	17.2%

Total assets increased 47.0% from \$20,072,222 in 2010-11 to \$29,502,609 in 2011-12. Cash balances increased 52.8%, due to grant fund proceeds and non current assets increased 44.4% due to capital outlay to the water system.

Total liabilities increased 217.1%, and long-term liabilities increased 254.2% for new debt, related to the Fall Creek Water System improvement project.

Correspondingly, overall, net assets increased unrestricted net assets increased by 17.2%. Restricted net assets increased 100.0% due to debt servicing reserve requirements.



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

Comparison of Government Wide General Revenues:

General revenues:	2010-2011			2011-2012		
	Governmental activities	Business-type activities	Total	Governmental activities	Business-type activities	Total
Taxes:						
Property	\$974,932	\$0	\$974,932	\$925,163	\$0	\$925,163
Sales and use	1,631,864	0	1,631,864	1,766,735	0	1,766,735
Other	1,385,289	0	1,385,289	1,409,549	0	1,409,549
Investment earnings	58,927	20,686	79,613	49,189	23,165	72,354
Other	0	0	0	0	0	0
Gain on disposal of capital assets	0	0	0	69,600	7,030	76,630
Transfers	7,218	(7,218)	0	0	0	0
Total general revenues and transfers	\$4,058,230	\$13,468	\$4,071,698	\$4,220,236	\$30,195	\$4,250,431

Total government wide general revenues increased \$178,733 from \$4,071,698 in 2010-11, to \$4,250,431 in 2011-12. Property taxes revenues declined \$49,769 from \$974,932 in 2010-2011. Property values in the City of Yreka are experiencing a significant decline and a decline in property tax revenue is projected over the next several years. However in 2011-12, sales tax revenue increased \$134,871. The two previous years had declining sales tax revenue. The gain on sale of capital assets of \$69,600 in 2010-2011 was due to the sale of land to the State of California, for new superior court facilities.



View on Butcher Hill looking down on the 2.5 million gallon Clearwell tank, January, 2012.

Comparison of Government Wide Program Revenues:

<i>Program Revenue</i>	Year over Year		
	2010-2011	2011-2012	Change
Governmental activities:			
General government	\$384,435	\$833,816	\$449,381
Planning and development	663,867	287,466	(376,401)
Parks and recreation	86,991	305,750	218,759
Public works administration	9,160	2,018	(7,142)
Public works maintenance	50	467	417
Police protection	186,646	240,093	53,447
Fire protection	249,678	255,937	6,259
Senior nutrition and transportation	-	-	-
Streets and sidewalks	2,197,639	717,077	(1,480,562)
Public transportation	166,769	161,391	(5,378)
<i>Total governmental activities</i>	<u>3,945,235</u>	<u>2,804,015</u>	<u>(1,141,220)</u>
Business-type activities:			
Sewer	2,235,168	2,316,888	81,720
Water	2,259,650	3,948,400	1,688,750
Sanitary Landfill	-	-	-
<i>Total business-type activities</i>	<u>4,494,818</u>	<u>6,265,288</u>	<u>1,770,470</u>
Total primary government	<u>\$8,440,053</u>	<u>\$9,069,303</u>	<u>\$629,250</u>

Government wide program revenues increased \$629,250.

Governmental activities program revenue decreased \$1,141,220 in 2011-2012.

- The \$449,381 increase in general government is primarily due to a \$495,487 insurance premium refund in 2011-2012.
- The \$376,401 decrease in planning and development is due to decrease in one-time community development operating grant activities, such as housing rehabilitation.
- The \$218,759 increase in revenue for parks and recreation, is primarily due capital outlay associated with the grant funded projects 2011-2012.
- The \$1,480,562 decrease in street and sidewalk revenue is to capital outlay projects completed in 2010-2011.

Business activities program revenue increased \$1,770,470 in 2011-2012, primarily due grant revenue proceeds of \$1,409,686 for the water system improvement project.

Comparison of Government Wide Program Expenses:

<i>Program Expenses</i>	2010-2011	2011-2012	Year over Year Change
Governmental activities:			
General government	\$765,325	\$729,348	(\$35,977)
Planning and development	884,753	742,515	(142,238)
Parks and recreation	586,966	589,618	2,652
Public works administration	74,600	73,771	(829)
Public works maintenance	141,902	126,777	(15,125)
Police protection	2,262,623	2,340,168	77,545
Fire protection	424,353	408,552	(15,801)
Senior nutrition and transportation	-	-	-
Streets and sidewalks	1,011,643	1,009,040	(2,603)
Public transportation	166,769	161,391	(5,378)
<i>Total governmental activities</i>	<u>6,318,934</u>	<u>6,181,180</u>	<u>(137,754)</u>
Business-type activities:			
Sewer	1,698,453	1,736,928	38,475
Water	1,620,737	1,625,700	4,963
Sanitary Landfill	-	-	-
<i>Total business-type activities</i>	<u>3,319,190</u>	<u>3,362,628</u>	<u>43,438</u>
Total primary government	<u>\$9,638,124</u>	<u>\$9,543,808</u>	<u>(\$94,316)</u>

Government wide functional expenses decreased \$94,316 from \$9,638,124 in 2010-11 to \$9,543,808 in 2011-12.

Functional expenses for governmental activities decreased \$137,754 from \$6,318,934 in 2010-11 to \$6,181,180 in 2011-12.

- General governmental expenses decreased \$35,977.
- Planning expenses decreased \$142,238, primarily due to the end of grant programs in 2011-2012 and one-time planning deposit refund expense in 2010-2011.
- Police protection increased \$77,545, primarily due to capital outlay for building improvements at the station.

Functional expenses for business-type activities increased \$43,438 from \$3,319,190 in 2010-11 to \$3,362,628 in 2011-12.

Financial Analysis of the City's Funds:

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

Governmental funds:

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

The general fund is the chief operating fund of the City of Yreka, and at the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,169,083. The following describes the fund balances designations.

Nonspendable: The nonspendable governmental fund balances for the City total \$535,133 and represents medium and long term loans to residents and businesses arising from housing and economic development grant lending programs.

Restricted: The restricted governmental fund balances for the City total \$3,206,050. The General Fund balance reserved for capital outlays of \$1,964,581 that represents funds in the Crandall account and \$117,365 of project specified donated funds. The Crandall account is an account where the City has expenditure control, but is restricted to expend only for special capital outlays by a will. Restricted balances of \$207,365 in special grant funds includes program income generated from the City's residential and business lending, that is restricted by the grantor in re-use. The special revenue funds have a restricted fund balance of \$466,697 of which \$392,643 is a voter approved parcel tax assessment for fire protective services, and \$74,054 are reserved for planned improvements arising from developer fees. Street and road restricted balances of \$450,042 are as result of statewide fuel (highway users tax accounts, or HUTA) and restricted sales taxes (local transportation funds), that are restricted to transit, road and street construction, maintenance and improvements.

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

Assigned: The restricted fund balances for the City are \$2,005,108. The City has assigned these balances to cover capital improvements, planning and development, grant contingencies, general liability reserves, and project specified donated funds.

Unassigned: The City has \$2,422,792 of unassigned governmental fund balances that are available to expend.

Proprietary funds:

The City of Yreka’s proprietary funds, also referred to as business-type activities or Enterprise Funds, provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets of the water and wastewater funds at the end of the year amounted to \$20,011,851, and unrestricted net assets were \$7,336,014. In the statement on Cash Flows, page 9, the net increase in cash shows an increase of \$2,410,003. The wastewater and water enterprise fund increased \$1,165,826 and \$1,244,177 respectively, in available cash. Planned capital outlay expenditures in the water fund of \$6,927,133, were offset by new debt financing construction draws of \$6,101,210. The City remains on track with its revenue increases, operating costs controls, and required capital outlay as identified from the rate analysis study.

Agency funds:

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



City of Yreka Website Home Page, December, 2012.

General Fund Budgetary Highlights:

Below is a table comparing the differences between the original budget and the final amended budget for revenue and expenses in the General Fund, Special Grant Fund, Special Revenue and Streets and Roads Fund. More line detail is available on pages 31 through 34 of this report.

Schedule of Revenues and Expenditures – Budget to Actual 2011-2012

General Fund	Original	Final	Actual
Revenue	\$4,337,640	\$5,041,128	\$5,182,390
Expense	4,558,004	4,499,761	4,362,141
Excess (deficiency) of revenue over (under) expenses	(220,364)	541,367	820,249
Other Financing Sources and (Uses)	(46,607)	(68,607)	(68,510)
Net Change in Fund Balance	(\$266,971)	\$472,760	\$751,739
Special Grants	Original	Final	Actual
Revenue	\$2,545,500	\$992,703	\$913,332
Expense	2,782,000	1,247,703	1,171,114
Excess (deficiency) of revenue over (under) expenses	(236,500)	(255,000)	(257,782)
Other Financing Sources and (Uses)	11,000	144,000	143,197
Net Change in Fund Balance	(\$225,500)	(\$111,000)	(\$114,585)
Special Revenue	Original	Final	Actual
Revenue	\$475,650	\$475,650	\$488,790
Expense	520,173	320,438	320,427
Excess (deficiency) of revenue over (under) expenses	(44,523)	155,212	168,363
Other Financing Sources and (Uses)	0	0	0
Net Change in Fund Balance	(\$44,523)	\$155,212	\$168,363
Streets and Roads	Original	Final	Actual
Revenue	\$462,768	\$444,188	\$439,738
Expense	762,139	540,130	497,299
Excess (deficiency) of revenue over (under) expenses	(299,371)	(95,942)	(57,561)
Other Financing Sources and (Uses)	35,607	(76,393)	(74,687)
Net Change in Fund Balance	(\$263,764)	(\$172,335)	(\$132,248)

General Operating Fund:

- Total revenues were \$4,337,640 in the original budget, \$5,041,128 in the final budget and \$5,182,390 for actuals. The revenue increase of \$703,488 in the final budget reflects an increase in sales tax, gain on sale of property, one time insurance premium refund from SCORE. Actual revenue of \$5,182,390 was \$141,262 favorable to the final budget.
- Total expenses were \$4,558,004 in the original budget, \$4,499,761 in the final budget and \$4,362,141 for actuals. The final budget expenses were decreased by \$58,243 from the original budget. Actual expenses of \$137,620 were favorable to the final budget.

- The change in the general fund balance was (\$266,971) in the original budget, \$472,760 in the final budget and \$751,739 for actuals.

Special Grant Fund:

- Grant revenue was \$2,290,000 in the original budget, \$749,703 in the final budget and actual revenue was \$705,393. The original budget showed funding for all grants projects that might have been completed in the fiscal year 2011-12. The decrease in actual project funding reflects delays in both construction work in process and implementation.
- Expenditure for community development was \$235,000 in the original budget, \$322,000 in the final budget, and \$313,333 for actuals. The increase was due to greater participation of local eligible businesses and employees in microenterprise training and business development classes.
- Public works maintenance was \$275,000 in the original budget, \$25,558 in the final budget and \$12,491 for actuals. The decrease was due to cancellation of an estimated \$250,000 project to rehabilitate a storm drain system on Fairchild from West street to Miner.
- Capital expenditures for street rehabilitation and greenway and park improvements were \$2,272,000 in the original budget, \$900,145 in the final budget and \$844,801 for actuals. Design delays and approvals postponed a \$1,100,000 of planned development expenditures on a river parkway grant project at the north end of town near along the Yreka Creek.

Special Revenue Fund:

- Revenues were \$475,650 in the original budget, \$475,650 in the final budget and \$488,790 for actuals.
- Expenses were \$520,173 in the original budget, \$320,438 in the final budget and \$320,427 for actuals. Capital outlay decreased \$200,000, due an anticipated payment for the fabrication of brush fire response truck. That truck was not received until August of 2012.

Streets and Roads Fund:

- Revenues were \$462,768 in the original budget, \$444,188 in the final budget and \$439,738 for actuals. Actual revenue in the road and streets funds is primarily from state gas tax allocations.
- Expenses were \$762,139 in the original budget, \$540,130 in the final budget and \$497,299 for actuals.
- Expenses for street and sidewalk maintenance were \$443,117 in original budget and \$347,217 in the final budget. This was lower than actual expenditures of \$312,519, as less engineering and maintenance work was performed by City staff.
- Expenditures for capital outlay in original budget of \$87,500, was zero in the final budget and zero for actuals. This was due to postponement of the Butte Street alley repairs and work on the engineering plans for the Fairlane Bridge deck repairs.

Capital Assets and Debt Administration

Changes in Capital Assets

	Balance				Balance
	June 30, 2011	Additions	Retirements	Transfers	June 30, 2012
Governmental Activities:					
<i>Capital assets not being depreciated;</i>					
Land	\$1,918,026	\$0	\$ (8,528)	\$0	\$1,909,498
Construction in Progress	1,170,608	844,801	-	(1,293,159)	722,250
<i>Capital assets being depreciated;</i>					
Building and Structures	4,121,037	72,624	-	330,357	4,524,018
Machinery and Equipment	3,558,781	25,361	-	-	3,584,142
Infrastructure	28,925,165	-	-	962,802	29,887,967
Governmental Activities Capital Assets	39,693,617	942,786	(8,528)	-	40,627,875
Less Accumulated Depreciation	(21,154,153)	(899,234)	-	-	(22,053,387)
Governmental Activities Capital Assets, net	\$18,539,464	\$43,552	(\$8,528)	\$0	\$18,574,488
Business-type Activities:					
<i>Capital assets not being depreciated;</i>					
Land	\$253,172	\$0	\$0	\$0	\$253,172
Construction in Progress	2,684,760	6,933,752	-	-	9,618,512
<i>Capital assets being depreciated;</i>					
Utility Plant	16,259,816	82,553	-	-	16,342,369
Building and Structures	7,159,848	-	-	-	7,159,848
Machinery and Equipment	4,411,796	26,315	(20,755)	-	4,417,356
Total Business Activities Capital Assets	30,769,392	7,042,620	(20,755)	-	37,791,257
Less Accumulated Depreciation	(16,340,030)	(639,125)	20,755	-	(16,958,400)
Business-type Capital Assets, net	14,429,362	6,403,495	-	-	20,832,857
Total Capital Assets, net	\$32,968,826	\$6,447,047	(\$8,528)	\$0	\$39,407,345

The City of Yreka's investment in capital assets for its governmental and business type activities as of June 30, 2012 amounts to \$39,407,345 (net of accumulated depreciation). Non-depreciable capital assets are land, land right of ways, used primarily for streets and construction that is in progress. Depreciable assets include buildings and structures, equipment and vehicles. Capital assets for infrastructure include streets and sidewalks, curbs and gutters, drainage systems, bridges, and lighting systems.

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

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

The water and wastewater systems are safe and reliable, and the City's is undertaking major improvements projects to these systems using grant and loan resources. Five years of planned utility rate increases to adequately fund these utilities, have made these loans possible due to the City's ability to demonstrate to its creditors, that the City can debt service these obligations.

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

Governmental Activities

- Projects under construction or CIP increased \$844,801, while completed CIP projects totaled \$1,293,159 for a balance of \$722,250 in 2011-12. Those construction projects include street paving projects, storm drainage (flood corridor) system, and park greenways.
- Completed capital projects totaling \$1,293,159 that include:
 - the Bruce Street paving project from Main to the west end of Bruce Street for \$354,291, the Safe Routes to School \$493,466 improving sidewalks and traffic alerts around schools, and the Oregon Street bike path signage and striping \$59,135;
 - a study for a detention basin, near the Osgood mine site \$55,910; and
 - improvements of \$330,357 from multi-agency grants to the City's to rehabilitate Greenhorn park bridges and the restoration of stream bed habitat. Greenhorn park is a 455-acre hillside natural park and valley reservoir.
- The City completed building improvements to the police station of \$72,624. The police department is located in a rehabilitated old Carnegie library building that is over 100 years old.
- The City replaced its data servers and operating system software at City Hall for \$25,361.
- The City sold land, historic cost of \$8,528 to the State of California for site location of the new State Superior Court.

Business Type Activities

- Projects under construction, or CIP, increased \$6,818,265 for water and \$115,487 for sewer enterprise funds, for a cumulative CIP balance of \$9,618,512 in 2011-12. The construction projects include major improvements to the City's water pumping, treatment and storage facilities, and preliminary engineering, design and environmental work for improvements to the sewer system.
- Purchases of field service equipment totaled \$26,315 and disposal of the old truck fully depreciated cost was \$20,755.
- Purchase of radio read meter and meters heads totaled \$118,818. The City is in a multi-year meter change out program to replace older meters as needed and install radio read meter heads on all of the City's meters.

Changes in Long Term Debt:

Changes in Long Term Debt

	Balance June 30, 2011	New Issues	Principal Payments	Balance June 30, 2012
Governmental Activities:				
Loans Payable - Banks and Others	\$738,202	\$0	\$123,246	\$614,956
Loans Payable - Governmental Agencies	2,168,016		58,070	2,109,946
Total Governmental Activities	2,906,218	0	181,316	2,724,902
Business-type Activities:				
Loans Payable - Banks and Others	0	0	0	0
Loans Payable - Governmental Agencies	783,493	0	56,473	727,020
Certificates of participation - USDA Rural Development	1,541,790	6,101,210	13,000	7,630,000
Total Business Activities	2,325,283	6,101,210	69,473	8,357,020
Total Outstanding Long Term Debt	\$5,231,501	\$6,101,210	\$250,789	\$11,081,922
Less Portion Classified as Current Debt				(371,272)
				<u>\$10,710,650</u>



North Street Water Main replacement, August 29, 2011

At the end of the 2011-2012, total debt was \$11,081,922 and long term debt was \$10,710,650. The City of Yreka's long term debt position increased by \$6,101,210 in 2011-12, due to construction loan draws for the City's Fall Creek Water System improvement project. Offsetting the increase were scheduled principal repayments on borrowings of \$250,789.

Detailed information on lenders, rates and maturities for long-term debt can be found on pages 22 through 24 of this report.

Next Year's Budgets and Rates:

Budget Highlights for 2012-2013:

Below are highlights from the City's 2012-13 original budget. The original budget approved by the City Council on August 2, 2012, is located on the City's website <http://ci.yreka.ca.us/city/administration/finance/budgets>.

City of Yreka 2012-13 Original Budget

	Budgeted Revenue	Budgeted Expense	Excess of Revenue over Expense
Total General Fund	\$4,894,385	\$5,062,766	(\$168,381)
Total Special Rev. Fund	476,575	323,976	\$152,599
Total Streets and Roads	742,803	918,296	(\$175,493)
Special Grant Fund	2,082,250	2,089,750	(\$7,500)
Total Governmental Activity Fund	8,196,013	8,394,788	(198,775)
Sewer Fund	2,370,500	1,704,941	665,559
Water Fund	3,156,214	3,070,800	85,414
Total Business Type Funds	5,526,714	4,775,741	750,973
All Funds Combined	\$13,722,727	\$13,170,529	\$552,198

For Governmental Activities, the City projects an overall \$198,775 decrease in fund balances during fiscal year 2012-13. The anticipated gap is (\$168,381) in the General Fund, (\$175,493) in Streets and Roads funds, and (\$7,500) in Special Grant Funds, offset by \$152,599 in the Special Revenue funds.

For Business Activities, the City anticipates \$750,973, excess of revenue over expenses.

Grant Awards:

Highlights of the budget include the continued diligence of the City to leverage public dollars with grants awards. The level of capital improvements and community operating grants would not be included in this budget if it were not for the successful and continued efforts of City staff to obtain and administer these grants. In 2012-2013, the City plans to spend \$2,082,250 of grant funds for special grant projects.

General Fund Revenue Projections:

General Operating Fund - Fiscal Year Main Stream Revenue Comparison

	Actual 08-09	Actual 09-10	Actual 10-11	Actual 11-12	Adopted Budget 12-13
Property Tax (secured & unsec. roll)	\$941,360	\$957,632	\$958,223	\$908,727	\$925,000
Transient Lodging	626,360	575,585	567,651	626,334	600,000
Sales Tax	1,462,862	1,270,793	1,250,339	1,338,598	1,300,000
Franchises	242,229	249,214	248,500	252,400	250,000
Business Licenses	79,378	72,622	70,961	71,547	71,500
Animal Licenses	21,488	34,566	42,065	47,216	44,500
Building Permits	77,079	41,825	141,350	74,899	55,700
Motor Vehicle License Fees (1)	570,778	569,057	577,980	530,816	530,000
Triple Flip In Lieu Sales Tax (2)	501,648	424,088	381,525	428,136	400,000
Administrative Cost Recovery (ICA)	312,680	227,836	270,670	316,414	383,500
Operating Grants	127,590	123,791	123,794	144,804	126,000
Other Revenues	282,174	176,974	192,283	218,010	158,307
Subtotal General Operating Fund					
Mainstream Revenue	\$5,245,626	\$4,723,983	\$4,825,341	\$4,957,901	\$4,844,507

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

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

Enterprise Fund Revenue:

On October 1, 2012, the City entered into the fifth year of a five-year water and wastewater rate increase. The first utility rates increase under this program went into effect October 1, 2008. The final year of the rates increases, should bring the water and wastewater enterprise funds to sustainable funding level that allows for system maintenance, capital outlay, reserves, and debt servicing.

The City is completing work to its \$11,185,000 water system improvement project \$3,249,000 grant and \$6,810,000 loan project, where the City expended \$1,126,000 in matching funds. In September of 2012, the City received funding, and is clearing special conditions, by the USDA Rural Development for over five million dollar in loan funds for remediation and improvements at the City's wastewater treatment plant and for the repair and replacement of many of the City's aging sewer lines.

Expenditure Control:

The City is working to keep expenditures under control while continuing to maintain the historic levels of service that the citizens of Yreka have come to expect and rely upon. Full time employee (FTE) on December 31, 2012 will be 46, down from 56 FTE in 2008-09, or an 18% reduction in full time staffing. The balancing of services with resources remains a challenge.

Horizon Issues of concern to the City for 2012-13:

1. The City anticipates further declines property taxes. These declines mirror and possibly lag behind the overall economic downturn for the state.
2. The City continues to exercise expenditure controls, as well as the evaluation of staffing levels and vacancies for restructuring opportunities. This strategy has worked well, but the City may be near or at the lowest level of staffing cuts it can face to meet with the services expected by both the citizens and City Council.
3. The City continues to seek funding grant funding for infrastructure, particularly roads, drainage, and maintenance of improved and expanded parks and greenways.
4. The City faces the need to generate additional funding for street, storm drain, curbs, sidewalk, gutters and streetlight maintenance. The City is faced with rapid deterioration of its roadways, without a sufficient funding stream to maintain and improve those assets.



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

Requests for Information:

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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Yreka, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Yreka, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Yreka, California management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Yreka, California, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012 on our consideration of City of Yreka, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages I through XXI and pages 32-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yreka, California's financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
March 15, 2013

BASIC FINANCIAL STATEMENTS

City of Yreka
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 5,139,845	\$ 6,737,396	\$11,877,241
Receivables (net of allowances, where applicable)			
Trade accounts	-	549,399	549,399
Loans	535,133	-	535,133
Intergovernmental	363,302	872,196	1,235,498
Accounts	304,214	-	304,214
Taxes	463,494	-	463,494
Interest	5,796	-	5,796
Internal balances	(310,761)	310,761	-
Total current assets	<u>6,501,023</u>	<u>8,469,752</u>	<u>14,970,775</u>
Restricted assets:			
Cash and investments	<u>1,963,731</u>	<u>200,000</u>	<u>2,163,731</u>
Capital assets:			
Non-depreciable	2,631,748	9,871,684	12,503,432
Depreciable, net	<u>15,942,740</u>	<u>10,961,173</u>	<u>26,903,913</u>
Total capital assets	<u>18,574,488</u>	<u>20,832,857</u>	<u>39,407,345</u>
Total assets	<u>27,039,242</u>	<u>29,502,609</u>	<u>56,541,851</u>
LIABILITIES			
Current liabilities:			
Accounts payable	182,551	620,574	803,125
Construction retention payable	-	413,362	413,362
Payroll payable	95,600	-	95,600
Deferred revenue	17,520	-	17,520
Current portion of long-term debt	189,331	181,941	371,272
Current portion of compensated absences	212,000	43,000	255,000
Total current liabilities	<u>697,002</u>	<u>1,258,877</u>	<u>1,955,879</u>
Long-term liabilities:			
Long-term debt, net of current portion	2,535,571	8,175,079	10,710,650
Compensated absences	14,238	1,151	15,389
OPEB Liability	143,466	55,651	199,117
Total long-term liabilities	<u>2,693,275</u>	<u>8,231,881</u>	<u>10,925,156</u>
Total liabilities	<u>3,390,277</u>	<u>9,490,758</u>	<u>12,881,035</u>
NET ASSETS			
Invested in capital assets, net of related debt	17,959,532	12,475,837	30,435,369
Restricted, expendable	3,206,050	200,000	3,406,050
Unrestricted	<u>2,483,383</u>	<u>7,336,014</u>	<u>9,819,397</u>
Total net assets	<u>\$23,648,965</u>	<u>\$20,011,851</u>	<u>\$43,660,816</u>

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

City of Yreka
Statement of Activities
Year Ended June 30, 2012

	Expense	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 729,348	\$ 828,816	\$ 5,000	\$ -	\$ 104,468	\$ -	\$ 104,468
Planning and development	742,515	82,424	205,042	-	(455,049)	-	(455,049)
Parks and recreation	589,618	33,413	1,018	271,319	(283,868)	-	(283,868)
Public works administration	73,771	2,018	-	-	(71,753)	-	(71,753)
Public works maintenance	126,777	467	-	-	(126,310)	-	(126,310)
Police protection	2,340,168	69,184	170,909	-	(2,100,075)	-	(2,100,075)
Fire protection	408,552	232,284	23,653	-	(152,615)	-	(152,615)
Streets and sidewalks	1,009,040	38,085	242,020	436,972	(291,963)	-	(291,963)
Public transportation	161,391	-	161,391	-	-	-	-
Total governmental activities	<u>6,181,180</u>	<u>1,286,691</u>	<u>809,033</u>	<u>708,291</u>	<u>(3,377,165)</u>	<u>-</u>	<u>(3,377,165)</u>
Business-type activities:							
Sewer	1,736,928	2,316,888	-	-	-	579,960	579,960
Water	1,625,700	2,538,714	-	1,409,686	-	2,322,700	2,322,700
Total business-type activities	<u>3,362,628</u>	<u>4,855,602</u>	<u>-</u>	<u>1,409,686</u>	<u>-</u>	<u>2,902,660</u>	<u>2,902,660</u>
Total primary government	<u>\$ 9,543,808</u>	<u>\$ 6,142,293</u>	<u>\$ 809,033</u>	<u>\$ 2,117,977</u>	<u>(3,377,165)</u>	<u>2,902,660</u>	<u>(474,505)</u>
General revenues:							
Taxes:							
Property							
					925,163	-	925,163
Sales and use							
					1,766,735	-	1,766,735
Other (including motor vehicle license fees)							
					1,409,549	-	1,409,549
Investment earnings							
					49,189	23,165	72,354
Gain on disposal of capital assets							
					69,600	7,030	76,630
Total general revenues and transfers					<u>4,220,236</u>	<u>30,195</u>	<u>4,250,431</u>
Change in net assets					843,071	2,932,855	3,775,926
Net assets, beginning					<u>22,805,894</u>	<u>17,078,996</u>	<u>39,884,890</u>
Net assets, ending					<u>\$ 23,648,965</u>	<u>\$ 20,011,851</u>	<u>\$ 43,660,816</u>

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

City of Yreka
Balance Sheet
and
Reconciliation of Total Governmental Fund Balance to the Statement of Net Assets - Governmental Activities
Governmental Funds
June 30, 2012

	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,795,459	\$ 92,253	\$ 765,420	\$ 450,444	\$ 7,103,576
Receivables (net of allowance for doubtful accounts, where applicable):					
Loans, net of loan loss allowances	-	535,133	-	-	535,133
Intergovernmental	14,878	344,408	-	4,016	363,302
Accounts	256,753	(675)	45,890	2,246	304,214
Taxes	463,494	-	-	-	463,494
Interest	4,504	87	665	540	5,796
Due from other funds	292,729	18,197	-	6,233	317,159
Total assets	\$ 6,827,817	\$ 989,403	\$ 811,975	\$ 463,479	\$ 9,092,674
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 63,299	\$ 96,458	\$ 11,317	\$ 11,477	\$ 182,551
Payroll payable	95,600	-	-	-	95,600
Deferred revenue	10,000	7,520	-	-	17,520
Due to other funds	78,346	142,927	404,687	1,960	627,920
Total liabilities	247,245	246,905	416,004	13,437	923,591
Fund balances:					
Nonspendable:					
Noncurrent loans receivables	-	535,133	-	-	535,133
Total nonspendable	-	535,133	-	-	535,133
Restricted:					
Fire protection, voter tax assessment measure	-	-	392,643	-	392,643
Capital Improvements, impact fee reserves	-	-	74,054	-	74,054
Revolving loan funds	-	207,365	-	-	207,365
Streets and sidewalks	-	-	-	450,042	450,042
Donor specified for community services and activities	32,371	-	-	-	32,371
Donor specified for volunteer fire department	84,994	-	-	-	84,994
Capital outlays, Crandall Trust Funds	1,964,581	-	-	-	1,964,581
Total restricted	2,081,946	207,365	466,697	450,042	3,206,050
Assigned:					
Capital improvements	904,047	-	-	-	904,047
Planning and development	194,882	-	-	-	194,882
Grant contingencies, and general liability reserves	906,179	-	-	-	906,179
Total assigned	2,005,108	-	-	-	2,005,108
Unassigned:					
	2,493,518	-	(70,726)	-	2,422,792
Total fund balance	6,580,572	742,498	395,971	450,042	8,169,083
Total liabilities and fund balance	\$ 6,827,817	\$ 989,403	\$ 811,975	\$ 463,479	\$ 9,092,674
Total governmental fund balance, as above					\$ 8,169,083
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds					18,574,488
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds					(2,724,902)
Compensated absences are not due and payable in the current period and therefore are not reported on the balance sheet					(226,238)
OPEB liabilities are not due and payable in the current period and therefore are not reported on the balance sheet					(143,466)
Net assets of governmental activities					\$ 23,648,965

City of Yreka
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For The Year Ended June 30, 2012

	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 925,163	\$ -	\$ -	\$ -	\$ 925,163
Sales and use taxes	1,766,735	-	-	-	1,766,735
Transient occupancy taxes	626,334	-	-	-	626,334
Assessment	-	-	228,773	-	228,773
Franchise and fees	252,400	-	-	-	252,400
Licenses and permits	174,557	-	41,084	-	215,641
Intergovernmental revenues	708,256	705,393	-	395,140	1,808,789
Charges for services	63,176	-	216,325	-	279,501
Fines, forfeitures and penalties	9,650	-	-	36,327	45,977
Use of money and property	123,845	7,476	2,608	2,391	136,320
Grants and donations	-	200,463	-	-	200,463
Other	532,274	-	-	5,880	538,154
Total revenues	<u>5,182,390</u>	<u>913,332</u>	<u>488,790</u>	<u>439,738</u>	<u>7,024,250</u>
EXPENDITURES					
Current:					
City council, administrator, and clerk	245,538	-	-	-	245,538
General government	267,483	-	6,136	-	273,619
Planning and development	419,696	313,333	-	-	733,029
Parks and recreation	493,712	489	-	-	494,201
Public works administration	50,714	-	-	23,389	74,103
Public works maintenance	114,414	12,491	-	-	126,905
Police protection	2,308,628	-	-	-	2,308,628
Fire protection	306,804	-	3,488	-	310,292
Streets and sidewalks	40,207	-	-	312,519	352,726
Public transportation	-	-	-	161,391	161,391
Capital outlay	97,985	844,801	-	-	942,786
Debt service:					
Principal	16,960	-	164,356	-	181,316
Interest	-	-	146,447	-	146,447
Total expenditures	<u>4,362,141</u>	<u>1,171,114</u>	<u>320,427</u>	<u>497,299</u>	<u>6,350,981</u>
Excess of revenues over (under) expenditures	<u>820,249</u>	<u>(257,782)</u>	<u>168,363</u>	<u>(57,561)</u>	<u>673,269</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	143,197	-	39,313	182,510
Operating transfers out	(68,510)	-	-	(114,000)	(182,510)
Total other financing sources (uses)	<u>(68,510)</u>	<u>143,197</u>	<u>-</u>	<u>(74,687)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	751,739	(114,585)	168,363	(132,248)	673,269
FUND BALANCE					
Beginning of year	5,828,833	857,083	227,608	582,290	7,495,814
End of the year	<u>\$ 6,580,572</u>	<u>\$ 742,498</u>	<u>\$ 395,971</u>	<u>\$ 450,042</u>	<u>\$ 8,169,083</u>

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

City of Yreka
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balance to the Statement of Activities
 Governmental Funds
 For The Year Ended June 30, 2012

Change in fund balance, governmental funds	\$ 673,269
Amounts reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$942,786), less the disposal of net assets (\$8,528), or net change in assets (\$934,258), exceeds the depreciation expense (\$899,234) in the current period.	35,024
Government funds report repayment of long-term debt as an expenditure, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	181,316
Governmental funds do not report the increase of OPEB liabilities as an expenditure, but it is reported in the Statement of Activities	(49,651)
Governmental funds do not report the increase of Compensated absences as an expenditure, but it is reported in the Statement of Activities	<u>3,113</u>
Change in net assets of governmental activities	<u><u>\$ 843,071</u></u>

City of Yreka
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Sewer Fund	Enterprise Water Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$2,193,221	\$ 4,544,175	\$ 6,737,396
Receivables (net of allowances for bad debts, where applicable):			
Trade accounts	242,080	307,319	549,399
Intergovernmental	-	872,196	872,196
Due from other funds	280,273	30,488	310,761
Total current assets	<u>2,715,574</u>	<u>5,754,178</u>	<u>8,469,752</u>
Restricted assets:			
Cash and investments	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Capital assets:			
Non-depreciable	313,187	9,558,497	9,871,684
Depreciable, net	<u>8,134,898</u>	<u>2,826,275</u>	<u>10,961,173</u>
Total capital assets, net	<u>8,448,085</u>	<u>12,384,772</u>	<u>20,832,857</u>
Total assets	<u>11,263,659</u>	<u>18,238,950</u>	<u>29,502,609</u>
LIABILITIES			
Current liabilities:			
Accounts payable	50,329	570,245	620,574
Construction retention payable	-	413,362	413,362
Current portion of long-term debt	70,941	111,000	181,941
Current portion of compensated absences	14,000	29,000	43,000
Total current liabilities	<u>135,270</u>	<u>1,123,607</u>	<u>1,258,877</u>
Long-term liabilities:			
Long-term debt, net of current portion	1,476,079	6,699,000	8,175,079
Compensated absences, net of current portion	750	401	1,151
OPEB Liability	24,433	31,218	55,651
Total liabilities	<u>1,501,262</u>	<u>6,730,619</u>	<u>8,231,881</u>
Total liabilities	<u>1,636,532</u>	<u>7,854,226</u>	<u>9,490,758</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,901,065	5,574,772	12,475,837
Restricted, for debt service, expendable	100,000	100,000	200,000
Unrestricted	<u>2,626,062</u>	<u>4,709,952</u>	<u>7,336,014</u>
Total net assets	<u>\$9,627,127</u>	<u>\$10,384,724</u>	<u>\$20,011,851</u>

City of Yreka
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Funds
June 30, 2012

	Sewer Fund	Enterprise Water Fund	Total
<u>OPERATING REVENUES</u>			
User fees and charges	\$2,307,662	\$ 2,538,702	\$ 4,846,364
Other	9,226	12	9,238
Total operating revenues	<u>2,316,888</u>	<u>2,538,714</u>	<u>4,855,602</u>
<u>OPERATING EXPENSES</u>			
Cost of power and water	207,657	223,221	430,878
Maintenance, operations and administration	1,093,714	1,051,724	2,145,438
Depreciation and amortization	379,167	259,958	639,125
Total operating expenses	<u>1,680,538</u>	<u>1,534,903</u>	<u>3,215,441</u>
Operating income (loss)	<u>636,350</u>	<u>1,003,811</u>	<u>1,640,161</u>
<u>OTHER REVENUES (EXPENSES)</u>			
Intergovernmental revenues	-	1,409,686	1,409,686
Gain on asset disposals	-	7,030	7,030
Interest earned	7,222	15,943	23,165
Interest expense	(56,390)	(90,797)	(147,187)
Total other revenues (expenses)	<u>(49,168)</u>	<u>1,341,862</u>	<u>1,292,694</u>
Change in net assets	587,182	2,345,673	2,932,855
<u>NET ASSETS</u>			
Beginning of year	<u>9,039,945</u>	<u>8,039,051</u>	<u>17,078,996</u>
End of the year	<u>\$9,627,127</u>	<u>\$10,384,724</u>	<u>\$20,011,851</u>

City of Yreka
Statement of Cash Flows
Proprietary Funds
June 30, 2012

	Sewer Fund	Enterprise Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$2,298,135	\$ 2,457,678	\$ 4,755,813
Payments to suppliers	(768,426)	(211,967)	(980,393)
Payments to or on behalf of employees	(519,951)	(610,177)	(1,130,128)
Net cash provided by operating activities	<u>1,009,758</u>	<u>1,635,534</u>	<u>2,645,292</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Intergovernmental revenues	418,236	537,490	955,726
Interfund transfers and payments	(28,040)	(35,100)	(63,140)
Net cash provided by non-capital financing activities	<u>390,196</u>	<u>502,390</u>	<u>892,586</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of fixed assets	-	7,030	7,030
Purchase of capital assets	(115,487)	(6,927,133)	(7,042,620)
Proceeds from debt financing	-	6,101,210	6,101,210
Principal payments on debt	(69,473)	-	(69,473)
Interest payments on debt	(56,390)	(90,797)	(147,187)
Net cash (used) by investing activities	<u>(241,350)</u>	<u>(909,690)</u>	<u>(1,151,040)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>7,222</u>	<u>15,943</u>	<u>23,165</u>
Net increase in cash	1,165,826	1,244,177	2,410,003
CASH			
Beginning of the year	<u>1,127,395</u>	<u>3,399,998</u>	<u>4,527,393</u>
End of the year	<u>\$2,293,221</u>	<u>\$ 4,644,175</u>	<u>\$ 6,937,396</u>
Reconciliation of operating income to cash provided by operating activities:			
Operating income	\$ 636,350	\$ 1,003,811	\$ 1,640,161
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	379,167	259,958	639,125
(Increase) in trade accounts receivable	(18,753)	(81,036)	(99,789)
Increase in accounts payable	3,321	164,384	167,705
Increase in construction retention	-	277,002	277,002
Increase (decrease) in compensated absences	646	(23)	623
Increase in OPEB liability	9,027	11,438	20,465
Net cash provided by operating activities	<u>\$1,009,758</u>	<u>\$ 1,635,534</u>	<u>\$ 2,645,292</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

Government-wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include charges paid by recipients of goods and services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

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

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

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

The funds of the City are described below:

Major Governmental Funds:

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

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

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

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

Major Proprietary Funds:

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

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

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting

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

Measurement Focus:

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

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

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

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

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

Basis of Accounting:

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

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

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, Net Assets or Fund Equity

Cash and Cash Equivalents:

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

Investments:

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

Receivables:

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

Property Taxes:

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

Interfund Receivables and Payables:

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

Restricted Assets:

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans Receivable:

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

Capital Assets:

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

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

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

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

Compensated Absences:

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

Deferred Revenue:

Deferred revenue represents monies received that has not yet been expended by the City and is not earned (as revenue) until it is properly expended.

Long Term Liabilities:

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

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications:

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

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

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

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

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

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

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

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

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

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

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues, Expenditures and Expenses

Operating Revenues and Expenses:

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

Expenditures/Expenses:

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

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

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

F. Estimates

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

G. Budgets

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

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

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

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

	Cash and Investments	Restricted Cash and Investments	Total
Governmental activities:	\$ 5,139,845	\$ 1,963,731	\$ 7,103,576
Business Type activities:	6,737,396	200,000	6,937,396
Total cash and investments	\$ 11,877,241	\$ 2,163,731	\$ 14,040,972

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 2 CASH AND INVESTMENTS (continued)

In the governmental activities statement of net assets, \$1,963,731 of cash is reserved for capital outlays per the trust document that governs the bequest of these funds to the City. In the business activities statement of net assets \$200,000 is reserved for debt servicing as outlined in the certificate of participation debt agreement.

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

Deposits:

At June 30, 2012, the carrying amount of the City's deposits was \$339,797 and the bank balance was \$1,047,869. The difference represents outstanding checks.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure a City's deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments:

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

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

Investments Authorized by Debt Agreements:

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 2 CASH AND INVESTMENTS (continued)

Investments in State Investment Pool:

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

Credit Risk:

The City's investment policy limits investments in medium term notes (MTN's) to those rated "A" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2012, the City had no medium term notes. At June 30, 2012, the City's Federal Agency investments were rated AAA by S&P.

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

As of June 30, 2012, the City's investments in external investment pools, other than LAIF, were with TriCounties bank in a term deposit account.

Custodial Credit Risk:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2012, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk:

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

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

The City is considered to be exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. As of June 30, 2012, the City has not invested more than 5% of its portfolio in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 2 CASH AND INVESTMENTS (continued)

Interest Rate Risk:

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

	<u>6 Months or Less</u>	<u>6 Months to 1 Year</u>	<u>1 to 3 Years</u>	<u>More than 5 Years</u>	<u>Total</u>	<u>Fair Value</u>
Local Agency Investment Fund	\$ 13,676,663	\$ -	\$ -	\$ -	\$ 13,676,663	\$ 13,676,663
Bank Certificates of Deposit	<u>-</u>	<u>24,512</u>	<u>-</u>	<u>-</u>	<u>24,512</u>	<u>24,512</u>
Total	<u>\$ 13,676,663</u>	<u>\$ 24,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,701,175</u>	<u>\$ 13,701,175</u>
Bank demand deposits					1,047,869	
Outstanding Checks					(708,072)	
Total cash and investments					<u>\$ 14,040,972</u>	
Comprised of:						
Cash and Investments					11,877,241	
Restricted Cash and Investments					2,163,731	
Total cash and investments					<u>\$ 14,040,972</u>	

NOTE 3 LOANS RECEIVABLE

The City had the following loans receivable as of June 30, 2012:

Housing rehabilitation loans receivable	\$ 544,865
Loan loss reserve for housing loans	<u>(93,684)</u>
Net Housing loans receivable	<u>451,181</u>
Economic development business loans	180,952
Loan loss reserve for business loans	<u>(97,000)</u>
Net Economic development business loans	<u>83,952</u>
Total loans receivable	<u>\$ 535,133</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

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

The following is a summary of the interfund receivables and payables at June 30, 2012:

Due to other funds							
Due from other funds	General Fund	Special Grant Fund	Special Revenue Fund	Streets and Roads Fund	Water Fund	Sewer Fund	Total
General Fund	\$ -	\$ 142,927	\$ 147,842	\$ 1,960			\$ 292,729
Special Revenue Fund							-
Streets and Roads Fund	6,233						6,233
Special Grant Fund	18,197						18,197
Water Fund	30,488						30,488
Sewer Fund	23,428		256,845				280,273
	<u>\$ 78,346</u>	<u>\$ 142,927</u>	<u>\$ 404,687</u>	<u>\$ 1,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,920</u>

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

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

Governmental Funds:		<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:	For the General Fund's portion of expenses incurred by the Streets and Roads (\$39,313), and Special Grants Fund (\$29,197).	\$ -	\$ 68,510
Special Grants Fund:	For the General Fund's portion of expenses (\$29,197), and the Streets and Roads portion of expenses (\$114,000).	143,197	
Streets and Roads Fund:	For the General Fund's portion of expenses (\$39,313) and the Streets and Roads Fund's portion of expenses incurred by the Special Grants Fund (\$114,000).	39,313	114,000
Total Transfers In/Out		<u>\$ 182,510</u>	<u>\$ 182,510</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	June 30, 2011	Additions	Retirements	Transfers	June 30, 2012
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,918,026		(8,528)	-	\$ 1,909,498
Construction in progress	1,170,608	844,801	-	(1,293,159)	722,250
Total capital assets, not being depreciated:	<u>3,088,634</u>	<u>844,801</u>	<u>(8,528)</u>	<u>(1,293,159)</u>	<u>2,631,748</u>
Capital assets, being depreciated:					
Buildings	4,121,037	72,624	-	330,357	4,524,018
Machinery and equipment	3,558,781	25,361	-	-	3,584,142
Infrastructure	28,925,165	-	-	962,802	29,887,967
Total capital assets, being depreciated	<u>36,604,983</u>	<u>97,985</u>	<u>-</u>	<u>1,293,159</u>	<u>37,996,127</u>
Less accumulated depreciation for:					
Buildings	2,365,052	91,257	-	-	2,456,309
Machinery and equipment	2,406,497	181,981	-	-	2,588,478
Infrastructure	16,382,604	625,996	-	-	17,008,600
Total accumulated depreciation	<u>21,154,153</u>	<u>899,234</u>	<u>-</u>	<u>-</u>	<u>22,053,387</u>
Total capital assets, being depreciated, net	<u>15,450,830</u>	<u>(801,249)</u>	<u>-</u>	<u>1,293,159</u>	<u>15,942,740</u>
Subtotal, governmental activities	<u>18,539,464</u>	<u>43,552</u>	<u>(8,528)</u>	<u>-</u>	<u>18,574,488</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	253,172	-	-	-	253,172
Construction in progress	2,684,760	6,933,752	-	-	9,618,512
Total capital assets, not being depreciated	<u>2,937,932</u>	<u>6,933,752</u>	<u>-</u>	<u>-</u>	<u>9,871,684</u>
Capital assets, being depreciated:					
Utility plant	16,259,816	82,553	-	-	16,342,369
Buildings	7,159,848	-	-	-	7,159,848
Machinery and equipment	4,411,796	26,315	(20,755)	-	4,417,356
Total capital assets, being depreciated	<u>27,831,460</u>	<u>108,868</u>	<u>(20,755)</u>	<u>-</u>	<u>27,919,573</u>
Less accumulated depreciation for:					
Utility plant	10,099,483	295,508	-	-	10,394,991
Buildings	3,091,565	224,799	(20,755)	-	3,295,609
Machinery and equipment	3,148,982	118,818	-	-	3,267,800
Total accumulated depreciation	<u>16,340,030</u>	<u>639,125</u>	<u>(20,755)</u>	<u>-</u>	<u>16,958,400</u>
Total capital assets, being depreciated, net	<u>11,491,430</u>	<u>(530,257)</u>	<u>-</u>	<u>-</u>	<u>10,961,173</u>
Subtotal, business-type activities	<u>14,429,362</u>	<u>6,403,495</u>	<u>-</u>	<u>-</u>	<u>20,832,857</u>
Total, government-wide	<u>\$ 32,968,826</u>	<u>\$ 6,447,047</u>	<u>\$ (8,528)</u>	<u>\$ -</u>	<u>\$ 39,407,345</u>

Reclassifications have been made to prior year amounts to confirm to current year presentation.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 5 CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		Business-type activities:	
General government	\$27,589		
Planning and development	17,602		
Parks and recreation	95,627	Sewer distribution	\$149,494
Police protection	26,626	Sewer treatment	229,673
Fire protection	68,742	Water distribution	113,930
Streets and sidewalks	663,048	Water treatment	146,028
Total depreciation expense		Total depreciation expense	
- governmental activities	\$ 899,234	- business type activities	\$ 639,125

NOTE 6 LONG TERM DEBT

The following is a summary of long-term liabilities activity during the year ended June 30, 2012:

	June 30, 2011	Additions	Reductions	June 30, 2012	Current Portion
Governmental activities					
Long term debt					
Financial Software	\$ 33,920	\$ -	\$ 16,960	\$ 16,960	\$ 16,960
Landfill Sale	2,168,016	-	58,070	2,109,946	61,203
Fire Equipment	704,282	-	106,286	597,996	111,168
Total long-term debt	2,906,218	-	181,316	2,724,902	189,331
Compensated absences	229,351	208,206	211,319	226,238	212,000
Governmental activities long-term liabilities	3,135,569	208,206	392,635	2,951,140	401,331
Business-type activities					
Long term debt					
Certificates of Participation-sewer	833,000	-	13,000	820,000	13,000
State Water Resources	783,493	-	56,473	727,020	57,941
Certificates of Participation-water	708,790	6,101,210	-	6,810,000	111,000
Total long-term debt	2,325,283	6,101,210	69,473	8,357,020	181,941
Compensated absences	43,528	46,635	46,012	44,151	43,000
Subtotal business-type activities long term liabilities	2,368,811	6,147,845	115,485	8,401,171	224,941
Total, government-wide	\$ 5,504,380	\$ 6,356,051	\$ 508,120	\$ 11,352,311	\$ 626,272

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 6 LONG TERM DEBT (continued)

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

Interest rate	Landfill Sale		Fire Equipment	
	5.39%		4.50%	
	Principal	Interest	Principal	Interest
Year Ended June 30, ;				
2013	\$ 61,203	\$ 113,797	\$ 111,168	\$ 24,636
2014	64,504	110,496	116,276	19,529
2015	67,983	107,017	121,617	14,187
2016	71,649	103,351	127,204	8,599
2017	75,514	99,486	121,731	2,756
2018-2022	443,234	431,766	-	-
2023-2027	576,368	298,632	-	-
2028-2032	749,491	125,509	-	-
2033-2037	-	-	-	-
Total	\$ 2,109,946	\$ 1,390,054	\$ 597,996	\$ 69,707

Interest rate	Financial Software		Total	
	0.00%			
	Principal	Interest	Principal	Interest
Year Ended June 30, ;				
2013	\$ 16,960	\$ -	\$ 189,331	\$ 138,433
2014	-	-	180,780	130,025
2015	-	-	189,600	121,204
2016	-	-	198,853	111,950
2017	-	-	197,245	102,242
2018-2022	-	-	443,234	431,766
2023-2027	-	-	576,368	298,632
2028-2032	-	-	749,491	125,509
2033-2037	-	-	-	-
Total	\$ 16,960	\$ -	\$ 2,724,902	\$ 1,459,761

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 6 LONG TERM DEBT (continued)

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

Interest rate	USDA Cert of Part		State Water Resources	
	4.50%		2.60%	
	Principal	Interest	Principal	Interest
<u>Year Ended June 30, ;</u>				
2013	\$ 13,000	\$ 36,608	\$ 57,941	\$ 18,903
2014	14,000	36,000	59,448	17,396
2015	15,000	35,347	60,993	15,850
2016	15,000	34,672	62,579	14,265
2017	16,000	33,975	64,206	12,638
2018-2022	92,000	158,040	346,957	37,262
2023-2027	115,000	134,891	74,896	1,947
2028-2032	142,000	106,110	-	-
2033-2037	178,000	70,200	-	-
2037-2041	220,000	25,650	-	-
2042-2046	-	-	-	-
Total	<u>\$ 820,000</u>	<u>\$ 671,493</u>	<u>\$ 727,020</u>	<u>\$ 118,261</u>

Interest rate	USDA Cert of Part		Total	
	2.25%			
	Principal	Interest	Principal	Interest
<u>Year Ended June 30, ;</u>				
2013	\$ 111,000	\$ 149,940	\$ 181,941	\$ 205,451
2014	113,000	149,456	186,448	202,852
2015	116,000	146,880	191,993	198,077
2016	119,000	144,236	196,579	193,173
2017	121,000	141,536	201,206	188,149
2018-2022	650,000	664,988	1,088,957	860,290
2023-2027	725,000	587,644	914,896	724,482
2028-2032	810,000	501,435	952,000	607,545
2033-2037	905,000	405,056	1,083,000	475,256
2038-2042	1,011,000	297,394	1,231,000	323,044
2043-2047	1,130,000	177,075	1,130,000	177,075
2048-2051	999,000	45,529	999,000	45,529
Total	<u>\$ 6,810,000</u>	<u>\$ 3,411,169</u>	<u>\$ 8,357,020</u>	<u>\$ 4,200,923</u>

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 7 PENSION PLAN

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

Funding Policy – Active plan members of the Plan are required to contribute 9.00% (safety) or 7.00% (miscellaneous) of their annual covered salary. The City has elected to pay the employees’ contribution. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2012 was 19.169% (safety) and 9.539% (miscellaneous). The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost – For the year ended June 30, 2012 the City’s annual pension cost was \$352,216, and the City paid employee share was \$ 207,051, for a combined City contributed amount of \$559,267. The required contribution for the year ended June 30, 2012 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20%, and: (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Plan’s assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year smoothed market method. The Plan’s unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 16 years for safety and 20 years for miscellaneous.

Three Year Trend Information:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Annual Pension Cost (APC)	\$ 559,267	\$ 499,871	\$ 484,424
Percentage APC contributed	100%	100%	100%
Net Pension Obligation	\$ -	\$ -	\$ -

During the year ended June 30, 2003, CalPERS grouped all small employers (defined as those with less than 100 members in the Plan) into a risk pool. Therefore, the following information for the years ended June 30, 2011, 2010 and 2009 (the latest available) are for the pool as a whole.

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 7 PENSION PLAN continued

The following represents public safety employees:

<u>Schedule of funding progress:</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Actuarial value of assets	\$421,374,728	\$396,740,091	\$368,645,673
Actuarial accrued liability (AAL) – entry age	\$503,491,275	\$469,525,634	\$440,333,381
Unfunded (overfunded) AAL (UAAL)	\$82,116,547	\$72,785,543	\$71,687,708
Funded ratio	83.7%	84.5%	83.7%
Covered payroll	\$63,392,685	\$61,878,177	\$60,158,108
UAAL as a percentage of covered payroll	129.5%	117.6%	119.2%

The following represents miscellaneous employees:

<u>Schedule of funding progress:</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Actuarial value of assets	\$3,203,214,899	\$2,946,408,106	\$2,758,511,101
Actuarial accrued liability (AAL) – entry age	\$3,619,835,876	\$3,309,064,934	\$3,104,798,222
Unfunded (overfunded) AAL (UAAL)	\$416,620,977	\$362,656,828	\$346,287,121
Funded ratio	88.5%	89.0%	88.9%
Covered payroll	\$759,263,518	\$748,401,352	\$742,981,488
UAAL as a percentage of covered payroll	54.9%	48.5%	46.6%

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

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

The eligibility requirements are:

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

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

Funding Policy- The minimum contribution requirements for the City are set in the Public Employees' Medical and Hospital Care Act. The balance of the premiums are paid by the employee or retiree through deductions from Cafeteria Plan allowance, salary, or retirement allowances. In fiscal year 2011, the City contributed \$11,502 to the plan for retirees.

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

Annual Required Contribution (ARC)	\$	82,458
Interest on Net OPEB Obligation		5,805
Adjustment to ARC		(5,637)
Annual OPEB Cost		82,626
Contributions made in fiscal year 2012		(12,510)
Increase in net OPEB obligation		70,116
Net OPEB obligation, beginning of year		129,001
Net OPEB obligation, end of year	\$	199,117

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 72,048	8,797	12.21%	\$ 63,251
2011	77,252	11,502	14.89%	129,001
2012	82,626	12,510	15.14%	199,117

Funded Status and Funding Progress- As part of the October 15, 2010 report, the most recent actuarial valuation date, the actuarial accrued liability on pay as you go basis was \$729,259. Forecasted valuation from that report, estimate the current valuation for June 30, 2012, to be \$868,991, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) on June 30, 2012 was \$2,826,517 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.74%.

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

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

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

In the July 1, 2009 actuarial valuation, the Entry Age Normal Cost, Level Percent of Pay actuarial method was used. The actuarial assumptions included a 4.50 percent investment rate of return (discount rate). Unfunded accrued actuarial liabilities are amortized to produce payments which are a level percentage of payroll over a 30-year period.

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

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2011	8.50%	2015	6.50%
2012	8.00%	2016	5.50%
2013	7.50%	2017	4.50%
2014	7.00%	2018 & later	4.50%

NOTE 9 DEFICIT FUND BALANCE

At June 30, 2012 there were no deficit fund balances.

NOTE 10 RESTRICTED NET ASSETS

Restricted net assets are net assets whose use are subject to constraints that are either; (1) externally imposed by creditors (such as debt covenants), grantors, or laws or regulations of governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net assets at June 30, 2012 for governmental activities were restricted for capital outlays. Restricted net assets at June 30, 2012 for proprietary fund activities were restricted for capital outlays and debt servicing.

NOTE 11 FUND BALANCES

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

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

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

Committed fund balances- The City had no committed fund balance at June 30, 2012.

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

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 12 OVER-EXPENDITURE OF BUDGET

There were no over-expenditures of budget.

NOTE 13 SUBSEQUENT EVENTS

On September 12, 2012 the Governor of the State of California, Jerry Brown, signed a sweeping pension reform measure for the State of California that applies to state and local public retirement systems. Two of the major reform features apply to new pension members (generally a newly hired employee on or after January 2013) are the cost sharing of the plan and eligible age of retirement. The pension cost is now defined as a normal cost rate, that is shared equally between the employer and the employee for all new employers hired. The retirement formula has been modified from 2.0% at age 55 to 2.0% at age 62 for miscellaneous new members and from age 2% at 50 to 2% at age 57 for new safety members. The City is unable to value the estimated future savings of these reforms however the reform measures are expected to lower pension costs over the long term.

NOTE 14 RISK MANAGEMENT

The City participates in the following public entity risk pools:

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

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

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

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

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

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

City of Yreka, California
Notes to Basic Financial Statement
June 30, 2012

NOTE 15 CONTINGENCIES

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

The following is a summary of the City's commitments at June 30, 2012:

Contractor	Project	Total Contract Amount	Incurred to date	Remaining
T&S Construction	USDA, Fall Creek Water System	\$ 8,267,247	\$ 7,478,477	\$ 788,770
Total. Construction commitments		\$ 8,267,247	\$ 7,478,477	\$ 788,770

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Yreka
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
REVENUES				
Property taxes	\$ 946,500	\$ 946,500	\$ 925,163	\$ (21,337)
Sales and use taxes	1,600,000	1,635,000	1,766,735	131,735
Transient occupancy taxes	600,000	626,000	626,334	334
Franchise and other licenses	245,000	252,500	252,400	(100)
Licenses and permits	168,850	176,350	174,557	(1,793)
Intergovernmental revenues	601,500	672,500	708,256	35,756
Charges for services	79,200	79,200	63,176	(16,024)
Fines, forfeitures and penalties	6,900	6,900	9,650	2,750
Use of money and property	56,040	126,040	123,845	(2,195)
Other	33,650	520,138	532,274	12,136
Total revenues	<u>4,337,640</u>	<u>5,041,128</u>	<u>5,182,390</u>	<u>141,262</u>
EXPENDITURES				
Current:				
City council, administrator, and clerk	237,061	256,201	245,538	10,663
General government	469,871	302,691	267,483	35,208
Planning and development	389,481	419,981	419,696	285
Parks and recreation	459,066	512,175	493,712	18,463
Public works administration	46,651	51,651	50,714	937
Public works maintenance	180,420	136,920	114,414	22,506
Police protection	2,286,220	2,308,908	2,308,628	280
Fire protection	298,521	310,521	306,804	3,717
Streets and sidewalks	143,753	68,753	40,207	28,546
Capital outlay	30,000	115,000	97,985	17,015
Debt service:				
Principal	16,960	16,960	16,960	-
Total expenditures	<u>4,558,004</u>	<u>4,499,761</u>	<u>4,362,141</u>	<u>137,620</u>
Excess of revenues over (under) expenditures	<u>(220,364)</u>	<u>541,367</u>	<u>820,249</u>	<u>278,882</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(46,607)	(68,607)	(68,510)	97
Total other financing sources (uses)	<u>(46,607)</u>	<u>(68,607)</u>	<u>(68,510)</u>	<u>97</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (266,971)</u>	<u>\$ 472,760</u>	<u>\$ 751,739</u>	<u>\$ 278,979</u>

City of Yreka
 Budgetary Comparison Schedule
 Special Grant Fund
 For The Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Intergovernmental revenues	\$ 2,290,000	\$ 749,703	\$ 705,393	\$ (44,310)
Use of money and property	24,500	12,000	7,476	(4,524)
Grants and donations	231,000	231,000	200,463	(30,537)
Total revenues	<u>2,545,500</u>	<u>992,703</u>	<u>913,332</u>	<u>(79,371)</u>
<u>EXPENDITURES</u>				
Current:				
Planning and development	235,000	322,000	313,333	8,667
Parks and recreation	-	-	489	(489)
Public Works Maintenance	275,000	25,558	12,491	13,067
Capital outlay	2,272,000	900,145	844,801	55,344
Total expenditures	<u>2,782,000</u>	<u>1,247,703</u>	<u>1,171,114</u>	<u>76,589</u>
Excess of revenues over (under) expenditures	<u>(236,500)</u>	<u>(255,000)</u>	<u>(257,782)</u>	<u>(2,782)</u>
<u>OTHER FINANCING (USES)</u>				
Operating transfers in	11,000	144,000	143,197	(803)
Total other financing sources (uses)	<u>11,000</u>	<u>144,000</u>	<u>143,197</u>	<u>(803)</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ (225,500)</u>	<u>\$ (111,000)</u>	<u>\$ (114,585)</u>	<u>\$ (3,585)</u>

City of Yreka
 Budgetary Comparison Schedule
 Special Revenue Fund
 For The Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Assessment	\$ 220,500	\$ 220,500	\$ 228,773	\$ 8,273
Licenses and permits	39,650	39,650	41,084	1,434
Charges for service	215,500	215,500	216,325	825
Use of money and property	-	-	2,608	2,608
Total revenues	<u>475,650</u>	<u>475,650</u>	<u>488,790</u>	<u>13,140</u>
<u>EXPENDITURES</u>				
Current:				
General Government	6,021	6,146	6,136	10
Fire protection	3,348	3,488	3,488	-
Capital outlay	200,000	-	-	-
Debt service:				
Principal	164,357	164,357	164,356	1
Interest	146,447	146,447	146,447	-
Total expenditures	<u>520,173</u>	<u>320,438</u>	<u>320,427</u>	<u>10</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ (44,523)</u>	<u>\$ 155,212</u>	<u>\$ 168,363</u>	<u>\$ 13,150</u>

City of Yreka
 Budgetary Comparison Schedule
 Streets and Roads Fund
 For The Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance With Final Budget
<u>REVENUES</u>				
Intergovernmental revenues	\$ 412,000	\$ 394,520	\$ 395,140	\$ 620
Fines and forfeitures	47,500	47,500	36,327	(11,173)
Use of money and property	3,268	2,168	2,391	223
Other revenue	-	-	5,880	5,880
Total revenues	<u>462,768</u>	<u>444,188</u>	<u>439,738</u>	<u>(4,450)</u>
<u>EXPENDITURES</u>				
Current:				
Public works administration	31,522	31,522	23,389	8,133
Streets and sidewalks	443,117	347,217	312,519	34,698
Public transportation	200,000	161,391	161,391	-
Capital outlay	87,500	-	-	-
Total expenditures	<u>762,139</u>	<u>540,130</u>	<u>497,299</u>	<u>42,831</u>
Excess of revenues over (under) expenditures	<u>(299,371)</u>	<u>(95,942)</u>	<u>(57,561)</u>	<u>38,381</u>
<u>OTHER FINANCING (USES)</u>				
Operating transfers in	35,607	38,607	39,313	706
Operating transfers out	-	(114,000)	(114,000)	-
Total other financing sources (uses)	<u>35,607</u>	<u>(75,393)</u>	<u>(74,687)</u>	<u>706</u>
Excess of revenues over (under) expenditures and other uses	<u>\$ (263,764)</u>	<u>\$ (171,335)</u>	<u>\$ (132,248)</u>	<u>\$ 39,087</u>

SINGLE AUDIT REPORTS AND SCHEDULES

City of Yreka
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2012

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development				
Passed through California Department of Housing and Community Development				
Community Development Block Grant/State's Programs	14.228	08-EDEF-5874	300,000	132,597
Community Development Block Grant/Technical Assistance Program	14.227	09-PTAG-6494	70,000	<u>58,459</u>
Total Department of Housing and Urban Development				<u>191,056</u>
Department of the Interior				
Partners in Fish and Wildlife	15.631	F11AC01280	7,520	-
Partners in Fish and Wildlife	15.631	813338J020	29,000	172
Partners in Fish and Wildlife	15.631	F07AC00140	120,000	<u>72,682</u>
Total Department of the Interior				<u>72,854</u>
Department of Agriculture				
Waste and Water Disposal Systems for Rural Communities (ARRA)				
B - Project Loan	10.781	SF271-1924	6,810,000	5,778,478
E - Direct Grant	10.781	SF271-1924	3,249,000	1,409,686
Watershed Restoration and Enhancement Agreement Authority				
B- Cooperative Agreements	10.693	PA11050500-083	13,000	<u>13,000</u>
Total Department of Agriculture				<u>7,201,164</u>
Environmental Protection Agency Office of Solid Waste and Emergency Response				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.818		400,000	<u>82,821</u>
Total Environmental Protection Agency Office of Solid Waste and Emergency Response				<u>82,821</u>
Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	093-86944	60,773	<u>45,516</u>
Total Department of Homeland Security				<u>45,516</u>
Total expenditure of federal awards				<u>\$ 7,593,411</u>

Notes:

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

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council
City of Yreka, California

We have audited the financial statements of the governmental activities, business-type activities and each major fund of the City of Yreka as of and for the year ended June 30, 2012, which collectively comprise the City of Yreka's basic financial statements, and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Yreka is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Yreka's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Yreka's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Yreka's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Aiello, Goodrich & Teuscher

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
March 15, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Yreka, California

Compliance

We have audited the City of Yreka's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Yreka's major federal programs for the year ended June 30, 2012. The City of Yreka's major federal programs are identified in the summary of auditors' 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 the City of Yreka's management. Our responsibility is to express an opinion on the City of Yreka's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Yreka's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Yreka's compliance with those requirements.

In our opinion, the City of Yreka complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.



Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
March 15, 2013

City of Yreka, California
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2012

Summary of Auditors' Results

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the City of Yreka, California.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of City of Yreka which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report On Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program And On Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The Independent Auditors' Report on compliance expressed an unqualified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was Waste and Water Disposal Systems for Rural Communities ARRA, CFDA #10.781.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. City of Yreka, California qualified as a low risk auditee.

Findings-Financial Statement Audit

None

Findings and Questioned Costs-Major Federal Award Programs Audit

None

Summary of Prior Audit Findings

None