

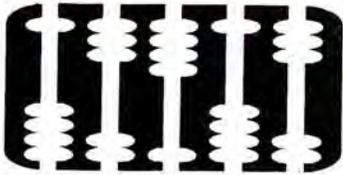
**CITY OF YREKA**

**Transportation Development  
Act Fund**

Financial Statements  
For The Years Ended June 30, 2002 and 2001

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Yreka  
Yreka, California

I have audited the accompanying financial statements, as listed in the table of contents, of the Transportation Development Act Fund of the City of Yreka as of June 30, 2002 and 2001, and for the years then ended. These financial statements are the responsibility of the City of Yreka's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the Transportation Development Act Fund and are not intended to present fairly the financial position and results of operations of the City of Yreka in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to in the above paragraph present fairly, in all material respects, the financial position of the Transportation Development Act Fund of the City of Yreka as of June 30, 2002 and 2001, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 22, 2002 on my consideration of City of Yreka Transportation Development Act Fund's internal control over financial reporting and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Jeffrey Chitwood  
Certified Public Accountant  
January 22, 2002

**CITY OF YREKA**  
**Transportation Development Act Fund**  
 Balance Sheets  
 June 30, 2002 and 2001

	<u>2,002</u>	<u>2,001</u>
<b>ASSETS</b>		
Cash	\$ 422,774	\$ 355,609
Interest receivable	2,811	
Due from other fund	<u>-</u>	<u>206</u>
Total assets	<u>\$ 425,585</u>	<u>\$ 355,815</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	<u>\$ 907</u>	<u>\$ .</u>
Total liabilities	907	.
Fund Balance	<u>424,678</u>	<u>355,815</u>
Total liabilities and fund balance	<u>\$ 425,585</u>	<u>\$ 355,815</u>

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

**CITY OF YREKA**  
**Transportation Development Act Fund**  
 Statements of Revenues, Expenditures  
 and Changes in Fund Balances  
 For the Years Ended June 30, 2002 and 2001

	<u>2,002</u>	<u>2,001</u>
<b>REVENUES COLLECTED</b>		
Local transportation funds	\$ 142,704	\$ 142,202
Interest	<u>17,731</u>	<u>17,107</u>
Total revenues collected	<u>160,435</u>	<u>159,309</u>
<b>EXPENDITURES</b>		
Public transit assistance	68,301	67,070
Street and road	<u>23,271</u>	<u>21,793</u>
Total expenditures	<u>91,572</u>	<u>88,863</u>
Excess of revenues over expenditures	68,863	70,446
Fund balance, beginning of year	<u>355,815</u>	<u>285,369</u>
Fund balance, end of year	<u>\$ 424,678</u>	<u>\$ 355,815</u>

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

**CITY OF YREKA**  
**Transportation Development Act Fund**  
Statement of Revenues, Expenditures  
and Change in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2002

	Budget	Actual	Variance Favorable- (Unfavorable)
REVENUES			
Local transportation funds	\$ 54,000	\$ 142,704	\$ 88,704
Interest	<u>16,000</u>	<u>17,731</u>	<u>1,731</u>
Total revenues	<u>70,000</u>	<u>160,435</u>	<u>90,435</u>
EXPENDITURES			
Public transit assistance	-	68,301	(68,301)
Street and road	<u>31,000</u>	<u>23,271</u>	<u>7,729</u>
Total expenditures	<u>31,000</u>	<u>91,572</u>	<u>(60,572)</u>
Transfers in	<u>206</u>	<u>-</u>	<u>206</u>
Excess of revenues over expenditures	<u>\$ 39,206</u>	68,863	<u>\$ 30,069</u>
Fund balance, beginning of year		<u>355,815</u>	
Fund balance end of year		<u>\$ 424,678</u>	

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

**CITY OF YREKA**  
**Transportation Development Act Fund**  
Statement of Revenues, Expenditures  
and Change in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable- (Unfavorable)</u>
REVENUES			
Local transportation funds	\$ 75,132	\$ 142,202	\$ 67,070
Interest	<u>11,100</u>	<u>17,107</u>	<u>6,007</u>
Total revenues	<u>86,232</u>	<u>159,309</u>	<u>73,077</u>
EXPENDITURES			
Public transit assistance	-	67,070	(67,070)
Street and road	<u>113,000</u>	<u>21,793</u>	<u>91,207</u>
Total expenditures	<u>113,000</u>	<u>88,863</u>	<u>24,137</u>
Excess of revenues over expenditures	<u>\$ (26,768)</u>	70,446	<u>\$ 97,214</u>
Fund balance, beginning of year		<u>285,369</u>	
Fund balance end of year		<u>\$ 355,815</u>	

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

**CITY OF YREKA**  
**Transportation Development Act Fund**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

**Note 1: Summary of Significant Accounting Policies**

The financial statements of the Transportation Development Act Fund of the City of Yreka have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. The Reporting Entity**

The financial statements are intended to present only those transactions attributable to the Transportation Development Act Fund of the City of Yreka. The Siskiyou County Transportation Commission allocates funds to the City for local streets and roads. The City expends those funds in accordance with the Transportation Development Act statutes, rules, and regulations.

**B. Fund Accounting**

The City uses funds and account groups to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. A fund is a separate accounting entity with a self-balancing set of accounts. The Transportation Development Act Fund is accounted for as a special revenue fund type of the governmental fund category.

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

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all government fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one year availability period is used for revenue recognition for all government fund revenues. Expenditures are recorded when the related fund liability is incurred.

#### **D. Budget**

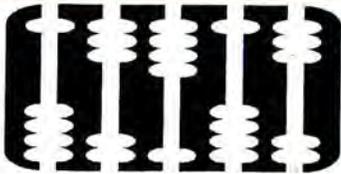
The City Council approves an annual budget. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations. The City Council may amend the budget by resolution during the fiscal year or make transfers from one object or purpose to another within the same budget unit. The final revised budget is presented in the financial statements. The budget is adopted on a basis which materially conforms to the modified accrual basis of accounting.

#### **E. Cash**

The City maintains a cash and investment pool in order to facilitate the management of cash. The fund's portion of this pool is displayed on the Balance Sheets as "cash". Cash in excess of current requirements is invested in interest-bearing accounts. Interest is allocated on the cash balance at the end of each quarter. Information regarding categorization of investments can be found in the City of Yreka general purpose financial statements.

#### **Note 2: Due from other funds**

The account balance reflects amounts owed by other funds for expenditures disallowed by the Transportation Development Act.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

To the City Council  
City of Yreka  
Yreka, California

I have audited the financial statements of the Transportation Development Act Fund of the City of Yreka as of and for the years ended June 30, 2002 and 2001, and have issued my report thereon dated January 22, 2002. I conducted my audits 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Transportation Development Act Fund of the City of Yreka are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards. We noted:

1. Transportation Development Act Funds were expended for unallowed costs.

Internal Control Over Financial Reporting

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

This report is intended for the information of management, the City Council, Siskiyou County Local Transportation Commission, and the State Controller's Office, and is not intended to be used and should not be used by anyone other than these specified parties.



Jeffrey Chitwood  
Certified Public Accountant  
January 22, 2002