

**CITY OF YREKA  
TRANSPORTATION DEVELOPMENT ACT FUND**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012 and 2011**

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Yreka  
Yreka, California

We audited the accompanying financial statements of the governmental activities of City of Yreka, California Transportation Development Act Fund (TDA Fund) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. The financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

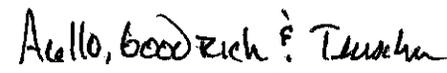
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City of Yreka, California, as of June 30, 2012 and 2011 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund as of June 30, 2012 and 2011, and the results of its operations 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 3, 2012, on our consideration of the City of Yreka, California TDA Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement of the City of Yreka, California TDA Fund, taken as a whole. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting records 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Mt. Shasta, California  
December 3, 2012

City of Yreka  
 Transportation Development Act Fund  
 Governmental Fund Balance Sheets  
 June 30, 2012 and 2011

	2012	2011
<b>Assets</b>		
Cash and investments	\$ 439,930	\$ 626,752
Accounts receivable	504	807
Due from other funds	1,129	-
Total assets	\$ 441,563	\$ 627,559
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Due to other funds	-	45,269
Fund balances:		
Fund balance, restricted for streets and roads	441,563	582,290
Total liabilities and fund balances	\$ 441,563	\$ 627,559

*See accompanying notes  
 to the financial statements.*

City of Yreka  
 Transportation Development Act Fund  
 Governmental Fund Statements of Revenues,  
 Expenditures and Changes in Fund Balances  
 For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Local transportation funds	\$ 162,520	\$ 166,769
Interest	<u>2,160</u>	<u>3,150</u>
Total revenues	<u>164,680</u>	<u>169,919</u>
<b>Expenditures</b>		
Current:		
Transportation	<u>161,391</u>	<u>166,769</u>
Revenues over expenditures	3,289	3,150
<b>Other Financing Sources (Uses)</b>		
Transfers out	<u>(144,016)</u>	<u>(132,991)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(140,727)	(129,841)
<b>Fund Balances</b>		
Beginning of year	<u>582,290</u>	<u>712,131</u>
End of year	<u><u>\$ 441,563</u></u>	<u><u>\$ 582,290</u></u>

See accompanying notes  
to the financial statements.

City of Yreka  
Transportation Development Act Fund  
Notes to Financial Statements  
June 30, 2012 and 2011

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

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

The state of California established the Transportation Development Act (TDA) to provide funds for public transportation. The TDA created a Local Transportation Fund (LTF) in each county for the transportation purposes specified in the TDA Statutes and Administrative Code. Revenues of the LTF are derived from ¼ cent of the 7.25 cent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county according to the amount of tax collected in the county.

**A. The Reporting Entity**

The financial statements are intended to present the financial position and results of operations of only that portion of funds of the City of Yreka that is attributable to the transactions of the Transportation Development Act Fund.

**B. Fund Accounting**

The accounts of the TDA Fund are organized and operated on the basis of a fund, which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Governmental Fund Type**

Governmental funds are used to account for the TDA Fund's expendable financial resources and related liabilities. The measurement focus is upon determination of changes in financial position. The following is the TDA Fund's governmental fund type:

Special Revenue Fund – this fund accounts for the financial activity 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 governmental funds are maintained on the modified accrual basis of accounting. Revenues are recognized in the period in which they become both measurable and available. "Measurable" means the amount of the transaction that 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. Expenditures are recorded when the related fund liability is incurred.

City of Yreka  
Transportation Development Act Fund  
Notes to Financial Statements  
June 30, 2012 and 2011

**D. Budgets**

Budgets are adopted on a basis consistent with accounting principals generally accepted in the United States of America.

Annual appropriated budget is adopted for the TDA fund. All annual appropriations lapse at year end.

**E. Use of Estimates**

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

**F. Cash and Investments**

The City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

The TDA Fund holds its cash and investments in the City of Yreka Treasury. The City of Yreka maintains a cash and investment pool and allocates interest to the various funds based upon the average monthly cash balances. Information regarding categorization of investments can be found in the City of Yreka basic financial statements.

Investments, including pooled investments, are presented at fair value.

**G. Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

City of Yreka  
Transportation Development Act Fund  
Notes to Financial Statements  
June 30, 2012 and 2011

**Note 2: Cash**

Cash consisted of cash held in pooled accounts with the City treasury at June 30, 2012 and 2011.

The City maintains a cash and investment pool and allocates interest to various funds based upon the average monthly balances. Information regarding categorization of investments can be found in the City of Yreka financial statements. At June 30, 2012 and 2011, the cost and fair value of cash held with the City Treasurer were approximately the same.

City of Yreka  
 Transportation Development Act Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
<b>Revenues</b>				
Local transportation funds	\$ 162,520	\$ 162,520	\$ 162,520	\$ -
Interest	2,000	2,000	2,160	160
<b>Total revenues</b>	<u>164,520</u>	<u>164,520</u>	<u>164,680</u>	<u>160</u>
<b>Expenditures</b>				
Current:				
Transportation	161,391	161,391	161,391	-
<b>Excess of revenues over expenditures</b>	3,129	3,129	3,289	160
<b>Other Financing Sources (Uses)</b>				
Transfers out	(177,664)	(177,664)	(144,016)	33,648
<b>Excess of revenues and other sources (under) expenditures and other uses</b>	<u>\$ (174,535)</u>	<u>\$ (174,535)</u>	<u>\$ (140,727)</u>	<u>\$ 33,808</u>

City of Yreka  
 Transportation Development Act Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
<b>Revenues</b>				
Local transportation funds	\$ 200,000	\$ 200,000	\$ 166,769	\$ (33,231)
Interest	5,000	5,000	3,150	(1,850)
<b>Total revenues</b>	<u>205,000</u>	<u>205,000</u>	<u>169,919</u>	<u>(35,081)</u>
<b>Expenditures</b>				
Current:				
Transportation	200,000	200,000	166,769	33,231
<b>Excess of revenues over expenditures</b>	5,000	5,000	3,150	(1,850)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(232,527)	(232,527)	(132,991)	99,536
<b>Excess of revenues and other sources (under) expenditures and other uses</b>	<u>\$ (227,527)</u>	<u>\$ (227,527)</u>	<u>\$ (129,841)</u>	<u>\$ 97,686</u>

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

To the City Council  
City of Yreka  
Yreka, California

We have audited the financial statements of the City of Yreka, California's Transportation Development Act Fund (TDA Fund), as of and for the years ended June 30, 2012 and 2011, and have issued our report dated December 3, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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, California, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Yreka, California TDA Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

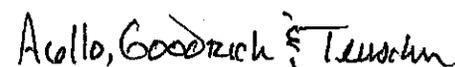
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a control deficiency, or combination of control 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 or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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, California TDA Fund's financial statements are free of material misstatement, we performed tests of its compliance with Sections 6664 and 6666 of Article 5.5 of Title 21, of the *California Administrative Code* and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Council of the City of Yreka, California, and the County of Siskiyou, and California Department of Transportation, 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  
December 3, 2012