

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT
ACT FUNDS
NON-TRANSIT PURPOSES
FINANCIAL STATEMENTS
JUNE 30, 2005**

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT PURPOSES**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Yreka
Yreka, California

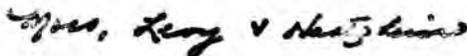
We have audited the accompanying financial statements pertaining to the City of Yreka (City) Transportation Development Act Funds Non-Transit Purposes (TDA Fund) as of and for the fiscal year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 opinion.

As described in Note 1, the financial statements present only the TDA Fund and are not intended to present 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 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, 2005, and the results of its operations for the fiscal 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 a report dated February 10, 2006, on our consideration of the City of Yreka's internal control over financial reporting and 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 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 read in conjunction with this report in considering the results of our audit.



MOSS, LEVY & HARTZHEIM, LLP
February 10, 2006

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT PURPOSES**

**Balance Sheet
June 30, 2005
(With Comparative Totals for June 30, 2004)**

| | 2005 | 2004 |
|--|------------|------------|
| <u>Assets</u> | | |
| Cash and investments | \$ 567,293 | \$ 552,425 |
| Accounts receivable | 66,094 | |
| Total Assets | \$ 633,387 | \$ 552,425 |
| <u>Liabilities and Fund Equity</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 148 | \$ 907 |
| Total Liabilities | 148 | 907 |
| <u>Fund Equity</u> | | |
| Fund balance | 633,239 | 551,518 |
| Total Liabilities and Fund Equity | \$ 633,387 | \$ 552,425 |

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

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT PURPOSES**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for the Fiscal Year Ended June 30, 2004)**

| | <u>2005</u> | <u>2004</u> |
|--|--------------------------|--------------------------|
| Revenues | | |
| Local transportation funds | \$ 189,635 | \$ 172,413 |
| State transportation improvement program funds | 8,000 | |
| Interest | <u>15,491</u> | <u>5,670</u> |
| Total Revenues | <u>213,126</u> | <u>178,083</u> |
| Expenditures | | |
| Transportation | 128,264 | 108,490 |
| Streets and roads | <u>3,141</u> | <u>5,395</u> |
| Total Expenditures | <u>131,405</u> | <u>113,885</u> |
| Excess of Revenues Over (Under) Expenditures | 81,721 | 64,198 |
| Fund Balance - July 1, | <u>551,518</u> | <u>487,320</u> |
| Fund Balance - June 30, | <u><u>\$ 633,239</u></u> | <u><u>\$ 551,518</u></u> |

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

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT PURPOSES**

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2005**

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|-----------|------------|--|
| Revenues | | | |
| Local transportation funds | \$ 40,979 | \$ 189,635 | \$ 148,656 |
| State transportation improvement program funds | | 8,000 | |
| Interest | 8,000 | 15,491 | 7,491 |
| Total Revenues | 48,979 | 213,126 | 156,147 |
| Expenditures | | | |
| Transportation | | 128,264 | (128,264) |
| Streets and roads | 41,000 | 3,141 | 37,859 |
| Total Expenditures | 41,000 | 131,405 | (90,405) |
| Excess of Revenues Over (Under) Expenditures | \$ 7,979 | 81,721 | \$ 73,742 |
| Fund Balance - July 1, 2004 | | 551,518 | |
| Fund Balance - June 30, 2005 | | \$ 633,239 | |

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

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT PURPOSES**

**Notes to Financial Statements
June 30, 2005**

Note 1: Summary of Significant Accounting Policies

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

A. The Reporting Entity

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

B. Fund Accounting

The accounts of the TDA Fund are organized and operated on the basis of funds, each of 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. The various funds are grouped into generic types of funds to record the TDA Fund's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

Governmental Fund Type

Governmental funds are used to account for the TDA Fund's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). 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 FUNDS
NON-TRANSIT PURPOSES**

**Notes to Financial Statements
June 30, 2005**

Note 1: Summary of Significant Accounting Policies (Continued)

D. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA. Annual appropriated budgets are adopted for the special revenue fund. All annual appropriations lapse at fiscal year end. The budgetary data presented in the accompanying financial statements includes all approved revisions.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, 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. Comparative Data

Comparative data for the prior fiscal year has been presented in the accompanying financial statements in order to provide an understanding of changes in the TDA Fund's financial position and operations. Certain amounts presented in the prior fiscal year data have been reclassified in order to be consistent with the current fiscal year's presentation.

G. Cash and Investments

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 are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The TDA Fund reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Note 2: Stewardship, Compliance, and Accountability

Excess of Expenditures over (under) Appropriations

Excess of expenditures over appropriations in individual funds is as follows:

| Fund | Excess of Expenditures |
|----------------------|---------------------------|
| Special Revenue Fund | \$ 90,405 |

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NON-TRANSIT PURPOSES**

**Notes to Financial Statements
June 30, 2005**

Note 3: Transportation Development Act

The State of California established the Transportation Development Act (TDA) to provide funds for public transportation. The funds are administered by the Metropolitan Transportation Commission, a statutorily created Regional Transportation Planning Agency. 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 $\frac{1}{4}$ cent of the 7.25 cent retail sales tax collected statewide. The $\frac{1}{4}$ cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county.

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INDEPENDENT AUDITOR'S 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 Transportation Development Act Funds Allocated for Non-Transit Purposes (TDA Fund), as of and for the fiscal year ended June 30, 2005, and have issued our report thereon dated February 10, 2006. We conducted our audit 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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Yreka'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 for the information of management and the City Council of the City of Yreka, 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.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
February 10, 2006