

**CITY OF YREKA  
TRANSPORTATION DEVELOPMENT ACT FUND  
FINANCIAL STATEMENTS  
JUNE 30, 2022 and 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council and Finance Director  
City of Yreka  
Yreka, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

I have audited the accompanying financial statements of the Transportation Development Act Fund of the City of Yreka, California, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City of Yreka, California's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Fund of the City of Yreka, California, as of June 30, 2022 and 2021 and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Yreka, California and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Yreka, California Transportation Development Act Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Yreka, California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Yreka, California Transportation Development Act Fund's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Transportation Development Act Fund and do not purport to, and do not, present fairly the financial position of the City of Yreka, California, as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the management's discussion and analysis (not presented) and the budgetary comparison information on page 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. My opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards* and the *TDA Statutes and California Code of Regulations issued by the California Department of Transportation*, I have also issued my report dated December 23, 2022, on my consideration of the Transportation Development Act Fund of the City of Yreka, California's internal control over financial reporting and on my 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 my 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* in considering the Transportation Development Act Fund of the City of Yreka, California's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Charles W. Pillon, CPA". The signature is stylized and includes a small "CPA" at the end.

Charles W Pillon, CPA  
Anderson, California

December 23, 2022

City of Yreka  
 Transportation Development Act Fund  
 Governmental Fund Balance Sheets  
 June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and investments	\$ 374,376	\$ 288,911
Intergovernmental receivable	234,079	84,028
Interest receivable	<u>586</u>	<u>282</u>
Total assets	<u>\$ 609,041</u>	<u>\$ 373,221</u>
 <b>Liabilities and Fund Balances</b>		
Liabilities:	\$ -	\$ -
Fund balances:		
Fund balance, restricted for streets and roads	<u>609,041</u>	<u>373,221</u>
Total liabilities and fund balances	<u>\$ 609,041</u>	<u>\$ 373,221</u>

*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, 2022 and 2021

	2022	2021
<b>Revenues</b>		
Local transportation funds	\$ 432,317	\$ 280,713
Interest	1,741	1,835
Total revenues	434,058	282,548
<b>Expenditures</b>		
Current:		
Transportation	198,238	196,685
Revenues over expenditures before other financing uses	235,820	85,863
<b>Other Financing Sources (Uses)</b>		
Transfers in (out)	-	-
Revenues over (under) expenditures and other financing sources (uses)	235,820	85,863
<b>Fund Balances</b>		
Beginning of year	373,221	287,358
End of year	\$ 609,041	\$ 373,221

See accompanying notes  
 to the financial statements.

City of Yreka  
Transportation Development Act Fund  
Notes to Financial Statements  
June 30, 2022 and 2021

**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 principles 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, 2022 and 2021

**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.

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 principles 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's 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:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The TDA Fund did not have any nonspendable resources as of June 30, 2022 and 2021.
- 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. The City has classified streets and roads fund balances as restricted for fund purposes.

City of Yreka  
Transportation Development Act Fund  
Notes to Financial Statements  
June 30, 2022 and 2021

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The TDA Fund did not have any committed resources as of June 30, 2022 and 2021.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City clerk through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The TDA Fund did not have any assigned resources as of June 30, 2022 and 2021.
- 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, followed by Committed resources, 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.

**Note 2: Cash**

Cash consisted of cash held in pooled accounts with the City treasury at June 30, 2022 and 2021.

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, 2022 and 2021, 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, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
<b>Revenues</b>				
Local transportation funds	\$ 260,000	\$ 260,000	\$ 432,317	\$ 172,317
Interest	-	-	1,741	1,741
<b>Total revenues</b>	260,000	260,000	434,058	174,058
<b>Expenditures</b>				
Current:				
Transportation	200,000	200,000	198,238	1,762
Revenues over expenditures before other financing (uses)	60,000	60,000	235,820	175,820
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(60,000)	(60,000)	-	60,000
Revenues over (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,820</u>	<u>\$ 235,820</u>

**Notes to the Budgetary Comparison Schedule**

Revenues: Variance due to the budget based on prior year, but the actual allocation was higher and includes amendments for the 20-21 fiscal year.

Transfers: Current year transfers withheld until the following next year.

City of Yreka  
Transportation Development Act Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
<b>Revenues</b>				
Local transportation funds	\$ 260,000	\$ 291,092	\$ 280,713	\$ (10,379)
Interest	-	-	1,835	1,835
<b>Total revenues</b>	260,000	291,092	282,548	(8,544)
<b>Expenditures</b>				
Current:				
Transportation	200,000	196,685	196,685	-
Revenues over expenditures before other financing (uses)	60,000	94,407	85,863	(8,544)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(60,000)	(94,407)	-	(94,407)
Revenues over (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,863</u>	<u>\$ (102,951)</u>

**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 and Finance Director  
City of Yreka  
Yreka, California

I have audited, in accordance with the 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, the financial statements of the governmental activities of the Transportation Development Act Fund of the City of Yreka, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Transportation Development Act Fund of the City of Yreka, California's financial statements, and have issued my report thereon dated December 23, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing my audit of the financial statements, I considered the Transportation Development Act Fund of the City of Yreka, California's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transportation Development Act Fund of the City of Yreka, California's internal control. Accordingly, I do not express an opinion on the effectiveness of the Transportation Development Act Fund of the City of Yreka, California's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Transportation Development Act Fund of the City of Yreka, California's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the *TDA Statutes and California Code of Regulations* issued by the California Department of Transportation.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Charles W Pillon, CPA".

Charles W Pillon, CPA  
Anderson, California

December 23, 2022