

**CITY OF YREKA
TRANSPORTATION DEVELOPMENT ACT FUND**

FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006



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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, 2007 and 2006, 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 audit 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, 2007 and 2006, and the changes in its financial position for the years 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 Funds as of June 30, 2007 and 2006 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*, we have also issued our report dated October 4, 2007, on our consideration of Yreka, California TDA Fund's internal control over financial reporting and tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read on conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions 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. Such information has been subjected to the auditing procedures applied in the audit of the fund financial statements and, in our opinion, are fairly stated in all material respects in relation to the fund financial statements taken as a whole.

Aiello, Goodrich & Teuscher
Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
October 4, 2007

City of Yreka
 Transportation Development Act Fund
 Governmental Fund Balance Sheets
 June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 593,735	\$ 643,668
Accounts receivable	<u>80,344</u>	<u>39,665</u>
Total assets	<u>\$ 674,079</u>	<u>\$ 683,333</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable	<u>\$ 3,778</u>	<u>\$ -</u>
Total liabilities	<u>3,778</u>	<u>-</u>
Fund balances:		
Fund balance, unreserved, designated for fund purposes	<u>670,301</u>	<u>683,333</u>
Total liabilities and fund balances	<u>\$ 674,079</u>	<u>\$ 683,333</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local transportation funds	\$ 197,943	\$ 184,593
Interest	<u>35,908</u>	<u>24,603</u>
Total revenues	<u>233,851</u>	<u>209,196</u>
Expenditures		
Transportation	126,497	152,633
Streets and roads	<u>7,259</u>	<u>6,469</u>
Total expenditures	<u>133,756</u>	<u>159,102</u>
Revenues over expenditures	100,095	50,094
Other Financing Sources (Uses)		
Transfers out	<u>(113,127)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other sources	(13,032)	50,094
Fund Balances		
Beginning of year	<u>683,333</u>	<u>633,239</u>
End of year	<u><u>\$ 670,301</u></u>	<u><u>\$ 683,333</u></u>

See accompanying notes
 to the financial statements.

City of Yreka
Transportation Development Act Fund
Notes to Financial Statements
June 30, 2007 and 2006

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, 2007 and 2006

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.

Note 2: Cash

Cash consisted of cash held in pooled accounts with the City treasury at June 30, 2007 and 2006.

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, 2007 and 2006, the cost and fair value of cash held with the City Treasurer were approximately the same.

Note 3: Over Expenditure of Budget

The TDA over expended it's budget by \$124,756 and \$128,102 for the years ended June 30, 2007 and 2006 respectively.

City of Yreka
Transportation Development Act Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
Revenues				
Local transportation funds	\$ 81,548	\$ 81,548	\$ 197,943	\$ 116,395
Interest	18,000	18,000	35,908	17,908
Total revenues	<u>99,548</u>	<u>99,548</u>	<u>233,851</u>	<u>134,303</u>
Expenditures				
Transportation	-	-	126,497	(126,497)
Streets and roads	9,000	9,000	7,259	1,741
Total expenditures	<u>9,000</u>	<u>9,000</u>	<u>133,756</u>	<u>(124,756)</u>
Excess of revenues over expenditures	90,548	90,548	100,095	9,547
Other Financing Sources (Uses)				
Transfers out	(387,200)	(387,200)	(113,127)	274,073
Excess of revenues and other sources (under) expenditures and other sources	<u>\$ (296,652)</u>	<u>\$ (296,652)</u>	<u>\$ (13,032)</u>	<u>\$ 283,620</u>

City of Yreka
Transportation Development Act Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
Revenues				
Local transportation funds	\$ -	\$ -	\$ 184,593	\$ 184,593
Interest	12,000	12,000	24,603	12,603
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>209,196</u>	<u>197,196</u>
Expenditures				
Transportation	-	-	152,633	(152,633)
Streets and roads	-	31,000	6,469	24,531
Total expenditures	<u>-</u>	<u>31,000</u>	<u>159,102</u>	<u>(128,102)</u>
Excess of revenues over (under) expenditures	<u>\$ 12,000</u>	<u>\$ (19,000)</u>	<u>\$ 50,094</u>	<u>\$ 69,094</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, 2007 and 2006, and have issued our report dated October 4, 2007. 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, 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 and opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably on accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Yreka's financial statements that is more than inconsequential will not be prevented or detected by the City of Yreka's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Yreka's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiency in internal control over financial reporting that we consider to be material weakness 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

Aiello, Goodrich & Teuscher
An Accountancy Corporation
Mt. Shasta, California
October 4, 2007

