

**CITY OF YREKA  
TRANSPORTATION DEVELOPMENT ACT FUND**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014 and 2013**

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Yreka  
Yreka, California

We 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, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our 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, 2014 and 2013 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.

## **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, 2014 and 2013, 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. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

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 was derived from and relate directly to the underlying accounting records and other records used to prepare the financial statements. Such information has been subjected 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 or to 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the Transportation Development Act Fund of the City of Yreka, California'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* in considering the Transportation Development Act Fund of the City of Yreka, California's internal control over financial reporting and compliance.



Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Mt. Shasta, California  
December 30, 2014

City of Yreka  
 Transportation Development Act Fund  
 Governmental Fund Balance Sheets  
 June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and investments	\$ 296,338	\$ 399,479
Accounts receivable	57,636	49,698
Due from other funds	-	271
Total assets	<b>\$ 353,974</b>	<b>\$ 449,448</b>
 <b>Liabilities and Fund Balances</b>		
Fund balances:		
Fund balance, restricted for streets and roads	\$ 353,974	\$ 449,448
Total liabilities and fund balances	<b>\$ 353,974</b>	<b>\$ 449,448</b>

*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, 2014 and 2013

	2014	2013
<b>Revenues</b>		
Local transportation funds	\$ 250,510	\$ 263,639
Interest	894	1,328
Total revenues	251,404	264,967
<b>Expenditures</b>		
Current:		
Transportation	193,065	207,082
Revenues over expenditures before other financing uses	58,339	57,885
<b>Other Financing Uses</b>		
Transfers out	153,813	50,000
Revenues over (under) expenditures and other financing uses	(95,474)	7,885
<b>Fund Balances</b>		
Beginning of year	449,448	441,563
End of year	\$ 353,974	\$ 449,448

See accompanying notes  
to the financial statements.

City of Yreka  
Transportation Development Act Fund  
Notes to Financial Statements  
June 30, 2014 and 2013

**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 Untied 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, 2014 and 2013

**Note 1: Summary of Significant Accounting Policies (Continued)**

**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:

- 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.
- 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.
- 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



City of Yreka  
Transportation Development Act Fund  
Notes to Financial Statements  
June 30, 2014 and 2013

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, 2014 and 2013.

- 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, 2014 and 2013.
- 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, 2014 and 2013.

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, 2014 and 2013, 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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
<b>Revenues</b>				
Local transportation funds	\$ 165,000	\$ 250,585	\$ 250,510	\$ (75)
Interest	500	500	894	394
Total revenues	165,500	251,085	251,404	319
<b>Expenditures</b>				
Current:				
Transportation	165,000	196,035	193,065	2,970
Revenues over expenditures before other financing uses	500	55,050	58,339	3,289
<b>Other Financing Uses</b>				
Transfers out	342,592	343,592	153,813	189,779
Revenues over (under) expenditures and other financing uses	<u>\$ (342,092)</u>	<u>\$ (288,542)</u>	<u>\$ (95,474)</u>	<u>\$ 193,068</u>

City of Yreka  
Transportation Development Act Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable) from Final Budget
<b>Revenues</b>				
Local transportation funds	\$ 200,000	\$ 263,660	\$ 263,639	\$ (21)
Interest	1,000	1,000	1,328	328
Total revenues	201,000	264,660	264,967	307
<b>Expenditures</b>				
Current:				
Transportation	200,000	207,100	207,082	18
Revenues over expenditures before other financing uses	1,000	57,560	57,885	325
<b>Other Financing Uses</b>				
Transfers out	176,493	50,000	50,000	-
Revenues (under) expenditures and other financing uses	<u>\$ (175,493)</u>	<u>\$ 7,560</u>	<u>\$ 7,885</u>	<u>\$ 325</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, 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, 2014, and the related notes to the financial statements, which comprise the Transportation Development Act Fund of the City of Yreka, California's financial statements, and have issued our report thereon dated December 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Transportation Development Act Fund of the City of Yreka, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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, we 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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, we 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 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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 cursive script that reads "Aiello, Goodrich & Teuscher".

Aiello, Goodrich & Teuscher  
An Accountancy Corporation  
Mt. Shasta, California  
December 30, 2014