

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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TRANSPORTATION DEVELOPMENT ACT FUND
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Red Bluff, California

We have audited the accompanying financial statements of the Transportation Development Act Fund of the City of Red Bluff, California, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the City of Red Bluff's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 Red Bluff, California, as of June 30, 2009 and 2008, 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 Transportation Development Act Fund of the City of Red Bluff, California, as of June 30, 2009 and 2008, and the changes in financial position thereof 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 May 26, 2010, on our consideration of the Transportation Development Act 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 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 considered in assessing the results of our audit.

Nystrom & Company LLP

May 26, 2010

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
COMPARATIVE BALANCE SHEETS

ASSETS

	June 30,	
	2009	2008
ASSETS:		
Cash and cash equivalents	\$ 2,110	\$ -
Total assets	\$ 2,110	\$ -

LIABILITIES AND FUND BALANCE

LIABILITIES:		
Due to other governments	\$ 1,689	\$ 6,787
Total liabilities	1,689	6,787
FUND BALANCE:		
Reserved	421	-
Unreserved	-	(6,787)
Total fund balance	421	(6,787)
Total liabilities and fund balance	\$ 2,110	\$ -

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

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

	Years Ended June 30,	
	2009	2008
REVENUES:		
Transportation Development Act allocations	\$ 241,479	\$ 241,773
Use of money and property	685	879
Total revenues	242,164	242,652
EXPENDITURES:		
Non-operating expenditures:		
TRAX/ParaTRAX/METS programs	6,308	6,787
Total expenditures	6,308	6,787
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	235,856	235,865
OTHER FINANCING SOURCES (USES):		
Operating transfers out	(228,648)	(242,652)
Total other financing sources (uses)	(228,648)	(242,652)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	7,208	(6,787)
FUND BALANCE, BEGINNING OF YEAR	(6,787)	-
FUND BALANCE, END OF YEAR	\$ 421	\$ (6,787)

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

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Transportation Development Act allocations	\$ 277,838	\$ 277,838	\$ 241,479	\$ (36,359)
Use of money and property	-	-	685	685
Total revenues	<u>277,838</u>	<u>277,838</u>	<u>242,164</u>	<u>(35,674)</u>
EXPENDITURES:				
Non-operating expenditures:				
TRAX/ParaTRAX/METS programs	169,469	169,469	6,308	163,161
Total expenditures	<u>169,469</u>	<u>169,469</u>	<u>6,308</u>	<u>163,161</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>108,369</u>	<u>108,369</u>	<u>235,856</u>	<u>127,487</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(108,369)</u>	<u>(108,369)</u>	<u>(228,648)</u>	<u>(120,279)</u>
Total other financing sources (uses)	<u>(108,369)</u>	<u>(108,369)</u>	<u>(228,648)</u>	<u>(120,279)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	7,208	<u>\$ 7,208</u>
FUND BALANCE, BEGINNING OF YEAR			<u>(6,787)</u>	
FUND BALANCE, END OF YEAR			<u>\$ 421</u>	

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

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Transportation Development Act allocations	\$ 277,838	\$ 277,838	\$ 241,773	\$ (36,065)
Use of money and property	-	-	879	879
Total revenues	277,838	277,838	242,652	(35,186)
EXPENDITURES:				
Non-operating expenditures:				
TRAX/ParaTRAX/METS programs	169,469	169,469	6,787	162,682
Total expenditures	169,469	169,469	6,787	162,682
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	108,369	108,369	235,865	127,496
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(108,369)	(108,369)	(242,652)	(134,283)
Total other financing sources (uses)	(108,369)	(108,369)	(242,652)	(134,283)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(6,787)	\$ (6,787)
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			\$ (6,787)	

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

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Transportation Development Act (TDA) Fund have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below:

REPORTING ENTITY

The annual financial statements are intended to reflect the financial position, results of operations, and compliance of the TDA Fund with the laws, rules and regulations of the Transportation Development Act. They do not present the financial position of the City of Red Bluff, California (City), as of June 30, 2009 and 2008, 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.

JOINT VENTURES

The City of Red Bluff is a participant with Tehama County in the Tehama Rural Area Express (TRAX), ParaTRAX, and Medical Transportation Service (METS) programs.

TRAX is the fixed route program created to serve as public transportation. ParaTRAX is a demand response system, and was created to supplement the fixed route program. METS is a demand response system created to serve as medical transportation. On dissolution, the net assets of these programs will revert to the County. These programs are governed by a six-member board which includes one appointee from the City. The City and County each are obligated by contract to remit funds annually to supplement the TRAX's, ParaTRAX's, and METS' operating income. Currently, the County appropriates TDA funds of the City to pay the City's required remittance. Complete financial statements for these programs can be obtained from the Tehama County Public Works Department.

BASIS OF PRESENTATION

The accounts of the TDA Fund are organized and operated on the fund accounting basis and are considered to be a separate accounting entity. The operations of the TDA Fund are accounted for with a separate set of self-balancing accounts that comprise the Fund's assets, liabilities, fund equity, revenues and expenditures.

(Continued on following page)

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The TDA Fund's financial activity is accounted for in a governmental (special revenue) fund. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BUDGETS

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Revenues are estimated and annual appropriations are adopted for the TDA Fund. All annual appropriations lapse at year end.

During late February each year, the Finance Director reviews all estimated and actual revenues, and all estimated and actual expenditures. This analysis serves two purposes: first, it indicates if the projected revenues will be adequate to finance the projected expenditures during the current fiscal year, and second, it serves as a basis for the planning of the upcoming fiscal year's budget. In estimating the revenues for the upcoming fiscal year, the Finance Director adds the prior year's fund balances that are designated as contingency reserves to the estimated revenues. This then results in the amount of monies which can be spent. The next step is to query all departments for their schedules of proposed expenditures for the upcoming fiscal year-end.

From the estimated revenues and proposed expenditures, a proposed budget is then formulated. This proposed budget is then subjected to a line-by-line analysis by the Finance Director and the City Manager. After this analysis, a final proposed budget is prepared when the Finance Director and the City Manager are fairly certain that the expenditures are reasonable and can be financed from revenues. Within 60 days of year end the preliminary budget is adopted by the City Council.

(Continued on following page)

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

BUDGETS (Continued)

Budget administration policies give the City Manager authority to vary from the precise budgetary appropriations within the various departments so long as the total appropriations within each fund do not exceed the total appropriations of the departmental budgets within the fund. Budgetary adjustments which would cause the total appropriations to be exceeded are accomplished by supplemental appropriations approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level.

CASH AND CASH EQUIVALENTS

The TDA Fund follows the cash and investment policies of the City. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments that are both readily convertible to known amounts of cash and (if applicable), so near (three months) their original maturity, that there is insignificant risk of value changes because of interest rate changes.

All of the City's investments at June 30, 2009 meet the above definition of cash equivalents.

The TDA Fund's cash and investments are pooled with other City cash and investments to maximize investment opportunities and yields. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on daily cash balances.

The California Government Code and the investment policy of the City authorize the City to invest in obligations, participations, or other instruments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, the State Treasurer's Investment Pool (LAIF), certificates of deposit or time deposits, and passbook savings account demand deposits. Reverse repurchase agreements may be made only when prior approval of the City Council has been given.

(Continued on following page)

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

CASH AND CASH EQUIVALENTS (Continued)

Investments are reported at fair value based on quoted market prices with realized and unrealized gains or losses reported in the statements of revenues, expenditures and changes in fund balance. The State Treasurer's Investment Pool (LAIF) operates in accordance with appropriate state laws and regulations. The reported value of the pool is materially equivalent to the fair value of the pool shares.

FUND BALANCE

Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances, if any, represent tentative plans for future use of financial resources.

INTERFUND TRANSACTIONS

During the course of operations, numerous transactions that constitute reimbursements to a fund for expenditures/expenses initially made from one fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. In addition, on a less occasional basis, the City incurs transactions that constitute quasi-external transactions between funds. These transactions are accounted for as revenues, expenditures or expenses in the funds involved in these transactions.

All other interfund transactions are reported as transfers.

Fund transfers are necessary to properly account for cash increases/decreases in the appropriate funds. Transfers include, but are not limited to, the following:

1. To allocate funds for operations;
2. To allocate funds for equipment replacement;
3. To allocate funds for capital projects.

(Continued on following page)

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

The TDA Fund is unable to determine the carrying amount, bank balances, and categories of its cash and investments. Accordingly, cash and investments for the City as a whole have been presented.

Cash and cash equivalents as of June 30, 2009 consisted of the following:

Cash in banks	\$	746,872
State of California – Local Agency Investment Fund (LAIF)		13,382,897
U.S. Bank money market funds:		
First American Treasury Obligation Class D		155,060
U.S. Bank guaranteed investment agreements:		
Berkshire Hathaway Inc., 11/17/94		<u>170,857</u>
Total cash and cash equivalents		<u>\$ 14,455,686</u>

Cash and cash equivalents as of June 30, 2009 in the TDA Fund were \$2,110.

Custodial credit risk:

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy does not address custodial credit risk. As of June 30, 2009, \$654,206 of the City's cash balances in banks were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. The funds in the U.S. Bank First American Treasury Obligation Fund and in the Berkshire Hathaway Inc. guaranteed investment agreement are not subject to custodial credit risk as they are funds under contractual obligation.

(Continued on following page)

CITY OF RED BLUFF
 TRANSPORTATION DEVELOPMENT ACT FUND
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008

NOTE 2 CASH AND CASH EQUIVALENTS
 (Continued)

Interest Rate Risk:

While the City's investment policy does not address interest rate risk, the City manages its exposure to interest rate risks through reliance on the managers of LAIF.

Equity in Pooled Cash and Investments:

The City invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the City's position in the pool is materially equivalent to the value of pool shares. LAIF is an unrated external investment pool.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2009, 14.71% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities. In addition, PMIA's weighted average maturities was 0.614 years at June 30, 2009. (Copies of a report of LAIF's investments may be obtained from the State Treasurer's Office; Local Agency Investment Fund; P. O. Box 942809; Sacramento, CA 94209-0001).

NOTE 3 DUE TO OTHER GOVERNMENTS

Due to other governments at June 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Tehama County Transportation Commission	\$ <u>1,689</u>	\$ <u>6,787</u>

(Continued on following page)

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 4 SELF-INSURANCE

The TDA Fund participates in the City's self-insurance programs. The following information describes self-insurance programs for the City of Red Bluff.

In January, 1979, the City became a member of the Northern California Cities Workers' Compensation Fund, a Joint Powers Authority (JPA), for the purpose of providing a banking plan for member cities to provide their own workers' compensation insurance. In July, 1981, the JPA instituted a program for the provision of liability insurance. In 1987 the JPA was rewritten and renamed the Northern California Cities Self Insurance Fund to combine and update the coverages of the plans. There has been no significant reduction in any of the insurance coverages from the prior year. Settled claims resulting from these programs have not exceeded insurance coverage in each of the past three fiscal years. The current agreement is as follows:

The Workers' Compensation Program comprises a banking or deductible layer for claims up to \$100,000 and a shared risk pool for claims from \$100,000 to \$500,000. Excess coverage is provided for claims over the shared risk layer up to the statutory limit. The liability program comprises a banking or deductible layer for claims up to \$25,000 (except employment practices liability which is \$50,000) and a shared risk pool for claims from \$25,000 (or \$50,000) to \$500,000. Excess coverage is provided for claims over the shared risk layer up to \$40,000,000.

Each member city is assessed a contribution which is intended to cover its share of the Authority's claims, operating costs and claim settlement expenses. Contributions are based on an actuarially determined rate for each coverage layer (pool), based on an estimate of the probable losses and expenses to be borne by that pool for the claim year. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be surplus as a result of an actuarial study.

The banking or deductible layer is the member's deductible portion of each claim. As part of its services to members, a portion of the members' contributions is used to pay their deductibles. If a member's balance is insufficient, the Authority advances the necessary amounts and bills the member in the following year. Excess balances may likewise be used to offset subsequent year contributions.

(Continued on following page)

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 4 SELF-INSURANCE
(Continued)

The City of Red Bluff uses the "general fund" method to account for the costs of self-insurance. While the ultimate amount of the costs of self-insurance through June 30, 2009 is dependent on future developments, City management believes that the aggregate premiums paid to the JPA are adequate to cover the City's losses through June 30, 2009, including incurred but not reported claims (IBNRs). Claims paid for the workers' compensation and general liability programs for the City as a whole for the fiscal year ended June 30, 2009 were \$512,855 and \$53,433, respectively.

It is the City's policy not to record the fluctuations in its banking layer. As of June 30, 2009, the City had recorded a liability in its funds for anticipated workers' compensation claims in the amount of \$21,269 while the JPA reported that the City has a surplus in its workers' compensation program in the amount of \$62,994. In addition, the City had not recorded a liability for general liability claims in its funds while the JPA reported that the City had a surplus of \$283,239 for its general liability program.

NOTE 5 CONTINGENT LIABILITIES

The TDA Fund receives substantially all of its revenues from the State of California (passed through the Tehama County Transportation Commission). Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the TDA fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, would be immaterial.

NOTE 6 RESERVATIONS

Fund balance, if any, is reserved for future use of Transportation Development Act expenditures in accordance with funding requirements.

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
AND THE TRANSPORTATION DEVELOPMENT ACT,
THE CALIFORNIA CODE OF REGULATIONS AND THE RULES AND
REGULATIONS OF THE TEHAMA COUNTY TRANSPORTATION COMMISSION,
A REGIONAL TRANSPORTATION PLANNING AGENCY

Honorable Mayor and City Council
City of Red Bluff, California

We have audited the financial statements of the Transportation Development Act (TDA) Fund of the City of Red Bluff, California, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated May 26, 2010. 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 Red Bluff, California, as of June 30, 2009 and 2008, 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. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 TDA Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TDA Fund'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 TDA Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the TDA Fund's financial statements that is more than inconsequential will not be prevented or detected by the TDA Fund's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the TDA Fund'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 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 the TDA Fund's financial statements are free of 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*.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Tehama County Transportation Commission, for the year ended June 30, 2009. In connection with our audit, we performed to the extent applicable, the compliance audit tasks set forth in Section 6666 of the California Code of Regulations.

The results of performing the tasks specified in Section 6666 disclosed no instances of noncompliance with the applicable statutes, rules, and regulations of the Act and the allocation instructions and resolutions of the Tehama County Transportation Commission.

In our opinion, the funds allocated to and received by the TDA Fund of the City of Red Bluff for the year ended June 30, 2009, pursuant to the Transportation Development Act, were accounted for and expended in conformance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Tehama County Transportation Commission.

This report is intended solely for the information and use of the audit committee, management, City Council, Tehama County Transportation Commission, and the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Nystrom & Company LLP

May 26, 2010

CITY OF RED BLUFF
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF TDA FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009 AND 2008

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

There were no current year findings and recommendations.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no prior year findings and recommendations.