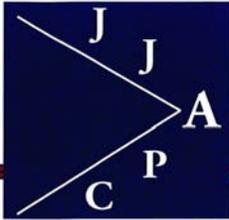


CITY OF WATERFORD
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017

**City of Waterford
Transportation Development Act Fund
For the year ended June 30, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Waterford
Waterford, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Fund (TDA Fund) of the City of Waterford, California (City), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the TDA Fund's financial statements as listed in the table of contents. The prior year comparative total information presented has been derived from the TDA Fund's 2016 financial statements and, in our report dated December 8, 2016, we expressed an unqualified opinion on the those financial statements.

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 *Governmental 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 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 risk 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 City'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 City'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.

To the Honorable Mayor and Members of City Council
of the City of Waterford
Waterford, California
Page 2

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Fund as of June 30, 2017, and the respective changes in financial position and, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the City'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 City's internal control over financial reporting and compliance.

December 8, 2017

JJACPA, Inc.
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Dublin, CA

FINANCIAL STATEMENTS

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City of Waterford

Transportation Development Act Funds

Balance Sheet

Local Transportation Special Revenue Fund

June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Intergovernmental receivables	\$ 52,726	\$ 59,894
Total assets	<u>\$ 52,726</u>	<u>\$ 59,894</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to the City of Waterford	\$ 39,939	\$ 53,515
Unearned revenue	12,787	-
Total liabilities	<u>52,726</u>	<u>53,515</u>
Fund balances:		
Restricted	-	6,379
Total fund balances	<u>-</u>	<u>6,379</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 52,726</u>	<u>\$ 59,894</u>

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

City of Waterford

Transportation Development Act Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Local Transportation Special Revenue Fund

For the year ended June 30, 2017

(with comparative totals for the year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
REVENUES:		
Intergovernmental	\$ 53,848	\$ 75,695
Use of money and property	94	39
Total revenues	<u>53,942</u>	<u>75,734</u>
EXPENDITURES:		
Public ways and facilities	-	-
Total expenditures	<u>-</u>	<u>-</u>
OTHER FINANCING USES:		
Transfer in (out) to the City of Waterford	(53,942)	(69,355)
Revenues over (under) expenditures	-	6,379
FUND BALANCES:		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ 6,379</u>

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

City of Waterford

Transportation Development Act Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual - Local Transportation Special Revenue Funds

For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Intergovernmental	\$ 75,000	\$ 60,200	\$ 53,848	\$ (6,352)
Use of money and property	-	-	94	94
Total revenues	75,000	60,200	53,942	(6,258)
EXPENDITURES:				
Public ways and facilities	-	-	-	-
Total expenditures	-	-	-	-
OTHER FINANCING USES:				
Transfer in (out) to the City of Waterford	(75,000)	(53,800)	(53,942)	(142)
REVENUES OVER (UNDER) EXPENDITURES				
	\$ -	\$ 6,400	-	\$ (6,400)
FUND BALANCES:				
Beginning of year			-	
End of year			\$ -	

The accompanying notes are an integral part of these financial statement

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NOTES TO FINANCIAL STATEMENTS

City of Waterford
Transportation Development Act Fund
Notes to Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *The Reporting Entity*

The City of Waterford (City) accounts for California Transportation Development Act (TDA) monies in the Local Transportation Special Revenue Fund (Fund). This fund is part of the City and not a separate legal entity. The financial statements are intended to present the financial position and results of operations and cash flows, where applicable, for the TDA Fund, and not those transactions of the City as a whole.

B. *Basis of Accounting and Measurement Focus*

The financial statements of the TDA Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (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.

Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the TDA Fund, are property tax, sales tax, and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The TDA Fund is in the accompanying financial statements into the governmental fund type as follows:

Governmental Fund Type

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

City of Waterford
Transportation Development Act Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. 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 the reporting period. Actual results could differ from those estimates.

E. Budget

An annual budget is adopted by City Council for the special revenue funds. The budget is the maximum authorization for spending in a fiscal year. An encumbrance system is used to record commitments and obligations incurred throughout the year to ensure the budget authorization is not exceeded.

The budget is developed for the Special Revenue Funds using the modified accrual basis of accounting. Amendments to the approved budget are approved by City Council. Supplemental appropriations are authorized by City Council during the year. All unencumbered budget appropriations lapse at the end of each fiscal year. Encumbrances for significant capital projects are reappropriated as part of the following year's budget. Outstanding encumbrances are committed in fund balance. At the fund level, expenditures may not legally exceed appropriations.

2. TRANSFERS WITH THE CITY OF WATERFORD

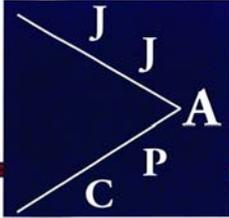
Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between TDA Fund and the City of Waterford are made.

The TDA Fund had a due to the City of Waterford balance of \$39,939 as of June 30, 2017.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the City of Waterford's general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The TDA Fund transferred \$53,942, for transit related expenditures, to the City of Waterford's general fund as of June 30, 2017.

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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 Honorable Mayor and Members of the City Council
of the City of Waterford
Waterford, California

We have audited, in accordance with the auditing standard 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 Transportation Development Act Fund (TDA Fund) of the City of Waterford(City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the TDA Fund's financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 internal control of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 the 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 considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

To the Honorable Mayor and Members of City Council
of the City of Waterford
Waterford, California

Compliance and Other Matters

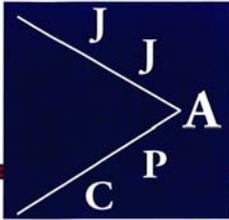
As part of obtaining reasonable assurance about whether the City's TDA Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including those for the public transportation modernization improvement and service enhancement account (PTMISEA) of the transportation development act fund), 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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 8, 2017

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA



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INDEPENDENT AUDITORS' COMPLIANCE REPORT

To the Honorable Mayor and Members of the City Council
of the City of Waterford
Waterford, California

We have examined the City of Waterford's, California (City) Transportation Development Act Fund (TDA Fund) compliance with the types of compliance requirements described in Section 6666 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987* (the Act) and the allocation instructions and resolutions of the Metropolitan Transportation Commission and the Stanislaus Council of Governments during the year ended June 30, 2017. The City's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the TDA Fund. Our responsibility is to express an opinion on the TDA Fund's compliance based on our audit.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about TDA Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the TDA Fund's compliance with specified requirements.

In our opinion, the TDA Fund complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2017.

This report is intended for the information of the Mayor, City Council Members, management, and the Stanislaus Council of Governments, and is not intended to be, and should not be, used by anyone other than these specified parties.

December 8, 2017

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**