

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L – CITY OF CERES**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2020**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet- Governmental Fund.....	5
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Fund	6
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual (GAAP)- Special Revenue Fund	7
Notes to Financial Statements.....	8
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 <i>Government Auditing Standards</i> and the <i>Measure L Program</i>	13
Supplemental Schedule:	
Schedule of Expenditures by Project.....	15
Schedule of Findings and Recommendations.....	16
Schedule of Prior Year Findings and Recommendations	17



INDEPENDENT AUDITORS' REPORT

To the Policy Board
Stanislaus Council of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Measure L Fund of the City of Ceres, California (the Measure L Fund), pertaining to certain provisions of Measure L: Local Road First Transportation Funding Measure (the *Measure L Program*), issued by the Stanislaus Council of Governments acting as the Stanislaus County Transportation Authority as of and for the year ended June 30, 2020, the budgetary comparison statement for the special revenue fund and the related notes to the financial statements, which collectively comprise the basic 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.

Auditors' 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 respective financial position of the governmental activities and major fund of the Measure L Fund, as of June 30, 2020, and the respective changes in financial position and budgetary comparison statement for the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

7473 N. INGRAM AVE., SUITE 102 ♦ FRESNO, CA 93711

P (559) 412-7576 ♦ F (559) 493-5325 ♦ WWW.HHCCPAS.COM

Emphasis-of-Matters

As discussed in Note 1 to the financial statements, the financial statements present only the Measure L Fund referred to above and are not intended to present the financial position of the City of Ceres as a whole and the respective changes in 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*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Management has omitted such information. Such 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 Information

The schedule of expenditures by project (supplemental schedule) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 schedule is fairly stated in all material respects in relation to the basic 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 March 31, 2021, on our consideration of the Measure L 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 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 Measure L Fund's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
March 31, 2021

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - CITY OF CERES
 STATEMENT OF NET POSITION
 JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,201,115
Accounts receivable	332,221
Interest receivable	468
Total Assets	2,533,804
 LIABILITIES AND NET POSITION	
Liabilities	
Accounts payable	63,262
Total Liabilities	63,262
Net Position	
Restricted	2,470,542
Total Net Position	\$ 2,470,542

The accompanying notes are integral part of the financial statements.

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - CITY OF CERES
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Public ways and facilities	\$ 1,315,507	\$ 1,916,469	\$ 600,962
Totals	\$ 1,315,507	\$ 1,916,469	600,962
General Revenues:			
Investment earnings			26,046
Total General Revenues			26,046
Change in Net Position			627,008
Net Position, Beginning of Year			1,665,237
Prior Period Adjustment			178,297
Net Position, End of Year			\$ 2,470,542

The accompanying notes are integral part of the financial statements.

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - CITY OF CERES
 BALANCE SHEET
 GOVERNMENTAL FUND
 JUNE 30, 2020**

ASSETS

Cash and investments	\$ 2,201,115
Accounts receivable	332,221
Interest receivable	468

Total Assets	\$ 2,533,804

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 63,262

Total Liabilities	63,262
Fund Balance	
Restricted	2,470,542

Total Fund Balance	2,470,542
Total Liabilities and Fund Balance	\$ 2,533,804

Reconciliation of the Balance Sheet of the Governmental Fund
 to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$ 2,470,542
Adjustments to the Balance Sheet of the Governmental Fund to reconcile with the Statement of Net Position:	-
Total Net Position - Governmental Activities	\$ 2,470,542

The accompanying notes are integral part of the financial statements.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

REVENUES

Measure L funds	\$ 1,916,469
Investment earnings	<u>26,046</u>
 Total Revenues	 <u>1,942,515</u>

EXPENDITURES

Streets and roads	1,106,574
Local bike & pedestrian	8,029
Traffic management	156,997
Transit	<u>43,907</u>
 Total Expenditures	 <u>1,315,507</u>

Net Change in Fund Balance	627,008
Fund Balance, Beginning of Year	1,665,237
Prior Period Adjustment	<u>178,297</u>
Fund Balance, End of Year	<u><u>\$ 2,470,542</u></u>

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in Fund Balance - Governmental Fund	\$ 627,008
Adjustments to the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to reconcile with the Statement of Activities:	 <u>-</u>
Change in Net Position - Governmental Activities	<u><u>\$ 627,008</u></u>

The accompanying notes are integral part of the financial statements.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
RESOURCES (INFLOWS)				
Measure L funds	\$ 1,609,795	\$ 1,609,795	\$ 1,916,469	\$ 306,674
Investment earnings	<u>8,000</u>	<u>8,000</u>	<u>26,046</u>	<u>18,046</u>
Total Resources (Inflows)	<u>1,617,795</u>	<u>1,617,795</u>	<u>1,942,515</u>	<u>324,720</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Public ways and facilities	<u>2,127,200</u>	<u>2,127,200</u>	<u>1,315,507</u>	<u>811,693</u>
Total Charges to Appropriations (Outflows)	<u>2,127,200</u>	<u>2,127,200</u>	<u>1,315,507</u>	<u>811,693</u>
Net Change in Fund Balance	<u>\$ (509,405)</u>	<u>\$ (509,405)</u>	627,008	<u>\$ 1,136,413</u>
Fund Balance, Beginning of Year			1,665,237	
Prior Period Adjustment			<u>178,297</u>	
Fund Balance, End of Year			<u>\$ 2,470,542</u>	

The accompanying notes are integral part of the financial statements.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only the City of Ceres' Measure L Fund and are not intended to present fairly the financial position, changes in financial position, or cash flows of the City of Ceres, California (the City) as a whole in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: The City of Ceres' Measure L Fund (the Measure L Fund) is a special revenue fund of the City. Stanislaus Council of Governments (StanCOG) is the regional transportation planning agency and the metropolitan planning organization of Stanislaus County, which oversees the Measure L Initiative. Measure L provides for the implementation of the Expenditure Plan as approved and adopted by StanCOG, which provides funding for countywide local street and road improvements, arterial street widening, signalization, pedestrian, bicyclist and driver safety improvements. These needed improvements are funded by Measure L, the one-half of one percent tax on retail transactions and use tax established for a twenty-five-year period, April 1, 2017 – March 31, 2042. The revenues will be deposited in a special fund, used solely for the transportation projects, improvements and programs described in the Expenditure Plan which is considered a part of Measure L Initiative, and incorporated into Measure L Policies and Procedures.

The City's Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the Measure L Fund on a reimbursement basis with no allocation of payroll expenses.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the Measure L fund activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

- Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

- Governmental Fund Financial Statements

Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance) 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. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures are recorded only when payment is due.

STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Measure L Fund reports one major governmental fund:

The *Special Revenue Fund* is the primary operating fund and accounts for all financial resources of the Measure L Fund of the City.

The Measure L Fund adopts annual appropriated budgets for its special revenue fund, which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

Cash and Investments: In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool, as the City places no restrictions on the deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

Accounts Receivable: The Measure L Fund utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2020, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Accounts Payable: Certain costs are incurred by the Measure L Fund during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as accounts payable in the financial statements. The Measure L Fund current accounts payable balance is \$63,262 as of June 30, 2020, which is related to certain contract services.

Management's Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Position: Net position represents the residual interest of all assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. The Measure L Fund's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance: In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Measure L Fund is bound to honor constraints on how specific amounts can be spent

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact. The Measure L Fund did not have any nonspendable resources as of June 30, 2020.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The Measure L Fund considers all of its resources to be restricted.
- *Committed* – Amounts constrained to specific purposes by the Measure L Fund itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint. The Measure L Fund did not have any committed resources as of June 30, 2020.
- *Assigned* – Amounts the Measure L Fund intends to use for a specific purpose. Intent can be expressed by the Measure L Fund or by an official or body to which the City Council delegates the authority. The Measure L Fund did not have any assigned resources as of June 30, 2020.
- *Unassigned* – Amounts that are available for any purpose. The Measure L Fund did not have any unassigned resources as of June 30, 2020.

The Measure L Fund establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the Measure L Fund through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

The Measure L Fund's policy is to first apply restricted, committed or assigned resources when an expense is incurred for purposes for which both restricted, committed or assigned and unassigned fund balance is available.

Governmental Accounting Standards Update: During the year ending June 30, 2020, the Measure L Fund implemented the following standards:

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this statement are effective as of May 2020.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2019.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2019.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to December 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through March 31, 2021, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 2,201,115
Total cash and investments	\$ 2,201,115

Summary of Deposits:

Cash and investments as of June 30, 2020 consist of the following:

Deposits with City of Ceres	\$ 2,201,115
Total cash and investments	\$ 2,201,115

See the City of Ceres Annual Financial Report for disclosures related to risks and fair value measurements.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – RISK MANAGEMENT

The Measure L Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Measure L Fund provides coverage for these losses through commercial insurance policies and/or through participation in the City of Ceres program. Refer to the City of Ceres Annual Financial Report for additional information.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Measure L Fund.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$178,297 was recorded to the special revenue fund and governmental activities beginning fund balance and net position, respectively, to account for revenues earned in the prior period that were improperly recorded in the current period.

NOTE 6 – COVID-19 CONTINGENCY

On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of Emergency in California due to the novel Coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the Measure L Fund is unknown.



**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 MEASURE L PROGRAM**

To the Policy Board
Stanislaus Council of Governments

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; and certain provisions of the Measure L: Local Road First Transportation Funding Measure (the *Measure L Program*), issued by the Stanislaus Council of Governments acting as the Stanislaus County Transportation Authority, the governmental activities and major fund of the Measure L Fund of the City of Ceres (the Measure L Fund) as of and for the year ended June 30, 2020, the related notes to the financial statements and the budgetary comparison statement for the special revenue fund, and have issued our report thereon dated March 31, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Measure L Fund'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 Measure L Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure L Fund'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 Measure L Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the *Measure L Program*, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Measure L Program*, see finding 2020-001.

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 Measure L Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Measure L Program* in considering the Measure L Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
March 31, 2021

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L – CITY OF CERES**

SUPPLEMENTAL SCHEDULE

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
SCHEDULE OF EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2020**

Category	Project Number	Project Name	Current Expenditures	Current Appropriations	Balance
Bike & Pedestrian	271.19.0299.0	CONTRACT SERVICES	\$ 5,385	\$ 5,600	\$ 215
Bike & Pedestrian	271.95.1507.0	TID/MITCHELL BIKE PATH-PH IV	203	641	438
Bike & Pedestrian	271.95.1746.0	VARIOUS STREET PROJECTS	2,441	130,000	116,874
		Total Local Bike & Pedestrian	8,029	136,241	117,527
Local Streets & Roads	271.95.1530.0	MITCHELL RD OVERLAY PH 4	-	37,003	37,003
Local Streets & Roads	271.95.1531.0	SERVICE RD OVERLAY PH 2	44,446	51,832	7,386
Local Streets & Roads	271.95.1605.0	SERVICE RD OVERLAY-PH I	35,646	97,918	62,272
Local Streets & Roads	271.95.1707.0	BLAKER RD OVERLAY-PH 1	33,995	47,216	13,221
Local Streets & Roads	271.95.2005.0	PAVEMENT PRESERVATION	962,278	989,730	27,452
Local Streets & Roads	271.95.2006.0	ATP STRTS MORGAN CORRIDOR	114	44,000	43,886
Local Streets & Roads	271.95.1746.0	VARIOUS STREET PROJECTS	30,095	51,330	21,235
		Total Streets & Roads	1,106,574	1,319,029	212,455
Traffic Management	271.95.1509.0	ITS SIGNAL SYNCH-PH II	70	18,704	18,634
Traffic Management	271.95.1511.0	ROUNDAABOUT DESIGN PROJ	4,743	822,423	817,680
Traffic Management	271.95.1606.0	ITS SIGNAL SYNCH-PH III	2,396	39,405	37,009
Traffic Management	271.95.1607.0	TRAFFIC SIGNAL-MORGAN/SRVC RD	-	18,760	18,760
Traffic Management	271.95.1609.0	ITS SIGNAL SYNCH-PH IV	36	100,724	100,688
Traffic Management	271.95.1706.0	ATP SRYS-WHITMORE CORRIDOR	129,205	210,814	81,609
Traffic Management	271.95.1746.0	VARIOUS STREET PROJECTS	2,087	5,988	3,901
Traffic Management	271.95.1756.0	TRAFFIC SIGNAL UPGRADE/MAINT	-	102,805	102,805
Traffic Management	271.95.1758.0	ATP ROUNDAABOUT EL CAMINO/PINE	16,255	81,400	65,145
Traffic Management	271.95.1764.0	TRAFFIC SIGNAL TIMING OPTIMIZATION	2,205	9,030	6,825
		Total Traffic Management	156,997	1,410,053	1,253,056
Transit		TRANSFERS TO TRANSIT	43,907	37,600	(6,307)
		Total Transit	43,907	37,600	(6,307)
		Grand Total - Local Control	\$ 1,315,507	\$ 2,902,923	\$ 1,576,731

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

**Finding 2020-001- Significant Deficiency
Measure L Expenditure Reporting**

Condition:

While performing testing over expenditures and compliance procedures in accordance with the *Measure L Program*, it was noted that transit expenditures were not being reported to the Stanislaus Council of Governments (StanCOG), acting as the Stanislaus County Transportation Authority, as required for transparency in accordance with the *Measure L Program*, for the year ended June 30, 2020. It was also noted that expenditures for regional projects were reported in both the local expenditures and regional expenditures, thus double reported to StanCOG, in error.

Criteria:

Per the Measure L Policy and Procedures: Local Control Funds, StanCOG has contracted with Abila, an online system which gives each jurisdiction the ability to log on and electronically submit monthly updates for revenue and expenditures for each category of Measure L funds. Monthly expenditure reports are to be accurate, complete and submitted by each jurisdiction for the period ending 30 days prior to the report due date.

Cause & Effect:

Per review of the fiscal year ending June 30, 2020 reporting from Abila, it was noted that \$44k of transit expenditures that were accrued in the current year were not reported as expenditures in Abila. It was also noted that \$900k of regional projects were double reported as local and regional project expenditures. As a result, the current year total expenditures reported in Abila for the City of Ceres Measure L Fund were over reported by \$856k.

Recommendation:

We recommend that the City of Ceres review all Measure L expenditures, ensure completeness and accuracy of reporting and ensure that expenditures that were incurred and accrued are reported in a timely manner in compliance with Measure L policy and procedures and that regional project expenditures are only reported in the regional projects and not with local funds.

**STANISLAUS COUNCIL OF GOVERNMENTS
MEASURE L - CITY OF CERES
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

**Finding 2019-001- Significant Deficiency
Measure L Expenditure Reporting**

Condition:

While performing testing over expenditures and compliance procedures in accordance with the *Measure L Program*, it was noted that transit expenditures were not being reported to the Stanislaus Council of Governments (StanCOG), acting as the Stanislaus County Transportation Authority, as required for transparency in accordance with the *Measure L Program*, for the year ended June 30, 2019.

Criteria:

Per the Measure L Policy and Procedures: Local Control Funds, StanCOG has contracted with Abila, an online system which gives each jurisdiction the ability to log on and electronically submit monthly updates for revenue and expenditures for each category of Measure L funds. Monthly expenditure reports are to be accurate, complete and submitted by each jurisdiction for the period ending 30 days prior to the report due date.

Cause & Effect:

Per review of the fiscal year ending June 30, 2019 reporting from Abila, it was noted that \$40k of transit expenditures that were accrued in the current year were not reported as expenditures in Abila. As a result, the current year total expenditures reported in Abila for the City of Ceres Measure L Fund were under reported by \$40k.

Recommendation:

We recommend that the City of Ceres review all Measure L expenditures, ensure completeness of reporting and ensure that expenditures that were incurred and accrued are reported in a timely manner in compliance with Measure L policy and procedures.

Current Year Status:

See Finding 2020-001 – Significant Deficiency