

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

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**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

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## 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 Waterford, 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, 2019, the budgetary comparison schedule 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 Measure L Fund, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 basic financial statements. Management has omitted such information. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic 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 relate 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.

**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 Waterford 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020, 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, 2020

**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF WATERFORD  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 96,781
Accounts receivable	<u>29,780</u>
Total Assets	<u>126,561</u>
 <b>LIABILITIES</b>	
Accounts payable	<u>4,718</u>
Total Liabilities	<u>4,718</u>
 <b>NET POSITION</b>	
Restricted	<u>121,843</u>
Total Net Position	<u><u>\$ 121,843</u></u>

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

**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF WATERFORD  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Governmental Activities</u>
Governmental Activities:			
Public ways and facilities	\$ 587,396	\$ 365,150	\$ (222,246)
Totals	\$ 587,396	\$ 365,150	(222,246)
	Change in Net Position		(222,246)
	Net Position, Beginning of Year		344,089
	Net Position, End of Year		\$ 121,843

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

**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF WATERFORD  
 BALANCE SHEET  
 GOVERNMENTAL FUND  
 JUNE 30, 2019**

**ASSETS**

Cash and investments	\$	96,781
Accounts receivable		<u>29,780</u>
Total Assets	\$	<u><u>126,561</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities		
Accounts payable	\$	<u>4,718</u>
Total Liabilities		<u>4,718</u>

Fund Balance		
Restricted		<u>121,843</u>
Total Fund Balance		<u>121,843</u>

Total Liabilities and Fund Balance	\$	<u><u>126,561</u></u>
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Reconciliation of the Balance Sheet of the Governmental Fund  
 to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$	121,843
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Adjustments to the Balance Sheet of the Governmental Fund to reconcile with the Statement of Net Position:		<u>-</u>
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Total Net Position - Governmental Activities	\$	<u><u>121,843</u></u>
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The accompanying notes are an integral part of the financial statements.

**STANISLAUS COUNCIL OF GOVERNMENTS  
MEASURE L - CITY OF WATERFORD  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>REVENUES</b>	
Measure L funds	<u>\$ 365,150</u>
Total Revenues	<u>365,150</u>
 <b>EXPENDITURES</b>	
Contract services	
Streets and roads	536,435
Bike and pedestrians	<u>50,961</u>
Total Expenditures	<u>587,396</u>
Net Change in Fund Balance	(222,246)
Fund Balance, Beginning of Year	<u>344,089</u>
Fund Balance, End of Year	<u><u>\$ 121,843</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	\$ (222,246)
 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>\$ (222,246)</u></u>

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



**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF WATERFORD  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)  
 GOVERNMENTAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
<b>RESOURCES (INFLOWS)</b>				
Measure L funds	\$ 27,962	\$ 27,962	\$ 365,150	\$ 337,188
Total Resources (Inflows)	<u>27,962</u>	<u>27,962</u>	<u>365,150</u>	<u>337,188</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Streets and roads	544,329	544,329	536,435	7,894
Traffic management	108,937	108,937	-	108,937
Bike and pedestrians	<u>54,331</u>	<u>54,331</u>	<u>50,961</u>	<u>3,370</u>
Total Charges to Appropriations (Outflows)	<u>707,597</u>	<u>707,597</u>	<u>587,396</u>	<u>120,201</u>
Net Change in Fund Balance	<u>\$ (679,635)</u>	<u>\$ (679,635)</u>	(222,246)	<u>\$ 457,389</u>
Fund Balance, Beginning of Year			<u>344,089</u>	
Fund Balance, End of Year			<u>\$ 121,843</u>	

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity: The City of Waterford’s 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 WATERFORD**  
**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, 2019, 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 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 \$4,718 as of June 30, 2019.

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 WATERFORD  
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, 2019.
- *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, 2019.
- *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, 2019.
- *Unassigned* – Amounts that are available for any purpose. The Measure L Fund did not have any unassigned resources as of June 30, 2019.

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, 2019, the Measure L Fund implemented the following standards:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The objective of GASB No. 83 is to address accounting and financial reporting for certain asset retirement obligations. Under this statement, governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of GASB No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Accounting Standards Update (continued): Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The objective of GASB No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87 – *Leases*. The objective of GASB No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify 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. Earlier application is encouraged.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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, 2020, which is the date the financial statements were available to be issued.

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

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	<u>\$ 96,781</u>
Total cash and investments	<u><u>\$ 96,781</u></u>

Summary of Deposits:

Cash and investments as of June 30, 2019 consist of the following:

Deposits with City of Waterford	<u>\$ 96,781</u>
Total cash and investments	<u><u>\$ 96,781</u></u>

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

**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's program. Refer to the City of Waterford 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.



**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 Measure L Fund of the City of Waterford (the Measure L Fund) as of and for the year ended June 30, 2019, the budgetary comparison schedule and the related notes to the financial statements, and have issued our report thereon dated March 31, 2020.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Measure L Program*.

**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, 2020



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

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**SUPPLEMENTAL SCHEDULE**

**STANISLAUS COUNCIL OF GOVERNMENTS  
 MEASURE L - CITY OF WATERFORD  
 SCHEDULE OF EXPENDITURES BY PROJECT  
 FOR THE YEAR ENDED JUNE 30, 2019**

<u>Project</u>	<u>Project Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Main Street (G, H, & I)	\$ 4,718	\$ 4,718	\$ -
Church Street	123,539	123,539	-
Summer Street	<u>444,576</u>	<u>459,139</u>	<u>(14,563)</u>
Total	<u>\$ 572,833</u>	<u>\$ 587,396</u>	<u>\$ (14,563)</u>