

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

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Policy Board
Stanislaus Council of Governments

Report on the Audit of the Financial Statements

Opinions

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, 2022, the budgetary comparison schedule 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.

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, 2022, the respective changes in financial position, and the budgetary comparison for the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Measure L Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Measure L Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Measure L Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Measure L Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure L Fund's basic financial statements. 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 6, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Measure L Fund's 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 Measure L Fund's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
March 6, 2023

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - CITY OF WATERFORD
 STATEMENT OF NET POSITION
 JUNE 30, 2022**

| | <u>Governmental Activities</u> |
|-------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 234,607 |
| Accounts receivable | <u>674,070</u> |
| Total Assets | <u>908,677</u> |
| LIABILITIES | |
| Accounts payable | 6,056 |
| Unearned revenue | <u>538,786</u> |
| Total Liabilities | <u>544,842</u> |
| NET POSITION | |
| Restricted | <u>363,835</u> |
| Total Net Position | <u><u>\$ 363,835</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, 2022**

| Functions/Programs | Expenses | Program Revenues Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position Governmental Activities |
|----------------------------|------------|---|--|
| Governmental Activities: | | | |
| Public ways and facilities | \$ 740,436 | \$ 504,616 | \$ (235,820) |
| Totals | \$ 740,436 | \$ 504,616 | (235,820) |
| | | | Change in Net Position (235,820) |
| | | | Net Position, Beginning of Year <u>599,655</u> |
| | | | Net Position, End of Year <u>\$ 363,835</u> |

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, 2022**

ASSETS

| | | |
|----------------------|----|-----------------------|
| Cash and investments | \$ | 234,607 |
| Accounts receivable | | <u>674,070</u> |
| Total Assets | \$ | <u><u>908,677</u></u> |

LIABILITIES AND FUND BALANCE

| | | |
|-------------------|----|----------------|
| Liabilities | | |
| Accounts payable | \$ | 6,056 |
| Unearned revenue | | <u>538,786</u> |
| Total Liabilities | | <u>544,842</u> |

| | | |
|------------------------------------|----|-----------------------|
| Fund Balance | | |
| Restricted | | <u>363,835</u> |
| Total Fund Balance | | <u>363,835</u> |
| Total Liabilities and Fund Balance | \$ | <u><u>908,677</u></u> |

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

| | | |
|---|----|-----------------------|
| Total Fund Balance - Governmental Fund | \$ | 363,835 |
| Adjustments to the Balance Sheet of the Governmental Fund to reconcile with the Statement of Net Position: | | <u>-</u> |
| Total Net Position - Governmental Activities | \$ | <u><u>363,835</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
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022**

| | |
|--|----------------------------|
| REVENUES | |
| Measure L funds | \$ 504,554 |
| Investment earnings | <u>62</u> |
| Total Revenues | <u>504,616</u> |
| EXPENDITURES | |
| Contract services | |
| Streets and roads | 654,891 |
| Traffic management | 349 |
| Bike and pedestrians | 83,446 |
| Other contracts and services | <u>1,750</u> |
| Total Expenditures | <u>740,436</u> |
| Net Change in Fund Balance | (235,820) |
| Fund Balance, Beginning of Year | <u>599,655</u> |
| Fund Balance, End of Year | <u><u>\$ 363,835</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 | \$ (235,820) |
| 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>\$ (235,820)</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)-
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022**

| | <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 | \$ 415,498 | \$ 415,498 | \$ 504,616 | \$ 89,118 |
| Total Resources (Inflows) | <u>415,498</u> | <u>415,498</u> | <u>504,616</u> | <u>89,118</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | | |
| Streets and roads | 719,573 | 719,573 | 654,891 | 64,682 |
| Traffic management | 293,448 | 293,448 | 349 | 293,099 |
| Bike and pedestrians | 95,764 | 95,764 | 83,446 | 12,318 |
| Other contracts and services | <u>-</u> | <u>-</u> | <u>1,750</u> | <u>(1,750)</u> |
| Total Charges to Appropriations (Outflows) | <u>1,108,785</u> | <u>1,108,785</u> | <u>740,436</u> | <u>368,349</u> |
| Net Change in Fund Balance | <u>\$ (693,287)</u> | <u>\$ (693,287)</u> | (235,820) | <u>\$ 457,467</u> |
| Fund Balance, Beginning of Year | | | <u>599,655</u> | |
| Fund Balance, End of Year | | | <u>\$ 363,835</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, 2022, 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 \$6,056 as of June 30, 2022.

Unearned Revenue: Unearned revenue consists of Community Connection funding that StanCOG allocated to the Measure L fund. StanCOG's Community Connection and Rail Services agreement specifies that this funding is required to be used on eligible project expenditures, and any excess funding remaining at the end of the agreement period must be returned to StanCOG. Due to these requirements, Community Connections revenues are recognized as qualified expenses are incurred, and any excess funding is classified as unearned revenue. The Measure L Fund unearned revenue balance is \$538,786 as of June 30, 2022.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022.
- *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, 2022.
- *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, 2022.
- *Unassigned* – Amounts that are available for any purpose. The Measure L Fund did not have any unassigned resources as of June 30, 2022.

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, 2022, the Measure L Fund implemented the following standards with no effect on the financial statements:

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 reporting periods beginning after June 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.

**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):

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.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

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

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 reporting periods beginning after December 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 certain requirements of this statement to reporting periods beginning after June 15, 2022.

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. 99 – *Omnibus 2022*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

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 6, 2023, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|----------------------------|-------------------|
| Cash and investments | \$ 234,607 |
| Total cash and investments | <u>\$ 234,607</u> |

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

NOTE 2 – CASH AND INVESTMENTS (continued)

Summary of Deposits:

Cash and investments as of June 30, 2022 consist of the following:

| | | |
|---------------------------------|-----------|----------------|
| Deposits with City of Waterford | <u>\$</u> | <u>234,607</u> |
| Total cash and investments | <u>\$</u> | <u>234,607</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.

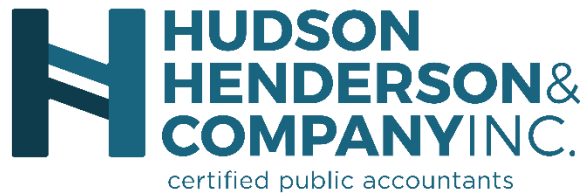
NOTE 5 – EXCESS EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, the following expenditure types exceeded appropriations as follows:

| <u>Expenditures</u> | <u></u> | <u>Amount</u> |
|------------------------------|---------|---------------|
| Other contracts and services | \$ | (1,750) |

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. A vaccine has been created and is being administered throughout the state, including the Measure L Fund’s service area. 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 financial statements of the governmental activities and major fund of the Measure L Fund of the City of Waterford (the Measure L Fund), as of and for the year ended June 30, 2022, the budgetary comparison statement for the special revenue fund and the related notes to the financial statements, which collectively comprise the Measure L Fund's basic financial statements, and have issued our report thereon dated March 6, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

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

Fresno, California
March 6, 2023

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

SUPPLEMENTAL SCHEDULE

**STANISLAUS COUNCIL OF GOVERNMENTS
 MEASURE L - CITY OF WATERFORD
 SCHEDULE OF EXPENDITURES BY PROJECT
 FOR THE YEAR ENDED JUNE 30, 2022**

| Project | Project Budget | Actual Expenditures | Variance |
|--|---------------------|------------------------|-------------------|
| Main street (G, H, & I) | \$ 380,000 | \$ 20,717 | \$ 359,283 |
| Cape and slurry seal project | 578,000 | 569,439 | 8,561 |
| Flashing beacons ATP grant match | 79,960 | 79,960 | - |
| F street pedestrian STP grant | 36,055 | 36,055 | - |
| Yosemite and Pasadena signal match for CMAQ project | 18,770 | 18,770 | - |
| Other streets and roads expenses not specified to a project | 16,000 | 15,495 | 505 |
| Total | <u>\$ 1,108,785</u> | <u>\$ 740,436</u> | <u>\$ 368,349</u> |