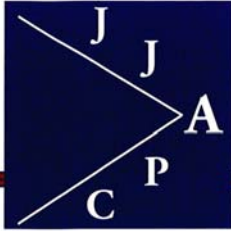


CITY OF CERES
TRANSPORTATION DEVELOPMENT ACT FUNDS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

City of Ceres
Transportation Development Act Funds
For the year ended June 30, 2016

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Governmental Funds Financial Statements:	
Combined Balance Sheet	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Funds	10
Proprietary Fund Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	17
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>	25
Independent Auditors' Compliance Report on the Transportation Development Act Funds	27



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds (TDA Funds) of the City of Ceres, California (City), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the TDA Fund's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Funds as of June 30, 2016, and the respective changes in financial position and, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

December 19, 2016

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

BASIC FINANCIAL STATEMENTS

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City of Ceres
Transportation Development Act Funds
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 68,773	\$ 957,736	\$ 1,026,509
Receivables:			
Accounts	-	78,537	78,537
Interest	70	1,138	1,208
Total current assets	<u>68,843</u>	<u>1,037,411</u>	<u>1,106,254</u>
Noncurrent assets:			
Capital assets:			
Depreciable (net of accumulated depreciation)	-	441,516	441,516
Total noncurrent assets	<u>-</u>	<u>441,516</u>	<u>441,516</u>
Total assets	<u>68,843</u>	<u>1,478,927</u>	<u>1,547,770</u>
Deferred outflows: Pension Plan	-	9,023	9,023
Total assets and deferred outflows	<u>\$ 68,843</u>	<u>\$ 1,487,950</u>	<u>\$ 1,556,793</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 57,989	\$ 144,211	\$ 202,200
Due to the City of Ceres	21,017	-	21,017
Total current liabilities	<u>79,006</u>	<u>144,211</u>	<u>223,217</u>
Net pension obligation	-	35,821	35,821
Total liabilities	<u>79,006</u>	<u>180,032</u>	<u>259,038</u>
Deferred inflows: Pension Plan	-	19,212	19,212
Total liabilities and deferred inflows	<u>79,006</u>	<u>199,244</u>	<u>278,250</u>
NET POSITION			
Net investment in capital assets	-	441,516	441,516
Restricted			
Transit services	(10,163)	-	(10,163)
Unrestricted	-	847,190	847,190
Total net position	<u>(10,163)</u>	<u>1,288,706</u>	<u>1,278,543</u>
Total liabilities, deferred inflows, and net position	<u>\$ 68,843</u>	<u>\$ 1,487,950</u>	<u>\$ 1,556,793</u>

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

City of Ceres
Transportation Development Act Funds
Statement of Activities
June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Engineering and Transportation	\$ 460,491	\$ -	\$ -	\$ -
Total governmental activities	<u>460,491</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:				
STANCOG	1,058,629	84,918	917,446	-
Total business-type activities	<u>1,058,629</u>	<u>84,918</u>	<u>917,446</u>	<u>-</u>
Total primary government	<u>\$ 1,519,120</u>	<u>\$ 84,918</u>	<u>\$ 917,446</u>	<u>\$ -</u>

General revenues:
 Use of money and property
 Other general revenues
 Total general revenues

Change in net position
Net position:
 Beginning of year
 Net assets - Ending

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

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Totals
\$ (460,491)	\$ -	\$ (460,491)
<u>(460,491)</u>	<u>-</u>	<u>(460,491)</u>
-	(56,265)	(56,265)
-	(56,265)	(56,265)
(460,491)	(56,265)	(516,756)
710	3,218	3,928
<u>-</u>	<u>-</u>	<u>-</u>
710	32,505	33,215
(459,781)	(23,760)	(483,541)
449,618	1,312,466	1,762,084
<u>\$ (10,163)</u>	<u>\$ 1,288,706</u>	<u>\$ 1,278,543</u>

City of Ceres

Transportation Development Act Funds

Combined Balance Sheet

Governmental Funds

June 30, 2016

	Special Revenue Funds		
	Pedestrians and Bicycle Facilities	Streets and Roads	Total
ASSETS			
Cash and investments	\$ -	\$ 68,773	\$ 68,773
Accounts receivable	-	-	-
Interest receivable	-	70	70
Total assets	\$ -	\$ 68,843	\$ 68,843
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 57,989	\$ 57,989
Due to the City of Ceres	21,017	-	21,017
Total liabilities	21,017	57,989	79,006
Fund balances:			
Committed for encumbrances	-	277,836	277,836
Unassigned (Deficit)	(21,017)	(266,982)	(287,999)
Total fund balances	(21,017)	10,854	(10,163)
Total liabilities and fund balances	\$ -	\$ 68,843	\$ 68,843

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

City of Ceres

Transportation Development Act Funds

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

Governmental Funds

For the year ended June 30, 2016

	Special Revenue Funds		
	Pedestrians and Bicycle Facilities	Streets and Roads	Total
REVENUES:			
Revenues from other agencies	\$ -	\$ -	\$ -
Use of money and property	-	710	710
Other revenues	-	-	-
Total revenues	-	710	710
EXPENDITURES:			
Salaries and benefits	-	200,801	200,801
Contractual services	-	43,172	43,172
Project improvements	-	216,518	216,518
Total expenditures	-	460,491	460,491
Revenues over (under) expenditures	-	(459,781)	(459,781)
FUND BALANCES (DEFICIT):			
Beginning of year	(21,017)	470,635	449,618
End of year	<u>\$ (21,017)</u>	<u>\$ 10,854</u>	<u>\$ (10,163)</u>

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

City of Ceres

Transportation Development Act Funds

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

Budget and Actual - Special Revenue Funds

For the year ended June 30, 2016

	Pedestrians and Bicycle Facilities			Streets and Roads		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Revenues from other agencies	\$ 34,590	\$ -	\$ (34,590)	\$ 631,167	\$ -	\$ (631,167)
Use of money and property	-	-	-	1,200	710	(490)
Other revenues	-	-	-	-	-	-
Total revenues	34,590	-	(34,590)	632,367	710	(631,657)
EXPENDITURES:						
Salaries and benefits	-	-	-	240,240	200,801	39,439
Contractual services	2,500	-	2,500	134,576	43,172	91,404
Project improvements	0	-	-	1,301,483	216,518	1,084,965
Total expenditures	2,500	-	2,500	1,676,299	460,491	1,215,808
REVENUES OVER (UNDER)						
EXPENDITURES	\$ 32,090	\$ -	\$ (32,090)	\$ (1,043,932)	\$ (459,781)	\$ 584,151
FUND BALANCES (DEFICIT):						
Beginning of year		(21,017)			470,635	
End of year		<u>\$ (21,017)</u>			<u>\$ 10,854</u>	

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

City of Ceres
Transportation Development Act Funds
Statement of Net Position
Proprietary Fund
June 30, 2016

	Enterprise Fund
	Dial-a-Ride
	<u> </u>
ASSETS	
Cash and investments	\$ 957,736
Accounts receivable	78,537
Interest receivable	1,138
Capital assets:	
Depreciable, net	441,516
Total assets	<u>1,478,927</u>
Deferred outflows: Pension Plan	9,023
Total assets and deferred outflows	<u>\$ 1,487,950</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts payable	\$ 144,211
Net pension obligation	35,821
Total liabilities	<u>180,032</u>
Deferred inflows: Pension Plan	19,212
Total liabilities and deferred inflows	<u>199,244</u>
Net Position:	
Net investment in capital assets	441,516
Unrestricted	847,190
Total net position	<u>1,288,706</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,487,950</u>

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

City of Ceres

Transportation Development Act Funds

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the year ended June 30, 2016

	Enterprise Fund Dial-a-Ride
OPERATING REVENUES	
Charges for services	\$ 84,918
TDA 1/4¢ sales tax	917,446
Total operating revenues	1,002,364
OPERATING EXPENSES:	
Salaries and benefits	60,827
Contractual services	925,402
Depreciation	66,908
Other operating cost	5,492
Total operating expenses	1,058,629
Operating income	(56,265)
NONOPERATING REVENUES	
PTMISEA	29,287
Investment income	3,218
Total nonoperating revenues	32,505
Change in net position	(23,760)
NET POSITION:	
Beginning of year	1,312,466
End of year	\$ 1,288,706

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

City of Ceres

Transportation Development Act Funds

Statement of Cash Flows

Proprietary Fund

For the year ended June 30, 2016

	Enterprise Fund Dial-a-Ride
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers/taxes	\$ 1,080,089
Cash payments to suppliers for goods and services	(856,927)
Cash payments to employees for services	(60,827)
Net cash provided by operating activities	162,335
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
PTMISEA	29,287
Acquisition of capital assets	(14,758)
Net cash provided by (used for) capital and related financing activities	14,529
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	2,571
Net cash provided (used) by investing activities	2,571
Net increase (decrease) in cash and cash equivalents	179,435
CASH AND CASH EQUIVALENTS	
Beginning of year	778,301
End of year	\$ 957,736
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ (56,265)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	66,908
Changes in assets and liabilities:	
Accounts receivable	77,725
Accounts payable	73,967
Total adjustments	218,600
Net cash provided by operating activities	\$ 162,335

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

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NOTES TO FINANCIAL STATEMENTS

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City of Ceres
Transportation Development Act Funds
Notes to Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *The Reporting Entity*

The Transportation Development Act Funds of the City of Ceres (TDA Funds) are separate funds of the City of Ceres, California (City). The financial statements are intended to present the financial position and results of operations and cash flows, where applicable, for the TDA Funds, and not those transactions of the City as a whole.

B. *Basis of Accounting and Measurement Focus*

The basic financial statements of the TDA Funds have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the TDA Fund's accounting policies are described below.

The accounts of the TDA Funds are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

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

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

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

City of Ceres
Transportation Development Act Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The various funds are grouped in the accompanying financial statements into fund types as follows:

Governmental Fund Type

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

Proprietary Fund Type

Enterprise Fund - Enterprise fund is used to account for operations financed and operated similar to business activities such as services rendered to the general public on a fee basis.

C. Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of monthly cash and investments balances.

The City participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

City of Ceres
Transportation Development Act Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Fund Balances and Net Position

In accordance with GASB Statement No. 54, Governmental Fund Balances consist of the following: Nonspendable, restricted, committed and assigned. Nonspendable fund balance consists of investments that will not convert to cash soon enough to affect the current period. Restricted fund balance consists of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government. Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the City's highest level of decision-making authority. Assigned fund balance consists of amounts where intent is expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned amounts are a result of deficits in any other fund other than the General Fund.

Commitments of fund balance are described below:

Committed for Encumbrances – This amount represents commitments for materials and services on purchase orders and contracts, which remain open as of the end of the fiscal year.

In the Proprietary Fund Financial Statements, net assets may be classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Budget

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

City of Ceres
Transportation Development Act Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Budget, Continued

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

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

The TDA Funds participate in the City’s cash and investment pool that includes all other City funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to each fund based on average month-end and investment balances in these funds.

As of June 30, 2016, the TDA Funds’ cash and investment balance was comprised of the following:

	Balance June 30, 2016
Governmental funds	\$ 70,924
Proprietary fund	<u>957,820</u>
Total	<u>\$ 1,028,744</u>

The California Government Code requires California banks and savings and loan associations to secure cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City’s name. The market value of pledged securities must equal at least 110% of the City’s cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

City of Ceres
Transportation Development Act Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

B. Investments

The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is more conservative than State statutes.

Under provisions of this policy, the City is authorized to invest in the following types of investments:

Medium-term Corporate Notes	Government Agency Securities
Certificates of Deposit	Treasury Bills and Notes
Bankers' Acceptances	Passbook Savings Accounts
Commercial Paper	State of California Local Agency Investment Fund
Repurchase Agreements	

C. Risk Disclosure

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2016, the City’s pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	99.7%
One to two years	0.3%

Credit Risk: It is the City’s policy that commercial paper have a rating of “A-1” or higher by a nationally recognized statistical rating organization (NRSRO) and have a maturity date not exceeding 180 days from the date of purchase. Medium-term notes, with a final maturity not exceeding five years from the date of purchase, must have a rating of A or the equivalent by a NRSRO. Federal instrumentalities must have a rating of AAA or the equivalent by a NRSRO at the time of purchase with a maximum maturity of five years at the time of purchase. LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds and LAIF, are held by a third-party custodian (Union Bank of California Trust Division). Union Bank is a registered member of the Federal Reserve Bank. The securities held by Union Bank are in street name, and an account number assigned to the City identifies ownership.

City of Ceres
Transportation Development Act Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

D. External Investment Pool – Local Agency Investment Fund

The City’s investments with LAIF at June 30, 2016, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

- *Structured Notes* - debt securities (other than Asset-Backed Securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- *Asset-Backed Securities* - generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments matured in an average of 167 days. As of June 30, 2016, the City investment pool had \$29,514,318 invested in LAIF. The City investment pool currently holds no derivative products in the form of asset-backed securities or any other investments other than LAIF. Therefore, all amounts are considered to be liquid with no extended maturity.

3. CAPITAL ASSETS

The following is a summary of capital assets for the Dial-A-Ride Enterprise Fund:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Depreciable assets:				
Machinery and equipment	\$ 697,616	\$ 14,758	\$ -	\$ 712,374
Total depreciable assets	<u>697,616</u>	<u>14,758</u>	<u>-</u>	<u>712,374</u>
Accumulated depreciation:				
Machinery and equipment	<u>(203,950)</u>	<u>(66,908)</u>	<u>-</u>	<u>(270,858)</u>
Total accumulated depreciation	<u>(203,950)</u>	<u>(66,908)</u>	<u>-</u>	<u>(270,858)</u>
Total capital assets, net	<u>\$ 493,666</u>	<u>\$ (52,150)</u>	<u>\$ -</u>	<u>\$ 441,516</u>

Depreciation expense for capital assets for the year ended June 30, 2016, was \$66,908, which was recorded for the Dial-A-Ride activity.

City of Ceres
Transportation Development Act Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2016

4. FUND BALANCES

Deficit fund balance consisted of the following:

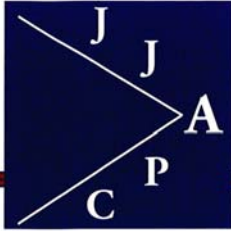
Pedestrians and Bicycle Facilities Special Revenue Fund (\$21,017) to be funded through future grants and intergovernmental revenues.

5. DUE TO THE CITY OF CERES

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

The Pedestrians and Bicycle Facilities Fund had a due to the City of Ceres balance of \$21,017 as of June 30, 2016.

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JJACPA, Inc.

A Professional Accounting Services Corp.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Funds (TDA Funds) of the City of Ceres (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

Compliance and Other Matters

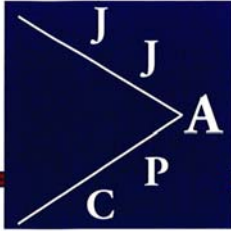
As part of obtaining reasonable assurance about whether the City's TDA Funds financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including those for the public transportation modernization improvement and service enhancement account (PTMISEA) of the transportation development act funds), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 19, 2016

JJACPA, Inc.
JJACPA, INC.
Dublin, CA



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' COMPLIANCE REPORT

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

We have examined City of Ceres', California (City) Transportation Development Act Funds (TDA Funds) compliance with the types of compliance requirements described in Section 6666 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987* (the Act) and the allocation instructions and resolutions of the Metropolitan Transportation Commission and the Stanislaus Council of Governments during the year ended June 30, 2016. The City's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the TDA Funds. Our responsibility is to express an opinion on the TDA Funds' compliance based on our audit.

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

In our opinion, the TDA Funds complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

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

December 19, 2016

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**