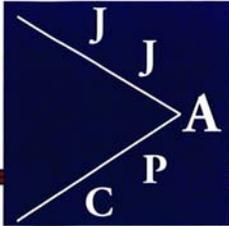


CITY OF CERES
TRANSPORTATION DEVELOPMENT ACT FUNDS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015

City of Ceres
Transportation Development Act Funds
For the year ended June 30, 2015

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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, 2015 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, 2015, 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 November 17, 2015 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.

November 17, 2015

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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ 778,301	\$ 778,301
Receivables:			
Accounts	631,167	156,262	787,429
Interest	(95)	491	396
Total current assets	<u>631,072</u>	<u>935,054</u>	<u>1,566,126</u>
Noncurrent assets:			
Capital assets:			
Depreciable (net of accumulated depreciation)	-	493,666	493,666
Total noncurrent assets	<u>-</u>	<u>493,666</u>	<u>493,666</u>
Total assets	<u>631,072</u>	<u>1,428,720</u>	<u>2,059,792</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	44,507	70,244	114,751
Due to the City of Ceres	136,946	-	136,946
Total current liabilities	<u>181,453</u>	<u>70,244</u>	<u>251,697</u>
Total liabilities	<u>181,453</u>	<u>70,244</u>	<u>251,697</u>
NET POSITION			
Net investment in capital assets	-	493,666	493,666
Restricted			
Transit services	449,619	-	449,619
Unrestricted	-	864,810	864,810
Total net position	<u>\$ 449,619</u>	<u>\$ 1,358,476</u>	<u>\$ 1,808,095</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, 2015

<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	\$ 1,012,969	\$ -	\$ 631,167	\$ -
Total governmental activities	<u>1,012,969</u>	<u>-</u>	<u>631,167</u>	<u>-</u>
Business-type activities:				
STANCOG	1,022,984	111,695	1,031,537	-
Total business-type activities	<u>1,022,984</u>	<u>111,695</u>	<u>1,031,537</u>	<u>-</u>
Total primary government	<u>\$ 2,035,953</u>	<u>\$ 111,695</u>	<u>\$ 1,662,704</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**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (381,802)	\$ -	\$ (381,802)
<u>(381,802)</u>	<u>-</u>	<u>(381,802)</u>
-	120,248	120,248
-	120,248	120,248
<u>(381,802)</u>	<u>120,248</u>	<u>(261,554)</u>
599	1,743	2,342
467	-	467
<u>1,066</u>	<u>298,891</u>	<u>299,957</u>
(380,736)	419,139	38,403
830,355	939,337	1,769,692
<u>\$ 449,619</u>	<u>\$ 1,358,476</u>	<u>\$ 1,808,095</u>

City of Ceres

Transportation Development Act Funds

Combined Balance Sheet

Governmental Funds

June 30, 2015

	Special Revenue Funds		
	Pedestrians and Bicycle Facilities	Streets and Roads	Total
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	-	631,167	631,167
Interest receivable	(13)	(82)	(95)
Total assets	\$ (13)	\$ 631,085	\$ 631,072
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 44,507	\$ 44,507
Due to the City of Ceres	21,004	115,942	136,946
Total liabilities	21,004	160,449	181,453
Fund balances:			
Committed for encumbrances	-	130,053	130,053
Unassigned (Deficit)	(21,017)	340,583	319,566
Total fund balances	(21,017)	470,636	449,619
Total liabilities and fund balances	\$ (13)	\$ 631,085	\$ 631,072

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, 2015

	Special Revenue Funds		
	Pedestrians and Bicycle Facilities	Streets and Roads	Total
REVENUES:			
Revenues from other agencies	\$ -	\$ 631,167	\$ 631,167
Use of money and property	-	599	599
Other revenues	-	467	467
Total revenues	-	632,233	632,233
EXPENDITURES:			
Salaries and benefits	120	254,893	255,013
Contractual services	-	61,122	61,122
Project improvements	-	696,834	696,834
Total expenditures	120	1,012,849	1,012,969
Revenues over (under) expenditures	(120)	(380,616)	(380,736)
FUND BALANCES (DEFICIT):			
Beginning of year	(20,897)	851,252	830,355
End of year	\$ (21,017)	\$ 470,636	\$ 449,619

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, 2015

	Pedestrians and Bicycle Facilities			Streets and Roads		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Revenues from other agencies	\$ 34,025	\$ -	\$ (34,025)	\$ 561,996	\$ 631,167	\$ 69,171
Use of money and property	50	-	(50)	700	599	(101)
Other revenues	-	-	-	-	467	467
Total revenues	34,075	-	(34,075)	562,696	632,233	69,537
EXPENDITURES:						
Salaries and benefits	-	120	(120)	237,387	254,893	(17,506)
Contractual services	2,500	-	2,500	96,922	61,122	35,800
Project improvements	465	-	465	1,319,312	696,834	622,478
Total expenditures	2,965	120	2,845	1,653,621	1,012,849	640,772
REVENUES OVER (UNDER)						
EXPENDITURES	\$ 31,110	\$ (120)	\$ (31,230)	\$ (1,090,925)	\$ (380,616)	\$ 710,309
FUND BALANCES (DEFICIT):						
Beginning of year		(20,897)			851,252	
End of year		<u>\$ (21,017)</u>			<u>\$ 470,636</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, 2015

	Enterprise Fund
	Dial-a-Ride
ASSETS	
Cash and investments	\$ 778,301
Accounts receivable	156,262
Interest receivable	491
Capital assets:	
Depreciable, net	493,666
Total assets	\$ 1,428,720
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts payable	\$ 70,244
Total liabilities	70,244
Net Position:	
Net investment in capital assets	493,666
Unrestricted	864,810
Total net position	1,358,476
Total liabilities and net position	\$ 1,428,720

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, 2015

	Enterprise Fund Dial-a-Ride
OPERATING REVENUES	
Charges for services	\$ 111,695
TDA 1/4¢ sales tax	1,031,537
Total operating revenues	<u>1,143,232</u>
OPERATING EXPENSES:	
Salaries and benefits	61,666
Contractual services	899,204
Depreciation	51,938
Other operating cost	10,176
Total operating expenses	<u>1,022,984</u>
Operating income	<u>120,248</u>
NONOPERATING REVENUES	
Investment income	1,743
Total nonoperating revenues	<u>298,891</u>
Change in net position	419,139
NET POSITION:	
Beginning of year	939,337
End of year	<u>\$ 1,358,476</u>

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, 2015

	Enterprise Fund Dial-a-Ride
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers/taxes	\$ 986,970
Cash payments to suppliers for goods and services	(911,272)
Cash payments to employees for services	(61,666)
Net cash provided by operating activities	14,032
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
PTMISEA	297,148
Acquisition of capital assets	(432,002)
Net cash provided by (used for) capital and related financing activities	(134,854)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	1,658
Net cash provided (used) by investing activities	1,658
Net increase (decrease) in cash and cash equivalents	(119,164)
CASH AND CASH EQUIVALENTS	
Beginning of year	897,465
End of year	\$ 778,301
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 120,248
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	51,938
Changes in assets and liabilities:	
Accounts receivable	(156,262)
Accounts payable	(1,892)
Total adjustments	(106,216)
Net cash provided by operating activities	\$ 14,032

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015, the TDA Funds’ cash and investment balance was comprised of the following:

	Balance June 30, 2015
Governmental funds	\$ -
Proprietary fund	778,301
Total	<u>\$ 778,301</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, 2015

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, 2015, 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, 2015

2. CASH AND INVESTMENTS, Continued

D. External Investment Pool – Local Agency Investment Fund

The City’s investments with LAIF at June 30, 2015, 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.

As of June 30, 2015, the City had investments in LAIF, which had invested 0.57% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The fair value factor of 1.000375979 was provided by LAIF and used to calculate the fair value of the investments in LAIF. The fair value of the City’s position in LAIF is materially equivalent to the value of the pool shares.

3. CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Depreciable assets:				
Machinery and equipment	\$ 265,614	\$ 432,002	\$ -	\$ 697,616
Total depreciable assets	265,614	432,002	-	697,616
Accumulated depreciation:				
Machinery and equipment	(152,012)	(51,938)	-	(203,950)
Total accumulated depreciation	(152,012)	(51,938)	-	(203,950)
Total capital assets, net	\$ 113,602	\$ 380,064	\$ -	\$ 493,666

Depreciation expense for capital assets for the year ended June 30, 2015, was \$51,938, 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, 2015

4. FUND BALANCES

Deficit fund balance consisted of the following:

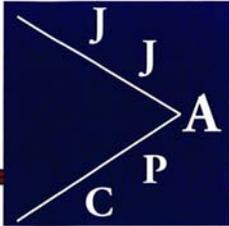
Pedestrians and Bicycle Facilities Special Revenue Fund (\$21,017) to be funded through future grants and intergovernmental revenues.

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 and the Streets and Roads Fund had due to the City of Ceres balances of \$21,004 and \$115,942 as of June 30, 2015.

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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, 2015, 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 November 17, 2015.

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

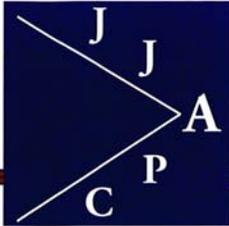
As part of obtaining reasonable assurance about whether the City's TDA Funds financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including those for the public transportation modernization 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.

November 17, 2015

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, 2015. 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, 2015.

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.

November 17, 2015

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA