

CITY OF WATERFORD, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

Prepared by:

Tina Envia
Finance Manager

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City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

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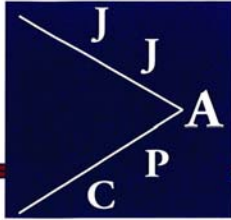
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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
of the City of Waterford
Waterford, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary comparison information of the City of Waterford, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and budgetary comparison information of the City of Waterford, California, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-15, the City's Schedules of Contribution on page 78-80, and the Schedules of the City's Proportionate Share of the Net Pension Liability on page 81-83, be presented to supplement the basic financial statements. 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, which includes the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 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 6, 2016

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Waterford (City) for the fiscal year ended June 30, 2015. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The City's total net position increased by \$1,485,782 over the course of this year's operations after conducting all City operations and programs. The assets of the City exceeded its liabilities by \$23,778,588 at the end of the 2016 fiscal year. Of that amount, \$76,228 (the unrestricted net position) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by \$2,284,388 compared to the 2015 fiscal year. Most of the increase resulted from the acquisition of the Water System and grants amounts received for the River Parkways Project. The City's total expense of all programs in fiscal 2016 increased by \$1,209,032 compared to the 2015 fiscal year.
- ◆ The general fund reported a fund balance of \$2,100,095, a decrease of (\$309,352) at the end of June 30, 2016. \$1,709,870 of the fund balance is unrestricted. The General Fund's cash and investments, including restricted amounts, at June 30, 2016 was \$1,199,451.
- ◆ The City also ended the fiscal year with \$4,641,268 in the proprietary enterprise funds net position.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements, the Required Supplementary Information and the Combining and Individual Fund Financial Statements and Schedules.

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ◆ ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, public ways and facilities, police services, parks and recreation, community development, planning and zoning, and general administrative services. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.
- ◆ ***Business-type activities*** – All the City's enterprise activities are reported here, including Wastewater Treatment, Water System, and the Public Financing Authority. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements 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 Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2016, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ Community Development Special Revenue Fund

PROPRIETARY FUNDS:

- ◆ Wastewater Treatment Enterprise Fund
- ◆ Water System Enterprise Fund
- ◆ Public Financing Authority Fund

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2016, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type and Internal Service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water and Wastewater activities. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 43–76 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's pension contributions and proportionate share of the net pension liability. Required supplementary information can be found on pages 78-83 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 88–112 of this report.

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$23,778,588 as of June 30, 2016. The Summary of Net position as of June 30, 2016, and 2015, follows:

	Summary of Net Position 2016			2015		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 4,072,331	\$ 3,122,853	\$ 7,195,184	\$ 4,092,574	\$ 2,573,095	\$ 6,665,669
Noncurrent assets	16,847,023	9,141,996	25,989,019	15,686,304	6,988,646	22,674,950
Deferred outflows	192,005	149,643	341,648	23,533	14,269	37,802
Total assets and deferred outflows	21,111,359	12,414,492	33,525,851	19,802,411	9,576,010	29,378,421
Current and other liabilities	471,774	719,462	1,191,236	591,332	647,986	1,239,318
Long-term liabilities	1,290,743	6,910,577	8,201,320	1,305,098	4,323,112	5,628,210
Deferred inflows	211,522	143,185	354,707	135,770	82,317	218,087
Total liabilities and deferred inflows	1,974,039	7,773,224	9,747,263	2,032,200	5,053,415	7,085,615
Net position:						
Net Investment in capital assets	16,036,682	6,227,429	22,264,111	14,419,714	3,492,755	17,912,469
Restricted	935,538	409,794	1,345,332	916,188	1,407,391	2,323,579
Unrestricted	2,165,100	(1,995,955)	169,145	2,434,309	(377,551)	2,056,758
Total net position	\$ 19,137,320	\$ 4,641,268	\$ 23,778,588	\$ 17,770,211	\$ 4,522,595	\$ 22,292,806

Overall, total net position increased by \$1,485,782. Of this amount, net position for governmental activities increased by \$1,367,109 and net position for business-type activities increased by \$118,673.

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$7,435,085 for the fiscal year ended June 30, 2016. Significant revenues for the City for fiscal year 2015/2016 were derived from charges from services (37%), operating grants and contributions (25%), sales tax (8%).

The following discusses variances in key revenues from the prior fiscal year:

1. **Property Tax.** Property taxes increased from 2015 by \$26,658 or 8% with changes expected to continue but at a very minimal amount.
2. **Sales Tax.** Annual receipts showed an increase of \$114,186 or 22% from 2015 and are expected to remain stable with slight increases.
3. **Utility Users Tax.** Annual receipts are down by \$7,812 or 1%. Revenues from this source are expected to remain flat or decrease slightly.
4. **State Motor Vehicle In-Lieu Tax.** Annual receipts increased by \$48,616 or 8%.
5. **Grants and Contributions –Operating and Capital –** The increase in operating grants and contributions results from continued Department of Transportation projects and the River Parkway Project which was completed in fiscal 2015/2016.

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2016, and 2015, follows:

	Changes in Net Position			2015		
	2016			2015		
	Gov- ern- men- tal Acti- vities	Busi- ness- type Acti- vities	Total	Gov- ern- men- tal Acti- vities	Busi- ness- type Acti- vities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 277,324	\$ 2,487,710	\$ 2,765,034	\$ 144,965	\$ 1,405,500	\$ 1,550,465
Grants and contributions:						
Operating	1,874,822	-	1,874,822	910,491	-	910,491
Capital	494,324	-	494,324	516,827	-	516,827
General revenues:						
Property taxes						
and assessments	355,483	-	355,483	328,825	-	328,825
Sales taxes	621,690	-	621,690	507,504	-	507,504
Franchise taxes	117,160	-	117,160	107,683	-	107,683
Utility users tax	550,773	-	550,773	558,585	-	558,585
Other taxes	-	-	-	-	-	-
Motor vehicle in lieu	620,264	-	620,264	571,648	-	571,648
Use of money and property	17,554	5,476	23,030	27,318	12,768	40,086
Other general	12,505	-	12,505	58,583	-	58,583
Total revenues	4,941,899	2,493,186	7,435,085	3,732,429	1,418,268	5,150,697
Expenses:						
Governmental activities:						
General government	479,805	-	479,805	325,916	-	325,916
Public ways and facilities	1,261,727	-	1,261,727	1,231,534	-	1,231,534
Police services	1,419,604	-	1,419,604	1,403,284	-	1,403,284
Parks and recreation	225,440	-	225,440	256,043	-	256,043
Community development	166,734	-	166,734	137,748	-	137,748
Interest and fiscal charges	31,479	-	31,479	10,538	-	10,538
Business-type activities:						
Wastewater Treatment	-	911,351	911,351	-	827,602	827,602
Water System	-	1,281,446	1,281,446	-	383,342	383,342
Public Financing Authority	-	171,717	171,717	-	164,264	164,264
Total expenses	3,584,789	2,364,514	5,949,303	3,365,063	1,375,208	4,740,271
Excess (Deficiency) of revenues over						
expenditures before transfers	1,357,110	128,672	1,485,782	367,366	43,060	410,426
Transfers	9,999	(9,999)	-	55,000	(55,000)	-
Change in net position	1,367,109	118,673	1,485,782	422,366	(11,940)	410,426
Net Positions:						
Beginning of year	17,770,211	4,522,595	22,292,806	17,347,845	4,534,535	21,882,380
End of year	\$ 19,137,320	\$ 4,641,268	\$ 23,778,588	\$ 17,770,211	\$ 4,522,595	\$ 22,292,806

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$5,949,303. Governmental activity expenses totaled \$3,584,789 or 61% of total expenses. Business-type activities incurred \$2,364,514 of expenses during the fiscal year.

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2016, and 2015, are as follows:

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 479,805	\$ 443,930	\$ 325,916	\$ 258,016
Public ways and facility	1,261,727	635,714	1,231,534	525,841
Police services	1,419,604	1,234,162	1,403,284	1,169,102
Parks and recreation	225,440	(1,072,668)	256,043	84,637
Community development	166,734	(334,298)	137,748	(255,354)
Interest and fiscal charges	31,479	31,479	10,538	10,538
Total	<u>\$ 3,584,789</u>	<u>\$ 938,319</u>	<u>\$ 3,365,063</u>	<u>\$ 1,792,780</u>

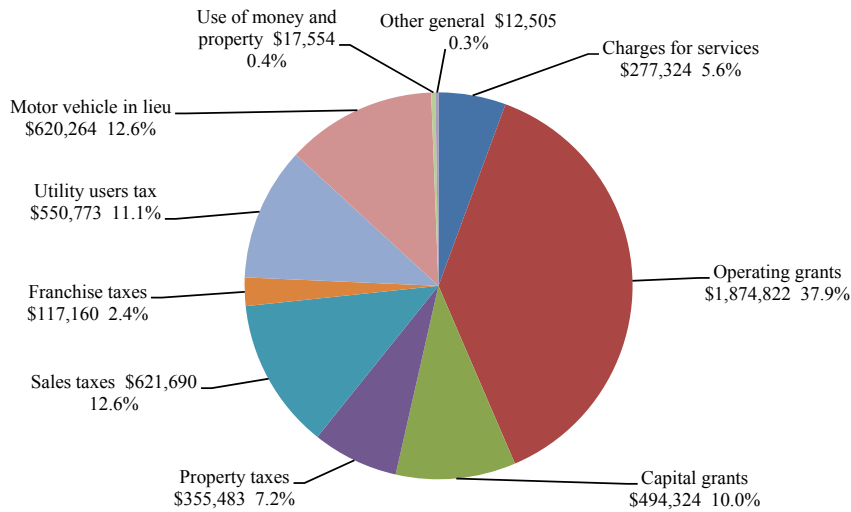
City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

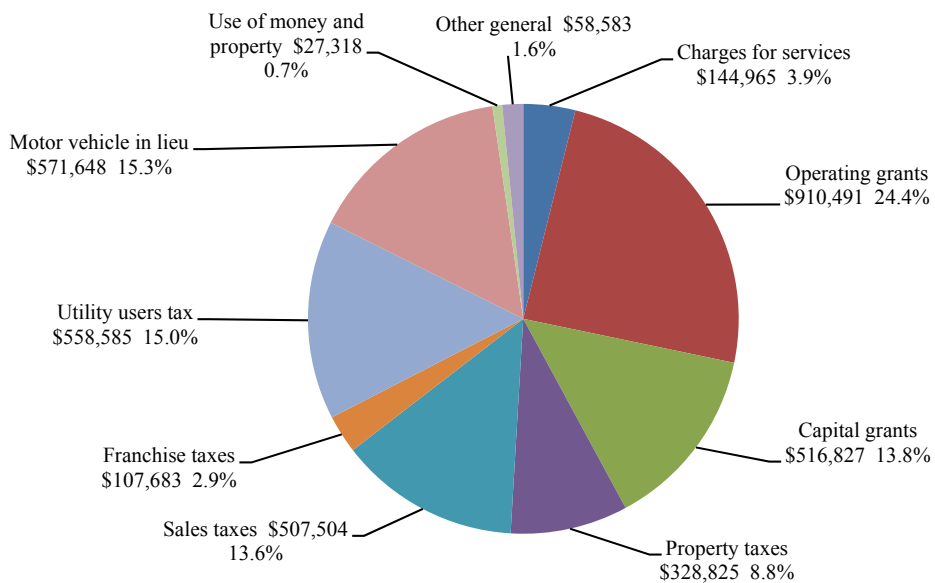
GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues by source for the fiscal years ended June 30, 2016, and 2015, are as follows:

**Revenues by Source - Governmental Activities
2016**



**Revenues by Source - Governmental Activities
2015**

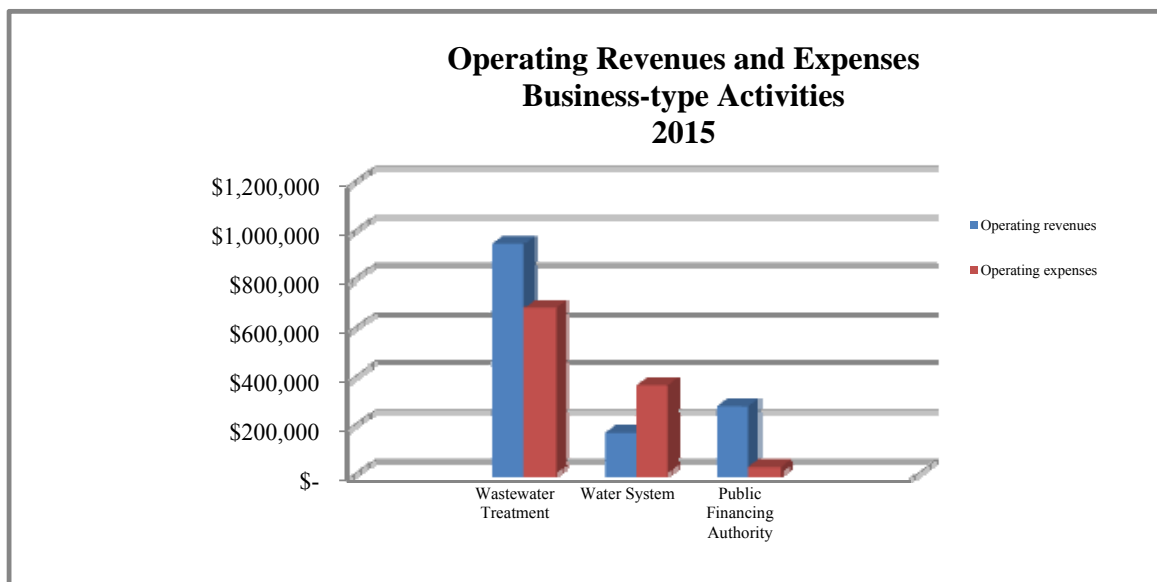
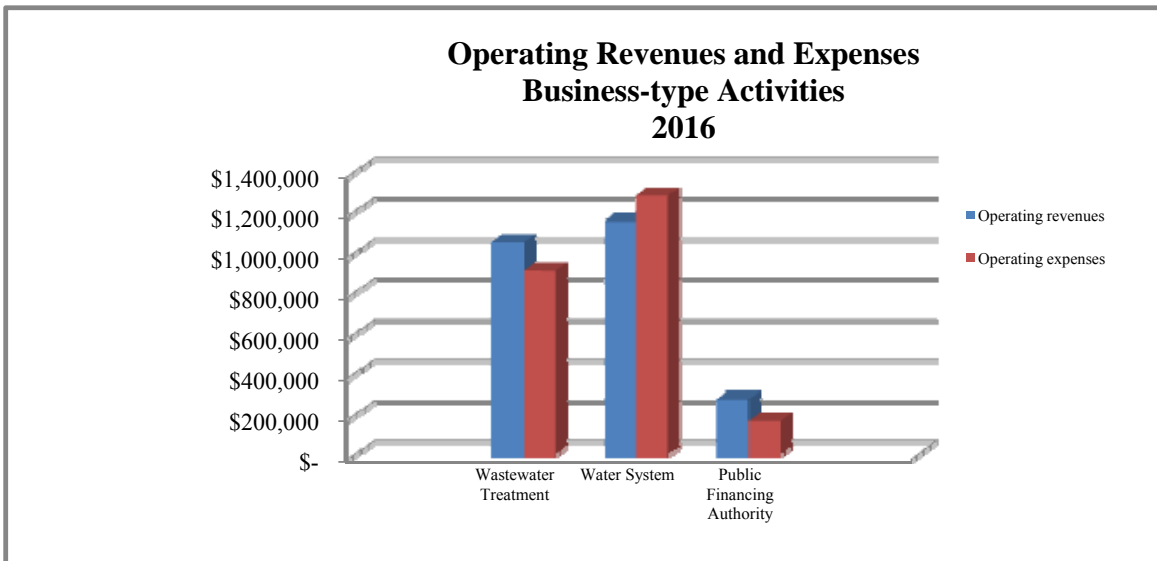


City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type activities. Business-type activities increased the City’s net position by \$118,673. The City has three business-type activities: Wastewater Treatment, Water System, and Public Financing Authority. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2016, and 2015, are as follows:



City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government’s Funds

The City of Waterford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City’s operations in more detail than the government-wide financial statements.

Governmental funds. The City’s governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2016, the City’s governmental funds reported combined fund balances of \$2,616,041. This is a decrease of \$237,419 or 8% from last year.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2016, General Fund unassigned fund balance totaled \$1,709,870. This is a decrease of \$309,352 from the prior year.

Proprietary funds. The City’s proprietary funds unrestricted net position increased by \$118,673 during the fiscal year ended June 30, 2016.

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2016, amount to \$25,989,019. This investment in capital assets includes land, construction in progress costs for road and median improvements, buildings and structures, equipment, vehicles, and infrastructure.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,742,950	\$ 3,828,149	\$ 427,672	\$ 177,151	\$ 6,170,622	\$ 4,005,300
Construction in progress	93,767	726,704	15,319	-	109,086	726,704
Buildings and structures	2,056,399	2,191,110	6,326,796	595,884	8,383,195	2,786,994
Equipment	923,768	955,857	2,234,527	3,593,789	3,158,295	4,549,646
Vehicles	197,547	218,824	137,682	2,058,596	335,229	2,277,420
Infrastructure	7,832,592	7,375,435	-	56,497	7,832,592	7,431,932
Total	\$ 16,847,023	\$ 15,296,079	\$ 9,141,996	\$ 6,481,917	\$ 25,989,019	\$ 21,777,996

More detail of the capital assets and current activity can be found in the notes to the financial statements.

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Economic Outlook

The City of Waterford is located in California's Central Valley, approximately 13 miles east of Modesto. It is the eighth largest city in Stanislaus County. The City currently occupies a land area of approximately 1,100 acres and serves a population of approximately 8,686 persons. The City was chartered in 1969 as a municipal corporation and operates under a Council - Manager form of government. Policy-making and legislative authority are vested in a five member governing council consisting of the Mayor and four Council Members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, approving nominees to commissions and hiring the City Manager, City Attorney, and the Police Chief. The Council is elected on a non-partisan basis. Council Members serve four year staggered terms, with two Council Members elected every two years. The Mayor is elected and serves a two-year term. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for hiring and appointing the heads of the various departments.

Governmental revenues of the City consist of locally established revenue sources including charges for services, franchise fees and utility users taxes, property taxes which have some constitutional protection to prevent "borrowing" by the State, and revenue sources from the State of California and federal government including capital grants, motor vehicle license fees and motor vehicle fuel and sales taxes, which can be affected by the State of the California and national economies and the State budget. The City has the second lowest "per capita" sales tax revenues in Stanislaus County and since this usually correlates to property tax, an economic downturn requires a great deal of fiscal caution.

The outlook for fiscal year 2017 is that both the national and state economies will remain in a period of economic recovery as evidenced by the financial markets at record highs and increasing interest rates. The State of California's budget has closed the gap between revenues and expenditures, and has been replenishing their reserves. Residential and commercial development is resuming in every city in the County, and there has been interest by several national retailers in building in Waterford, so additional revenue in building fees, planning fees and sales tax over the next year could increase, although pressure on gas tax due to more fuel-economic vehicles will decrease the revenues from gas stations.

Fiscal year 2016 saw significant spending on various capital projects made possible by previously secured state and federal grants and low interest loans. Expenditures for street construction and other infrastructure projects will likely continue for fiscal year 2017 with the approval of the new water rate schedule and Measure L forecasting to add approximately \$300,000 more per year for street maintenance.

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Economic Outlook, Continued

The City is also, as discussed in Note 12 to the financial statements, dealing with the dissolution of the Redevelopment Agency of the City of Waterford. In accordance with AB1x26 as of February 1, 2013 the Agency has been dissolved and the City, as Successor Agency, is handling the affairs of winding down the Agency. The Successor Agency revenue stream is stabilizing and allowing the Agency to cover its obligation for debt service and administrative costs without relying on additional advances from other funds.. The year ended June 30, 2016 was the first year that the Agency did not require a subsidy from the General Fund. As of June 30, 2016 the City has loaned \$107,032 to the Successor Agency and the Waterford Public Financing Authority has loaned the Agency \$41,729. The repayment of these loans has been approved by the Department of Finance and is likely to occur as cash flow becomes available.

The City's River Pointe Water Enterprise was generating revenues which were insufficient to cover operating cost in this proprietary fund. The General Fund has made loans to this Fund in the amount of \$283,193, the Sewer Fund has loaned the Fund an additional \$100,000 and the Waterford Public Financing Authority has loaned \$36,370 to alleviate some of the immediate concerns. In July of 2015 the City of Waterford completed the purchase of the Waterford Water System from the City of Modesto. It is anticipated that the consolidation of the systems will alleviate the cash flow concerns of the River Pointe System alone and also utilize excess capacity at River Pointe. On November 17, 2016 the City Council approved the proposed Water Rate Increase which will take effect in January of 2017. The next few years will be pivotal for planning and implementing some of the long overdue capital projects in the Water System and evaluating the impacts of the rate increases on the systems financial health.

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Waterford Finance Department, 101 E Street, Waterford, CA 95386, or visit the City's web page at www.cityofwaterford.org.

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BASIC FINANCIAL STATEMENTS

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City of Waterford, California

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,770,048	\$ 1,357,593	\$ 3,127,641
Restricted cash and investments	-	409,794	409,794
Investment in Special Assessment Bonds	-	777,881	777,881
Receivables:			
Accounts	854,806	95,856	950,662
Loans/Notes receivable	1,057,252	-	1,057,252
Loans receivable from fiduciary activities	107,032	481,729	588,761
Advance to business-type activities	283,193	-	283,193
Capital assets:			
Nondepreciable	4,554,853	177,151	4,732,004
Depreciable	12,292,170	8,964,845	21,257,015
Total assets	20,919,354	12,264,849	33,184,203
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	192,005	149,643	341,648
Total assets and deferred outflows of resources	\$ 21,111,359	\$ 12,414,492	\$ 33,525,851
LIABILITIES			
Accounts payable and accrued liabilities	\$ 368,651	\$ 50,217	\$ 418,868
Interest payable	-	67,040	67,040
Due to other governments	27,937	-	27,937
Deposits payable	2,450	109,039	111,489
Current portion of long-term debt	72,736	560,576	633,312
Compensated absences - current portion	-	32,866	32,866
Long-term liabilities:			
Compensated absences	44,898	-	44,898
Due after one year	737,605	6,201,932	6,939,537
Advance from governmental activities	-	283,193	283,193
Net pension liability	508,240	325,176	833,416
Total liabilities	1,762,517	7,630,039	9,392,556
DEFERRED INFLOWS OF RESOURCES			
Pension plan	211,522	143,185	354,707
Total deferred inflows of resources	211,522	143,185	354,707
NET POSITION			
Net investment in capital assets	16,036,682	6,317,705	22,354,387
Restricted	938,179	409,794	1,347,973
Unrestricted (deficit)	2,162,459	(2,086,231)	76,228
Total net position	19,137,320	4,641,268	23,778,588
Total liabilities, deferred inflows and net position	\$ 21,111,359	\$ 12,414,492	\$ 33,525,851

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

City of Waterford, California

Statement of Activities

For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 479,805	\$ 35,875	\$ -	\$ -
Public ways and facilities	1,261,727	6,234	388,029	231,750
Police services	1,419,604	2,608	182,834	-
Parks and recreation	225,440	9,062	1,289,046	-
Community development	166,734	223,545	14,913	262,574
Interest and fiscal charges	31,479	-	-	-
Total governmental activities	<u>3,584,789</u>	<u>277,324</u>	<u>1,874,822</u>	<u>494,324</u>
Business-type activities:				
Wastewater	911,351	1,053,365	-	-
Water	1,281,446	1,156,861	-	-
Public Financing Authority	171,717	277,484	-	-
Total business-type activities	<u>2,364,514</u>	<u>2,487,710</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,949,303</u>	<u>\$ 2,765,034</u>	<u>\$ 1,874,822</u>	<u>\$ 494,324</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

Utility users tax

Intergovernmental:

State motor vehicle in-lieu tax (MVLFF)

Use of money and property

Other general revenues

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position:

Net position - beginning

Net position - 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
\$ (443,930)	\$ -	\$ (443,930)
(635,714)	-	(635,714)
(1,234,162)	-	(1,234,162)
1,072,668	-	1,072,668
334,298	-	334,298
(31,479)	-	(31,479)
(938,319)	-	(938,319)
-	142,014	142,014
-	(124,585)	(124,585)
-	105,767	105,767
-	123,196	123,196
(938,319)	123,196	(815,123)
355,483	-	355,483
621,690	-	621,690
117,160	-	117,160
550,773	-	550,773
620,264	-	620,264
17,554	5,476	23,030
12,505	-	12,505
2,295,429	5,476	2,300,905
9,999	(9,999)	-
2,305,428	(4,523)	2,300,905
1,367,109	118,673	1,485,782
17,770,211	4,522,595	22,292,806
\$ 19,137,320	\$ 4,641,268	\$ 23,778,588

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	Governmental funds are used for taxes and grants.
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
Community Development Special Revenue	This fund is used to account for monies received from the US Department of Housing & Urban Development and expended principally for programs and activities to benefit low-income residents through a first time homebuyers program to produce affordable housing and rehabilitate existing residential units and infrastructure improvements in low/moderate income neighborhoods.

City of Waterford, California

Balance Sheet

Governmental Funds

June 30, 2016

	Major Funds			Totals
	General Fund	Community Development Special Revenue	Nonmajor Governmental Funds	
ASSETS				
Cash and investments	\$ 1,199,451	\$ 214,935	\$ 355,662	\$ 1,770,048
Receivables:				
Intergovernmental	281,824	-	544,198	826,022
Loans/Notes receivable	-	1,057,252	-	1,057,252
Other receivable	28,338	-	446	28,784
Advance to successor agency private purpose trust	107,032	-	-	107,032
Advance to water system fund	283,193	-	-	283,193
Due from other funds	373,292	-	-	373,292
Total assets	\$ 2,273,130	\$ 1,272,187	\$ 900,306	\$ 4,445,623
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 170,585	\$ -	\$ 198,066	\$ 368,651
Due to other funds	-	-	373,292	373,292
Deposits payable	2,450	-	-	2,450
Due to other governments	-	-	27,937	27,937
Total liabilities	173,035	-	599,295	772,330
Deferred inflows: unavailable revenue	-	1,057,252	-	1,057,252
Total liabilities and deferred inflows	173,035	1,057,252	599,295	1,829,582
Fund balances:				
Nonspendable				
Advances	390,225	-	-	390,225
Restricted	-	214,935	333,019	547,954
Committed	-	-	-	-
Unassigned	1,709,870	-	(32,008)	1,677,862
Total fund balances	2,100,095	214,935	301,011	2,616,041
Total liabilities, deferred inflows and fund balances	\$ 2,273,130	\$ 1,272,187	\$ 900,306	\$ 4,445,623

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

City of Waterford, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total fund balances - total governmental funds \$ 2,616,041

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term receivables are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 16,847,023

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences	\$ (44,898)	
Due within one year	(72,736)	
Due after one year	(737,605)	
Net pension liability	(508,240)	
Deferred outflows of resources - pensions	192,005	
Deferred inflows of resources - pensions	(211,522)	(1,382,996)

Governmental funds notes receivable from various loan programs are deferred inflows under the current financial resources measurement focus. The notes receivable are recognized in the government-wide Statement of Net Position under the accrual basis of accounting.

Notes receivable 1,057,252

Net position of governmental activities \$ 19,137,320

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

City of Waterford, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2016

	Governmental		Changes	Statement of
	Funds		in GAAP	Net Position
ASSETS	Balance Sheet	Reclassifications		
Current assets:				
Cash and investments	\$ 1,770,048	\$ -	\$ -	\$ 1,770,048
Receivables:				
Intergovernmental	826,022	-	-	826,022
Loans/Notes receivable	1,057,252	-	-	1,057,252
Other receivable	28,784	-	-	28,784
Due from other funds	373,292	(373,292)	-	-
Total current assets	4,055,398	(373,292)	-	3,682,106
Noncurrent assets:				
Capital assets, net	-	-	16,847,023	16,847,023
Advance to fiduciary activities	107,032	-	-	107,032
Advance to business-type activities	283,193	-	-	283,193
Total noncurrent assets	390,225	-	16,847,023	17,237,248
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	-	-	192,005	192,005
Total deferred outflows of resources	-	-	192,005	192,005
Total assets and deferred outflows of resources	4,445,623	(373,292)	17,039,028	21,111,359
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 368,651	\$ -	\$ -	\$ 368,651
Due to other funds	373,292	(373,292)	-	-
Deposits payable	2,450	-	-	2,450
Due to other governments	27,937	-	-	27,937
Due within one year	-	-	72,736	72,736
Total current liabilities	772,330	(373,292)	72,736	471,774
Noncurrent liabilities:				
Long-term liabilities:				
Compensated absences	-	-	44,898	44,898
Due after one year	-	-	737,605	737,605
Net pension liability	-	-	508,240	508,240
Total noncurrent liabilities	-	-	1,290,743	1,290,743
Total liabilities	772,330	(373,292)	1,363,479	1,762,517
DEFERRED INFLOWS OF RESOURCES				
Pension plan	-	-	211,522	211,522
Grants	1,057,252	-	(1,057,252)	-
Total deferred inflows of resources	1,057,252	-	(845,730)	211,522
Total liabilities and deferred inflows	1,829,582	(373,292)	517,749	1,974,039
FUND BALANCES/NET POSITION				
Fund balances:				
Nonspendable	390,225	(390,225)	-	-
Restricted	547,954	(547,954)	-	-
Unassigned (deficit)	1,677,862	(1,677,862)	-	-
Net position:				
Net investment in capital assets	-	-	16,036,682	16,036,682
Restricted	-	-	938,179	938,179
Unrestricted	-	2,616,041	(453,582)	2,162,459
Total fund balances/ net position	2,616,041	-	16,521,279	19,137,320
Total liabilities, deferred inflows and net position	\$ 4,445,623	\$ (373,292)	\$ 17,039,028	\$ 21,111,359

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

City of Waterford, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	Major Funds			Totals
	General Fund	Community Development Special Revenue	Other Governmental Funds	
REVENUES:				
Taxes and assessments	\$ 2,274,135	\$ -	\$ 255,771	\$ 2,529,906
Licenses and permits	99,112	-	-	99,112
Intergovernmental	180,755	282,324	1,784,100	2,247,179
Fines and forfeitures	36,237	-	-	36,237
Charges for services	2,424	-	-	2,424
Use of money and property	17,068	7,548	1,954	26,570
Other revenues	20,221	-	-	20,221
Total revenues	2,629,952	289,872	2,041,825	4,961,649
EXPENDITURES:				
Current:				
General government	487,115	-	-	487,115
Public ways and facilities	489,673	-	63,048	552,721
Police services	1,410,929	-	8,675	1,419,604
Parks and recreation	225,440	-	-	225,440
Community development	137,913	28,821	-	166,734
Capital outlay	167,874	416,349	1,675,727	2,259,950
Debt service:				
Principal	52,970	-	13,056	66,026
Interest and fiscal charges	22,165	-	9,312	31,477
Total expenditures	2,994,079	445,170	1,769,818	5,209,067
REVENUES OVER (UNDER) EXPENDITURES	(364,127)	(155,298)	272,007	(247,418)
OTHER FINANCING SOURCES (USES):				
Proceeds from loan	-	-	-	-
Transfers in	271,882	163,650	217,107	652,639
Transfers out	(217,107)	(163,650)	(261,883)	(642,640)
Total other financing sources (uses)	54,775	-	(44,776)	9,999
Net change in fund balances	(309,352)	(155,298)	227,231	(237,419)
FUND BALANCES:				
Beginning of year	2,409,447	370,233	73,780	2,853,460
End of year	<u>\$ 2,100,095</u>	<u>\$ 214,935</u>	<u>\$ 301,011</u>	<u>\$ 2,616,041</u>

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

City of Waterford, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2016

Functions/Programs	Fund Based Totals	Compensated Absences/ Debt Service	Depreciation	Capital Asset (Additions)/ Retirements	Pension Plan	Government- wide Totals
Governmental activities:						
General government	\$ 487,115	\$ (924)	\$ -	\$ -	\$ (6,386)	\$ 479,805
Public ways and facilities	552,721	-	715,924	(6,918)	-	1,261,727
Police services	1,419,604	-	-	-	-	1,419,604
Parks and recreation	225,440	-	-	-	-	225,440
Community development	166,734	-	-	-	-	166,734
Capital outlay	2,259,950	-	-	(2,259,950)	-	-
Debt service/Interest	97,503	(66,024)	-	-	-	31,479
Total governmental activities	\$ 5,209,067	\$ (66,948)	\$ 715,924	\$ (2,266,868)	\$ (6,386)	\$ 3,584,789

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

City of Waterford, California
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2015

Net change in fund balances - total governmental funds \$ (237,419)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 2,266,868	
Depreciation expense	<u>(715,924)</u>	1,550,944

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Capital lease obligations	66,024	
Change in compensated absences	924	
Change in net pension liability	<u>6,386</u>	73,334

Some receivables are deferred in the Governmental Funds because the amounts do not represent current financial resources that are recognized under the accrual basis in the Statement of Activities

(19,750)

Change in net position of governmental activities

\$ 1,367,109

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

City of Waterford, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - General Fund
For the year ended June 30, 2016

	General Fund			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 2,128,387	\$ 2,193,122	\$ 2,274,135	\$ 81,013
Licenses and permits	70,460	80,460	99,112	18,652
Intergovernmental	161,350	162,350	180,755	18,405
Fines and forfeitures	31,700	31,700	36,237	4,537
Charges for services	3,675	3,675	2,424	(1,251)
Use of money and property	24,000	21,500	17,068	(4,432)
Other revenues	56,228	30,753	20,221	(10,532)
Total revenues	2,475,800	2,523,560	2,629,952	106,392
EXPENDITURES:				
Current:				
General government	359,595	483,057	487,115	(4,058)
Public ways and facilities	434,297	479,790	489,673	(9,883)
Police services	1,415,238	1,405,927	1,410,929	(5,002)
Culture and recreation	212,033	218,396	225,440	(7,044)
Community development	176,168	137,914	137,913	1
Capital outlay	66,500	204,389	167,874	36,515
Debt service:				
Principal	52,970	52,970	52,970	-
Interest and fiscal charges	22,164	22,164	22,165	(1)
Total expenditures	2,738,965	3,004,607	2,994,079	10,528
REVENUES OVER (UNDER)				
EXPENDITURES	(263,165)	(481,047)	(364,127)	116,920
OTHER FINANCING SOURCES (USES):				
Transfers in	357,000	272,136	271,882	(254)
Transfers out	(150,000)	(217,119)	(217,107)	12
Total other financing sources (uses)	207,000	55,017	54,775	(242)
Net change in fund balances	(56,165)	(426,030)	(309,352)	116,678
FUND BALANCES:				
Beginning of year	2,409,447	2,409,447	2,409,447	-
End of year	<u>\$ 2,353,282</u>	<u>\$ 1,983,417</u>	<u>\$ 2,100,095</u>	<u>\$ 116,678</u>

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

City of Waterford, California

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

Budget to Actual - Community Development Special Revenue Fund

For the year ended June 30, 2016

	Community Development Special Revenue Fund			
	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 495,000	\$ 351,100	\$ 282,324	\$ (68,776)
Use of money and property	5,750	9,045	7,548	(1,497)
Total revenues	500,750	360,145	289,872	(70,273)
EXPENDITURES:				
Current:				
Culture and recreation				-
Community development	27,456	27,456	28,821	(1,365)
Capital outlay	495,000	478,206	416,349	61,857
Debt service:				
Principal	-	-	0	-
Interest and fiscal charges	-	-	-	-
Total expenditures	522,456	505,662	445,170	60,492
REVENUES OVER (UNDER) EXPENDITURES	(21,706)	(145,517)	(155,298)	(9,781)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	163,650	163,650	-
Transfers out	-	(163,650)	(163,650)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(21,706)	(145,517)	(155,298)	(9,781)
FUND BALANCES:				
Beginning of year	370,233	370,233	370,233	-
End of year	\$ 348,527	\$ 224,716	\$ 214,935	\$ (9,781)

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

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ENTERPRISE FUNDS

Fund	Description
Major Funds:	
Wastewater Treatment Fund	This fund accounts for all financial transactions relating to the City's wastewater collection and treatment.
Water System Fund	This fund accounts for all financial transactions relating to the City's three water systems, River Pointe, Waterford and Hickman.
Public Financing Authority Fund	This fund accounts for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Financing Authority.

City of Waterford, California

Statement of Net Position

Proprietary Funds

June 30, 2016

	Wastewater Treatment Fund	Water System Fund	Public Financing Authority Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 1,024,705	\$ 240,836	\$ 92,052	\$ 1,357,593
Restricted cash and investments	-	-	409,794	409,794
Investment in Special Assessment Bonds	-	-	777,881	777,881
Receivables:				
Accounts	53,295	42,561	-	95,856
Due from other funds	100,000	-	36,370	136,370
Total current assets	1,178,000	283,397	1,316,097	2,777,494
Noncurrent assets:				
Loan to Successor Agency private purpose trust	-	-	481,729	481,729
Capital assets, net	3,846,123	5,295,873	-	9,141,996
Total noncurrent assets	3,846,123	5,295,873	481,729	9,623,725
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	66,212	77,305	6,126	149,643
Total assets and deferred outflows of resources	\$ 5,090,335	\$ 5,656,575	\$ 1,803,952	\$ 12,550,862
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 9,293	\$ 40,924	\$ -	\$ 50,217
Due to other funds	-	136,370	-	136,370
Interest payable	33,075	-	33,965	67,040
Deposits payable	61,009	36,540	11,490	109,039
Current portion of long-term debt	180,276	170,300	210,000	560,576
Compensated absences - current portion	18,540	13,011	1,315	32,866
Total current liabilities	302,193	397,145	256,770	956,108
Noncurrent liabilities:				
Due after one year	2,541,098	2,764,600	896,234	6,201,932
Advance from general fund	-	283,193	-	283,193
Net pension liability	195,203	114,425	15,548	325,176
Total noncurrent liabilities	2,736,301	3,162,218	911,782	6,810,301
DEFERRED INFLOWS OF RESOURCES				
Pension plan	79,032	57,608	6,545	143,185
Total deferred inflows of resources	79,032	57,608	6,545	143,185
Net Position:				
Net investment in capital assets	1,305,025	5,012,680	-	6,317,705
Restricted	-	-	409,794	409,794
Unrestricted (deficit)	667,784	(2,973,076)	219,061	(2,086,231)
Total net position	1,972,809	2,039,604	628,855	4,641,268
position	\$ 5,090,335	\$ 5,656,575	\$ 1,803,952	\$ 12,550,862

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

City of Waterford, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2016

	Wastewater Treatment Fund	Water System Fund	Public Financing Authority Fund	Totals
OPERATING REVENUES:				
Charges for service	\$ 1,038,947	\$ 1,156,521	\$ 277,484	\$ 2,472,952
Other operating revenue	14,418	340	-	14,758
Total operating revenues	1,053,365	1,156,861	277,484	2,487,710
OPERATING EXPENSES:				
Salaries and benefits	292,392	353,286	19,319	664,997
Maintenance and operations	236,342	412,703	6,392	655,437
Professional fees	50,051	284,951	16	335,018
Materials and supplies	13,109	60,318	-	73,427
Depreciation	158,537	97,548	-	256,085
Total operating expenses	750,431	1,208,806	25,727	1,984,964
OPERATING INCOME (LOSS)	302,934	(51,945)	251,757	502,746
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	4,115	687	674	5,476
Interest expense	(160,920)	(72,640)	(145,990)	(379,550)
Total non-operating revenues, net	(156,805)	(71,953)	(145,316)	(374,074)
NET INCOME BEFORE TRANSFERS	146,129	(123,898)	106,441	128,672
Transfers in	346,292	105,741	-	452,033
Transfers out	(348,792)	(113,240)	-	(462,032)
Total transfers	(2,500)	(7,499)	-	(9,999)
CHANGE IN NET POSITION	143,629	(131,397)	106,441	118,673
NET POSITION:				
Net position - beginning	1,829,180	2,171,001	522,414	4,522,595
Net position - ending	1,972,809	2,039,604	628,855	4,641,268

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

City of Waterford, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

	Wastewater Treatment Fund	Water System Fund	Public Financing Authority Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/users for services provided	\$ 1,058,316	\$ 1,132,383	\$ 400,368	\$ 2,591,067
Cash payments to suppliers for goods and services	(380,850)	(728,644)	(8,393)	(1,117,887)
Cash payments to employees for services	(293,394)	(351,676)	(19,265)	(664,335)
Net cash provided by operating activities	384,072	52,063	372,710	808,845
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Increase (decrease) in due to other funds	-	36,370	(36,370)	-
Transfers paid	(2,500)	(7,499)	-	(9,999)
Net cash used by noncapital financing activities	(2,500)	28,871	(36,370)	(9,999)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(213,119)	(2,703,045)	-	(2,916,164)
Proceeds from repayment of loan	-	-	25,000	25,000
Proceeds from issuance of long-term debt	-	3,100,000	-	3,100,000
Principal paid on long term debt	(146,471)	(165,100)	(161,915)	(473,486)
Interest paid on long term debt	(160,920)	(72,640)	(145,990)	(379,550)
Net cash (used) by capital and related financing activities	(520,510)	159,215	(282,905)	(644,200)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	4,115	687	674	5,476
Net cash provided by investing activities	4,115	687	674	5,476
Net increase (decrease) in cash and cash equivalents	(134,823)	240,836	54,109	160,122
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,159,528	-	447,737	1,607,265
End of year	<u>\$ 1,024,705</u>	<u>\$ 240,836</u>	<u>\$ 501,846</u>	<u>\$ 1,767,387</u>
Presentation in Statement of Net Position:				
Cash and investments	\$ 1,024,705	\$ 240,836	\$ 92,052	\$ 1,357,593
Restricted cash and investments	-	-	409,794	409,794
Total	<u>\$ 1,024,705</u>	<u>\$ 240,836</u>	<u>\$ 501,846</u>	<u>\$ 1,767,387</u>
Reconciliation of income from operations to net cash provided by operating activities:				
Operating income (loss)	\$ 302,934	\$ (51,945)	\$ 251,757	\$ 502,746
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	158,537	97,548	-	256,085
Pension plan	(2,159)	(2,767)	(205)	(5,131)
(Increase) decrease in assets:				
Investment in Special Assessment Bonds	-	-	122,884	122,884
Accounts receivable	5,487	(36,278)	-	(30,791)
Increase (decrease) in liabilities:				
Accounts payable	(79,633)	29,328	-	(50,305)
Interest payable	(1,715)	-	(1,985)	(3,700)
Deposits payable	(536)	11,800	-	11,264
Compensated absences	1,157	4,377	259	5,793
Net cash provided by operating activities	\$ 384,072	\$ 52,063	\$ 372,710	\$ 808,845

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2015.

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

FIDUCIARY ACTIVITIES

Fund	Description
Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise.	
Private Purpose Trust Fund	
Successor Agency - Former Waterford Redevelopment Agency	Accounts for funds collected and disbursed for the dissolution of the former Waterford Redevelopment Agency related to Administration and Retirement of enforceable obligations
Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments.	

The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

City of Waterford, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2016

	<u>Successor Agency</u> Former Waterford Redevelopment Agency	<u>Agency Funds</u>
ASSETS		
Current assets:		
Cash and investments	\$ 24,765	\$ 164,055
Other receivable	28	-
Capital assets:		
Land	30,866	-
Total assets	<u>55,659</u>	<u>\$ 164,055</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	10,265	
Total deferred outflows of resources	<u>10,265</u>	
Total assets and deferred outflows of resources	<u>\$ 65,924</u>	
LIABILITIES		
Current liabilities:		
Interest payable	\$ 8,983	\$ -
Due to others	-	164,055
Due within one year	30,000	-
Total current liabilities	<u>38,983</u>	<u>164,055</u>
Long-term obligations:		
Advances from governmental activities/general fund	558,761	-
Net pension liability	26,886	-
Total long-term liabilities	<u>585,647</u>	<u>-</u>
Total liabilities	<u>624,630</u>	<u>\$ 164,055</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	11,221	
Total deferred inflows of resources	<u>11,221</u>	
Net Position (Deficit):		
Net position held in trust for		
Redevelopment Dissolution	(569,927)	
Total net position (deficit)	<u>(569,927)</u>	
Total liabilities, deferred inflows and net position	<u>\$ 65,924</u>	

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

City of Waterford, California
Statement of Changes in Fiduciary Net Position
 Successor Agency Private Purpose Trust Fund
 For the year ended June 30, 2016

	<u>Successor Agency</u> <u>Former Waterford</u> <u>Redevelopment</u> <u>Agency</u>
ADDITIONS:	
Property taxes	\$ 115,950
Investment income	15
Total additions	<u>115,965</u>
DEDUCTIONS:	
General government	34,202
Interest and trustee fees	31,164
Total deductions	<u>65,366</u>
CHANGE IN FIDUCIARY NET POSITION	<u>50,599</u>
NET POSITION (DEFICIT):	
Net position - beginning	(620,526)
Net position - ending	<u>\$ (569,927)</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Waterford, California
Basic Financial Statements
For the year ended June 30, 2016

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City of Waterford, California
Notes to Basic Financial Statements
For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waterford (City) was chartered in 1969, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: general government, public ways and facilities, police services, parks and recreation, and community development.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Waterford, Finance Department, 101 E Street, Waterford, CA 95386.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Financial Reporting Entity, Continued

The City's reporting entity includes the following blended component unit:

The Waterford Public Financing Authority was established to provide for financing of public capital improvements for the City, the Agency and other local agencies. The City Council members serve as the Governing Board of the Authority and all accounting and administrative functions are performed by the City, which records all activity of the Authority in an enterprise fund. Financial statements for the Authority may be obtained from the City's finance department.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

The City reports the following major funds:

- General Fund
- Community Development Special Revenue Fund

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

Fiduciary Funds

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held for other individuals or entities in a manner similar to private enterprise.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds and private purpose trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund and private purpose trust funds equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant revenues. Grant revenues are considered to be available if collected within 180 days of the end of the current fiscal period.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money 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 in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Capital Assets, Continued

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	15 – 30 years
Equipment and Vehicles	5 – 15 years
Treatment plant	50 years
Infrastructure – Streets	10 – 40 years
Infrastructure – Parks	10 – 40 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. The item relates to outflows from changes in the net pension liability in the government-wide and proprietary funds statements of net position, and the fiduciary activities statement of fiduciary net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items reported as a deferred inflow of resources. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: long term loans and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second relates to inflows from changes in the net pension liability and is reported in the government-wide and proprietary funds statements of net position, and the fiduciary activities statement of fiduciary net position.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Compensated Absences

City employees are granted vacation in varying amounts based on classification and length of service. Upon termination or retirement, the City pays 100% of the vacation time accrued and normally none of the accrued sick leave. The City's liability for compensated absences is recorded in various Governmental funds and Proprietary funds as appropriate. The City's liability for compensated absences is determined annually.

Equity Classification

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classification, Continued

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the City’s Finance Director through its fund balance policy.

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

Revenues, Expenditures, and Expenses

Property Tax

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Stanislaus County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties collected.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2015. Budget information is presented for the General and Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

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, liabilities, revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

2. CASH AND INVESTMENTS

At June 30, 2016, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)			Deposits	Market Value		
	<1	1 to 2	>2				
<u>Cash equivalents and investments pooled</u>							
Pooled cash, at market value							
Cash in bank	\$ -	\$ -	\$ -	\$ 1,060,695	\$ 1,060,695		
Petty cash	-	-	-	627	627		
Total pooled items	-	-	-	1,061,322	1,061,322		
Pooled investments, at market value							
<u>Interest obligations</u>							
	<u>Par</u>	<u>Rate</u>					
\$ 513,075	1.75-2.5%	US Government Bonds	-	102,252	308,781	-	411,033
277,368	4.5-5.0%	Municipal Bonds	51,658	-	216,288	-	267,946
167,342	3.625-5.25%	Corporate notes	-	-	82,880	-	82,880
Money Market Mutual Funds			696,431	-	-	-	696,431
State of California Local Agency Investment Fund			74,530	-	-	-	74,530
Central San Joaquin Valley Risk Management Authority Investment Pool			-	-	-	1,132,113	1,132,113
Total pooled investments - interest obligations			822,619	102,252	607,949	1,132,113	2,664,933
Total cash equivalents and investments pooled			\$ 822,619	\$ 102,252	\$ 607,949	\$ 2,193,435	\$ 3,726,255

Amounts reported in:

Governmental activities	\$ 1,770,048
Business-type activities	1,357,593
Restricted	409,794
Fiduciary activities:	
Agency Funds	188,820
Total	\$ 3,726,255

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury notes	\$ 411,033	2.86
Federal Agency securities	267,946	3.08
Corporate medium term notes	82,880	4.92
Money Market funds	696,431	N/A
State investment pool	74,530	N/A
CSJVRMA	1,132,113	N/A
Total fair value	<u>\$ 2,664,933</u>	
Portfolio weighted average maturity		0.90

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code of the City’s investment policy. During the year ended June 30, 2016, the City’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bankers' Acceptances	180 days	30%	30%
Certificates of Deposits	5 years	20%	10%
Negotiable Certificates of Deposit	5 years	10%	None
Commercial Paper	270 days	15%	Lesser of \$3 Million or 10%
State of California Local Agency Investment Fund (State Pool)	Upon Demand	\$50 Million per entity	N/A
Medium Term Notes	5 years	10%	None
Money Market Funds	N/A	20%	10%
U.S. Treasury Obligations	5 years	Unlimited	None
U.S. Government Agency Issues	5 years	25%	None
Municipal Notes or Bonds	5 years	Unlimited	None
Repurchase Agreements	1 year	Unlimited	None

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

Authorized Investment Type	Maximum Maturity	Maximum Minimum Credit Quality
U.S. Treasury Obligations		
U.S. Agency Securities		
Local Agency Investment Fund (State Pool)		
Municipal Notes or Bonds		Highest Two Categories
State Obligations		Highest Two Categories
Prefunded Municipal Bonds		AM*
Repurchase Agreements	30 days	AA
Gauranteed Fund Agreements (including Gauranteed Investment Contracts)		AA
Money Market Mutual Funds		AA
Certificates of Deposit	1 year	A-1+
Bankers Acceptance or Federal Funds	1 year	A-1+
Commercial Paper		A-1+

*If the issue is only rated by Standard & Poor's, then the prefunded bonds must have been pre-funded with cash, direct U.S. or U.S. gauranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

Interest rate risk –Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit risk – As of June 30, 2016, the City’s investments in money market funds were rated AAAM by Standard & Poor’s and Aaa-mf by Moody’s Investors Service. The State of California Local Agency Investment Fund is not rated.

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the City’s deposits may not be returned. The City’s Investment Policy addresses custodial credit risk, which follows the Government Code.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

At June 30, 2016, the carrying amount of the City's deposits was \$1,060,695 and the balances in financial institutions were \$1,135,967. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$885,967 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2016, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SPIC) and supplemental private insurance up to a limit of \$150 million.

Investment in LAIF

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$22,712,084,628 of which the City had a balance of \$74,530, which approximated market value and was managed by the State Treasurer. Of the total invested, 98.45% was invested in non-derivative financial products and 1.55% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2016:

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Current:			
Accounts receivable	\$ 854,806	\$ 95,856	\$ 950,662
Total current	<u>\$ 854,806</u>	<u>\$ 95,856</u>	<u>\$ 950,662</u>
Noncurrent:			
Loans/notes receivable	1,057,252	-	1,057,252
Loans receivable from Private Purpose Trust	107,032	481,729	588,761
Total noncurrent	<u>1,057,252</u>	<u>481,729</u>	<u>1,646,013</u>
Total receivables	<u>\$ 1,912,058</u>	<u>\$ 577,585</u>	<u>\$ 2,596,675</u>

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

3. ACCOUNTS RECEIVABLE, Continued

These amounts resulted in the following concentrations in receivables:

Other Governments	23%
Individuals/Business	77%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

4. LOANS AND NOTES RECEIVABLE

Community Development Block Grant Program Loans – The City participates in a CDBG Revolving loan program. The program is federally funded and provides housing rehabilitation loans to eligible applicants. The City makes loans to resident homeowners who qualify as low income, some of which are deferred and are not repaid until the title to property changes. The balance of these loans at June 30, 2016, was \$1,057,252.

During the fiscal year, the City did not issue any new loans.

General Fund Loans to the Successor Agency to the Redevelopment Agency– During the fiscal year ended June 30, 2011; the Redevelopment Agency Special Revenue Fund incurred project expenditures in excess of revenues and borrowed \$26,752 from the General Fund to fund the deficit cash balance. The balance of the loan was \$35,478 as of January 31, 2012. This loan had previously been reported as an interfund transaction. With the dissolution of the Redevelopment Agency effective February 1, 2012, the Successor Agency assumed the obligation to repay the loan. The balance of the loan was \$48,176 at June 30, 2012. The Successor Agency borrowed an additional \$58,856 during the fiscal year June 30, 2013, and the balance of the loan was \$107,032 as of June 30, 2016. During fiscal year 2015, the Successor Agency borrowed \$41,729 from the Waterford Public Financing Authority to fund deficits, and the balance of the loan was \$481,729 at June 30, 2016.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Governmental activities:					
Nondepreciable assets:					
Land	\$ 3,828,149	\$ 229,088	\$ -	\$ 1,685,713	\$ 5,742,950
Construction in progress	726,704	1,855,165	-	(2,488,102)	93,767
Total nondepreciable assets	4,554,853	2,084,253	-	(802,389)	5,836,717
Depreciable assets:					
Buildings and structures	2,743,734	47,109	-	-	2,790,843
Equipment	2,185,767	39,111	-	-	2,224,878
Vehicles	654,770	16,803	-	-	671,573
Infrastructure	9,578,028	79,592	-	802,389	10,460,009
Total depreciable assets	15,162,299	182,615	-	802,389	16,147,303
Total	19,717,152	2,266,868	-	-	21,984,020
Accumulated depreciation:					
Buildings and improvements	(552,624)	(181,820)	-	-	(734,444)
Equipment	(1,229,910)	(71,200)	-	-	(1,301,110)
Vehicles	(435,946)	(38,080)	-	-	(474,026)
Infrastructure	(2,202,593)	(424,824)	-	-	(2,627,417)
Total accumulated depreciation	(4,421,073)	(715,924)	-	-	(5,136,997)
Net depreciable assets	10,741,226	(533,309)	-	802,389	11,010,306
Total net capital assets	\$ 15,296,079	\$ 1,550,944	\$ -	\$ -	\$ 16,847,023

Depreciation expense for capital assets was charged to functions as follows:

Public ways and facilities	\$ 715,924
	<u>\$ 715,924</u>

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

5. CAPITAL ASSETS, Continued

Business-type capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
<u>Business-type activities</u>					
Nondepreciable assets:					
Land	\$ 177,151	\$ 250,521	\$ -	\$ -	\$ 427,672
Construction in progress	-	15,319	-	-	15,319
Total nondepreciable assets	<u>177,151</u>	<u>265,840</u>	<u>-</u>	<u>-</u>	<u>442,991</u>
Depreciable assets:					
Buildings and improvements	815,371	2,090,213	-	-	2,905,584
Treatment plant	5,293,058	200,541	-	1	5,493,600
Equipment	3,026,085	267,620	-	-	3,293,705
Vehicles	279,219	91,951	-	-	371,170
Total depreciable assets	<u>9,413,733</u>	<u>2,650,325</u>	<u>-</u>	<u>1</u>	<u>12,064,059</u>
Total	<u>9,590,884</u>	<u>2,916,165</u>	<u>-</u>	<u>1</u>	<u>12,507,050</u>
Accumulated depreciation:					
Buildings and improvements	(219,487)	(19,579)	-	-	(239,066)
Treatment plant	(1,699,269)	(134,053)	-	-	(1,833,322)
Equipment	(967,489)	(91,687)	-	(2)	(1,059,178)
Vehicles	(222,722)	(10,766)	-	-	(233,488)
Total accumulated depreciation	<u>(3,108,967)</u>	<u>(256,085)</u>	<u>-</u>	<u>(2)</u>	<u>(3,365,054)</u>
Net depreciable assets	<u>6,304,766</u>	<u>2,394,240</u>	<u>-</u>	<u>(1)</u>	<u>8,699,005</u>
Total net capital assets	<u>\$ 6,481,917</u>	<u>\$ 2,660,080</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 9,141,996</u>

Depreciation expense for capital assets was charged to functions as follows:

Wastewater Treatment	\$ 158,537
Water System	<u>97,548</u>
	<u>\$ 256,085</u>

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2016:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	\$ 368,651	\$ 50,217	\$ -	\$ 418,868
Interest payable	-	67,040	8,983	76,023
Due to other governments	27,937	-	164,055	191,992
Deposits payable	2,450	109,039	-	111,489
Total	<u>\$ 399,038</u>	<u>\$ 226,296</u>	<u>\$ 173,038</u>	<u>\$ 798,372</u>

These amounts resulted in the following concentrations in payables:

Vendors	62%
Other Governments	24%
Customers	14%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Issue Amount	Balance June 30, 2015	Addition	Retirements	Balance June 30, 2016	Current Portion
Governmental Activity Debt:						
Capital Lease						
Property purchase, 4.75%, due 3/27/23	\$ 597,034	\$ 369,801	\$ -	\$ (38,995)	\$ 330,806	\$ 40,870
PNC Equipment Finance, LLC Lease Payable	297,803	285,940	-	(14,190)	271,750	16,821
California Energy Commission Loan Payable	221,557	220,624	-	(12,839)	207,785	15,045
Total Governmental Activity Debt	<u>\$ 876,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (66,024)</u>	<u>\$ 810,341</u>	<u>\$ 72,736</u>
Business-type Activity Debt:						
Wastewater Treatment Facility						
Series 2012 Refunding Bonds, 7%, due 9/15/27	1,930,000	1,705,000	-	(85,000)	1,620,000	90,000
Less deferred amount on refunding	(231,070)	(200,261)	-	15,405	(184,856)	-
PNC Equipment Finance, LLC Lease Payable	297,803	285,940	-	(14,191)	271,749	16,821
California Energy Commission Loan Payable	956,418	1,077,166	-	(62,685)	1,014,481	73,455
Total Wastewater Treatment Facility	<u>2,867,845</u>	<u>-</u>	<u>-</u>	<u>(146,471)</u>	<u>2,721,374</u>	<u>180,276</u>
Water System Fund						
Water Purchase Loan	3,100,000	-	3,100,000	(165,100)	2,934,900	170,300
Total Water System Fund	<u>-</u>	<u>3,100,000</u>	<u>(165,100)</u>	<u>2,934,900</u>	<u>170,300</u>	<u>-</u>
Public Financing Authority						
Series 2012 Refunding Bonds, 1.0-4.75%, due 9/15/27	2,165,000	1,525,000	-	(190,000)	1,335,000	210,000
Less deferred amount on refunding	(320,517)	(256,851)	-	28,085	(228,766)	-
Total Public Financing Authority	<u>1,268,149</u>	<u>-</u>	<u>(161,915)</u>	<u>1,106,234</u>	<u>210,000</u>	<u>-</u>
Total Business-Type Activity Debt	<u>\$ 4,135,994</u>	<u>\$ 3,100,000</u>	<u>\$ (473,486)</u>	<u>\$ 6,762,508</u>	<u>\$ 560,576</u>	<u>-</u>

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

7. LONG-TERM LIABILITIES, Continued

A. Revenue Bonds

In September 2003 the Public Financing Authority issued Refunding Revenue Bonds in the principal amount of \$5,795,000 to refund the aggregate outstanding principal amount of the 1996A and 1997A Revenue Bonds which were called on September 15, 2003. Principal payments were due annually; interest payments were due semi-annually on March 15 and September 15. The 2003 Bonds were refunded in fiscal year 2012 with the 2012 Bonds discussed below, and the 2003 Bonds were called in March 2012.

In February 2012, the Authority issued the 2012 Refunding Revenue Bonds in the principal amount of \$4,095,000 to refund the outstanding principal amount of the 2003 Bonds. The refunding reduced total debt service by \$211,109, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$191,639. The 2012 Bonds are repayable from former Redevelopment Agency tax increment revenues, Wastewater Enterprise charges for services, and the revenues received from the special assessment district debt. However, since the former Redevelopment Agency's portion of the Bonds is now repayable by the Successor Agency, the Public Financing Authority has recorded a receivable from the Successor Agency in the amount of its share of the Bonds, which was \$535,000 at June 30, 2012. The balance at June 30, 2015 is \$465,000. The 2012 Revenue Bonds have been recorded as liabilities of the enterprise funds from which repayment is expected.

B. Capital Lease

On January 1, 2008, the City entered into a lease agreement in the amount of \$597,034 at 4.75% with Municipal Finance Corporation to finance the acquisition of certain real property. Semi-annual principal and interest payments of \$28,052 are due on March 27 and September 27 beginning on March 27, 2009 through March 27, 2023.

C. Lease Payable

The City entered into a Lease Agreement with PNC Equipment Finance to fund a portion of the Solar Energy Project. The total amount financed is \$595,606. The obligation funded solar energy improvements in the Wastewater Enterprise Fund, the City's General Fund, and the Special Revenue Funds Lighting District and Lighting and Landscaping District. Amounts due under the lease obligation will start in January of 2015. Annual payments ranging from \$26,194 to \$82,908 will be due each January thereafter for a total of 15 years.

D. Loan Payable

The City entered into a Loan Agreement with the California Energy Commission to fund a portion of the Solar Energy Project. The total amount financed is \$1,1297,790. The obligation funded solar energy improvements in the Wastewater Enterprise Fund and the City's General Fund. As of June 30, 2014, the project was in process. Amounts due under the lease obligation will commence in December of 2015. Bi-annual payments of \$50,423 will be due for the next 14 years. The loan is at a stated rate of interest of 1%.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

7. LONG-TERM LIABILITIES, Continued

F. Debt Service Requirements

Annual debt service requirements are shown below:

Year Ending June 30,	Capital Lease		2012 Refunding Revenue Bonds		California Energy Commission	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 40,870	\$ 15,234	\$ 290,000	\$ 112,465	\$ 88,500	\$ 12,003
2018	42,834	13,269	285,000	104,024	89,387	11,115
2019	44,893	11,211	290,000	94,641	90,283	10,219
2020	47,050	9,053	305,000	84,183	91,164	9,339
2021	49,312	6,791	305,000	72,708	92,102	8,400
2022-2026	105,847	6,358	735,000	258,688	474,534	27,980
2027-2031	-	-	745,000	44,900	296,296	5,214
Total	<u>\$ 330,806</u>	<u>\$ 61,916</u>	<u>\$ 2,955,000</u>	<u>\$ 771,609</u>	<u>\$ 1,222,266</u>	<u>\$ 84,270</u>
Due within one year	\$ 40,870	\$ 15,234	\$ 290,000	\$ 112,465	\$ 88,500	\$ 12,003
Due after one year	289,936	46,682	2,665,000	659,144	1,133,766	72,267
Total	<u>\$ 330,806</u>	<u>\$ 61,916</u>	<u>\$ 2,955,000</u>	<u>\$ 771,609</u>	<u>\$ 1,222,266</u>	<u>\$ 84,270</u>
Reconciliation of Long Term Debt:						
Less Deferred Amount on Refunding				(413,622)		
Total				<u>\$ 2,541,378</u>		

Year Ending June 30,	PNC Equipment Lease Payable		Water Purchase Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 33,642	\$ 19,240	\$ 170,300	\$ 90,982	\$ 623,312	\$ 249,924
2018	39,277	18,049	175,600	85,702	632,098	232,159
2019	45,306	16,659	181,100	80,260	651,582	212,990
2020	11,139	15,055	186,700	74,644	641,053	192,274
2021	16,872	14,660	192,600	68,858	655,886	171,417
2022-2026	185,960	59,744	1,057,300	250,904	2,558,641	603,674
2027-2031	211,303	15,631	971,300	76,436	2,223,899	142,181
Total	<u>\$ 543,499</u>	<u>\$ 159,038</u>	<u>\$ 2,934,900</u>	<u>\$ 727,786</u>	<u>\$ 7,986,471</u>	<u>\$ 1,804,619</u>
Due within one year	\$ 33,642	\$ 19,240	\$ 170,300	\$ 90,982	\$ 623,312	\$ 249,924
Due after one year	509,857	139,798	2,764,600	636,804	7,363,159	1,554,695
Total	<u>\$ 543,499</u>	<u>\$ 159,038</u>	<u>\$ 2,934,900</u>	<u>\$ 727,786</u>	<u>\$ 7,986,471</u>	<u>\$ 1,804,619</u>
Reconciliation of Long Term Debt:						
Less Deferred Amount on Refunding						(413,622)
Total						<u>\$ 7,572,849</u>

F. Bond Issuance Costs and Original Issue Discounts and Premiums

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source gross of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

7. LONG-TERM LIABILITIES, Continued

Any difference between proprietary refunded debt and the debt issued to refund is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

G. Compensated Absences

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences within the current year. Compensated absences had a balance of \$44,898 for governmental funds and \$32,866 for proprietary funds at June 30, 2016.

8. NET POSITION/ FUND BALANCES

Net Position

	Governmental Activities	Business-type Activities	Total
Net Investment in Capital Assets	\$ 16,036,682	\$ 6,317,705	\$ 22,354,387
Restricted	935,538	409,794	1,345,332
Unrestricted	2,165,100	(2,086,231)	78,869
Total	<u>\$ 19,137,320</u>	<u>\$ 4,641,268</u>	<u>\$ 23,778,588</u>

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

Fund Balance

Nonspendable, Restricted, Assigned, and Unassigned fund balance consisted of the following at June 30, 2016:

Nonspendable:	
Advances	\$ 390,225
Total Nonspendable	<u>\$ 390,225</u>
Restricted:	
Governmental Funds:	
Community Development	\$ 214,935
Gas Tax	6,379
Lighting District	48,925
Abandoned Vehicle Abatement	23,857
Impact Fee	253,858
Total Restricted	<u>\$ 547,954</u>
Unassigned (deficit):	
General Fund	\$ 1,709,870
Lighting and Landscaping	(2,641)
CIP Parks	(29,011)
CIP Streets and Roads	(356)
Total Unassigned	<u>\$ 1,677,862</u>

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

8. NET POSITION/ FUND BALANCES, Continued

The following describe the purpose of each nonspendable, restricted, assigned, and unassigned category used by the City:

Nonspendable: Unavailable funds classified for advances.

Restricted: Funds restricted by external enforceable legal restricted.

Assigned: Funds assigned internally for specific capital uses.

Unassigned: Total funds available after Nonspendable, restricted, and assigned.

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2016, for the following funds:

	<u>Final Budget</u>	<u>Total Expenditures and Transfers</u>	<u>Excess Expenditures Over Appropriations</u>
<u>Governmental Activities</u>			
Nonmajor Funds:			
Local Transportation	69,136	69,355	(219)
CIP Parks	1,623,350	1,670,371	(47,021)

9. INTERFUND TRANSACTIONS

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 funds are made.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

9. INTERFUND TRANSACTIONS, Continued

Due to and due from other funds consisted of the following as of June 30, 2016:

	Due from Other Funds	Due to Other Funds
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 373,292	\$ -
Total Major Funds	<u>373,292</u>	<u>-</u>
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax	-	15,682
Local Transportation	-	53,515
Lighting and landscaping		1,137
Total Special Revenue Funds	<u>-</u>	<u>70,334</u>
Capital Projects Funds:		
CIP Parks	\$ -	\$ 302,602
CIP Streets and Roads	-	356
Total Capital Projects Funds	<u>-</u>	<u>302,958</u>
Total governmental funds	<u>373,292</u>	<u>373,292</u>
<u>Proprietary Funds</u>		
Major Enterprise Funds:		
Wastewater Treatment	100,000	-
Water System	-	136,370
Public Financing Authority	36,370	
Major Enterprise Funds	<u>136,370</u>	<u>136,370</u>
Total	<u>\$ 509,662</u>	<u>\$ 509,662</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

9. INTERFUND TRANSACTIONS, Continued

Transfers consisted of the following at June 30, 2016:

	Transfers in	Transfers out
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 271,882	\$ 217,107
Community Development Special Revenue	163,650	163,650
Total Major Funds	<u>435,532</u>	<u>380,757</u>
Nonmajor Funds:		
Special Revenue Funds:		
Gas Tax	-	192,528
Local Transportation	-	69,355
Total Special Revenue	<u>-</u>	<u>261,883</u>
Capital Projects Funds:		
CIP Parks	169,688	-
CIP Streets and Roads	47,419	-
Total Capital Projects	<u>217,107</u>	<u>-</u>
Total Governmental Funds	<u>652,639</u>	<u>642,640</u>
<u>Proprietary Funds</u>		
Major Enterprise Funds:		
Wastewater Treatment	346,292	348,792
Water System	105,741	113,240
Major Enterprise Funds	<u>452,033</u>	<u>462,032</u>
Total	<u>\$ 1,104,672</u>	<u>\$ 1,104,672</u>

10. RISK MANAGEMENT

The City participates with other public entities in a joint venture under a joint powers agreement which established the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and the CSJVRMA is such that the CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under the City's self-insurance retention of \$10,000 and workers' compensation losses under the City's self-insurance retention of \$10,000. The CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,001 to \$29,000,000. The CSJVRMA participates in an excess pool, which provides workers' compensation coverage from \$500,001 to \$5,000,000 and also purchases excess insurance above the \$5,000,000 to the statutory limit.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

10. RISK MANAGEMENT

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

Detailed financial information may be obtained from the CSJVRMA.

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with the governing documents. There were no excess claims over premiums for any of the City's risk management programs in 2014-2015, and there were no changes to the City's insurance coverage from the prior year.

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous, PEPRMA Miscellaneous or Safety Employee Pension Plan (Plans), cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	8% Main, 9.067% PERPA
Required employer contribution rates	16.25%	9.067% Main, 6.237% PERPA

Contributions -Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>	<u>Safety</u>
Contributions - employer	\$ 157,689	\$ 7,097	\$ -

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the City reported a net pension liability for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 880,997
PEPRA	(93)
Safety	(20,602)
Total Net Pension Liability	<u>\$ 860,302</u>

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2015 was as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>	<u>Safety</u>
Proportion - June 30, 2015	0.032113%	-0.000003%	-0.00050%

For the year ended June 30, 2015, the City recognized pension expense of \$112,939. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions paid to CalPERS subsequent to measurement date	\$ 124,798	\$ -
Differences between expected and actual experiences	8,243	-
Changes in assumptions	-	77,983
Differences between the employer's contributions and the employer's proportionate share of the contributions	-	164,786
Net differences between projected and actual earnings on plan investments	199,885.00	123,159
Adjustments due to differences in proportions	18,987.00	-
Total	<u>\$ 351,913</u>	<u>\$ 365,928</u>

\$124,798 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

Year Ended June 30	
2016	\$ 51,517
2017	51,517
2018	51,517
2019	40,172
2020	(55,910)
Thereafter	-

Actuarial Assumptions -The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	
Valuation Date	June 30, 2014	
Measurement	June 30, 2015	
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	
Inflation	2.75%	
Payroll Growth	3%	
Projected Salary Increase	Varies by entry age and service	(1)
Investment Rate of Return	7.50%	(2)
Mortality	Derived using CalPERS' Membership Data for all Funds	

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate -The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability as of June 30, 2015			
Miscellaneous Plan	\$ 1,477,494	\$ 880,997	\$ 388,520
PEPRA Plan	(157)	(93)	(41)
Safety Plan	(33,032)	(20,602)	(10,409)
Total	\$ 1,444,305	\$ 860,302	\$ 378,070

Pension Plan Fiduciary Net Position -Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Waterford that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number .

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2013. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City included in the fund financial statements as Former Redevelopment Agency Special Revenue Fund and Low/Moderate Income Housing Fund.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2016

12. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, CONTINUED

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

13. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Commitments

The City had no significant unexpended contractual commitments as of June 30, 2016.

14. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 72, "*Fair Value Measurement and Application*". The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The City implemented this statement for year ended June 30, 2016. The implementation of this statement did not have an effect on the financial statements.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2015

14. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, “*Accounting and Financial Reporting for Pensions*”, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, “*Financial Reporting for Pension Plans*”, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The City will evaluate the applicability of the provisions of this Statement and implement it in the applicable year, accordingly.

The GASB has issued Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The City will implement this Statement in fiscal year ending June 30, 2017.

City of Waterford, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2015

14. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, as amended, and No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*”, for OPEB. Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, establishes new accounting and financial reporting requirements for OPEB plans. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

The GASB has issued Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The City implemented this statement for year ended June 30, 2016. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 77, “*Tax Abatement Disclosures*”. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

City of Waterford, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Contractually required contribution (actuarially determined)	\$ 157,689	\$ 114,483
Contributions in relation to the actuarially determined contributions	<u>157,689</u>	<u>114,483</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,077,805	\$ 818,442
Contribution as a percentage of covered-employee payroll	14.63%	13.99%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation for the Miscellaneous Plan, therefore only the first two years were available.

City of Waterford, California
Required Supplementary Information - Schedule of Contributions
PEPRA Miscellaneous Plan
Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 7,097
Contributions in relation to the actuarially determined contributions	<u>7,097</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 114
Contribution as a percentage of covered-employee payroll	6225.44%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2016 was the first year of implementation for the PEPRA Miscellaneous Plan, therefore only the first year was available.

City of Waterford, California

Required Supplementary Information - Schedule of Contributions

Safety Plan

Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 16,781
Contribution as a percentage of covered-employee payroll	0.00%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2016 was the first year of implementation for the Safety Plan, therefore only the first year was available.

City of Waterford, California
Required Supplementary Information - Schedule of the City's Proportionate
Share of the Net Pension Liability
Miscellaneous Plan
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.03211%	0.01125%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 880,998	\$ 699,969
Plan's Covered-Employee Payroll	\$ 1,077,805	\$ 818,442
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	81.74%	85.52%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.92%	50.84%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 157,689	\$ 79,847

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2015 was the first year of implementation for the Miscellaneous Plan, therefore only the first two years were available.

City of Waterford, California
Required Supplementary Information - Schedule of the City's Proportionate
Share of the Net Pension Liability
PEPRA Miscellaneous Plan
Last 10 Fiscal Years*

	2015
Plan's Proportion of the Net Pension Liability/(Asset)	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ (93)
Plan's Covered-Employee Payroll	\$ 114
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-81.92%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	100.86%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 7,097

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2016 was the first year of implementation for the PEPRA Miscellaneous Plan, therefore only the first year was available.

City of Waterford, California
Required Supplementary Information - Schedule of the City's Proportionate
Share of the Net Pension Liability
Safety Plan
Last 10 Fiscal Years*

	2015
Plan's Proportion of the Net Pension Liability/(Asset)	-0.00050%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 20,602
Plan's Covered-Employee Payroll	\$ 16,781
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	122.77%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	101.26%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ -

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* - Fiscal year 2016 was the first year of implementation for the Safety Plan, therefore only the first year was available.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Special Revenue	These funds account for restricted revenues (for specified purposes).
City Capital Projects Fund	This fund accounts for construction or acquisition of governmental capital assets (capital outlay).

City of Waterford, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Governmental Funds		Non-Major Funds Totals
	Special Revenue Funds	Capital Projects Funds	
ASSETS			
Cash and investments	\$ 355,662	\$ -	\$ 355,662
Receivables:			
Intergovernmental	75,576	468,622	544,198
Other receivable	446	-	446
Total assets	\$ 431,684	\$ 468,622	\$ 900,306
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,035	\$ 195,031	\$ 198,066
Due to other funds	70,334	302,958	373,292
Due to other governments	27,937	-	27,937
Total liabilities	101,306	497,989	599,295
Fund Balances:			
Restricted	333,019	-	333,019
Unassigned (deficit)	(2,641)	(29,367)	(32,008)
Total fund balances	330,378	(29,367)	301,011
Total liabilities and fund balances	\$ 431,684	\$ 468,622	\$ 900,306

City of Waterford, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2015

	Governmental Funds		Non-Major Funds Totals
	Special Revenue Funds	Capital Projects Funds	
REVENUES:			
Taxes and assessments	\$ 255,771	\$ -	\$ 255,771
Intergovernmental	277,897	1,506,203	1,784,100
Use of money and property	1,954	-	1,954
Other revenues	-	-	-
Total revenues	535,622	1,506,203	2,041,825
EXPENDITURES:			
Current:			
Public ways and facilities	63,048	-	63,048
Police services	8,675	-	8,675
Capital outlay	5,000	1,670,727	1,675,727
Debt service:			
Principal	13,056	-	13,056
Interest and fiscal charges	9,312	-	9,312
Total expenditures	99,091	1,670,727	1,769,818
REVENUES OVER (UNDER) EXPENDITURES	436,531	(164,524)	272,007
OTHER FINANCING SOURCES (USES):			
Transfers in	-	217,107	217,107
Transfers out	(261,883)	-	(261,883)
Total other financing sources (uses)	(261,883)	217,107	(44,776)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	174,648	52,583	227,231
FUND BALANCES:			
Beginning of year	155,730	(81,950)	73,780
End of year	\$ 330,378	\$ (29,367)	\$ 301,011

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NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
Gas Tax	Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code.
Local Transportation	Accounts for funds received and expended for streets and roads under the Transportation Development Act.
Lighting District	Accounts for Assessments collected and expended for the City of Waterford Lighting District.
Abandoned Vehicle Abatement	Accounts for funds received and expended for Abandoned Vehicle Abatement.
Lighting and Landscaping	Accounts for Assessments collected and expended for the City of Waterford Lighting and Landscaping District.
Impact Fees	Accounts for Development Impact Fees collected and expended.

City of Waterford, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	<u>Gas Tax</u>	<u>Local Transportation</u>	<u>Lighting District</u>
ASSETS			
Cash and investments	\$ -	\$ -	\$ 50,010
Receivables:			
Intergovernmental	15,682	59,894	-
Other receivable	-	-	-
Total assets	<u>\$ 15,682</u>	<u>\$ 59,894</u>	<u>\$ 50,010</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,085
Due to other funds	15,682	53,515	-
Due to other governments	-	-	-
Total liabilities	<u>15,682</u>	<u>53,515</u>	<u>1,085</u>
Fund Balances:			
Restricted	-	6,379	48,925
Unassigned (deficit)	-	-	-
Total fund balances	<u>-</u>	<u>6,379</u>	<u>48,925</u>
Total liabilities and fund balances	<u>\$ 15,682</u>	<u>\$ 59,894</u>	<u>\$ 50,010</u>

Abandoned Vehicle Abatement	Lighting and Landscaping	Impact Fee	Totals
\$ 23,857	\$ -	\$ 281,795	\$ 355,662
-	-	-	75,576
-	446	-	446
<u>\$ 23,857</u>	<u>\$ 446</u>	<u>\$ 281,795</u>	<u>\$ 431,684</u>
\$ -	\$ 1,950	\$ -	\$ 3,035
-	1,137	-	70,334
-	-	27,937	27,937
-	3,087	27,937	101,306
23,857	-	253,858	333,019
-	(2,641)	-	(2,641)
<u>23,857</u>	<u>(2,641)</u>	<u>253,858</u>	<u>330,378</u>
<u>\$ 23,857</u>	<u>\$ 446</u>	<u>\$ 281,795</u>	<u>\$ 431,684</u>

City of Waterford, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the year ended June 30, 2016

	Gas Tax	Local Transportation	Lighting District
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ 36,146
Intergovernmental	191,894	75,695	115
Use of money and property	634	39	243
Other revenues	-	-	-
Total revenues	192,528	75,734	36,504
EXPENDITURES:			
Current:			
Public ways and facilities	-	-	7,204
Police services	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	6,528
Interest	-	-	4,656
Total expenditures	-	-	18,388
REVENUES OVER (UNDER) EXPENDITURES	192,528	75,734	18,116
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(192,528)	(69,355)	-
Total other financing sources and uses	(192,528)	(69,355)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	6,379	18,116
FUND BALANCES:			
Beginning of year	-	-	30,809
End of year	\$ -	\$ 6,379	\$ 48,925

Abandoned Vehicle Abatement	Lighting and Landscaping	Impact Fee	Totals
\$ -	\$ 67,376	\$ 152,249	\$ 255,771
10,193	-	-	277,897
169	3	866	1,954
-	-	-	-
10,362	67,379	153,115	535,622
-	55,844	-	63,048
8,675	-	-	8,675
-	5,000	-	5,000
-	6,528	-	13,056
-	4,656	-	9,312
8,675	72,028	-	99,091
1,687	(4,649)	153,115	436,531
-	-	-	-
-	-	-	(261,883)
-	-	-	(261,883)
1,687	(4,649)	153,115	174,648
22,170	2,008	100,743	155,730
\$ 23,857	\$ (2,641)	\$ 253,858	\$ 330,378

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 192,854	\$ 192,854	\$ 191,894	\$ (960)
Use of money and property	700	700	634	(66)
Total revenues	193,554	193,554	192,528	(1,026)
EXPENDITURES:				
Current:				
Public ways and facilities	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	193,554	193,554	192,528	(1,026)
OTHER FINANCING SOURCES (USES):				
Transfers out	(205,000)	(398,000)	(192,528)	205,472
Total other financing sources (uses)	(205,000)	(398,000)	(192,528)	205,472
Net change in fund balances	(11,446)	(204,446)	-	204,446
FUND BALANCES (DEFICIT):				
Beginning of year	-	-	-	-
End of year	\$ (11,446)	\$ (204,446)	\$ -	\$ 204,446

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Local Transportation Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 142,000	\$ 75,695	\$ 75,695	\$ -
Use of money and property	-	-	39	39
Total revenues	142,000	75,695	75,734	39
EXPENDITURES:				
Current:				
Public ways and facilities	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	142,000	75,695	75,734	39
OTHER FINANCING SOURCES (USES):				
Transfers out	(142,000)	(69,136)	(69,355)	(219)
Total other financing sources (uses)	(142,000)	(69,136)	(69,355)	(219)
Net change in fund balances	-	6,559	6,379	(180)
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ 6,559	\$ 6,379	\$ (180)

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Lighting District Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 28,600	\$ 28,600	\$ 36,146	\$ 7,546
Intergovernmental	-	-	115	115
Use of money and property	-	-	243	243
Total revenues	28,600	28,600	36,504	7,904
EXPENDITURES:				
Current:				
Public ways and facilities	154,215	20,590	7,204	13,386
Capital outlay	-	-	-	-
Debt service:				
Principal	6,528	6,528	6,528	-
Interest	4,656	4,656	4,656	-
Total expenditures	165,399	31,774	18,388	13,386
REVENUES OVER (UNDER) EXPENDITURES	(136,799)	(3,174)	18,116	21,290
OTHER FINANCING SOURCES (USES):				
Transfers out	22,564	17,265	-	(17,265)
Total other financing sources (uses)	22,564	17,265	-	(17,265)
Net change in fund balances	159,363	20,439	18,116	4,025
FUND BALANCES:				
Beginning of year	30,809	30,809	30,809	-
End of year	\$ 190,172	\$ 51,248	\$ 48,925	\$ 4,025

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Abandoned Vehicle Abatement Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 11,000	\$ 11,000	\$ 10,193	\$ (807)
Use of money and property	-	-	169	169
Total revenues	11,000	11,000	10,362	(638)
EXPENDITURES:				
Current:				
Police services	11,000	11,000	8,675	2,325
Total expenditures	11,000	11,000	8,675	2,325
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	1,687	1,687
Net change in fund balances	-	-	1,687	1,687
FUND BALANCES:				
Beginning of year	22,170	22,170	22,170	-
End of year	\$ 22,170	\$ 22,170	\$ 23,857	\$ 1,687

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Lighting and Landscaping Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 67,000	\$ 67,000	\$ 67,376	\$ 376
Use of money and property	-	-	3	3
Total revenues	67,000	67,000	67,379	379
EXPENDITURES:				
Current:				
Public ways and facilities	78,380	73,081	55,844	17,237
Capital outlay	-	-	5,000	(5,000)
Debt service:				
Principal	6,528	6,528	6,528	-
Interest	4,656	4,656	4,656	-
Total expenditures	89,564	84,265	72,028	12,237
REVENUES OVER (UNDER)				
EXPENDITURES	(22,564)	(17,265)	(4,649)	12,616
OTHER FINANCING SOURCES (USES):				
Transfers in	22,564	17,265	-	(17,265)
Total other financing sources (uses)	22,564	17,265	-	(17,265)
Net change in fund balances	-	-	(4,649)	(4,649)
FUND BALANCES:				
Beginning of year	2,008	2,008	2,008	-
End of year	\$ 2,008	\$ 2,008	\$ (2,641)	\$ (4,649)

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Impact Fee Special Revenue Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 900	\$ 900	\$ 866	\$ (34)
Total revenues	<u>900</u>	<u>900</u>	<u>153,115</u>	<u>152,215</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>900</u>	<u>900</u>	<u>153,115</u>	<u>152,215</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>900</u>	<u>900</u>	<u>153,115</u>	<u>152,215</u>
FUND BALANCES:				
Beginning of year	100,743	100,743	100,743	-
End of year	<u>\$ 101,643</u>	<u>\$ 101,643</u>	<u>\$ 253,858</u>	<u>\$ 152,215</u>

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NON-MAJOR CAPITAL PROJECTS FUNDS

Fund	Description
CIP Parks	To account for all parks related construction projects.
CIP Streets and Roads	To account for all streets and roads construction projects.

City of Waterford, California
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2016

	CIP Parks	CIP Streets and Roads	Totals
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Receivables:			
Intergovernmental	468,622	-	468,622
Total assets	<u>\$ 468,622</u>	<u>\$ -</u>	<u>\$ 468,622</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 195,031	\$ -	\$ 195,031
Due to other funds	302,602	356	302,958
Total liabilities	<u>497,633</u>	<u>356</u>	<u>497,989</u>
Fund Balances:			
Unassigned (deficit)	<u>(29,011)</u>	<u>(356)</u>	<u>(29,367)</u>
Total fund balances	<u>(29,011)</u>	<u>(356)</u>	<u>(29,367)</u>
Total liabilities and fund balances	<u>\$ 468,622</u>	<u>\$ -</u>	<u>\$ 468,622</u>

City of Waterford, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the year ended June 30, 2016

	CIP Parks	CIP Streets and Roads	Totals
REVENUES:			
Intergovernmental	\$ 1,494,453	\$ 11,750	\$ 1,506,203
Other revenues	-	-	-
Total revenues	<u>1,494,453</u>	<u>11,750</u>	<u>1,506,203</u>
EXPENDITURES:			
Current:			
Capital outlay	<u>1,670,371</u>	<u>356</u>	<u>1,670,727</u>
Total expenditures	<u>1,670,371</u>	<u>356</u>	<u>1,670,727</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(175,918)</u>	<u>11,394</u>	<u>(164,524)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	169,688	47,419	217,107
Transfers out	-	-	-
Total other financing sources and uses	<u>169,688</u>	<u>47,419</u>	<u>217,107</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>(6,230)</u>	<u>58,813</u>	<u>52,583</u>
FUND BALANCES:			
Beginning of year	<u>(22,781)</u>	<u>(59,169)</u>	<u>(81,950)</u>
End of year	<u>\$ (29,011)</u>	<u>\$ (356)</u>	<u>\$ (29,367)</u>

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

CIP Parks Capital Projects Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,137,500	\$ 1,512,500	\$ 1,494,453	\$ (18,047)
Total revenues	<u>1,137,500</u>	<u>1,512,500</u>	<u>1,494,453</u>	<u>(18,047)</u>
EXPENDITURES:				
Capital outlay	1,287,500	1,623,350	1,670,371	(47,021)
Total expenditures	<u>1,287,500</u>	<u>1,623,350</u>	<u>1,670,371</u>	<u>(47,021)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(150,000)</u>	<u>(110,850)</u>	<u>(175,918)</u>	<u>(65,068)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	150,000	150,000	169,688	19,688
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>169,688</u>	<u>19,688</u>
Net change in fund balances	-	39,150	(6,230)	(45,380)
FUND BALANCES (DEFICIT):				
Beginning of year	(22,781)	(22,781)	(22,781)	-
End of year	<u>\$ (22,781)</u>	<u>\$ 16,369</u>	<u>\$ (29,011)</u>	<u>\$ (45,380)</u>

City of Waterford, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

CIP Streets and Roads Capital Projects Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 11,750	\$ (388,250)
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>11,750</u>	<u>(388,250)</u>
EXPENDITURES:				
Capital outlay	400,000	388,250	356	387,894
Total expenditures	<u>400,000</u>	<u>388,250</u>	<u>356</u>	<u>387,894</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>11,750</u>	<u>11,394</u>	<u>(356)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	47,419	47,419	-
Total other financing sources (uses)	<u>-</u>	<u>47,419</u>	<u>47,419</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>59,169</u>	<u>58,813</u>	<u>(356)</u>
FUND BALANCES:				
Beginning of year	(59,169)	(59,169)	(59,169)	-
End of year	<u>\$ (59,169)</u>	<u>\$ -</u>	<u>\$ (356)</u>	<u>\$ (356)</u>

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AGENCY FUNDS

Fund	Description
Agency Funds	
Assessment Districts:	Accounts for assessments made on properties in the respective District to pay for debt issued for infrastructure in the District.
1991-1	
1991-3	
1991-5	
1991-7	
1992-2	
1992-4	
1992-5	
1993-1	

City of Waterford, California
Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2016

	<u>Assessment District 1991-1</u>	<u>Assessment District 1991-3</u>	<u>Assessment District 1991-5</u>	<u>Assessment District 1991-7</u>	<u>Assessment District 1992-2</u>
ASSETS					
Cash and investments	\$ 18,670	\$ 5,762	\$ 53,817	\$ 11,356	\$ 1,030
Total assets	<u>\$ 18,670</u>	<u>\$ 5,762</u>	<u>\$ 53,817</u>	<u>\$ 11,356</u>	<u>\$ 1,030</u>
LIABILITIES					
Due to others	\$ 18,670	\$ 5,762	\$ 53,817	\$ 11,356	\$ 1,030
Total liabilities	<u>\$ 18,670</u>	<u>\$ 5,762</u>	<u>\$ 53,817</u>	<u>\$ 11,356</u>	<u>\$ 1,030</u>

Assessment District 1992-4	Assessment District 1992-5	Assessment District 1993-1	Totals
\$ -	\$ 70,004	\$ 3,416	\$ 164,055
\$ -	\$ 70,004	\$ 3,416	\$ 164,055
\$ -	\$ 70,004	\$ 3,416	\$ 164,055
\$ -	\$ 70,004	\$ 3,416	\$ 164,055

City of Waterford, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<hr/> 1991-1 <hr/>				
ASSETS				
Cash and investments	\$ 28,726	\$ 18,670	\$ (28,726)	\$ 18,670
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 28,726</u>	<u>\$ 18,670</u>	<u>\$ (28,726)</u>	<u>\$ 18,670</u>
LIABILITIES				
Due to (from) others	\$ 28,726	\$ 18,670	\$ (28,726)	\$ 18,670
Total liabilities	<u>\$ 28,726</u>	<u>\$ 18,670</u>	<u>\$ (28,726)</u>	<u>\$ 18,670</u>
<hr/> 1991-3 <hr/>				
ASSETS				
Cash and investments	\$ 16,407	\$ 5,762	\$ (16,407)	\$ 5,762
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 16,407</u>	<u>\$ 5,762</u>	<u>\$ (16,407)</u>	<u>\$ 5,762</u>
LIABILITIES				
Due to (from) others	\$ 16,407	\$ 5,762	\$ (16,407)	\$ 5,762
Total liabilities	<u>\$ 16,407</u>	<u>\$ 5,762</u>	<u>\$ (16,407)</u>	<u>\$ 5,762</u>
<hr/> 1991-5 <hr/>				
ASSETS				
Cash and investments	\$ 56,938	\$ 53,817	\$ (56,938)	\$ 53,817
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 56,938</u>	<u>\$ 53,817</u>	<u>\$ (56,938)</u>	<u>\$ 53,817</u>
LIABILITIES				
Due to (from) others	\$ 56,938	\$ 53,817	\$ (56,938)	\$ 53,817
Total liabilities	<u>\$ 56,938</u>	<u>\$ 53,817</u>	<u>\$ (56,938)</u>	<u>\$ 53,817</u>

(continued)

City of Waterford, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

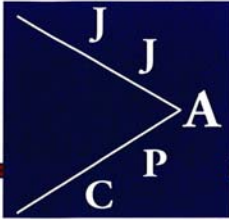
	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<hr/> 1991-7 <hr/>				
ASSETS				
Cash and investments	\$ 21,013	\$ 11,356	\$ (21,013)	\$ 11,356
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 21,013</u>	<u>\$ 11,356</u>	<u>\$ (21,013)</u>	<u>\$ 11,356</u>
LIABILITIES				
Due to (from) others	\$ 21,013	\$ 11,356	\$ (21,013)	\$ 11,356
Total liabilities	<u>\$ 21,013</u>	<u>\$ 11,356</u>	<u>\$ (21,013)</u>	<u>\$ 11,356</u>
<hr/> 1992-2 <hr/>				
ASSETS				
Cash and investments	\$ 14,407	\$ 1,030	\$ (14,407)	\$ 1,030
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 14,407</u>	<u>\$ 1,030</u>	<u>\$ (14,407)</u>	<u>\$ 1,030</u>
LIABILITIES				
Due to (from) others	\$ 14,407	\$ 1,030	\$ (14,407)	\$ 1,030
Total liabilities	<u>\$ 14,407</u>	<u>\$ 1,030</u>	<u>\$ (14,407)</u>	<u>\$ 1,030</u>
<hr/> 1992-4 <hr/>				
ASSETS				
Cash and investments	\$ 8,771	\$ -	\$ (8,771)	\$ -
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 8,771</u>	<u>\$ -</u>	<u>\$ (8,771)</u>	<u>\$ -</u>
LIABILITIES				
Due to (from) others	\$ 8,771	\$ -	\$ (8,771)	\$ -
Total liabilities	<u>\$ 8,771</u>	<u>\$ -</u>	<u>\$ (8,771)</u>	<u>\$ -</u>

(continued)

City of Waterford, California
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
1992-5				
ASSETS				
Cash and investments	\$ 55,859	\$ 70,004	\$ (55,859)	\$ 70,004
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 55,859</u>	<u>\$ 70,004</u>	<u>\$ (55,859)</u>	<u>\$ 70,004</u>
LIABILITIES				
Due to (from) others	\$ 55,859	\$ 70,004	\$ (55,859)	\$ 70,004
Total liabilities	<u>\$ 55,859</u>	<u>\$ 70,004</u>	<u>\$ (55,859)</u>	<u>\$ 70,004</u>
1993-1				
ASSETS				
Cash and investments	\$ 15,918	\$ 3,416	\$ (15,918)	\$ 3,416
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 15,918</u>	<u>\$ 3,416</u>	<u>\$ (15,918)</u>	<u>\$ 3,416</u>
LIABILITIES				
Due to (from) others	\$ 15,918	\$ 3,416	\$ (15,918)	\$ 3,416
Total liabilities	<u>\$ 15,918</u>	<u>\$ 3,416</u>	<u>\$ (15,918)</u>	<u>\$ 3,416</u>
TOTAL OF ALL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 218,039	\$ 164,055	\$ (218,039)	\$ 164,055
Receivables:				
Assessments	-	-	-	-
Total assets	<u>\$ 218,039</u>	<u>\$ 164,055</u>	<u>\$ (218,039)</u>	<u>\$ 164,055</u>
LIABILITIES				
Due to (from) others	\$ 218,039	\$ 164,055	\$ (218,039)	\$ 164,055
Total liabilities	<u>\$ 218,039</u>	<u>\$ 164,055</u>	<u>\$ (218,039)</u>	<u>\$ 164,055</u>

(concluded)



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**

Independent Auditor's Report

To the Honorable Mayor and City Council
of the City of Waterford
Waterford, California

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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Waterford (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 6, 2016

JJACPA, Inc.

JJACPA, Inc.
Dublin, CA