City of Patterson
Transportation Development Act Fund

Patterson, California

Independent Auditors' Reports and Financial Statements

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Patterson
Transportation Development Act Fund
For the Year Ended June 30, 2023

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

2121 North California Blvd., Suite 290
Walnut Creek, California 94596

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of the Transportation Development Act Fund (the "TDA Fund") of the City of Patterson, California (the "City") as of June 30, 2023 and the related statement of revenues, expenditures, and change in fund balance for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TDA Fund as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2023, and change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TDA Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and the Transportation Development Act, we have also issued our report dated March 28, 2024, on our consideration of the TDA Fund's internal control over financial reporting and on our tests of its compliance with the statutes, rules, and regulations of the California Transportation Development Act. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TDA Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Fund's internal control over financial reporting and compliance.

The Pun Group, LLP

Walnut Creek, California
March 28, 2024

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

2121 North California Blvd., Suite 290
Walnut Creek, California 94596

www.pungroup.cpa

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS,* AND WITH THE STATUTES, RULES AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Patterson
Patterson, 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 Transportation Development Act Fund (the "TDA Fund") of the City of Patterson, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over TDA Fund financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Transportation Development Act Fund financial statements are free from material misstatement, we performed tests of its compliance with the applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Stanislaus Council of Governments as required by Sections 6666 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Transportation Development Act.

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.

The Pun Group, LLP

Walnut Creek, California
March 28, 2024

City of Patterson
Transportation Development Act Fund
Balance Sheet
June 30, 2023

	LTF Transportation
ASSETS	
Cash and investments	$ 277,341
Interest receivable	474
Total assets	$ 277,815
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Unearned revenue	$ 308,494
Total liabilities	308,494
FUND BALANCE:	
Unrestricted (deficit)	(30,679)
Total fund balance (deficit)	(30,679)
Total liabilities and fund balance	$ 277,815

See accompanying Notes to the Basic Financial Statements.

City of Patterson
Transportation Development Act Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2023

	LTF Transportation
REVENUES:	
Interest	$ 1,838
Miscellaneous	1,000
Total revenues	2,838
OTHER FINANCING SOURCES (USES):	
Transfers out	(35,378)
Total other financing sources (uses)	(35,378)
Net change in fund balance	(32,540)
FUND BALANCE (DEFICIT):	
Beginning of year, as restated (Note 6)	1,861
End of year	$ (30,679)

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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City of Patterson
Transportation Development Act Fund
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For the Year Ended June 30, 2023

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Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements are prepared from the accounts and financial transactions of the Transportation Development Act Fund ("TDA Fund") of the City of Patterson, California (the "City") and have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies applicable to the TDA Fund are described below.

A. The Reporting Entity

The City operates under a Council-Manager form of government and provides the following services as authorized: public safety (police, fire and civil defense), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services. The City also provides water, garbage, and sewer service. It is governed by an elected five member council.

The financial statements of the TDA Fund are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Fund administered and disbursed by the City.

B. Fund Accounting

In accordance with Section 99400 (a) and (c) of the Transportation Development Act, monies are reported in the TDA Fund. The monies of the TDA Fund are the City's share of the Transportation Development Act allocations that are legally restricted for specific purposes. The operation of this fund is accounted for as a "Special Revenue Fund" in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

C. Basis of Accounting and Measurement Focus

The TDA Fund's financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances. This fund is accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and change in fund balance presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City defines available to be within 60 days.

D. Cash and Investments

The Transportation Development Act Fund's cash is pooled with the City's internal investment pool. Cash equivalents are reported as cash and are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition.

E. Fund Balance

The City reports fund balance for governmental funds in specific classifications (nonspendable, restricted, committed, assigned, and unassigned), which creates a hierarchy primarily based on the extent to which the City is bound to the constraints on the specific purpose for which funds can be spent. The TDA fund only receives restricted revenues, therefore any remaining fund balance is restricted by nature of the revenue received.

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Investments

The TDA Fund's share of the City's cash and investments at June 30, 2023 was $277,341.

Cash is deposited in the City's internal investment pool, which is reported at fair value. The TDA Fund do not own specifically identifiable securities in the City's pool. Interest income is allocated based on average cash balances. Investment policies and associates risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

Note 3 – Unearned Revenue

As of June 30, 2023, the balance of $297,142 is unearned revenue and consists of unspent funds of $297,142 of FY2016 Congestion Mitigation and Air Quality (CMAQ) Improvement funding and $11,352 of FY2015 Non-Motorized Sidewalks funding.

Note 4 – Transportation Development Act Compliance Requirements

Allocations and disbursements of the State Transit Assistance Fund and the Local Transportation Fund are made by the Stanislaus Council of Governments. Such allocations and disbursements are in accordance with written allocation instructions conveyed by the Stanislaus Council of Governments, the Transportation Development Act, and Section 6753 of the California Administrative Code.

Pursuant to Section 6750 (e) of the California Administrative Code, the Local Transportation Fund shall not be commingled with the State Transit Assistance Fund, or with any other revenues or funds of the regional entity, county, or operator. The Local Transportation Fund is maintained as a separate fund of the City.

Note 5 – Restrictions

Funds received pursuant to TDA Article 3 may only be used for pedestrian and bicycle projects.

Funds received pursuant to TDA Article 8e may only be used to pay for capital expenses incurred while contracting for transit services with profit making or non-profit companies for public transportation services as described in TDA Article 8e.

Note 6 – Prior Period Adjustments

The City has updated their accounts receivable policy in determining the amounts to be uncollectible. This determination is reflective of a change in accounting principle related to the assessment of the collectability of accrued receivables. The result of this change increased beginning fund balance by $976.

Note 7 – Deficit Fund Balance

As of June 30, 2023, the Local Transportation Fund ended the year with a deficit fund of $30,679. The City plans to address the deficit through additional funding through intergovernmental revenue or transfers from the City's General Fund.

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