

City of Patterson
Transportation Development Act Funds

Patterson, California

Independent Auditors' Reports
and Financial Statements

For the Year Ended June 30, 2020



City of Patterson
Transportation Development Act Funds
For the Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying balance sheet of the Transportation Development Act Funds (the "TDA Funds") of the City of Patterson (the "City") as of June 30, 2020 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TDA Funds as of June 30, 2020, 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.

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

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and the Transportation Development Act, we have also issued our report dated December 28, 2020, on our consideration of the TDA Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 PwC Group, LLP

Walnut Creek, California
December 28, 2020



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 Funds (the "TDA Funds") of the City of Patterson, California (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements and have issued our report thereon dated December 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over TDA Funds 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 may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether the City's Transportation Development Act Funds financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including 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 PwC Group, LLP

Walnut Creek, California
December 28, 2020

City of Patterson
Transportation Development Act Funds
Balance Sheet
June 30, 2020

	LTF Transportation
ASSETS	
Cash and investments	\$ 379,463
Interest receivable	472
Total assets	\$ 379,935
LIABILITIES AND FUND BALANCES	
LIABILITIES:	
Accounts payable	\$ 7,982
Unearned revenue	309,470
Total liabilities	317,452
FUND BALANCE:	
Restricted for transportation	62,483
Total fund balances	62,483
Total liabilities and fund balances	\$ 379,935

City of Patterson
Transportation Development Act Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2020

	LTF Transportation
REVENUES:	
Streets - SB325	\$ 37,679
Interest	4,175
Total revenues	41,854
EXPENDITURES:	
Capital outlay	8,038
Total expenditures	8,038
REVENUES OVER EXPENDITURES	33,816
OTHER FINANCING (USES):	
Transfers out	(11,398)
Total other financing (uses)	(11,398)
Net change in fund balance	22,418
FUND BALANCE:	
Beginning of year	40,065
End of year	\$ 62,483

NOTES TO THE FINANCIAL STATEMENTS

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City of Patterson
Transportation Development Act Funds
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For the Year Ended June 30, 2020

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City of Patterson
Transportation Development Act Funds
Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements are prepared from the accounts and financial transactions of the Transportation Development Act Funds (“TDA Funds”) 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 Funds are described below.

A. The Reporting Entity

The City of Patterson (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 Transportation Development Act Funds are intended to present the financial position and changes in financial position of only those transactions attributable to the TDA Funds administered and disbursed by the City of Patterson, California.

B. Fund Accounting

In accordance with Section 99400 (a) and (c) of the Transportation Development Act, monies are reported in the City’s TDA Funds. The monies of the TDA Funds are the City’s share of the Transportation Development Act allocations that are legally restricted for specific purposes. The operation of these funds is accounted for as “Special Revenue Funds” 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 Funds’ financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances. These funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. 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 Funds’ 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.

City of Patterson
Transportation Development Act Funds
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

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 funds only receive restricted revenues, therefore any remaining fund balances are restricted by nature of the revenue received.

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 Funds' share of the City's cash and investments at June 30, 2020 was \$379,463.

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

Note 3 – 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 4 – 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 5 – Transfer

During fiscal year ended June 30, 2020, the City transferred \$11,398 from the TDA Funds to the City's Street Projects Special Revenue Fund for transit related street projects.