
**CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
2515 VENTURE OAKS WAY, SUITE 135
SACRAMENTO, CA 95833**

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Balance Sheet as of June 30, 2015	3
Balance Sheet as of June 30, 2014	4
Statement of Revenues, Expenditures and Changes in Fund Balances - June 30, 2015	5
Statement of Revenues, Expenditures and Changes in Fund Balances - June 30, 2014	6
Notes to Financial Statements	7 - 9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the <i>AVA Program Handbook</i>	10 - 11
Report on Compliance Over Financial Reporting Based on Audits of Financial Statements Performed in Accordance with the Statutes, Rules and Regulations of the California Transportation Development Act and the Allocation Instructions and Resolutions of the Stanislaus Council of Governments	12



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
Patterson, California

Report on the Financial Statements

We have audited the accompanying balance sheets of the of the Transportation Development Act Funds of the City of Patterson, and the related statements of revenues, expenditures, and changes in fund balances as of and for the years ended June 30, 2015 and 2014, and the related notes to the 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 Transportation Development Act Funds of the City of Patterson, as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Transportation Development Act Funds of the City of Patterson and are not intended to present fairly the financial position and results of operation of the City of Patterson in conformity with accounting principles generally accepted in the United States of America.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of the Transportation Development Act Funds of the City of Patterson'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 Transportation Development Act Funds of the City of Patterson's internal control over financial reporting and compliance.

Mamanti NLPAs

Sacramento, California
October 27, 2016

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
BALANCE SHEET
JUNE 30, 2015

	<u>LTF</u> <u>Transportation</u>	<u>Abandoned</u> <u>Vehicle</u> <u>Abatement</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 3)	\$ 398,269	\$ -	\$ 398,269
Due from other governments	160,512	-	160,512
Interest receivable	<u>118</u>	<u>-</u>	<u>118</u>
TOTAL ASSETS	<u>\$ 558,899</u>	<u>\$ -</u>	<u>\$ 558,899</u>
<u>LIABILITIES</u>			
Deferred revenue	\$ <u>12,328</u>	\$ -	\$ <u>12,328</u>
TOTAL LIABILITIES	<u>12,328</u>	<u>-</u>	<u>12,328</u>
<u>FUND BALANCES</u>			
Restricted	<u>546,571</u>	<u>-</u>	<u>546,571</u>
TOTAL FUND BALANCES	<u>\$ 546,571</u>	<u>\$ -</u>	<u>\$ 546,571</u>

See accompanying notes to the financial statements.

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
BALANCE SHEET
JUNE 30, 2014

	<u>LTF</u> <u>Transportation</u>	<u>Abandoned</u> <u>Vehicle</u> <u>Abatement</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments (Note 3)	\$ 267,959	\$ -	\$ 267,959
Interest receivable	<u>68</u>	<u>-</u>	<u>68</u>
TOTAL ASSETS	<u>\$ 268,027</u>	<u>\$ -</u>	<u>\$ 268,027</u>
<u>LIABILITIES</u>			
Accounts payable	\$ <u>2,632</u>	\$ <u>-</u>	\$ <u>2,632</u>
TOTAL LIABILITIES	<u>2,632</u>	<u>-</u>	<u>2,632</u>
<u>FUND BALANCES</u>			
Restricted	<u>265,395</u>	<u>-</u>	<u>265,395</u>
TOTAL FUND BALANCES	<u>\$ 265,395</u>	<u>\$ -</u>	<u>\$ 265,395</u>

See accompanying notes to the financial statements.

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2015

	<u>LTF Transportation</u>	<u>Abandoned Vehicle Abatement</u>	<u>Total</u>
<u>REVENUES</u>			
Subvention and grants	\$ -	\$ 16,763	\$ 16,763
Streets	561,843	-	561,843
Interest income	<u>1,068</u>	<u>-</u>	<u>1,068</u>
TOTAL REVENUES	<u>562,911</u>	<u>16,763</u>	<u>579,674</u>
<u>EXPENDITURES</u>			
General administration	453	16,599	17,052
Capital outlay	<u>28,282</u>	<u>-</u>	<u>28,282</u>
TOTAL EXPENDITURES	<u>28,735</u>	<u>16,599</u>	<u>45,334</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>534,176</u>	<u>164</u>	<u>534,340</u>
<u>OTHER FINANCING USES</u>			
Operating transfers out	<u>(253,000)</u>	<u>(164)</u>	<u>(253,164)</u>
TOTAL OTHER FINANCING USES	<u>(253,000)</u>	<u>(164)</u>	<u>(253,164)</u>
CHANGE IN FUND BALANCES	281,176	-	281,176
FUND BALANCES, JULY 1, 2014	<u>265,395</u>	<u>-</u>	<u>265,395</u>
FUND BALANCES, JUNE 30, 2015	<u>\$ 546,571</u>	<u>\$ -</u>	<u>\$ 546,571</u>

See accompanying notes to the financial statements.

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2014

	<u>LTF</u> <u>Transportation</u>	<u>Abandoned</u> <u>Vehicle</u> <u>Abatement</u>	<u>Total</u>
<u>REVENUES</u>			
Subvention and grants	\$ -	\$ 29,757	\$ 29,757
Streets	40,381	-	40,381
Interest income	<u>1,077</u>	<u>-</u>	<u>1,077</u>
TOTAL REVENUES	<u>41,458</u>	<u>29,757</u>	<u>71,215</u>
<u>EXPENDITURES</u>			
General administration	29,772	29,485	59,257
Capital outlay	<u>22,981</u>	<u>-</u>	<u>22,981</u>
TOTAL EXPENDITURES	<u>52,753</u>	<u>29,485</u>	<u>82,238</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,295)</u>	<u>272</u>	<u>(11,023)</u>
<u>OTHER FINANCING USES</u>			
Operating transfers out	<u>(233,576)</u>	<u>(272)</u>	<u>(233,848)</u>
TOTAL OTHER FINANCING USES	<u>(233,576)</u>	<u>(272)</u>	<u>(233,848)</u>
CHANGE IN FUND BALANCES	(244,871)	-	(244,871)
FUND BALANCES, JULY 1, 2013	<u>510,266</u>	<u>-</u>	<u>510,266</u>
FUND BALANCES, JUNE 30, 2014	<u>\$ 265,395</u>	<u>\$ -</u>	<u>\$ 265,395</u>

See accompanying notes to the financial statements.

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

In accordance with Section 99400 (a) and (c) of the Transportation Development Act, monies are reported in the City of Patterson's Transportation Development Act Funds. The monies of the Transportation Development Act Funds are the City of Patterson's share of the Transportation Development Act allocations that are legally restricted for specific purposes. The operation of these funds are accounted for as "Special Revenue Funds" in a separate set of self-balancing accounts that consist of assets, liabilities, fund balances, revenues, and expenditures.

B. Basis of Accounting

The financial statements of the City of Patterson Transportation Development Act Funds are prepared on 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 fiscal period. The City defines available to be within 60 days of year-end. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

C. Equity Classifications

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. *Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. *Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- d. *Assigned* - Amounts that are constrained by the government's intent to be set for specific purposes, but are neither restricted or committed.
- e. *Unassigned* - Amounts representing the residual classification for the general fund.

Further detail about the Transit fund balance classification is described in Note 6.

D. Use of Estimates

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

NOTE 2: ANNUAL FINANCIAL STATEMENTS

These financial statements are intended to reflect only the City of Patterson Transportation Development Act Funds financial position, results of operations, and compliance with the Transportation Development Act. The funds are included in the financial statements of the City.

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 3: CASH AND INVESTMENTS

Cash and investments are combined with the City of Patterson's pooled cash and investment accounts to maximize investment opportunity and yields. The City maintains an investment pool and allocates interest to the various funds based upon their cash balance at the end of each month. Investments held in the City's investment pool are available on demand to the Transportation Development Act Funds and are stated at fair value.

Investment Policy

The Transportation Development Act funds follow the same policies of the City which may be found in the notes to the City of Patterson's basic financial statements.

Interest Rate Risk

The City of Patterson Transportation Development Act Funds' cash and investments are pooled with the City of Patterson's cash and investments. Additional disclosures regarding interest rate risk are available in the City of Patterson's financial statements.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City of Patterson investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the City of Patterson investment pool).

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 made 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: TRANSFERS

During fiscal year 2015, the City transferred \$253,164 from the Transportation Development Act funds to the City Streets Projects fund for street projects. In fiscal year 2014, the City transferred \$233,848 from the Transportation Development Act funds to the City Streets Projects fund for street projects.

NOTE 6: FUND BALANCE

In fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

CITY OF PATTERSON
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 6: FUND BALANCE (CONTINUED)

The City established the following fund balance procedures:

Committed Fund Balance: The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

Assigned Fund Balance: Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The policy hereby delegates the authority to assign amounts to be used for specific purposes to the City Manager and the Finance Director for the purpose of reporting these amounts in the annual financial statements.

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

As of June 30, 2015, all fund balances of the Transportation Act Funds were restricted.



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

INDEPENDENT AUDITOR'S 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 THE AVA PROGRAM HANDBOOK

Honorable Mayor and Members
of the City Council
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, and certain provisions of the *AVA Program Handbook* issued by the California Highway Patrol, the financial statements of the Transportation Development Act Funds of the City of Patterson, as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Transportation Development Act Funds of the City of Patterson'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 Transportation Development Act Funds of the City of Patterson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transportation Development Act Funds of the City of Patterson'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 Transportation Development Act Funds of the City of Patterson'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* or the *AVA Program Handbook*.

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.

Mam Chitilul CPAs

Sacramento, California
October 27, 2016



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE STANISLAUS COUNCIL OF GOVERNMENTS

Honorable Mayor and Members
of the City Council
Patterson, California

We have audited the financial statements of the Transportation Development Act Funds of the City of Patterson as of June 30, 2015 and 2014 and for the years then ended and have issued our report thereon dated October 27, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the Transportation Development Act Funds of the City of Patterson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Transportation Development Act Funds of the City of Patterson's were made in accordance with the allocation instructions and resolutions of the Stanislaus Council of Governments and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6666 that are applicable to the Transportation Development Act Funds of the City of Patterson. In connection with our audit, nothing came to our attention that caused us to believe the City of Patterson failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission. 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.

This report is intended solely for the information and use of the City Council of the City of Patterson, management and the Board of Directors of Stanislaus Council of Governments, the California Department of Transportation, and the California State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Mann Urrutia Nelson CPAs

Sacramento, California
October 27, 2016