

City of Patterson
Transportation Development Act Funds

Patterson, California

Independent Auditors' Reports
and Financial Statements

For the Year Ended June 30, 2017



City of Patterson
Transportation Development Act Funds
For the Years Ended June 30, 2017 and 2016

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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, 2017 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.

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 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, 2017, 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 2, the financial statements present only the TDA Funds of the City and are not intended to present fairly the financial position and results of operation of the City in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the City’s internal control over TDA Funds’ 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 TDA Funds’ financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over TDA Funds’ 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 TDA Funds’ financial reporting and compliance.

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Walnut Creek, California
March 23, 2018



**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*, THE
ABANDONED VEHICLE ABATEMENT PROGRAM HANDBOOK, AND WITH THE STATUTES, RULES
AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE
ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE STANISLAUS COUNCIL OF
GOVERNMENTS**

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, 2017, and the related notes to the financial statements, which collectively comprise Authority’s basic financial statements and have issued our report thereon dated March 23, 2018.

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) 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 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 TDA Funds' 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 TDA Funds financial statement amounts. Additionally, we performed tests to determine that the allocations made and expenditures paid by the TDA Funds of the City 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 task identified in the California Code of Regulations Sections 66666 that are applicable to the TDA Funds of the City. 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 *Abandoned Vehicle Abatement 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
March 23, 2018

City of Patterson
Transportation Development Act Funds
Balance Sheet
June 30, 2017

	<u>LTF</u> <u>Transportation</u>	<u>Abandoned</u> <u>Vehicle</u> <u>Abatement</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 514,142	\$ -	\$ 514,142
Interest receivable	524		524
Total assets	<u>\$ 514,666</u>	<u>\$ -</u>	<u>\$ 514,666</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Unearned revenue	\$ 297,142	\$ -	\$ 297,142
Total liabilities	<u>297,142</u>	<u>-</u>	<u>297,142</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	12,328	-	12,328
Total deferred inflows of resources	<u>12,328</u>	<u>-</u>	<u>12,328</u>
FUND BALANCES:			
Restricted for Transportation	205,196	-	205,196
Total Fund Balances	<u>205,196</u>	<u>-</u>	<u>205,196</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 514,666</u>	<u>\$ -</u>	<u>\$ 514,666</u>

City of Patterson
Transportation Development Act Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

	<u>LTF Transportation</u>	<u>Abandoned Vehicle Abatement</u>	<u>Total Governmental Funds</u>
REVENUES:			
Subvention and grants	\$ -	\$ 13,875	\$ 13,875
Streets - SB325	122,691	-	122,691
Interest	3,280	-	3,280
Total revenues	<u>125,971</u>	<u>13,875</u>	<u>139,846</u>
EXPENDITURES:			
General administration	-	13,875	13,875
Total expenditures	<u>-</u>	<u>13,875</u>	<u>13,875</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>125,971</u>	<u>-</u>	<u>125,971</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	(150,000)	-	(150,000)
Total other financing sources (uses)	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
Net change in fund balances	(24,029)	-	(24,029)
FUND BALANCES:			
Beginning of year	229,225	-	229,225
End of year	<u>\$ 205,196</u>	<u>\$ -</u>	<u>\$ 205,196</u>

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, 2017

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City of Patterson
Transportation Development Act Funds
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Transportation Development Act Funds (“TDA Funds”) of the City of Patterson, California (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. 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 are described below.

A. 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 are accounted for “Special Revenue Funds” in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate.

B. 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 90 days.

C. Cash, Cash Equivalents and Investment

The Transportation Development Act Funds’ cash is pooled with the City’s internal investment pool, which is 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.

D. Fund Balances

For governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

City of Patterson
Transportation Development Act Funds
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fund Balances (Continued)

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government’s highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the Authority.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Authority’s 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.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes, it may be necessary to report negative unassigned fund balance in that particular fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City’s policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

E. 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, 2017 was \$514,142.

Cash is deposited in the City’s internal investment pool, which is reported at Fair Value. The TDA Funds does 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 Funds are those of the City and are included in the City’s basic financial statements.

City of Patterson
Transportation Development Act Funds
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

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 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 4 – Transfer

During fiscal year ended June 30, 2017, the City transferred \$150,000 from the TDA Funds to the City's Street Projects Special Revenue Fund for street projects.

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