

City of Patterson
Transportation Development Act Fund

Patterson, California

Independent Auditors' Reports
and Financial Statements

For the Year Ended June 30, 2021



City of Patterson
Transportation Development Act Fund
For the Year Ended June 30, 2021

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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 Fund (the "TDA Fund") of the City of Patterson (the "City") as of June 30, 2021 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.

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 an opinion 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 Fund as of June 30, 2021, 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 Fund of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2021, 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 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 December 29, 2021, 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.

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

Walnut Creek, California
December 29, 2021



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, 2021, 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 December 29, 2021.

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 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 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.

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

Walnut Creek, California
December 29, 2021

City of Patterson
Transportation Development Act Fund
Balance Sheet
June 30, 2021

	LTF Transportation
ASSETS	
Cash and investments	\$ 268,924
Interest receivable	54
Total assets	\$ 268,978
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Unearned revenue	\$ 309,470
Total liabilities	309,470
FUND BALANCE:	
Unrestricted (deficit)	(40,492)
Total fund balance	(40,492)
Total liabilities and fund balance	\$ 268,978

City of Patterson
Transportation Development Act Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2021

	LTF Transportation
REVENUES:	
Interest	\$ 1,235
Total revenues	1,235
EXPENDITURES:	
General government	6,366
Total expenditures	6,366
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,131)
OTHER FINANCING SOURCES (USES):	
Transfers in	11,398
Transfers out	(109,242)
Total other financing sources (uses)	(97,844)
Net change in fund balance	(102,975)
FUND BALANCE (DEFICIT):	
Beginning of year	62,483
End of year	\$ (40,492)

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, 2021

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City of Patterson
Transportation Development Act Fund
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 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 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 City’s 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.

City of Patterson
Transportation Development Act Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

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 fund only receives restricted revenues, therefore any remaining fund balance is 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 Fund's share of the City's cash and investments at June 30, 2021 was \$268,924.

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 associated 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, 2021, the balance of \$309,470 is unearned revenue and consists of unspent funds of \$297,142 of FY2016 Congestion Mitigation and Air Quality (CMAQ) Improvement funding and \$12,328 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.

City of Patterson
Transportation Development Act Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 5 – Restrictions (Continued)

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 – Transfer

During fiscal year ended June 30, 2021, the City transferred \$11,398 from the City's Measure L Special Revenue Fund to the TDA Fund for an adjustment in funding for the slurry seal project which was determined to be fully funded with Measure L sales tax revenue.

During fiscal year ended June 30, 2021, the City transferred \$109,242 from the TDA Fund to the City's Street Projects Special Revenue Fund for transit related street projects.

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